Liberty

Prospectus and Product Disclosure Statement

INITIAL PUBLIC OFFERING

In relation to the offer of 53.4 million Securities, each comprising ordinary shares in Liberty Financial Group Limited (ACN 125 611 574) and units in Liberty Financial Group Trust (ARSN 644 813 847)

Sole Global Coordinator
and Lead Manager

CREDIT SUISSE

Important Notices

Offer

The Offer contained in this Offer Document is an invitation to acquire Shares of Liberty Financial Group Limited (ACN 125 611 574) (the "Company") and Units in Liberty Financial Group Trust (ARSN 644 813 847) ("Trust") (together, the Shares and the Units stapled together are referred to as the "Securities"). This Offer Document is issued by the Company, the Responsible Entity in its capacity as responsible entity of the Trust and Liberty SaleCo Limited (ACN 645 932 789) ("SaleCo"). The Company and the Trust are collectively referred to in this Offer Document as the "Liberty Group" and the Liberty Group and SaleCo are collectively referred to in this Offer Document as the "Offerors").

Product disclosure statement

To the extent that this Offer Document relates to an offer of Units in the Trust, it is a product disclosure statement for the purposes of Part 7.9 of the Corporations Act and has been issued by the Responsible Entity and SaleCo.

Prospectus

To the extent that this Offer Document relates to an offer of Shares, it is a prospectus for the purposes of Chapter 6D of the Corporations Act and has been issued by the Company and SaleCo.

Lodgement and Listing

This Offer Document is dated 26 November 2020 ("Offer Document Date") and was lodged with ASIC on that date. The Liberty Group will apply to the ASX for the Listing of the Liberty Group and quotation of the Securities on the ASX, within 7 days of the Offer Document Date.

None of ASIC, ASX or their respective officers take any responsibility for the contents of this Offer Document or the merits of the investment to which this Offer Document relates.

ASX reserves the right (but without limiting its absolute discretion) to remove one or more entities with Securities from the Official List if any of their securities cease to be stapled together, or any equity securities are issued by one entity which are not stapled to equivalent securities in the other entity or entities.

Expiry Date

This Offer Document expires on the date that is 13 months after the date of the Offer Document. No Securities will be issued or transferred on the basis of this Offer Document after the expiry date.

Note to Applicants

The information contained in this Offer Document is not financial product advice and does not take into account the investment objectives, financial situation and particular needs (including financial and taxation issues) of any prospective investor.

It is important that you read this Offer Document carefully and in full before deciding whether to invest in the Liberty Group. In particular, you should consider the risk factors that could affect the financial performance of the Liberty Group. You should carefully consider these factors in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

Some of the risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Offerors, the Directors, the Lead Manager or any other person in connection with the Offer. You should rely only on information in this Offer Document.

Exposure Period

The Corporations Act prohibits the Offerors from processing Applications in the seven-day period after the date of lodgement of this Offer Document with ASIC ("Exposure Period"). The Exposure Period may be extended by ASIC by up to a further seven days. The Exposure Period is to enable this Offer Document to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Offer Document, in which case any Application may need to be dealt with in accordance with the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of that period. No interest will be paid on any Application Monies received or refunded. No preference will be conferred on Applications received during the Exposure Period.

Obtaining a Copy of this Offer Document

This Offer Document is available to Australian and New Zealand investors, and certain eligible investors in other jurisdictions as specifically set out in this Offer Document, in electronic form at www.lfgroup.com.au. The Offer constituted by this Offer Document in electronic form at www.lfgroup.com.au is available only to persons within Australia, New Zealand and certain eligible investors in other jurisdictions as specifically set out in this Offer Document. It is not available to persons in other jurisdictions (including the United States) in which it would not be lawful to make such an offer or invitation. Persons having received a copy of this Offer Document in its electronic form may, before the Closing Date, obtain a paper copy of this Offer Document (free of charge) by telephoning the Liberty Financial Offer Information Line on 1800 129 431 (within Australia) or +61 1800 129 431 (outside Australia) from 8.30am to 5.30pm AEDT Monday to Friday during the Offer Period.

Applications for Securities may only be made on an Application Form attached to or accompanying this Offer Document, or in its paper copy form which may be downloaded in its entirety from www.liberty.com.au/investor. Refer to Section 7 for further information.

Statements of Past Performance

This Offer Document includes information regarding the past performance of the Liberty Group. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Financial Performance

Section 4 sets out in detail the Financial Information referred to in this Offer Document and the basis of preparation of that information. All references to FY18, FY19, FY20 and FY21 appearing in this Offer Document are to the financial years ended or ending 30 June 2018, 30 June 2019, 30 June 2020 and 30 June 2021, respectively, unless otherwise indicated.

The Pro Forma Historical Financial Information has been prepared and presented in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards, except as otherwise stated. The Forecast Financial Information included in the Offer Document is unaudited and is based on a number of assumptions including those set out in Section 4.9. The basis of preparation and presentation of the Forecast Financial Information is, to the extent applicable, consistent with the basis of preparation and presentation of the Pro Forma Historical Financial Information. The Pro Forma Historical Financial Information and the Forecast Financial Information in this Offer Document should be read in conjunction with, and are qualified by reference to, the information contained in Section 5.

All financial amounts contained in this Offer Document are expressed in Australian currency, unless otherwise stated. Any discrepancies between totals and sums of components in tables and figures contained in this Offer Document are due to rounding.

Forward-Looking Statements

The Offer Document contains forward-looking statements which are identified by words such as "believes", "considers", "could", "estimates", "expects", "intends", and other similar words that involve risks and uncertainties. The Forecast Information included in Section 4.9 is an example of forward-looking statements. Any forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements, many of which are beyond the control of the Offerors, the Directors and the managers of the Offerors. The Forecast Financial Information and the forward-looking statements should be read in conjunction with, and are qualified by reference to the risk factors as set out in Section 5, the specific and general assumptions set out in Sections 4.9.1 and 4.9.2, the sensitivity analysis set outlined in Section 4.10 and other information contained in this Offer Document.

The Offerors and the Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Offer Document will actually occur and investors are cautioned not to place undue reliance on such forward-looking statements. The Offerors have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Offer Document, except where required by law.

This Offer Document, including the industry overview in Section 2, uses market data and third-party estimates and projections. There is no assurance that any of the third-party estimates or projections contained in this information will be achieved. The Offerors have not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

No Cooling Off Rights

Cooling off rights do not apply to an investment in Securities issued or transferred under this Offer Document. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Data, Photographs and Diagrams

Photographs and diagrams used in this Offer Document that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Offer Document or its contents or that the assets shown in them are owned by the Liberty Group. Diagrams used in this Offer Document are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in this Offer Document and in charts, graphs and tables is based on information at the Offer Document Date.

The Liberty Group's website

Any references to documents included on the Liberty Group's website at www.liberty.com.au/investor are for convenience only, and none of the documents or other information available on the Liberty Group's website is incorporated by reference into this Offer Document.

Defined Terms and Time

Defined terms and abbreviations have the meaning given in the Glossary set out in Appendix C of this Offer Document. Unless otherwise stated or implied, references to times in this Offer Document are to the AEDT.

The references within this Offer Document to any Liberty Entity entering into certain arrangements do not specify whether the arrangements are entered into by the Company, the Trust or a Liberty Entity and this is a matter of convenience. Certain arrangements will be entered into by the Company, the Trust or any of the Liberty Entities uniquely.

Disclaimers

Except as required by law, and only to the extent so required, none of the Offerors, the Directors, the Lead Manager or any other person in connection with the Offer warrants or guarantees the future performance of the Liberty Group, or any return on any investment made pursuant to this Offer Document.

It is expected that the Securities will be quoted on the ASX initially on a conditional and deferred settlement basis. The Offerors, the Directors, the Lead Manager, the Registry and the Founder Group disclaim all liability, whether in negligence or otherwise, to persons who trade Securities before receiving their holding statements.

Credit Suisse (Australia) Limited has acted as Lead Manager to the Offer.

Important Notices

The Lead Manager has not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Offer Document and there is no statement in this Offer Document which is based on any statement made by it or by any of its affiliates, officers or employees. To the maximum extent permitted by law, the Lead Manager and its affiliates, officers, employees and advisers expressly disclaim all liabilities in respect of, and make no representations regarding, and take no responsibility for, any part of this Offer Document other than references to their name and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Offer Document.

Selling Restrictions

This Offer Document does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Securities or the Offer, or to otherwise permit a public offering of the Securities, in any jurisdiction outside Australia or New Zealand. The distribution of this Offer Document outside Australia or New Zealand may be restricted by law and persons who come into possession of this Offer Document outside Australia or New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

In particular, the Securities have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States unless the Securities are registered under the US Securities Act, or an exemption from the registration requirements of the US Securities Act and applicable US state securities laws is available.

See Section 12.7 for more detail on selling restrictions that apply to the offer and sale of Securities in jurisdictions outside Australia and New Zealand.

Privacy

By filling out the Application Form to apply for Securities, you are providing personal information to the Offerors, through the Registry which is contracted by the Offerors to manage Applications. The Offerors, the Lead Manager and the Registry may collect, hold, use and disclose that personal information to process and assess your Application, service your needs as a Security Holder, provide facilities and services that you need or request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, the Offerors and the Registry may not be able to process or accept your Application. Your personal information may also be used from time to time to inform you about other products and services offered by the Liberty Group, which it considers may be of interest to you.

Your personal information may also be provided to the Offerors' members, agents and service providers on the basis that they deal with such information in accordance with the Liberty Group's privacy policy and applicable laws. The members, agents and service providers of the Offerors may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Registry for ongoing administration of the register of Security Holders;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Security Holder database and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Securities and for associated actions.

If an Applicant becomes a Security Holder, the Corporations Act requires the Offerors to include information about the Security Holder (including name, address and details of the Securities held) in its public register of members. The information contained in the Liberty Group's register of members must remain there even if that person ceases to be a Security Holder. Information contained in the Liberty Group's register of members is also used to facilitate distribution payments and corporate communications (including the Liberty Group's financial results, annual reports and other information that the Liberty Group may wish to communicate to its Security Holders) and compliance by the Liberty Group with legal and regulatory requirements. An Applicant has a right to gain access to their personal information that the Offerors and the Registry hold about that person, subject to certain exemptions under law. A fee may be charged for access. For information about the storage of personal information by the Registry, you can contact the Registry by email at registrars@linkmarketservices.com.au or by phone at 1300 554 474. Access requests must be made in writing or by telephone call to the Liberty Group's registered office or the Registry's office, details of which are disclosed in the Corporate Directory.

Applicants can obtain a copy of the Liberty Group's privacy policy by visiting the Liberty Group website (at www.liberty.com.au/disclosures/privacy-policy). By submitting an Application, you agree that the Offerors and the Registry may communicate with you in electronic form or contact you by telephone in relation to the Offer.

Offer Management

The Offer is being arranged, managed and underwritten by Credit Suisse (Australia) Limited (other than the Employee Gift Offer, which is not underwritten).

The Underwriting Agreement sets out a number of circumstances where the Lead Manager may terminate the agreement and their obligations. For further information on the terms and conditions of the Underwriting Agreement, you should refer to Section 11.2 of this Offer Document.

Lead Manager

The Lead Manager, its Affiliates and related bodies corporate, and each of their respective directors, officers, partners, employees, agents and representatives may, from time to time, have interests in the Securities or other financial products of Liberty Group, including providing corporate advisory or other financial advisory services to Liberty Group, its affiliates and/or managing the offering of such Securities or other financial products. Further, they may, from time to time, have long or short positions in, act as a market maker or buy or sell (on a principal basis or otherwise), securities, derivatives or other financial products as principal or agent or serve as a director of any companies mentioned in this Offer Document. One or more entities within the Lead Manager group may act as a lender and/or counterparty to the Liberty Group or its Affiliates and may now or in the future provide financial accommodation or services to the Liberty Group or its Affiliates. The Lead Manager (and/or its Affiliates and related bodies corporate) may receive and retain fees, profits and other financial benefits in each of these capacities and in connection with these activities, including in its capacity as a Lead Manager to the offering of the Securities.

Investment by New Zealand Investors

Warning Statement

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the NZ FMCA and Part 9 of the Financial Markets Conduct Regulations 2014.

This Offer and the content of the Offer Document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the regulations made under that Act set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

Currency exchange risk

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

Trading on a financial product market

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

Report on Directors' Forecasts and Financial Services Guide

The provider of the Investigating Accountant's Report is required to provide Australian retail clients with a financial services guide in relation to the review under the Corporations Act.

The financial services guide is provided in Section 8.

Questions

If you have any questions about how to apply for Securities, please call the Liberty Financial Offer Information Line on 1800 129 431 (within Australia) or +61 1800 129 431 (outside Australia) from 8.30am to 5.30pm (AEDT) Monday to Friday during the Offer Period or contact your Broker. Instructions on how to apply for Securities are set out in Section 7 of this Offer Document and on the back of the Application Form.

If you have any questions about whether to invest in the Liberty Group, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Liberty Group.

Contents

Key Offer Details

Date may Change

The dates in the "Key Dates" table on the opposite page are indicative only and may be subject to change without notice.

The Offerors, in consultation with the Lead Manager, reserves the right to vary any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws, including to close the Offer early, extend the Offer, defer the Closing Date, accept late Applications either generally or in particular cases, transfer Securities at different times to investors, or withdraw the Offer, without prior notification. The quotation and commencement of trading of the Securities are subject to confirmation from ASX. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

Investors are encouraged to submit their Application Forms as early as possible after the Offer opens. Time stated throughout this Offer Document refers to AEDT.

How to Invest

Applications for Securities can only be made by completing and lodging an Application Form. Instructions on how to apply for Securities are set out in Section 7 of this Offer Document and on the back of the Application Form.

Questions

If you have any questions about how to apply for the Securities, please call the Liberty Financial Offer Information Line on 1800 129 431 (within Australia) or +61 1800 129 431 (outside Australia) from 8.30am to 5.30pm (AEDT) Monday to Friday during the Offer Period, or contact your Broker.

If you have any questions about whether to invest in the Liberty Group, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Liberty Group.

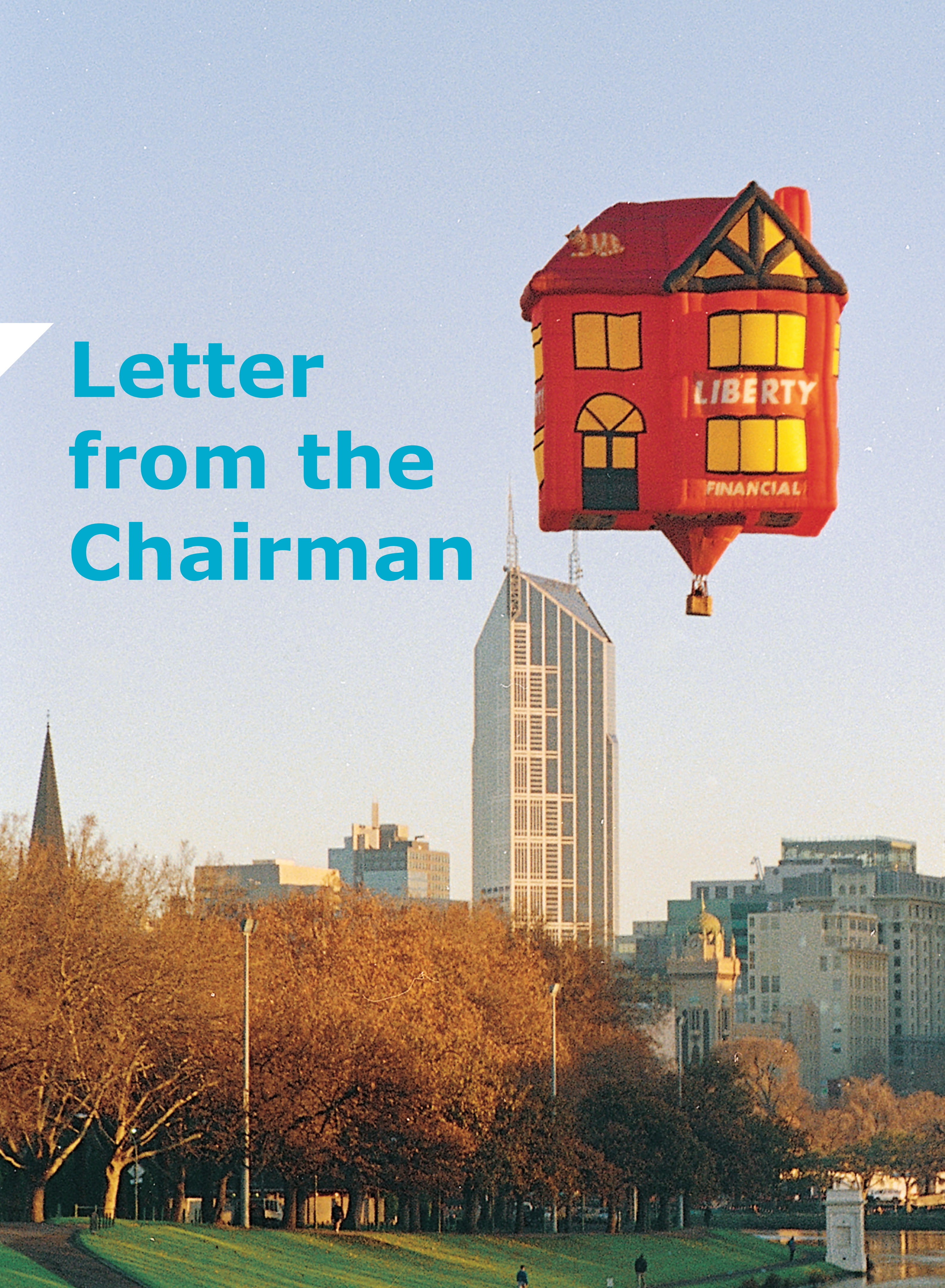
Key Dates

Offer Document lodgement date	**Thursday, 26 November 2020**
Broker Firm Offer, Priority Offer and Employee Gift Offer open	**Friday, 4 December 2020**
Broker Firm Offer, Priority Offer and Employee Gift Offer Closing Date	**Friday, 11 December 2020**
Expected commencement of trading of Securities on the ASX (on a conditional and deferred settlement basis)	**Tuesday, 15 December 2020**
Settlement	**Wednesday, 16 December 2020**
Completion (transfer of Securities)	**Thursday, 17 December 2020**
Expected commencement of trading of Securities on the ASX (on a normal settlement basis)	**Thursday, 17 December 2020**
Expected dispatch of holding statements	**Monday, 21 December 2020**

Key Offer Statistics

Offer price per Security	**$6.00**
Total proceeds from transfer of Securities under the Offer	**$320.7 million**
Total number of Securities available under the Offer	**53.4 million**
Number of Securities to be held by the Founder Group after the Offer	**234.9 million**
Total number of Securities on issue at Completion of the Offer	**303.6 million**
Market capitalisation at the Offer Price	**$1.82 billion**
Pro forma consolidated FY21 forecast total income	**$838.2 million**
Pro forma consolidated FY21 forecast net profit after tax excluding amortisation	**$165.6 million**
Pro forma consolidated FY21 forecast net profit after tax excluding amortisation per Security	**$0.55**
Offer Price / pro forma consolidated FY21 forecast net profit after tax excluding amortisation per Security	**11.0x**
Annualised pro forma forecast FY21 distribution yield at the Offer Price (at the midpoint of the target payout ratio)	**5.1%**

Letter from the Chairman



26 November 2020

Dear Investor,

On behalf of the Boards of Liberty Financial Group Ltd and Liberty Fiduciary Ltd as responsible entity of the Liberty Financial Group Trust, collectively the "Liberty Group". I am pleased to present you with the opportunity to become an investor in the Liberty Group.

Liberty is a leading financial services business with operations across Australia and New Zealand. Liberty provides a broad range of solutions for customers including those that are not well served by conventional finance companies. Liberty has developed a unique combination of core competencies that produce competitive advantage and long-term financial performance.

Liberty initially established itself in the Australian residential mortgage market. Over time, Liberty has leveraged its operating platform, proprietary technology, risk capabilities and intellectual property to expand into adjacent markets, including New Zealand, motor finance, commercial mortgages, personal loans, business loans, broking services and general insurance. Liberty has helped more than 500,000 customers get financial and advanced over $36 billion in finance.

Liberty has a market leading position within the non-bank lending sector[1] with a well-established, high quality loan portfolio and total assets of over $13 billion supporting visibility of future earnings. For the 12 months ending 30 June 2021, pro-forma net profit after tax excluding amortisation is forecasted to be $165.6 million, at a growth rate of 17% compared to pro-forma net profit after tax excluding amortisation for the 12 months ended 30 June 2020. The FY21 forecast takes into consideration Liberty's performance during the COVID-19 pandemic which is outlined in Section 3.4.

Liberty has a strong culture of innovation, focused on tailoring products and solutions to meet changing customer needs, with an extensive third-party distribution network and a growing direct distribution capability.

Liberty has a well-developed capital management capability, the benefits of which are clearly evidenced by Liberty's consistently profitable financial performance over 23 years of operation - a period which has included significant global financial shocks and credit market dislocations. By adopting a diversified funding base, Liberty enjoys a high level of funding stability and cost efficiency. For example, Liberty Financial Pty Ltd is the only Australian non-bank finance company with a public investment grade issuer rating.

The Liberty Group is led by a highly tenured group of Directors and senior managers with extensive financial services expertise. The senior management team has an average tenure of over 10 years with the Liberty Group.

The Liberty Group is undertaking the Offer to position it to pursue further growth opportunities in market segments in which Liberty has scale, as well as growth into emerging markets. The Founder Group will retain 77.4% of the Securities on issue after the Offer.

I invite you to consider this opportunity to invest in the Liberty Group. This Offer Document contains detailed information about the Offer and the financial and operating performance of the Liberty Group. As with all businesses, Liberty is subject to a range of specific and general risks (including the inherent uncertainty of the pandemic) which are detailed in Section 5. I encourage you to read this document carefully and consult your financial adviser before making any investment decision.

Yours sincerely

Richard Longes
Chairman

1. AFG Competition Index Media Release – June 2020.

Investment Overview

1

1.1. Introduction

Topic	Summary	For more information
Who is Liberty?	Liberty is a leading financial services business with operations across Australia and New Zealand. Liberty has consistently applied technological advances to pursue multiple specialty finance markets with its customised risk management and operational practices. Liberty has been able to develop a unique combination of core competencies that produce competitive advantage and sustainable long-term financial performance. Since inception, Liberty has helped more than 500,000 customers get financial.	Section 3.1
What products does Liberty offer its customers?	Liberty has developed a range of products across multiple specialty finance segments in Australia and New Zealand: • Residential Finance: Australian and New Zealand residential mortgages. • Secured Finance: Motor finance, commercial finance and loans to Self-Managed Super Funds ("SMSF"). • Financial Services: comprising a number of customer solutions including: – Personal loans provided by Money Place Holdings Pty Ltd ("MoneyPlace"); – Small and medium enterprises ("SMEs") loans primarily based on business cashflows and guarantees (rather than mortgage security); – Mortgage broker services provided by Liberty Network Services Pty. Ltd. ("LNS"), Mike Pero Mortgages Limited ("MPM") and National Mortgage Brokers Pty Ltd ("nMB"); – Insurance solutions provided by A.L.I. Group Pty Ltd ("ALI") and LFI Group Pty Ltd ("LFI"); – Real Estate services in New Zealand ("NZ") provided by Mike Pero Real Estate Limited ("MPRE"); and – Investments and deposits.	Section 3.3 Section 3.6.2.2
What is Liberty's history?	Liberty was established in 1997 with initial entry into the Australian residential mortgage sector. Over time, Liberty has leveraged its operating platform, proprietary technology, risk capabilities and intellectual property to expand into adjacent markets.	Section 3.2

1 Investment Overview

Topic	Summary	For more information
What is Liberty's strategy?	Liberty provides a broad range of solutions for customers including those that are not well served by conventional finance companies. Liberty has successfully helped its customers and exhibited growth across all segments over the past five years. Liberty identifies growth opportunities through two lenses: • Growth through continual development in the market segments in which Liberty has scale; and • Growth opportunities in Liberty's adjacent market segments. Liberty's growth has predominantly been organically derived. That is, Liberty's business has developed based on meeting more customers' needs rather than relying on acquisitions. However, Liberty considers potential acquisitions from time to time. For example, in the past three years, Liberty acquired nMB, ALI and MoneyPlace to expand its solutions for customers, its distribution network and to diversify its income streams.	Section 3.7
Where does Liberty operate?	Liberty has operations in Australia and New Zealand, with headquarters in Melbourne and offices in Sydney, Auckland and Christchurch.	Section 3.8.1
What is the structure of Liberty Group?	Liberty Group is a stapled entity comprised of the Company and the Trust. The Responsible Entity of the Trust is a wholly owned subsidiary of the Company.	Section 3.5.4 Section 3.8.2
What is the role of the Company?	The Company primarily generates service income from activities such as origination, underwriting, customer service and servicing financial assets. It also earns interest income from investments in financial assets.	Section 3.8.2
What is the role of the Responsible Entity?	The Responsible Entity is the trustee of the Trust, holder of the Australian Financial Services Licence ("AFSL"), and the 'responsible entity' for the purposes of the Trust's registration as a managed investment scheme. The Responsible Entity's role is to provide oversight of the financial and commercial arrangements entered into by the Trust and to retain ultimate responsibility for the actions of the Trust.	Section 3.8.2
What is the role of the Trust?	The Trust is a holding trust for Liberty Group's wholesale and term securitisation entities. As a result of holding these entities, the Trust holds the rights to receive interest and fee income from principal amounts lent to borrowers, along with the corresponding obligation to pay interest amounts to a variety of funding sources.	Section 3.8.2

1.2. Key Features of Liberty's Business

Topic	Summary	For more information
Who are Liberty's customers?	Liberty provides a broad range of solutions for customers including to those who may not be well served by conventional finance companies such as banks. Liberty serves a broad customer base including individuals, SMSFs and SMEs across Australia and New Zealand.	Section 3.1 Section 3.3 Section 3.6.2.2
How does Liberty source business?	Liberty originates its business through three channels: • **Third-party**: a network of over 14,000 active independent introducers including mortgage brokers, finance brokers, real estate agents and accountants. • **Retail**: includes LNS, nMB and MPM, which comprise a network of nearly 700 Liberty Group branded and non-branded mortgage brokers across Australia and New Zealand. • **Direct**: engaging with the Liberty Group directly either on the phone or via the internet.	Section 3.6.1
How does Liberty assess credit risk?	Liberty's underwriting process integrates application processing, credit assessment and data verification. Liberty's underwriting platform is proprietary rules-based system that incorporates Liberty's credit decisions across the diverse range of circumstances along a wide risk spectrum. Liberty's credit parameters and verification procedures continuously evolve as its database of borrower behaviour develops.	Section 3.6.2
How does Liberty generate revenue?	Liberty generates diverse sources of revenue: • **Interest income:** the interest charged to borrowers for secured and unsecured loans; • **Loan fees:** upfront loan establishment fees, ongoing loan service fees and loan discharge fees paid by borrowers; • **Broking commission:** includes upfront and trail commission received from lenders for the distribution of loan and insurance products or commission on the sale of properties; • **Sale commission:** includes upfront and trail commissions received from the sale of financial products, including insurance contracts and real estate; and • **Premium income:** the insurance premium charged to policyholders for consumer credit insurance solutions.	Section 3.6.2.2

1 Investment Overview

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>What are Liberty's key products?</td><td>Since the introduction in 1997 of Liberty's initial Australian mortgage product offering, Liberty has continued to develop a range of products across multiple markets and for various customer segments.

Liberty's key products are summarised below:

<table>
<tr><th>Segment</th><th>Product</th></tr>
<tr><td>Australian Residential Mortgages</td><td>Liberty Sharp, Liberty Star, Liberty Free, Liberty Swift, Liberty Custom</td></tr>
<tr><td>New Zealand Residential Mortgages</td><td>Liberty Star, Liberty Fixed, Liberty Boost, Liberty Private</td></tr>
<tr><td>Motor Finance</td><td>Liberty Drive, Liberty Options, Liberty Business</td></tr>
<tr><td>Commercial Finance</td><td>Liberty Enterprise, Liberty Lease Stream, Liberty Boost, Liberty SuperCredit</td></tr>
<tr><td>Personal Loans</td><td>Liberty Personal Loan, MoneyPlace</td></tr>
<tr><td>SME lending</td><td>Liberty Lift, Liberty Access, Liberty Mint, Liberty Business Care,</td></tr>
<tr><td>Liberty Network Services, National Mortgage Brokers</td><td>Residential mortgages, Motor finance, Commercial mortgages, SMSF lending, Business lending, Custom lending, Insurance</td></tr>
<tr><td>Mike Pero</td><td>Residential mortgages, Commercial finance, Insurance, Personal loans, Real Estate</td></tr>
<tr><td>LFI</td><td>Loan Protection Insurance, Vehicle Equity Insurance</td></tr>
<tr><td>ALI</td><td>My Protection Plan</td></tr>
<tr><td>Investments and deposits</td><td>High Yield Fund (Australia), Term Investment Fund (Australia), Debenture Deposits (New Zealand)</td></tr>
</table>
</td><td>Section 3.6.2.2</td></tr>
<tr><td>Describe Liberty's customer service function</td><td>Liberty seeks to deliver best in class service to its customers. The Liberty team is united by a purpose of helping more people get financial. In pursuing that purpose, the team seeks to help people lead better lives using finance through an experience that is fast, certain and accessible.

Liberty has developed a purpose-built servicing platform to meet the specialised requirements of managing its diverse portfolio. The capabilities include documentation compliance, account establishment, welcome calls, remittance processing, security discharges and modifications, arrears management, forbearance arrangements, loss mitigation and loss recovery.

As an illustration of Liberty's specialised servicing capabilities, as of September 2020, 0.4% of Liberty's customers were on a payment holiday program.</td><td>Section 3.6.3</td></tr>
</table>

Topic	Summary	For more information
What is the composition of Liberty's loan portfolio?	Liberty actively manages its loan portfolio to ensure diversification across a range of factors including, but not limited to, loan type, loan to valuation ratio ("LVR"), geographic spread, industry, employment type, security type, credit profile, verification type and loan purpose. The loan portfolio is managed both on a product basis and an overall portfolio level, with a review of portfolio mix conducted at regular intervals. Liberty seeks to optimise the portfolio mix between risk classes to ensure an adequate balance between loans which generate lower margins with lower risk, and loans yielding higher margins, albeit with higher risk profiles.	Section 3.6.2.2 Section 3.6.2.3
What is Liberty's track record of underwriting performance?	Liberty's portfolio displays superior loss rates relative to domestic benchmarks. This is as a result of Liberty's embedded risk-based pricing and underwriting approach, backed by technology and a personalised and proactive servicing approach.	Section 3.6.3.1 Section 3.6.4.5
How does Liberty fund its business operations?	Liberty has a well-developed capital management capability, the benefits of which are clearly evidenced by Liberty's consistently profitable financial performance over 23 years of operation - a period which has included significant global financial shocks and credit market dislocations. Through adopting a diversified funding base, Liberty enjoys a high level of funding stability and cost efficiency. Liberty Financial Pty Ltd, a wholly owned subsidiary of the Company, is the only investment grade rated non-bank lender in the Australian and New Zealand market, allowing it to access multiple funding sources. Liberty's primary funding sources are Wholesale Facilities, established with 5 major commercial and investment banks, and Term Securitisation. Liberty also obtains capital from a variety of other sources, including Commercial Paper, Medium Term Notes ("MTN"), a Corporate Debt Facility, managed investment schemes, non-bank deposits and cash. Liberty plans to continue to grow and diversify its funding base.	Section 3.6.4

1 Investment Overview

1.3. Key Financial Metrics

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>What is Liberty's historical and forecast financial performance?</td><td>A select summary of Liberty's Pro Forma Historical Financial Information and Forecast Financial Information is set out below. Investors should read this information in conjunction with the more detailed discussion of the Financial Information set out in Section 4, including the assumptions, management discussion and analysis and sensitivity analysis as well as the key risks set out in Section 5.

<table>
<tr><th></th><th colspan="3">Pro Forma Historical[1]</th><th>Pro Forma Forecast[1]</th></tr>
<tr><th>A$ millions</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th></tr>
<tr><td>Total income[2]</td><td>635.5</td><td>811.3</td><td>852.1</td><td>838.2</td></tr>
<tr><td>Total expenses[3]</td><td>(565.5)</td><td>(735.2)</td><td>(704.1)</td><td>(663.3)</td></tr>
<tr><td>NPAT</td><td>61.6</td><td>67.0</td><td>130.3</td><td>153.9</td></tr>
<tr><td>NPATA[4]</td><td>73.4</td><td>78.7</td><td>142.0</td><td>165.6</td></tr>
</table>
Notes:
1. The Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information, and the Statutory Historical Financial Information and Statutory Forecast Financial Information included in this Offer Document have been prepared on the basis described in Section 4.2 of this Offer Document. The Pro Forma Forecast Financial Information varies from the Statutory Forecast Financial Information as explained in the reconciliation tables in Sections 4.3.3, 4.6, and 4.7.
2. Total income includes interest income and fee and other income.
3. Total expenses include interest expense, fee and commission expenses, employee expenses, bad and doubtful debts, loan establishment and management expenses and other expenses.
4. "NPATA" refers to net profit after tax excluding amortisation pertaining to intangibles on a tax effected basis. Management believes NPATA is an important measure of the underlying cash earnings of the business.</td><td>Section 4</td></tr>
<tr><td>What is Liberty's distribution policy?</td><td>Depending on future business conditions, available profits and the financial position of Liberty, it is the current intention of the Directors to pay distributions to Security Holders.

It is the current intention that the first distribution to Security Holders will be:

• in respect of the period 1 December 2020 to 30 June 2021;
• based on a target payout ratio of between 40 – 80% of pro forma NPAT for the seven months ending 30 June 2021;
• paid in July 2021 and will not be franked, as this distribution is expected to be made from the Trust; and
• $35.5 million to $70.9 million, which immediately post listing equates to between 11.7 and 23.3 cents per Security, based on results consistent with the Forecast Financial Information.</td><td>Section 4.11</td></tr>
</table>

Topic	Summary	For more information
What is Liberty's distribution policy? *(continued)*	The Responsible Entity and the Company have jointly established a DRP, as an alternative for Security Holders in relation to this distribution. Following payment of the first distribution, Liberty intends to target a distribution payout ratio between 40 to 80% of Liberty's NPAT, as well as offer a distribution reinvestment plan to Security Holders. The level of payout may vary between periods depending upon Liberty's capital management plans at the time. Whilst distributions are currently expected to only be made from the Trust and hence be unfranked, if the distribution policy changes to include dividends to be paid from earnings of the Company, such dividends are expected to be franked. No assurances can be given by any person, including the Directors, about the payment of distribution and the level of franking on such distributions. Please read the Forecast Financial Information as set out in Section 4.9 and the risk factors as set out in Section 5.	Section 6.5 Section 9
Will there be a Dividend Reinvestment Plan ("DRP")?	The Responsible Entity and the Company have jointly established a DRP. Refer to Section 6.5 for a summary of the DRP.	Section 6.5

1 Investment Overview

1.4. Investment Highlights

Topic	Summary	For more information
A pioneer and market leader in specialty lending in Australia and New Zealand	• Liberty was the first specialty finance business of its type in the region to lend to home loan non-conforming borrowers who were not served by the traditional major banks. • Total assets of $13.0 billion and total income of $852 million in FY20. • Top 10 lender across all mortgages.	Section 3.1 Section 3.3 Section 3.5.1
Favourable long-term industry dynamics and market structure expected to support continued growth	• The Australian residential mortgage market has grown significantly with $222 billion in new lending commitments in LTM to 30 June 2020. • Motor vehicle finance commitments have grown at a compound annual growth rate ("CAGR") of 2.4% between 2005 and 2020. • The market size of bank lending to SMEs totalled approximately $86 billion in LTM to 30 June 2020 with 8% of businesses taking out a new commercial mortgage in the LTM to June 2018. • Lending activity of authorised deposit-taking institutions ("ADIs") negatively impacted by regulatory inquiry. • Liberty has a track record of outperforming during periods of industry change.	Section 2.2 Section 2.4 Section 2.5 Section 2.13 Section 3.6.1
Proven track record of growth with attractive return metrics	• Track record of profit durability through multiple market shocks including the global financial crisis in 2007-2008 and has been profitable since establishment. • From FY10 to FY20, Liberty grew its loan portfolio by an average annual rate of 19.6%.	Section 3.2 Section 3.3
Well-established, high quality loan portfolio supports visibility of future earnings	• Liberty actively manages its portfolio to ensure diversification across a range of factors including, but not limited to, loan type, LVR, geographic spread, industry, employment type, security type, credit profile, verification type and loan purpose. • Liberty's geographic diversification largely mirrors the population dispersion and is comparable to the major banks and superior to all of the regional banks. • Predictable and stable earnings stream supported by high quality underlying assets.	Section 3.2 Section 3.3 Section 3.6.2.2 Section 3.8.1
Deep and extensive third-party distribution network and a growing direct distribution capability	• Liberty has positioned itself as a top 10 lending group within the Australian residential mortgage broking industry. • Long-term relationships with a wide range of business partners in the mortgage and finance broking industries. • Liberty is growing a branded network of brokers in Australia and New Zealand with over 160 Liberty advisers across Australia and over 98 MPM advisers in New Zealand. • The Liberty Group includes nMB, one of the larger mortgage broker aggregator groups with over 450 loan writers and a managed portfolio approximating $18 billion.	Section 3.6.1 Section 3.6.2.2.3

Topic	Summary	For more information
Strong culture of product innovation, focused on tailoring products to meet changing customer needs	• Liberty has nurtured a "free-thinking" culture, which supports openness, self-awareness and learning throughout the organisation, promoting innovation and performance. • Liberty has consistently leveraged its core competencies enabling it to customise solutions to a larger range of borrowers relative to traditional banks. • Liberty constantly refines and improves its products utilising performance from its significant database of portfolio experience captured over its operating history.	Section 3.5.1 Section 3.5.2 Section 3.6.2
Resilient business model, with favourable loan loss experience and stable and diversified funding platform	• Demonstrated ability to deliver sustained growth through the cycle across a diverse product range, with over A$36 billion in total advances to September 2020. • Track record of portfolio outperformance with no charge-off, outlook warnings or downgrades to any security issued by the Liberty securitisation program. • Liberty has a strong diversified funding base, reinforced by a long history of issuance in the securitisation, commercial paper and medium-term note markets.	Section 3.2 Section 3.6.3 Section 3.6.4
Proprietary risk pricing technology, enabling high touch customer engagement	• Liberty utilises proprietary rules-based technology to identify, segment and manage risk, allowing for differentiated product pricing and borrower engagement.	Section 3.6.2 Section 3.6.2.3
Highly tenured Company Board and management team with extensive financial services expertise	• The Company has been overseen by an experienced independent board of Directors with extensive financial services and public company experience. • Liberty's Senior Management team consists of professionals with extensive industry experience and skillsets encompassing origination, underwriting, servicing, funding, broking, distribution, technology, risk, legal, human resources, data science, marketing and communications in both the listed and private sectors. • The Senior Management team has an average tenure of over 10 years with Liberty.	Section 6.1 Section 6.3

1 Investment Overview

1.5. Key Risks

Topic	Summary	For more information
Overview	The Liberty Group and the Offer are subject to several key specific and general risks. These risks are further described within Section 5 and should be reviewed in their entirety. Selected key specific risks are summarised in the table below.	Section 5.1
COVID-19 pandemic	The COVID-19 pandemic has had an unprecedented impact on financial markets and the economic landscape in Australia and worldwide. The impact of the COVID-19 pandemic has led to increased unemployment levels, deteriorating household income and worsening financial performance of many businesses. The full impact of the COVID-19 pandemic is inherently uncertain in severity and duration and there is a risk that the economic and financial markets and business conditions could further weaken. There is a risk, as a result of the COVID-19 pandemic, that Liberty could experience increased levels of borrower default and bad debts, a reduction in the demand for Liberty's products and services, a reduction in interest and fee income, a reduction in cash flow or a reduction or loss of access to funding or an increase in the cost of funding.	Section 5.2.1
Funding of financial assets	Liberty relies on a range of sources to fund the origination of financial assets. A material change in Liberty's funding program (such as non-renewal of, changes to, or events of default of a Wholesale Facility, or changes in market conditions, credit ratings or demand for Liberty-issued asset backed securities) could impact its ability to effectively originate and/or fund its portfolio of financial assets. This in turn may have an adverse impact on Liberty's financial performance.	Section 5.2.2
Customer default	Liberty is exposed to the risk of customers defaulting on their financial obligations (e.g. their obligation to repay loans). Customer defaults may be caused by circumstances or events specific to customers (e.g. events leading to a loss of or decrease in income) or general circumstances or events (such as adverse business or economic conditions). Significant customer defaults, or large numbers of individual customer defaults, may have an adverse impact on the financial performance of Liberty.	Section 5.2.3
Property prices	A decline in property prices may result in a decrease in the value of the underlying security supporting Liberty's financial assets, which increases the risk of loss in the event of customer default. In turn, this may have an adverse effect on Liberty's financial performance and on the price of Securities.	Section 5.2.4

Topic	Summary	For more information
Credit loss provisions	Liberty provides for expected losses on loans to its customers. Estimating losses is, by its very nature, uncertain. The accuracy of these estimates depends on many factors, including general economic conditions, forecasts and assumptions, and involves complex modelling and judgments. The uncertainty of expected loss assumptions has increased in the current market environment. If the assumptions upon which these assessments are made prove to be inaccurate, the provision for credit losses may need to be revised and may adversely impact Liberty's financial performance and position.	Section 5.2.5
Regulatory risk	Liberty is subject to consumer credit and corporations law regulation as well as various other regulations and legislation in Australia and New Zealand. A change in regulation or policy may impact the cost of originating or managing the financial assets and any breach of regulations may result in Liberty facing legal or regulatory sanctions, fines and penalties or reputational damage. A breach could also lead to a suspension of Liberty's ability to carry on its business.	Section 5.2.6
Australian taxation	Liberty's stapled securities structure could be challenged by the ATO.	Section 5.2.7
Dependence on third party introducers	Liberty depends on Introducers as its source of new customers and business, through non-exclusive relationships. There can be no assurance that Liberty will be successful in maintaining its existing relationships or expanding its network of Introducers. There is also a risk that Liberty may be required to change the terms it offers Introducers. If Liberty is unsuccessful in maintaining its existing relationships or expanding its network of Introducers, the levels of business sourced may fall. A significant fall in the level of business sourced or a significant increase in costs arising from improved terms to Introducers may adversely impact on Liberty's financial performance and its cash flows, which in turn affects Liberty's growth prospects and the price of the Securities.	Section 5.2.9
Fraud	As a lender, Liberty is exposed to the risk of customer and Introducer fraud, in particular, the provision of false information, false or inflated property valuations, fraud in relation to security information and identity fraud. Any failure of Liberty's internal controls to detect fraud could result in credit losses, damage to Liberty's reputation and its ability to raise funding.	Section 5.2.13
Cybersecurity	Cybersecurity breaches may allow an unauthorised party to gain access to Liberty's technology platform, customer data, or proprietary information, or cause Liberty to suffer data corruption or lose operational functionality, which could adversely affect Liberty's business.	Section 5.2.15

1 Investment Overview

Topic	Summary	For more information
Founder Group as controlling Security Holders	The Founder Group is expected to hold an economic interest in approximately 77.4% of the Securities at Listing. The Founder Group currently expects that it will continue to hold these Securities for the foreseeable future. If the Founder Group sells or is perceived as intending to sell a substantial number of Securities, then the market price of the Securities could be adversely affected. The Founder Group's holding may delay, defer, prevent or facilitate a third-party obtaining control of Liberty. It will be able to influence the outcome of votes put to Security Holders.	Section 5.2.20
Other	A number of other key and general investment risks are discussed in Section 5, including (without limitation) risks associated with: • the operation of the Group's business and systems; • the successful implementation of business or growth initiatives; • competition; • an inability to recruit and retain personnel; • information technology risks; • reputation and brand risks; • risks associated with litigation in the ordinary course of business; • adverse foreign exchange movements; • impairment of intangible assets; • fluctuations in the price of the securities; • lack of liquidity in securities; • dilution of Security Holders; • changes of taxation treatment of securities; • Australian accounting standard changes; • force majeure events occurring; and • risks associated with general economic and financial conditions.	Section 5

1.6. Directors and Senior Management

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>Who are the Directors of the Company?</td><td>The Company Board comprises the Directors of the Company, being:
• Richard Longes (Chair and Independent Non-Executive Director)
• James Boyle (Chief Executive Officer)
• Peter Hawkins (Independent Non-Executive Director)
• Sherman Ma (Executive Director)
• Leona Murphy (Independent Non-Executive Director)
The Company Board is responsible for the overall strategic direction of the Liberty Group.</td><td>Section 6.1</td></tr>
<tr><td>Who are the Directors of the RE?</td><td>The Responsible Entity Board comprises the Directors of the Responsible Entity, being:
• Peter Hawkins (Chair and Independent Non-Executive Director).
• Richard Longes (Independent Non-Executive Director).
• Leona Murphy (Independent Non-Executive Director).
• Sherman Ma (Executive Director).
The Responsible Entity is the trustee of the Trust, holder of the AFSL, and the responsible entity for the purposes of the Trust's registration as a managed investment scheme. The Responsible Entity Board is responsible for providing oversight of the financial and commercial arrangements entered into by the Trust and to retain ultimate responsibility for the actions of the Trust.</td><td>Section 6.1</td></tr>
<tr><td>Who is the Senior Management of Liberty?</td><td>Liberty's senior management team consists of:
• Heidi Armstrong (Head of Consumer Advocacy).
• Anne Bastian (Group Culture and Community Manager).
• James Boyle (Chief Executive Officer).
• Mark Collins (Chief Executive Officer (New Zealand)).
• Gerald Foley (Managing Director – nMB).
• Glen Foley (General Manager – Customer Experience).
• Rupert Hugh-Jones (General Manager – Corporate Affairs).
• Lynne Jordan (General Manager – Group Operational Risk and Compliance).
• Sherman Ma (Executive Director).
• John Mohnacheff (Group Sales Manager).
• Brendan O'Donnell (Managing Director – LNS).
• Dennis Rappoport (Group Data Scientist and Credit Risk Manager).
• Peter Riedel (Chief Financial Officer and Company Secretary).
• Michelle Sparsi (General Manager – Strategy).
• Stuart Stoyan (Managing Director – MoneyPlace).
• Huy Truong (Managing Director – ALI Group).</td><td>Section 6.3</td></tr>
</table>

1 Investment Overview

1.7. Significant Interests of Key People and Related Party Transactions

Topic	Summary	For more information
Who is the Founder Group and what will its interest in Liberty be at Completion of the Offer?	Liberty was established in 1997 and is closely held by interests associated with Sherman Ma, Michael Moh, Gregory Parseghian and Christine Parseghian ("Founder Group"). Each Founder Group member has a relevant interest in each other's interests and are all associates. Immediately prior to Completion of the Offer, the Founder Group holds: – 100% of Shares on issue, being 303.6 million Shares; and – 100% of the Units on issue, being 303.6 million Units On Completion of the Offer, successful Applicants will be transferred Securities as contemplated by this Offer Document. • The Founder Group is expected to hold collectively an economic interest in 77.4% of the Securities via existing arrangements, indirectly through other holdings by companies and trusts.	Section 7.1
Who is the Founder Group and what will its interest in Liberty be at Completion of the Offer? *(continued)*	The table below outlines the economic interests of the Founder Group pre and post the Offer:	

Founder	Economic interest pre-Completion	Economic interest post-Completion
Sherman Ma	47.5%	47.5%
Michael Moh	41.6%	27.5%
Gregory and Christine Parseghian	5.9%	2.4%
Total	**95.0%**	**77.4%**

Topic	Summary	For more information
What are the Security holdings of the Directors?	For Securities and Security Rights expected to be held by the Directors on Completion, refer to the table below and to Section 6.4[1].	Section 6.4

Director	Pre	Post	Security Rights
James Boyle	4,037,880	4,037,880	668,077
Richard Longes	303,600	365,000	0
Peter Hawkins	303,600	398,600	0
Sherman Ma[2]	144,120,043	144,120,043	334,039
Leona Murphy	0	103,00	0
Total	**152,514,169**	**152,733,569**	**1,002,116**

1. This table shows the economic interests the Directors have in the Securities, and not the relevant interests as defined in the Corporations Act.
2. As at the Offer Document Date, Sherman Ma has an economic interest in 144,120,043 Securities by virtue of his interest in Vesta. See Section 6 for more further details.

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>What benefits and interests are payable to Directors and other persons connected with Liberty or the Offer and what significant interests do they hold?</td><td><table><tr><th>Key people</th><th>Interest or benefit</th></tr><tr><td>Executive Directors of the Company</td><td>Ownership of Securities
Remuneration</td></tr><tr><td>Non-Executive Directors of the Company</td><td>Ownership of Securities
Directors’ fees</td></tr><tr><td>Senior Managers</td><td>Ownership of Securities
Remuneration</td></tr><tr><td>Founder Group</td><td>Ownership of Securities</td></tr><tr><td>Advisers and other service providers</td><td>Fees for services</td></tr></table></td><td>Section 6.4</td></tr>
<tr><td>Will there be a controlling interest in Liberty?</td><td>Yes. The Founder Group will hold 77.4% of the Securities.</td><td>Section 7.1.6</td></tr>
<tr><td>Are there any related party transactions?</td><td>The Liberty Group has the following material related party arrangements:
Moula Money Pty. Ltd. (“Moula”): The Founder Group has a minority interest in Moula. Liberty Financial Pty Ltd provides interest bearing debt financing on arm’s length commercial terms to Moula Warehouse Trust (a related party of Moula).
Loans to the Founder Group: The Company and the Trust has granted loans to the Founder Group. Further the Liberty Group has agreed to grant an additional loan to the Founder Group subject to certain conditions. The Founder Group has agreed to set-off amounts owing to them by the Liberty Group against the amounts owing by them to the Liberty Group.
Agreement to acquire LFI: The Company has entered into a conditional sale and purchase agreement to acquire all of the shares in LFI from the Founder Group.
Agreement to acquire Priceware: Liberty Financial Pty Ltd has entered into a conditional sale and purchase agreement to acquire the remaining interest it does not hold in Priceware (50%).</td><td>Section 6.8
Section 11</td></tr>
<tr><td>Will any Securities be subject to restrictions on disposal following Completion of the Offer?</td><td>Securities held at Completion by the Founder Group and the Executive Managers (“Escrowed Security Holders”) (excluding any Securities acquired by them under the Offer at the Offer Price) will be subject to disposal restrictions.
Subject to certain exceptions, the Escrowed Security Holders may not dispose of their Escrowed Securities while they are subject to voluntary escrow arrangements or other disposal restrictions.</td><td>Section 11.5</td></tr>
</table>

1 Investment Overview

1.8. Overview of the Offer

Topic	Summary	For more information
What is the Offer?	The Offer is an initial public offering of 53,450,120 Securities, with each Security comprising: • one ordinary share in the Company ("Share"); and • one unit in the Trust ("Unit"), stapled to each other pursuant to the Constitutions of the Company and the Trust, and the Stapling Deed. The Securities will be transferred from SaleCo. All Securities transferred under the Offer will rank equally with each other and all other Securities on issue. The Offer is made on the terms, and is subject to the conditions, set out in this Offer Document.	Section 7.1
Who are the issuers of the Offer Document?	The Company, the Responsible Entity (in its capacity as responsible entity of the Trust) and SaleCo are the issuers of the Offer Document. This Offer Document is both a prospectus for the purpose of Chapter 6D of the Corporations Act and a product disclosure statement for the purpose of Part 7.9 of the Corporations Act.	Important Notices
Who is SaleCo?	SaleCo is a special purpose vehicle, established to enable Vesta to sell part of its investment in the Liberty Group on Completion.	Section 12.2
Why is the Offer being conducted?	The Offer is being conducted to: • allow the Founder Group to sell a part of its holding through SaleCo; • allow eligible Liberty employees to participate directly in the equity ownership of the Liberty Group; • provide the business with access to equity capital markets which is expected to give it added flexibility to pursue growth opportunities; and • provide opportunities for new investors to become Security Holders in Liberty.	Section 7.1.3
Where will the Securities be listed?	The Liberty Group will apply to the ASX for admission to the Official List and quotation of Securities on the ASX (which is expected to be under the code "LFG"). It is anticipated that quotation will initially be on a conditional and deferred settlement basis. Completion of the Offer is conditional on the ASX approving the application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded, without interest, as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7.9.1

Topic	Summary	For more information
How is the Offer structured?	The Offer comprises: • the Institutional Offer, which consists of an invitation to acquire Securities made to Institutional Investors; • the Broker Firm Offer, which is open to investors with a registered address in Australia or New Zealand who have received a firm allocation from their Broker; • the Employee Gift Offer, which is open to Eligible Employees; and • the Priority Offer, which is open to selected employees and investors in eligible jurisdictions who have received a Priority Offer invitation.	Section 7.1.2
Is the Offer underwritten?	Yes. The Lead Manager has fully underwritten the Offer (other than the Employee Gift Offer) pursuant to the Underwriting Agreement.	Section 11.2
What is the allocation policy?	The allocation of Securities between the Institutional Offer, the Broker Firm Offer, the Priority Offer and the Employee Gift Offer will be determined by agreement between the Lead Manager and the Offerors, having regard to the allocation policy outlined in Section 7. For Broker Firm Offer participants the relevant Broker will decide how they allocate Securities amongst their retail clients. The relevant Broker (and not the Offerors nor the Lead Manager) will be responsible for ensuring that eligible retail clients who have received an allocation of Securities from the Broker actually receive those Securities. With respect to the Priority Offer, the allocation of Securities to invitees is at the absolute discretion of the Offerors, provided that those allocations (in aggregate) do not exceed $7.4 million. The Lead Manager and the Offerors have absolute discretion regarding the allocation of Securities to Applicants under the Offer and may reject an Application or allocate a lesser number of Securities than applied for. The Lead Manager and the Offerors also reserve the right to aggregate any applications that they believe may be multiple Applications from the same person. The Employee Gift Offer will only be offered to: • Australian Eligible Employees who will be offered the opportunity to apply for $1,000 worth of Securities at no cost; and • NZ Eligible Employees who will be offered the opportunity to apply for $1,000 worth of Securities at the Offer Price per Security. Payment of Application Monies under the Employee Gift Offer to NZ Eligible Employees will be made by Liberty on behalf of NZ Eligible Employees who apply for Securities under the Employee Gift Offer. The allocation of Securities under the Employee Gift Offer is guaranteed to Eligible Employees.	Section 7.2

1 Investment Overview

Topic	Summary	For more information
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty should be payable by Applicants on acquisition of Securities under the Offer.	Section 7.1.9
What are the tax implications of investing in the Securities?	Summaries of certain Australian tax consequences of participating in the Offer and investing in the Securities are set out in Section 9. The tax consequences of any investment in the Securities will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 9
When will I receive confirmation if my Application has been successful?	It is expected that initial holding statements will be dispatched to successful Applicants by standard post on or around Monday, 21 December 2020. Refunds (without interest) to Applicants who make an Application and receive an allocation of Securities, the value of which is smaller than the amount of the Application Monies, will be made as soon as practicable after Completion of the Offer.	Section 7.2
What is the minimum and maximum Application size under the Offer?	The minimum Application under the Broker Firm Offer is $2,000 worth of Securities. There is no maximum application size, unless directed by your Broker. Applications under the Priority Offer must be for a minimum of $2,000 worth of Securities. Applications under the Employee Gift Offer must be for the exact number of Securities set out in the individualised offer invitation provided to an Eligible Employee. Under the Employee Gift Offer: • Australian Eligible Employees will be offered the opportunity to apply for $1,000 worth of Securities at no cost; and • NZ Eligible Employees will be offered the opportunity to apply for $1,000 worth of Securities at the Offer Price per Security. The Liberty Group and the Lead Manager reserve the right to reject an Application or to allocate a lesser number of Securities than that applied for, in their absolute discretion.	Section 7.2

Topic	Summary	For more information
How can I apply?	If you are an eligible investor who has received an invitation to apply for Securities under the Broker Firm Offer, you may apply for Securities by completing a valid Application Form and/or following the instructions provided to you by your Broker. Applicants under the Priority Offer and the Employee Gift Offer may only apply for Securities online at www.lfgroup.com.au using the online Application Form. Priority Offer Applicants applying under the Priority Offer must pay their Application Monies via BPAY or direct bank transfer in accordance with the instructions on the personalised Priority Offer invitation (no physical Application Form is needed when paying in this manner) or otherwise as agreed between the Liberty Group and the Lead Manager. There are instructions set out on the online Application Form to help you complete it. To the maximum extent permitted by law, an application under the Offer is irrevocable.	Section 7
What if I have further questions?	All enquiries in relation to this Offer Document should be directed to the Liberty Financial Offer Information Line on 1800 129 431 (within Australia) or +61 1800 129 431 (outside Australia) between 8.30am and 5.30pm (AEDT), Monday to Friday. All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether the Securities are a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.	Key Offer Statistics and Important Dates
Can the Offer be withdrawn?	The Offerors reserves the right not to proceed with the Offer at any time before the issue or transfer of Securities to successful Applicants. If the Offer does not proceed, Application Monies will be refunded by the Registry, your Broker or the Offerors.	

Industry Overview

2

2.1. Overview

Liberty operates within the Australian and New Zealand lending sectors, which include housing finance, personal finance, commercial finance, motor finance, business finance and lease finance. Total credit extended as of 30 June 2020 amounted to $3.0 trillion[1] within the Australian lending sector and NZ$482 billion[2] within the New Zealand lending sector.

Liberty has established operations within the following markets, providing products and services to individuals and corporate entities:

- Residential Finance
  - Australian residential mortgages
  - New Zealand residential mortgages
- Secured Finance
  - Australian motor finance
  - Australian commercial finance
  - Australian SMSF finance
- Financial Services
  - Australian personal loans
  - Australian business loans to SMEs
  - Australian and New Zealand mortgage broking
  - General insurance
  - Life insurance distribution
  - Australian managed investment schemes
  - New Zealand real estate and non-bank deposit market.

In Australia and New Zealand, the two main participants in these markets are:

- Authorised deposit-taking institutions ("ADIs"), such as Australian ADIs (which include Australian banks, building societies and credit unions) and New Zealand registered banks and non-bank deposit-takers ("NBDTs"); and
- Non-depository financial institutions ("non-ADIs"), which include money market corporations, finance companies and non-bank lenders.

A key distinction between the two groups of market participants is that ADIs are more significantly regulated by the relevant domestic banking governing body, being the Australian Prudential Regulatory Authority ("APRA") in Australia and the Reserve Bank of New Zealand ("RBNZ") in New Zealand to a greater degree.

Further, ADIs fund their loans predominantly using a combination of retail deposits, wholesale funding and securitisation.

Non-ADIs are not authorised to take traditional deposits and therefore rely on wholesale funding, securitisation and equity to fund loan originations. Liberty is a non-ADI in Australia and a NBDT in New Zealand.

A number of barriers to entry exist for potential entrants into the market described above, including but not limited to:

- Regulatory capital requirements and ADI licences for APRA regulated institutions such as banks, credit unions and building societies;
- The ability of lenders to access funding facilities at scale requires a track record of loan origination and servicing performance;
- Establishing relationships with third party introducers such as mortgage brokers;
- The ability to appropriately assess and price for risk and service borrowers; and

1. Reserve Bank of Australia, Lending and Credit Aggregates – D2 (June 2020).
2. Reserve Bank of New Zealand, Sector lending (registered banks and non-bank lending institutions) – C5 (June 2020).

2 Industry Overview

- The ability to establish operations that meet the regulatory requirements of the Australian Securities and Investments Commission ("ASIC").

2.2. Australian Residential Mortgage Market

Australia has a strong tradition of home ownership with rates of home ownership remaining fairly stable at around 70% of the population over the past few decades[3]. Applicants for residential mortgage products are generally classified as either owner-occupiers or investors, depending on the main purpose of the property purchase. Residential mortgage products are typically for a term of 25-30 years, fully amortising and secured by a registered first mortgage over residential property. The past 15 years to 30 June 2020 have also seen an increase in property investor activity, due in part to the historical growth profile and relative stability of Australian residential real estate as an asset class.[4]

2.2.1. Market Overview

The Australian residential mortgage market is dominated by the banks which account for approximately 93%[5] of the market, with the four major banks collectively holding a 78%[6] share of the total ADI market.

Historically, banks relied on lenders mortgage insurance companies ("LMIs") to underwrite portions of their credit exposure. Due to the significant volume of loans processed, LMIs and banks typically employ a standardised risk-assessment framework to assess prospective borrowers, which favours more generic applications.

LMIs publish guidelines regarding their credit criterion which is commonly referred to as a 'Prime borrower profile'. Products to borrowers who meet this profile are classified as Prime Loans ("Prime Loans").

Non–ADIs generally offer products with a wider range of credit criteria. Some of these products are for Prime borrowers whilst others offer solutions to borrowers who do not meet Prime criteria ("Custom Loans").

Recent regulatory inquiry into the practices of banks and other deposit-taking institutions has led traditional banks to contract underwriting criteria, including imposing more involved application scrutiny. This has caused many banks to reduce the credit availability and service levels provided to borrowers (even if such loans remain eligible for LMI).

These actions have created additional demand for residential mortgages from borrowers who have historically been serviced by Australia's banks but are now engaging with non-bank lenders, including Liberty.

Lender type	Participants	Segments
Major banks	Australia and New Zealand Banking Group, ("ANZ"), Commonwealth Bank of Australia ("CBA"), National Australia Bank ("NAB"), Westpac Banking Corporation ("WBC")	Prime
Other ADIs	Regional banks, building societies and credit unions	Prime
Non-bank lenders	Liberty, Australian Finance Group (AFG), Columbus Capital, Firstmac, La Trobe Financial, Pepper Money, Resimac	Prime and Custom

3. Australian Bureau of Statistics 6553.0 – Survey of Income and Housing, User Guide, Australia, 2017-2018 (released July 2019).
4. Reserve Bank of Australia, Lending and Credit Aggregates – D2 (June 2020).
5. Reserve Bank of Australia, Lending and Credit Aggregates – D2 (June 2020).
6. APRA, Monthly Authorised Deposit-taking Institution Statistics (July 2020).

2.2.1.1. Distribution Channels

Lenders distribute mortgages either directly to consumers or through intermediaries. Direct channels include contact with customers via a branch network, phone, online, or mobile lender. The intermediary channel comprises distribution through finance brokers, accountants, advisers or distribution partners. Since 2012, the proportion of home loans settled by mortgages brokers increased from 45% to 57%[7]. See Section 2.8.2 for more detail.

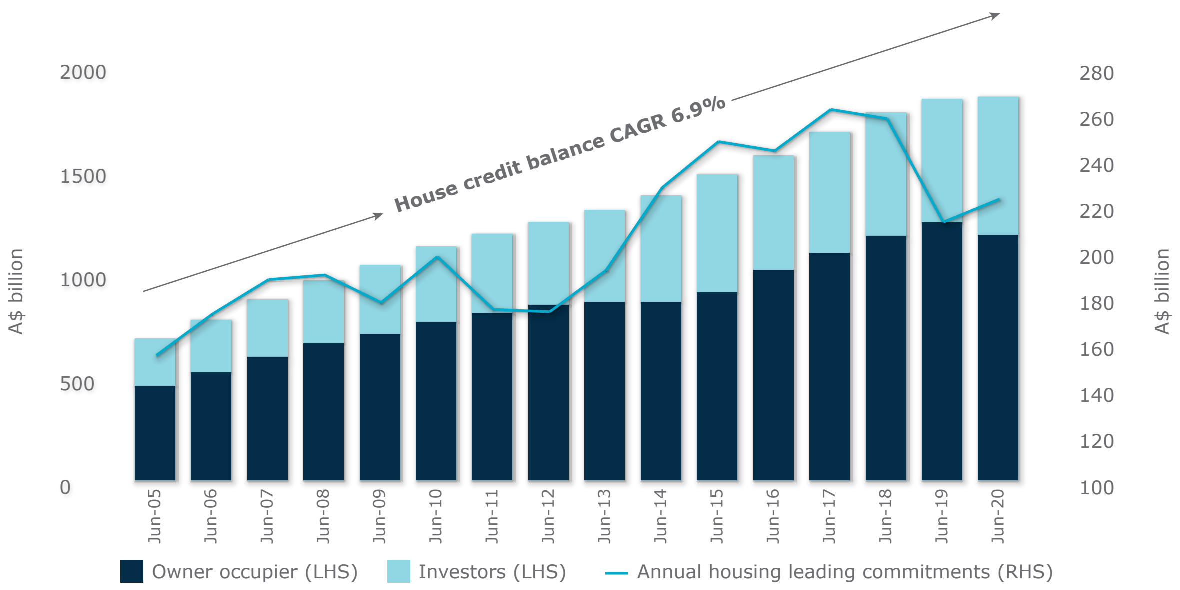
2.2.2. Market Size and Growth

The Australian residential mortgage market has historically demonstrated consistent, strong growth with a CAGR of 6.9% in the total value of loans outstanding since June 2005[8]. While the Australian residential mortgage market was not immune to the impacts of last decade's financial crisis, it has recovered strongly in recent years.

As at June 2020, total residential mortgage loans in Australia were $1.9 trillion. The market has grown at a CAGR of 5.1% since June 2010[9].

In the 12 months to June 2020, $222 billion in new lending commitments were originated[10]. The market has grown at a CAGR of 1.2% since June 2010[11]. This growth has increased in the 12 months to June 2020, with new originations of $222 billion (versus $212 billion in the 12 months to June 2019)[12].

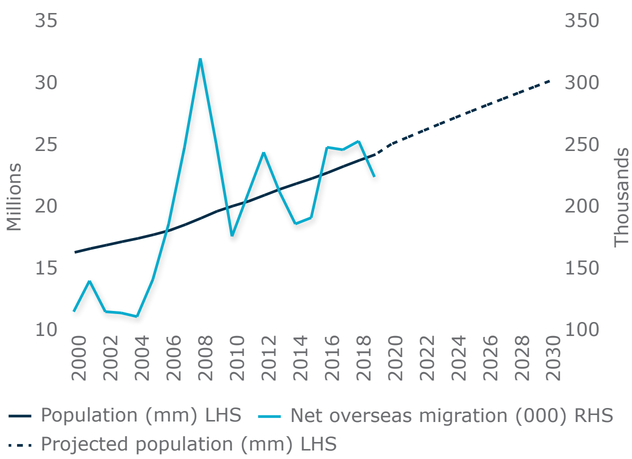
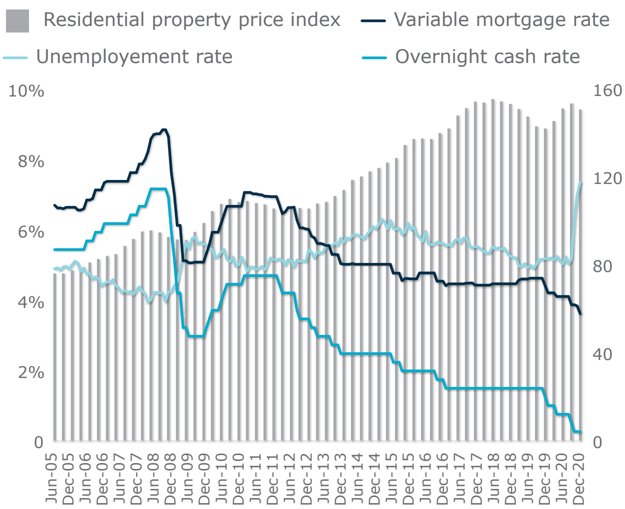
Housing Credit Balance[13]



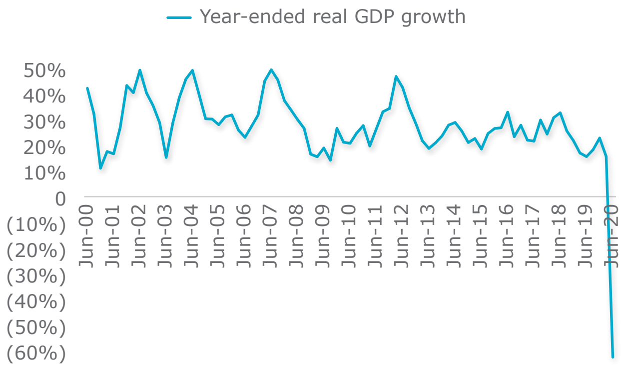
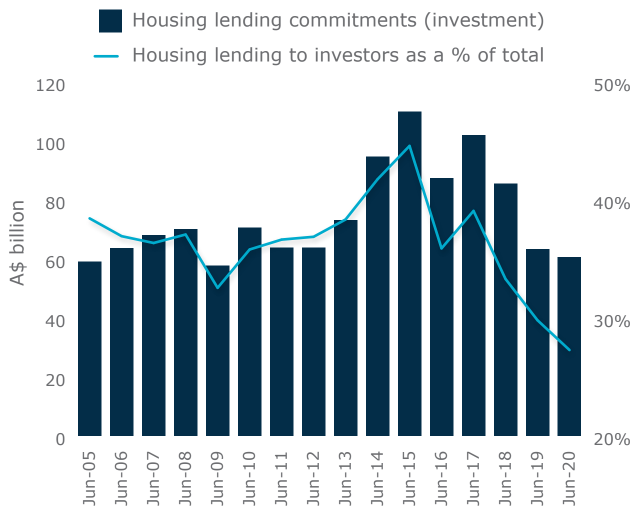
There are several key drivers of the Australian residential housing market which have supported an increase in demand for residential mortgages.

7. Mortgage and Finance Association of Australia – Industry Intelligence Service Report, 8th edition, last four quarters.
8. Reserve Bank of Australia, Lending and Credit Aggregates – D2 (June 2020).
9. Reserve Bank of Australia, Lending and Credit Aggregates – D2 (June 2020).
10. Australian Bureau of Statistics, Lending Indicators – Table 1 (June 2020). Note excludes refinancing.
11. Australian Bureau of Statistics, Lending Indicators – Table 1 (June 2020). Note excludes refinancing.
12. Australian Bureau of Statistics, Lending Indicators – Table 1 (June 2020). Note excludes refinancing.
13. Reserve Bank of Australia, Lending and Credit Aggregates – D2 (June 2020).

2 Industry Overview

Key driver	Description	Evidence
Population growth	• Between December 2009 and 2019, Australia's population grew at a CAGR of 1.6% per annum[14]. The Australian Bureau of Statistics expects this growth to continue and predicts Australia's population to reach 30.8 million by 2030[15]. • Net overseas migration accounts for approximately half of Australia's population growth and new immigrants have a more immediate need for housing relative to non-immigration population growth.	Australian Population and Net Overseas Migration[16] 
Low interest rates	• Australia is currently experiencing record low interest rates and the average discounted discretionary standard variable rate for owner-occupied housing loans was 3.65% as at June 2020[17]. • Interest rates on mortgages are the key driver of the mortgage market as they directly impact the cost of the mortgage and therefore the amount that the borrower is able to borrow.	Interest Rate versus Price Index[18] 

14. Australian Bureau of Statistics, Australian Demographic Statistics, December 2019.
15. Australian Bureau of Statistics, Population projections as of December 2019.
16. Australian Bureau of Statistics, Australian Demographic Statistics, December 2019; Australian Bureau of Statistics - Population projections as of December 2019.
17. Reserve Bank of Australia, Indicator Lending Rates – F5 (June 2020).
18. Reserve Bank of Australia, Indicator Lending Rates – F5 (June 2020); Reserve Bank of Australia – Overnight cash rate; Australian Bureau of Statistics, 6202.0 - Labour Force, Australia (June 2020); Australian Bureau of Statistics, 6416.0 – Residential Property Price Indexes: Eight Capital Cities (June 2020).

Key driver	Description	Evidence
Strong economy	• GDP growth in Australia has been consistently positive over the last 28 years.[19] However, Australia entered its first quarter of negative growth in the three months to June 2020 as a result of COVID-19[20]. • The Reserve Bank of Australia expects continued positive GDP to be negatively impacted by COVID-19 to December 2020 with 6% GDP contraction forecast. This trend is expected to reverse with growth forecast to be 4% in the 12 months to June 2021 and 5% in the 12 months to December 2021[21].	Australia Real GDP Growth (seasonally adjusted)[22] 
Negative gearing	• Australia's taxation regulations permit the costs of investment properties (including mortgage interest) to be set-off against the income generated from the properties. An investment property is referred to as being negatively geared in the event aggregate tax deductible costs of the property exceed the aggregate taxable income from the property.	Housing Lending Commitments to Investors (June year-end)[23] 

The share of mortgages provided by non-ADI lenders is growing, and currently represents approximately 7% of all mortgages[24]. At its peak in 2007, non-ADI share of lending represented approximately 10% of mortgages[25].

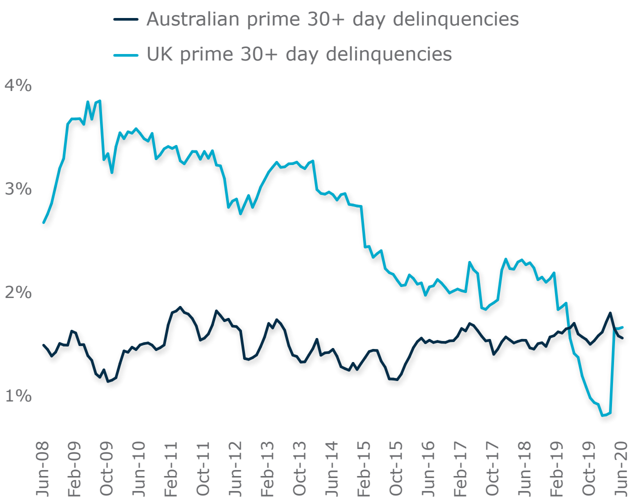
Market Performance

Delinquencies occur when there is a failure to meet a loan repayment by the due date. The Australian residential mortgage market has had sustained low delinquencies over a long period of time during which the Australian market has benefitted from relatively stable house prices. The charts below highlight that housing delinquency rates in Australia have historically remained low even during periods of financial distress, including the period to June 2020 that represented the beginning of the impact of COVID-19, notably thanks to the temporary capital treatment established by APRA for loans where the lenders had granted a repayment deferral (see Section 2.13).

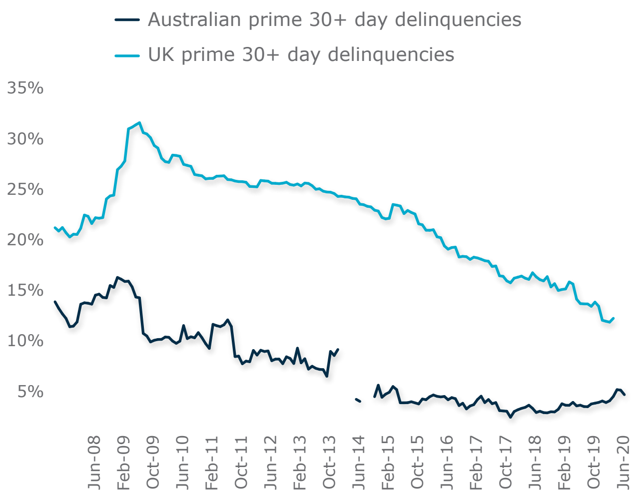
19. IMF World Economic Outlook database, Australia (April 2020).
20. Australian Bureau of Statistics, 5206.0 – Australian National Accounts: National Income, Expenditure and Product (June 2020).
21. Reserve Bank of Australia, Statement on Monetary Policy – August 2020.
22. Reserve Bank of Australia, Gross Domestic Product and Income – H1 (June 2020).
23. Australian Bureau of Statistics, Lending Indicators – Table 1 (June 2020). Note excludes refinancing.
24. Reserve Bank of Australia, Lending and Credit Aggregates – D2 (June 2020).
25. Reserve Bank of Australia, Financial Stability Review (April 2019).

2 Industry Overview

Prime Delinquencies[26]



Non-prime Delinquencies[27]



2.3. New Zealand Residential Mortgage Market

Similar to Australia, New Zealand also has a strong tradition of home ownership and a similar structure for loan products.

2.3.1. Market Overview

The New Zealand residential mortgage market is dominated by the four major banks which hold approximately 85% market share[28]. There are also a number of smaller banks, building societies and credit unions operating in the New Zealand lending market. New Zealand's major banks are predominantly owned by Australian banks.

Non-banks hold approximately 1% market share in the residential mortgage market[29]. In December 2019, the RBNZ has announced changes to bank capital requirements that may impact the ADI and non-ADI markets. See Section 2.14.3 for more detail.

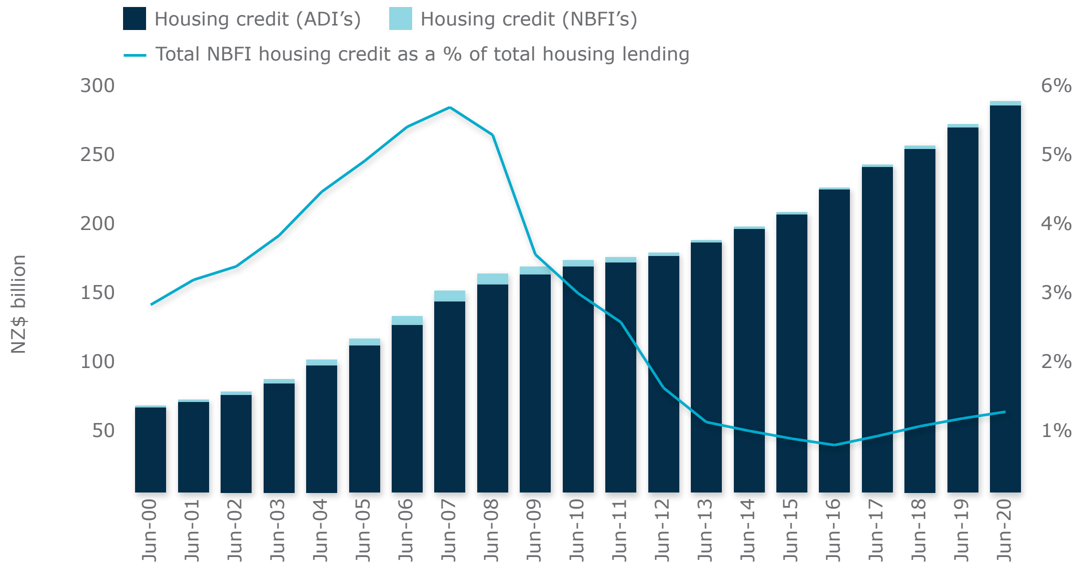
Lender type	Participants	Segments
Major banks	ASB (Subsidiary of CBA), Australia and New Zealand Banking Group (Subsidiary of ANZ), Bank of New Zealand (Subsidiary of NAB), Westpac New Zealand (Subsidiary of WBC)	Prime
Other ADIs	Heartland Bank, KiwiBank	Prime
Non-bank lenders	Liberty, Avanti Finance, Pepper Money, Resimac	Prime and Custom

2.3.2. Market Size and Growth

New Zealand has experienced strong GDP growth, low interest rates and a stable political environment over a number of years. These factors have all contributed to an increase in mortgage lending for banks and non-bank financial institutions ("NBFIs"). Financial and insurance services account for approximately 6% of GDP[30].

26. Moody's Investor Services – Prime RMBS Delinquencies 30-Plus Delinquencies; Moody's Investor Services: UK Prime RMBS 30+ Days Delinquency - Trend.
27. Moody's Investor Services – RMBS: Non-conforming RMBS 30-Plus Delinquencies; Moody's Investor Services: UK Non-Conforming RMBS 30+ Days Delinquency.
28. Reserve Bank of New Zealand, Sector lending (registered banks and non-bank lending institutions) - C5 (June 2020); ANZ 1H20 results; CBA FY19 full year results; NAB 1H20 results; WBC 1H20 results.
29. Reserve Bank of New Zealand, Sector lending (registered banks and non-bank lending institutions) – C5 (June 2020).
30. Reserve Bank of New Zealand, Gross Domestic Product - M5 (June 2019); Statista financial and insurance services industry New Zealand 2019.

New Zealand Housing Credit Aggregates[31]



2.4. Australian Motor Finance Market

There is a sizeable market for motor finance in Australia. The penetration of car ownership in Australia is around 78%[32]. ASIC market research indicates that 90% of all car sales are arranged through finance[33]. Of these sales, around 39% are financed through a dealership and around 61% are financed from other sources[34]. The average age of Australian motor vehicles is 10.4 years[35] with vehicles being commonly sold multiple times during their useful life. Borrowers generally seek finance for a motor vehicle at the time it is purchased.

2.4.1. Market Overview

Retail motor financing involves financing arrangements provided to consumer and commercial borrowers that may be arranged at the point-of-sale, through brokers or direct lending channels. Retail motor financing products include consumer car loans, chattel mortgages, hire purchase facilities, finance leases and novated leases.

2.4.1.1. Linked Retail and Wholesale Lending

ADIs provide wholesale finance to motor dealerships to fund the acquisition of their vehicle inventory (sometimes called floorplan finance). This floorplan finance relationship practically provides ADIs with the first right of refusal to provide retail finance for borrowers who purchase cars at the dealership.

2.4.1.2. Captive Lending

Rather than procuring finance from ADIs, some vehicle manufacturers have created their own non-bank lending companies. These captive financiers provide both wholesale finance to dealerships and retail finance to borrowers utilising finance offers to help sell vehicles from time to time.

31. Reserve Bank of New Zealand, Sector lending (registered banks and non-bank lending institutions) – C5 (June 2020).
32. Australian Bureau of Statistics, 9309.0 – Motor Vehicle Census, Australia (January 2020).
33. Royal Commission, some features of car financing in Australia background paper, ASIC, Regulation impact statement: Flex commission arrangements in the car finance market.
34. Royal Commission, some features of car financing in Australia background paper; ASIC, Regulation impact statement: Flex commission arrangements in the car finance market.
35. Australian Bureau of Statistics, 9309.0 – Motor Vehicle Census, Australia (January 2020).

2 Industry Overview

2.4.1.3. Independent Retail Lending

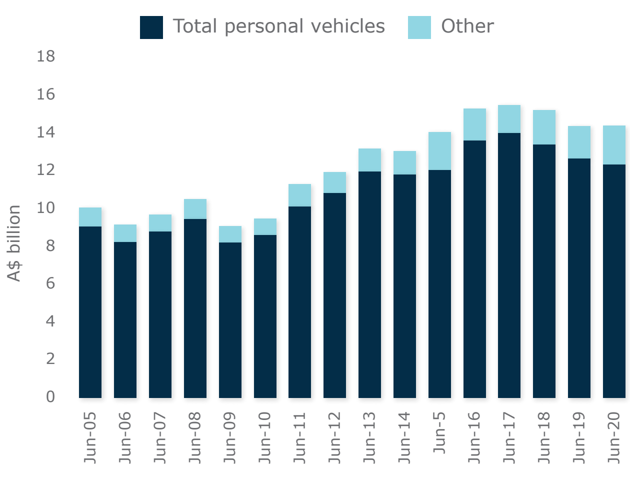
ADIs and non-ADI lenders provide retail finance via four sources: independent finance brokers, aligned dealerships, captive lenders and direct to consumers. Independent finance brokers typically provide service to borrowers searching for finance outside a dealership. Aligned dealerships and captive financiers often complement their wholesale financing arrangements with independent retail finance providers in order to ensure they have access to broader finance solutions.

Lender type	Participants
Aligned retail and wholesale lending	Capital Finance and St. George (subsidiaries of WBC), Macquarie
Captive lending	BMW Finance, Mercedes-Benz Financial Services, Nissan Financial Services, Toyota Financial Services, Volkswagen
Independent retail lending	Liberty, Latitude, Money3, Pepper Money

2.4.2. Market Size and Growth

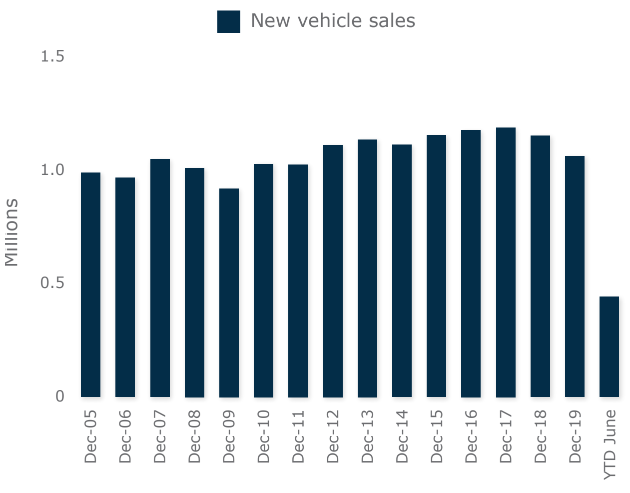
Total commitments in the motor finance market for personal finance on new and used cars, and lease commitments are estimated to be approximately $14 billion[36] per annum. Market growth has been underpinned by growth in motor vehicle sales. New vehicle sales have been growing at 1.5% annually over ten years to December 2019.[37]

Motor Vehicle Finance Commitments[38]



	Personal	Other	Total
CAGR FY05-FY20	2.1%	5.0%	2.4%

New and Used Vehicle Sales in Australia[39]



	Total
CAGR CY05-CY19	0.5%

36. Australian Bureau of Statistics, 5601.0 - Lending Indicators (June 2020).
37. Federal Chamber of Automotive Industries, New Vehicles Sales (December 2019).
38. Australian Bureau of Statistics, 5601.0 – Lending Indicators (June 2020).
39. Australian Bureau of Statistics, 9314.0 – Sales of New Motor Vehicles, Australia (December 2017); Federal Chamber of Automotive Industries, New Vehicles Sales (June 2020).

2.5. Australian Commercial Mortgage Market

In Australia, the term "commercial mortgage market" refers to lending commitments to individuals, corporations or other entities for business purposes, with financing secured by commercially or residentially zoned real property. Primary lending purposes include financing of commercial properties, and investment properties. This market differs from residential mortgages in that the loan advances are usually capped to a lower limit of the property value and the products are comparable to other forms of commercial finance.

2.5.1. Market Overview

The Australian commercial mortgage market is predominantly serviced by the major banks with $54 billion in new lending commitments in the 12 months to June 2020 for the purchase of real property[40]. Commercial lending is exposed to the success of specific industries and geographies as the business borrower is directly dependent on their local market or economic circumstances. Consequentially, it is not uncommon for large commercial lenders such as banks to increase or reduce exposure to specific industries and geographies within their lending portfolio.

ADIs will generally lend to businesses that have lengthy track records, meet generic financial tests and can demonstrate financial administration and documentation. These types of businesses are considered "Prime borrowers".

Where the business or principal has not established a lengthy track record, has unconventional financial documentation, has any form of adverse credit history or is in an industry or geography that a bank may prefer to avoid, the borrower is unlikely to obtain a loan from that bank. Liberty refers to these types of borrowers as "Custom commercial borrowers". Non-ADIs will lend to both Prime and Custom borrowers.

The emergence of SMSFs acquiring property using limited recourse loan facilities has further added to growth in the commercial mortgage market over the last five years.[41] SMSFs must operate for the sole purpose of providing retirement benefits for their members or for the beneficiaries if a member dies.[42]

SMSF borrowers are able to invest in properties that derive rent from business activities. SMSF borrowers commonly obtain commercial mortgages for investment and as business owner-occupiers.

Mortgage brokers specialising in small businesses and SMSFs have also become more common in recent years with major mortgage aggregators now facilitating explicit commercial lending panels and education to address this market niche.[43]

Lender type	Participants	Segments
Major banks	ANZ, CBA, NAB, WBC	Prime
Other ADIs	Regional banks, Judo	Prime
Non-bank lenders	Liberty, Columbus Capital, La Trobe Financial, Pepper Money, Resimac	Prime, SMSF and Custom

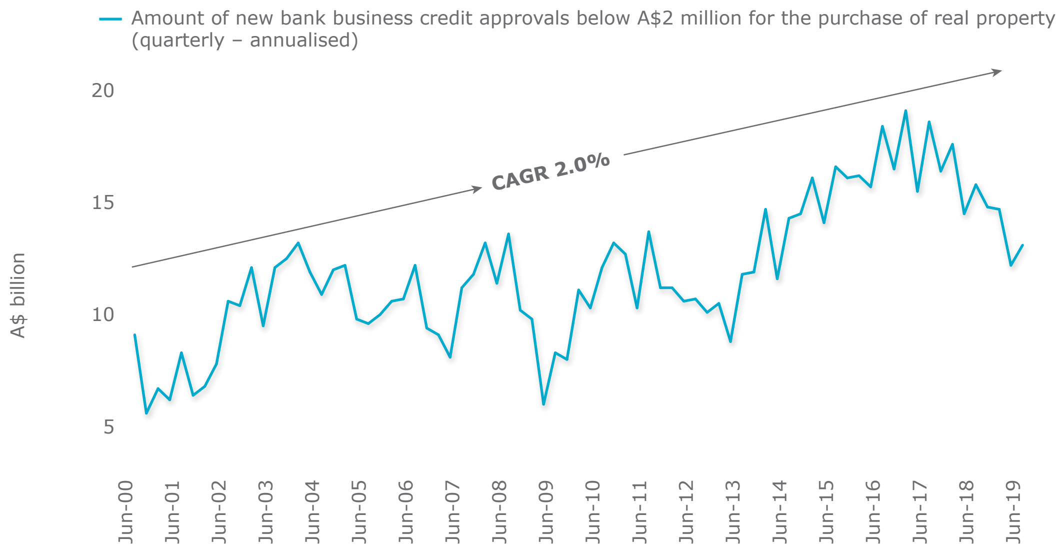
2.5.2. Market Size and Growth

Liberty is active in the SME segment of the market. This can be broadly defined as commercial loans of up to $2 million, with a market size of bank lending totalling approximately $14 billion in the 12 months to June 2019.[44] Commercial mortgage loans are the fourth most popular source of finance chosen by business borrowers, with 8% of businesses taking out a new commercial mortgage in the 12 months to June 2018.[45]

40. Australian Bureau of Statistics, 5601.0 – Lending Indicators (June 2020).
41. Based on Liberty management experience.
42. Subsection 62(1) Superannuation Industry (Supervision) Act 1993 (SISA).
43. Reserve Bank of Australia, D7.4 Bank Lending to Business – New credit approvals by size and purpose (June 2019). Data set discontinued after this date.
44. Reserve Bank of Australia, D7.4 Bank Lending to Business – New credit approvals by size and purpose (June 2019). Data set discontinued after this date.
45. Australian Banking Association, SME lending in Australia (August 2019).

2 Industry Overview

Australian Bank New Loans to Business up to $2 million[46]



There are some key drivers of the Australian commercial mortgage market which have supported an increase in demand for SME loans:

Segment	Description
Low interest rates	• Official RBA cash rate currently at 0.25%[47] • Many small businesses rely on multiple forms of financing for their working capital
Self-employed culture	• More than one in seven small businesses are formed each year with a slightly lower number ceasing to operate each year[48] • Small business makes up a third of total industry contribution to GDP[49]

2.6. Australian Personal Loans Market

Personal finance captures lending commitments to individuals for personal (non-business) use. Personal loans differ from other forms of finance in that the purpose of funds advanced is typically used for personal life events (such as travel or wedding expenses) as opposed to the purchase of some form of property or asset, which may be used as loan collateral. Therefore, most personal loans are not secured by any specific asset.

Small Amount Credit Contracts ("SACC") and Medium Amount Credit Contracts ("MACC"), which include loans up to $5,000, are commonly referred to as 'payday lending'. Liberty does not offer payday lending. Similarly, Liberty does not presently participate in Buy Now Pay Later ("BNPL") lending, which consists of providing interest-free financing to consumers who buy goods from selected merchants.

2.6.1. Market Overview

The personal loans market has traditionally been serviced by ADIs, who command a majority market share (approximately 70%)[50]. The rising availability of credit data and the emergence of alternate distribution channels from digitisation are facilitating the emergence of online lending platforms.

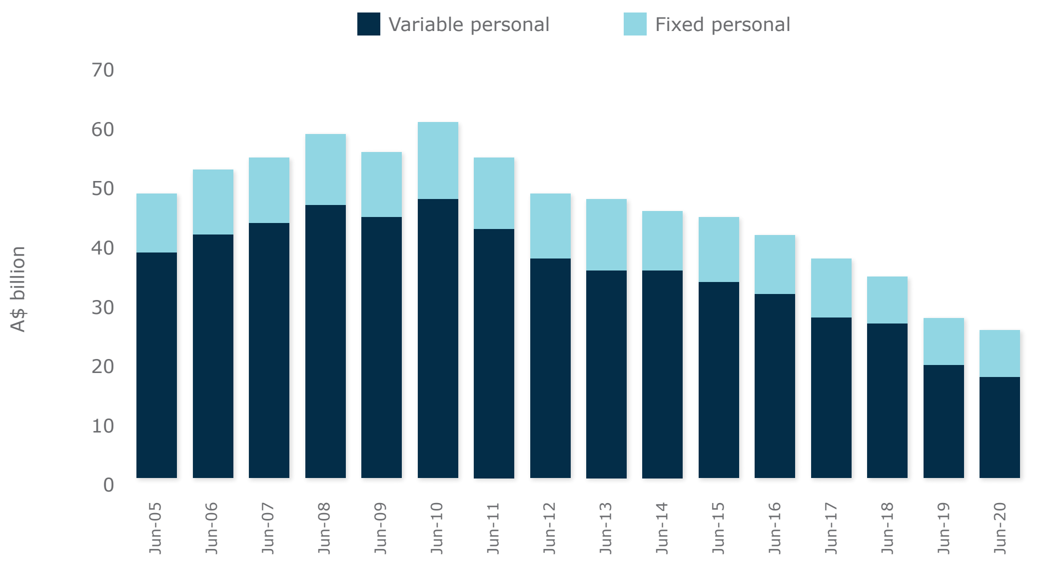
46. Reserve Bank of Australia, D7.4 Bank Lending to Business – New credit approvals by size and purpose (June 2019). Data set discontinued after this date.
47. Reserve Bank of Australia (September 2020).
48. Australian Bureau of Statistics, 8165.0 – Counts of Australian Businesses, including Entries and Exits (June 2015-2019).
49. Australian Parliament House, Small business sector contribution to the Australian economy (January 2020).
50. Australian Bureau of Statistics, 5671.0 – Lending Finance, Australia (November 2018) Data set discontinued after this date.

Lender type	Participants	Segments
Major banks	ANZ, CBA, NAB, WBC	Prime
Other ADIs	Other banks, building societies and credit unions	Prime
Non-bank lenders	Liberty (via MoneyPlace), Latitude, Plenti, SocietyOne, Wisr	Prime and Custom

2.6.2. Market Size and Growth

The market for personal finance was approximately $25 billion in commitments in the last 12 months to June 2020.[51] The market has declined at an annualised rate of 4.3% since 2005, however fixed personal loan lending has declined at a lesser rate of 1.6%[52]. This subdued growth may be in part attributable to other products such as home loan offset accounts providing viable alternatives and a change in consumer behaviour towards credit cards.

Australian Personal Finance Commitments – Total[53]



	Variable	Fixed	Total
CAGR FY05-FY20	(5.2%)	(1.6%)	(4.3%)

2.7. SME Lending

Small businesses are a key component of the Australian economy, representing 97% of all businesses.[54] Small businesses employ more than 40% of Australia's workforce and contribute approximately 32% of Australia's GDP.[55] Lending to SMEs amounted to $86 billion for the last 12 months to June 2020.[56]

Small businesses seek finance for a number of business activities including[57]:

- Maintain short-term cash flow or liquidity; and
- Acquisition of assets used in the business.

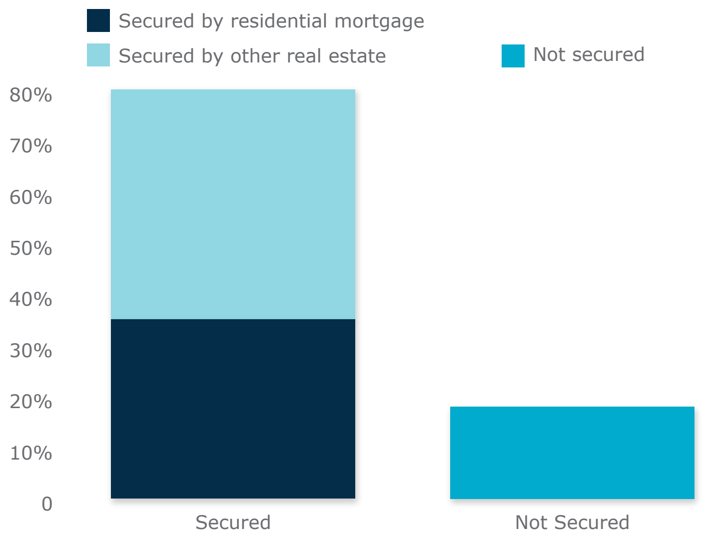
51. Australian Bureau of Statistics, 5601.0 – Lending Indicators (June 2020).
52. Australian Bureau of Statistics, 5601.0 – Lending Indicators (June 2020).
53. Australian Bureau of Statistics, 5601.0 – Lending Indicators (June 2020). Excludes motor finance.
54. Australian Bureau of Statistics, 8165.0 – Counts of Australian Businesses including Entries and Exits (June 2015-2019).
55. Australian Bureau of Statistics, 8155.0 – Australian Industry (2018-2019).
56. Australian Bureau of Statistics, 5601.0 – Lending Indicators (June 2020).
57. Australian Banking Association, SME lending in Australia (August 2019).

2 Industry Overview

2.7.1. Market Overview

Many small businesses find accessing finance from ADIs challenging particularly without providing real property as security[58]. On average about 80% of business lending by ADIs is secured by real estate[59].

Australian Online Balance Sheet and Marketplace Business Lending Volume[60]



As a result, small businesses are less likely to approach ADIs for non-mortgage secured finance compared to large businesses and are more likely to source finance from an alternative source, such as a non-bank lender.[61]

There are a number of financing products available to small businesses, including bank loans, credit cards, equipment financing, invoice financing, debtor financing and online loans. A number of new entrants are entering the market to support SMEs, primarily using online platforms to connect with customers and also utilising the broker channel to originate loans.

Lender type	Participants
Major banks	ANZ, CBA, NAB, WBC
Other ADIs	Regional banks, Judo Bank
Non-bank lenders	Liberty, Eclipx, FlexiGroup, Moula, OnDeck, Prospa, Scottish Pacific, Silver Chef

2.8. Australian and New Zealand Mortgage Broking Market

Mortgage brokers in Australia and New Zealand perform an important distribution function for a broad spectrum of lenders across the market. Since deregulation of the Australian financial system in the 1980s and significant major bank branch closures throughout the 1990s, broker numbers have significantly increased to become an integral part of residential mortgage origination.[62]

58. Australian Government Productivity Commission, Competition in the Australian Financial System (June 2018).
59. Australian Government Productivity Commission, Competition in the Australian Financial System (June 2018).
60. Australian Government Productivity Commission, Competition in the Australian Financial System (June 2018).
61. Australian Banking Association, SME lending in Australia (August 2019).
62. Mortgage and Finance Association of Australia – Industry Intelligence Service Report, 9th edition.

2.8.1. Market Overview

The mortgage broker industry has evolved over the decades from largely individual small businesses into one that is now comprised of a full spectrum of different operating models, spanning from specialised small businesses to national operators.

Large mortgage broker groups often provide a range of value-added services to their broker members including, but not limited to, commission management, software, business support and marketing. In return for providing these services, such broker groups receive part of the lender commission otherwise payable to their broker members. These broker groups are collectively referred to as aggregators. Some aggregators offer brokers to use a single group brand and some aggregators allow brokers to be independently branded.

In recent times, broker groups have emerged focusing on specialised technology platforms as points of difference. Instead of relying on receiving a part of the lender commission for their services, these market participants may also receive monthly subscription user fees.

Type	Australia	New Zealand
Branded aggregators	LNS, Aussie Home Loans, Mortgage Choice, Yellow Brick Road, LoanMarket	Mike Pero Mortgages (MPM), New Zealand Home Loans, LoanMarket
Non-branded aggregators	nMB, Australian Finance Group (AFG), Connective, Choice Aggregation Services, PLAN Australia, FAST, VOW	Allied Kiwi, New Zealand Financial Service Group

2.8.2. Market Size and Growth

In Australia, mortgage brokers have significantly increased their market share of new residential mortgages over time. The most recent data shows that during the 12 months to September 2019, 56.8% of new residential home loans[63] (equivalent to $178 billion) were originated through mortgage brokers. This result is the highest ever recorded in a 12-month period and is an increase of 1.3% over the previous corresponding period, where mortgage brokers accounted for 55.5% of new residential mortgages (equivalent to $198 billion) during that period[64].

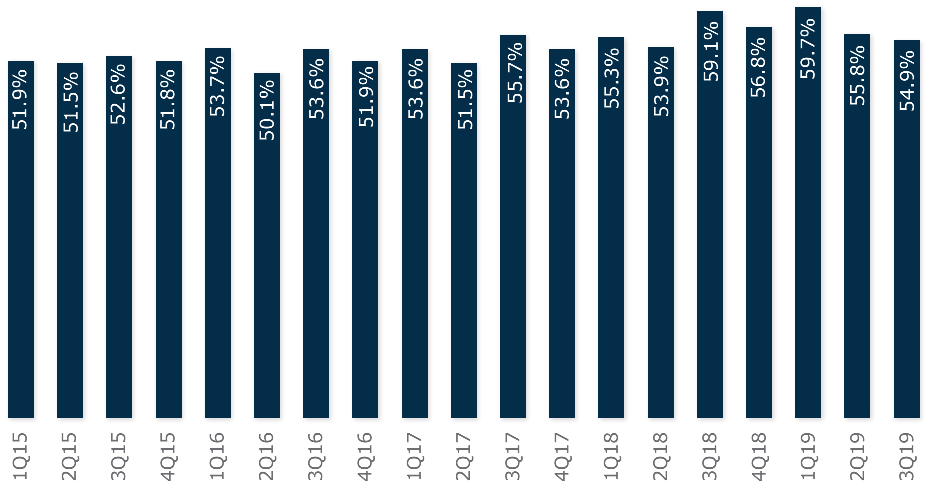
Since September 2015, the percentage of all home loans settled by mortgage brokers has increased from 51.6% to 56.8%, representing growth of 520 bps. In Australia, there were approximately 16,500 mortgage brokers settling approximately $178 billion in home loans for the year to 30 September 2019[65].

Mortgage brokers in the New Zealand market are estimated to account for approximately 40%[66] of loan volumes. Liberty attributes the lower penetration rate in New Zealand relative to Australia to the smaller market size, fewer lenders and a less comprehensive suite of mortgage products being available.

63. Mortgage and Finance Association of Australia – Industry Intelligence Service Report, 9th edition.
64. Mortgage and Finance Association of Australia – Industry Intelligence Service Report, 9th edition.
65. Mortgage and Finance Association of Australia – Industry Intelligence Service Report, 9th edition.
66. Estimate by Consumer NZ (February 2020).

2 Industry Overview

Market Share of Home Loans settled by Brokers in Australia (%)[67]



2.9. Australian Insurance Market

2.9.1. General Insurance

The Australian general insurance market provides the ability for individuals and businesses to protect against financial loss as a result of a variety of risks, such as motor vehicle accidents and loss or damage to property.

2.9.1.1. Types of General Insurance

General insurance personal lines include:

- Home building insurance: covers the cost of rebuilding or repairing a house in the event of damage from natural disasters or accidents such as flooding, fire or hail.
- Home contents insurance: covers personal possessions in a house if they are damaged, lost or stolen.
- Comprehensive car insurance: covers damage to an owner's car and the property within a car in the case of damage, accident or theft and damage to others' property and vehicles.
- Third party, fire and theft car insurance: covers damage caused to another person's vehicle or property and provides limited cover for damage to an owner's vehicle caused by theft or fire.
- Consumer Credit Insurance ("CCI"): insurance sold in conjunction with mortgages, personal loans and credit cards that provides cover for consumers if they are unable to meet their instalments because of unemployment, sickness or injury. CCI is optional and has traditionally been obtained at the time a consumer applies for a loan. The length of cover is usually linked to the loan. The more common CCI products are:
  - Loan Protection Insurance ("LPI"): covers personal loans, motor vehicle loans and credit cards; and
  - Mortgage Protection Insurance ("MPI"): may be offered for both residential and commercial properties, for owner-occupied and investment property loans.
- Guaranteed Asset Protection ("GAP"): also known as Vehicle Equity Insurance ("VEI"), GAP provides cover to the vehicle owner where a vehicle is declared a total loss and the total loss payment made by the comprehensive motor vehicle insurer is insufficient to pay the outstanding loan contract on the vehicle.

LFI is licensed by APRA to provide general insurance products. To date, LFI has limited its customer solutions to CCI and VEI but is able to expand its offering within the broader personal lines market. LFI currently distributes personal lines products via a partnership with CGU.

67. Mortgage and Finance Association of Australia – Industry Intelligence Service Report, 9th edition.

2.9.1.2. Market Overview: CCI

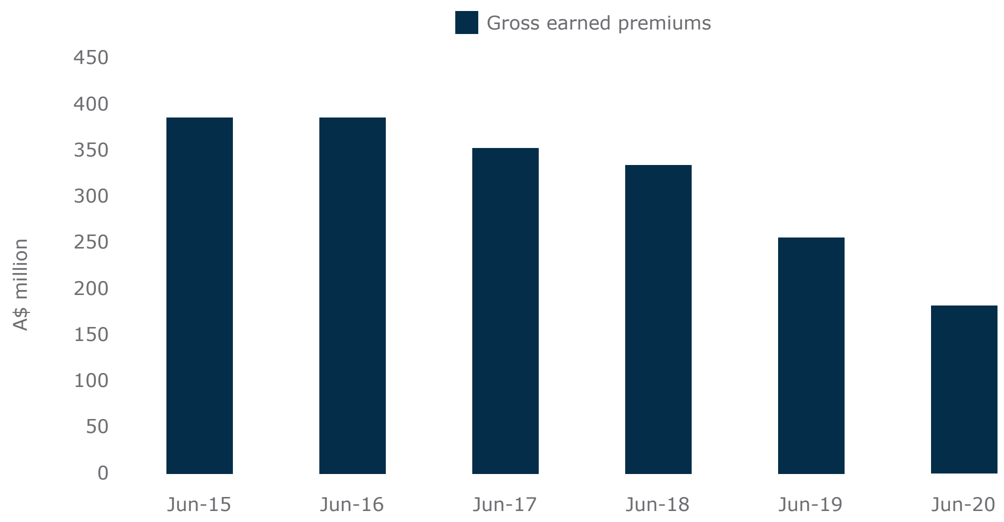
The CCI market has seen the number of participants reduce over the past five years, with many lenders and insurers ceasing to offer CCI products entirely.[68] This shift in the market has been driven by ASIC's review into historical practices, which resulted in a number of negative findings, consumer remediation and recommendations to improve sales systems, practices, monitoring and supervision.[69] The withdrawal of a number of large players has provided an opportunity for other providers to gain market share with differentiated service and product offering.

CCI products are traditionally offered at the point of sale, through mortgage and finance brokers and direct to consumer.

Insurer type	Participants
ADIs	None
Other	LFI (LPI, MPI, VEI), Credit Union Australia (LPI, MPI), Latitude (LPI), People's Choice (MPI)

The CCI market has undergone a period of decline over the past four years as a result of ASIC's review into CCI products. Within the personal loan and credit card finance insurance segment, CCI generated approximately $182 million of Gross Earned Premiums during the year ended 30 June 2020.[70]

Australian CCI Gross Earned Premiums (LPI and Credit Cards Insurance)[71]



2.9.2. Life Insurance

The Australian life insurance market provides the ability for individuals to protect themselves and their relatives against financial loss as a result of a variety of risks, such as death, total and permanent disability or loss of income. Life insurance contracts can be obtained in conjunction with a loan, however, unlike mortgage protection insurance contract, the features of the contract are not tied to the loan and the life insurance benefits are paid to the borrower, not the lender.

2.9.2.1. Types of Life Insurance

There are a number of different types of life insurance cover, which apply in different circumstances. The more common ones are:

- Life cover: pays a lump sum in the event of death;

68. ASIC, Consumer credit insurance report 622 (July 2019).
69. ASIC, Consumer credit insurance report 622 (July 2019).
70. APRA, General Insurance Performance Statistics Database (June 2020). Note, does not include MPI premiums.
71. APRA, General Insurance Performance Statistics Database (June 2020). Note, does not include MPI premiums. Data for FY18 and FY19 annualised given missing data for two quarters in each fiscal year.

2 Industry Overview

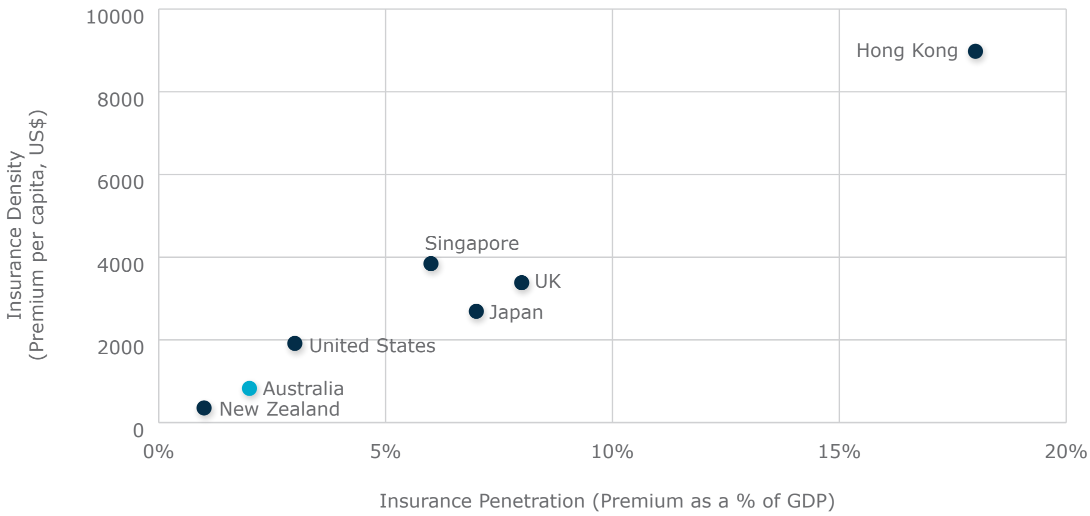
- Total and permanent disability (TPD) cover: pays a lump sum in the event of total and permanent disability to cover rehabilitation and living costs;
- Trauma cover: pays a lump sum in the event of diagnosis of certain illnesses that have a significant impact on quality of life; and
- Income protection: replaces lost employment income resulting from sickness or injury, sometimes from involuntary unemployment.

Life insurance is generally offered through four key channels: financial advisors (including brokers), superannuation funds, direct through life insurers and bank branches.

2.9.2.2. Market Overview

The life insurance industry is a significant component of the Australian financial services sector. Australia is significantly under-serviced by global comparison, with Australia's life insurance penetration as a percentage of GDP being below comparable markets including the UK and US in 2019.[72]

Global Life Insurance Market Penetration[73]



In recent times, the Australian Life Insurance market has undergone significant change as a result of the Royal Commission into Financial Services and M&A activity. Notably most life insurers that were established as subsidiaries of major local financial groups were sold to international insurance groups. Additionally, some insurers exited the industry as a result of the findings of the Royal Commission.

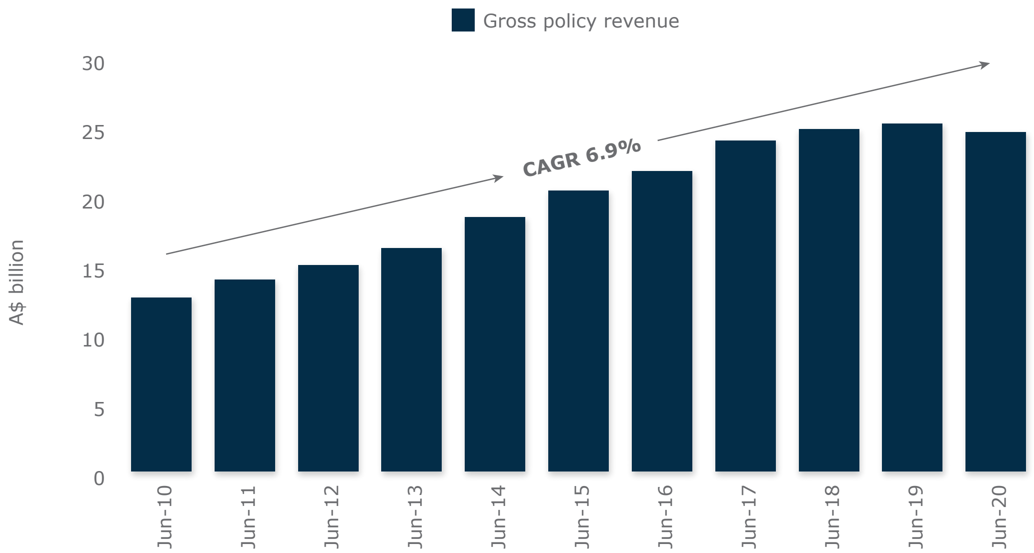
Insurance provider / distributor	Participants
Insurance companies	AIA Australia, MetLife Insurance, MLC Limited, TAL Life, Zurich Australia
Banks	BT Life (WBC)
Superannuation funds	Australian Super, CBUS, HESTA, Hostplus
Financial advisers and distributors	ALI, Over 25,000 Independent financial advisers registered in Australia[74]

72. Swiss Re Institute: World insurance No 4/2020.
73. Swiss Re Institute: World insurance No 4/2020.
74. Royal Commission into Misconduct in the Banking Superannuation and Financial Services Industry – Background Paper 6 (Part A): Some features of the Australian Financial Planning Industry, 2018.

2.9.2.3. Market Size and Growth

Gross Policy Revenue for the 12 months ending 30 June 2020 was $25 billion, representing a decline of 2.4% over the 12 months ending 30 June 2019.[75]

Australian Annual Life Insurance Gross Policy Revenue[76]



2.10. Australian Managed Investment Schemes Market

Managed investment schemes ("MIS") provide the opportunity for investors to participate in pooled vehicles in the pursuit of target investment goals. Commonly referred to as managed funds, these vehicles provide access to assets such as cash management, property, equities, mortgages and bonds.

2.10.1. Market Overview

There are many participants in the managed fund industry ranging in specialisation from broad investment management businesses to industry specialists.

Managed funds may be offered by investment management firms that specialise in broad financial planning and wealth creation services. Managed funds are also offered by industry firms that have expertise in a particular type of asset as a broader part of their business strategy, such as infrastructure or property.

Managed funds may be distributed directly to the public or may be distributed via third party intermediary financial planners and can be listed or unlisted.

Type	Selected participants	Segment
Wealth business	AMP, BT, Colonial First State, IOOF	Diversified Investments
Industry business	Stockland, Sydney Airport, Transurban, Westfield	Property and Infrastructure
Mortgage business	Liberty, Australian Unity, La Trobe Financial	Mortgage related

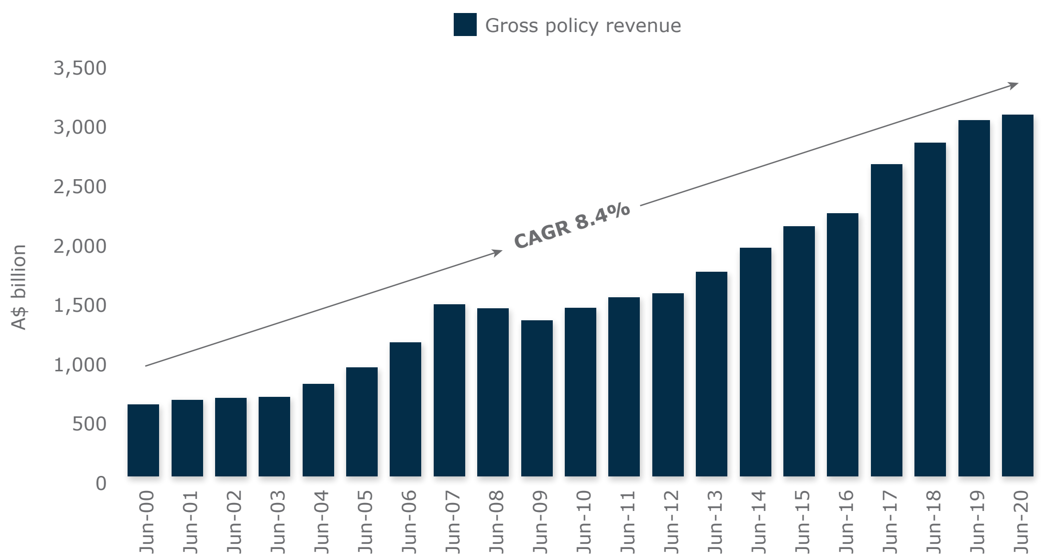
75. APRA, Quarterly Life Insurance Performance Statistics (June 2020).
76. APRA, Quarterly Life Insurance Performance Statistics (June 2020).

2 Industry Overview

2.10.2. Market Size and Growth

Total funds managed by the Australian managed funds market has been growing annually at a rate of 8.4% since 2000, with volumes reducing momentarily during the financial crisis[77].

Australian Managed Funds Institutions – Total Consolidated Assets[78]



2.11. New Zealand Non-Bank Deposit Market

Debentures are a form of debt instrument that provide retail investors with the opportunity to effectively lend money to companies secured by the company's assets in return for a fixed yield. Commonly referred to in New Zealand as term deposits, these products provide access to a range of fixed returns dependent on the anticipated performance of the company. Deposits, whether issued by ADIs or NBDTs, are not guaranteed by the government in the event an issuer defaults.

2.11.1. Market Overview

NBDTs are regulated by the RBNZ and are subject to a number of requirements such as maintaining an external credit rating and a minimum capital ratio. The RBNZ also assesses the suitability of directors and senior officers and needs to approve changes in ownership.

The broader term deposit market in New Zealand has participants including but not limited to banks, credit unions and finance companies. Finance companies generally offer debenture products in the term deposit market in New Zealand.

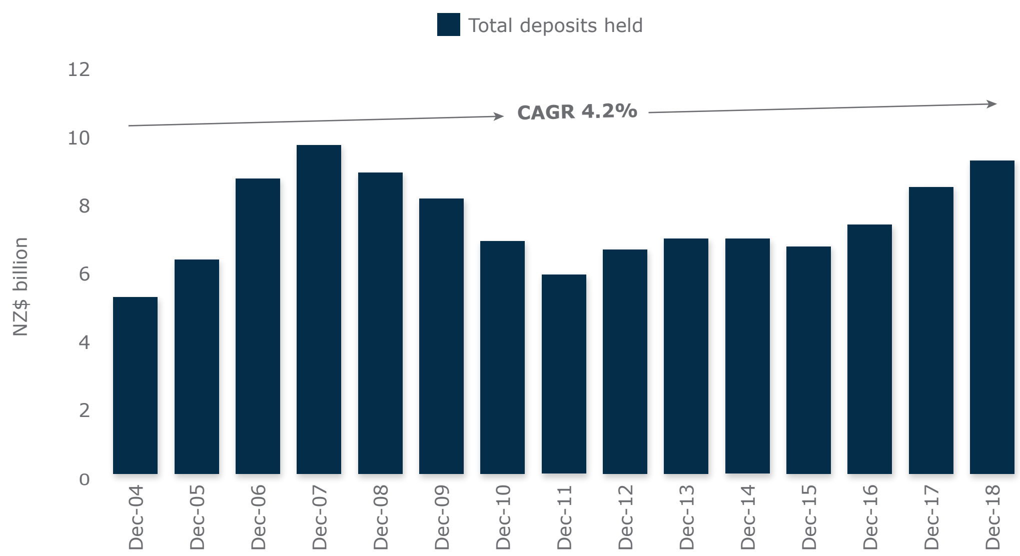
Type	Selected participants	Segment
Debenture	Liberty, UDC	Investment Grade
	Avanti, Fisher & Paykel Finance	Sub Investment Grade
	Finance Direct, General Finance	Not rated

77. Australian Bureau of Statistics, 5655.0 Managed Funds, Australia (June 2020).
78. Australian Bureau of Statistics, 5655.0 Managed Funds, Australia (June 2020).

2.11.2. Market Size and Growth

Funding of New Zealand NBDTs has increased at a CAGR of 4.2% between December 2004 and December 2018[79].

New Zealand NBDTs – Total Funding Held[80]



2.12. New Zealand Real Estate Brokerage Market

The main activity of Real Estate agents is the sale of properties. Services include organising a marketing campaign, coordinating inspections for potential buyers, negotiating prices and handling property auctions. For these services, real estate agents usually receive a variable percentage sales commission, with bonuses for negotiating higher prices. Other services include leasing, property management and a range of consulting and technical services. Real estate agents in New Zealand must hold a licence delivered by the Real Estate Authority (“REA”).

2.12.1. Market Overview

The New Zealand Real Estate broking market is fragmented, with no agency accounting for more than 5% of industry revenue[81]. While some large chains are active in the market, the market is dominated by small agencies with an average of two employees per business[82].

Type	Selected participants
Real Estate agency	Mike Pero, Barfoot & Thompson, Bayleys, Harcourts, LJ Hooker, Ray White

2.12.2. Market Size and Growth

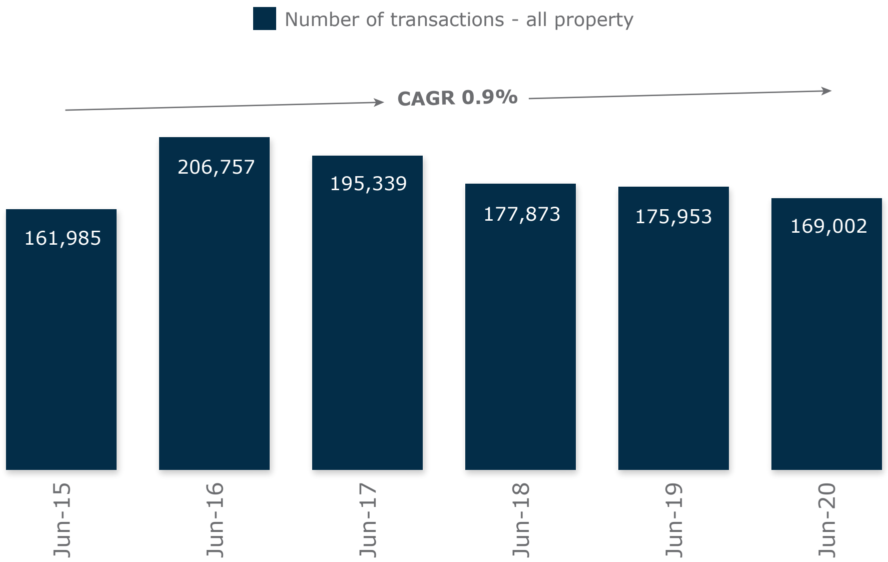
The Real Estate broking market in New Zealand is projected at NZ$4.1 billion of revenue for the 12 months to June 2021[83]. The key drivers for the industry are the number of housing transfers, which is influenced by growth of population, level of house supply and interest rates.

79. Reserve Bank of New Zealand, Non-deposit taking finance companies: Balance sheet ($m) – T31 (December 2018). Data series suspended.
80. Reserve Bank of New Zealand, Non-deposit taking finance companies: Balance sheet ($m) – T31 (December 2018). Data series suspended. Funding includes all deposits and loans, as well as funds received from the Reserve Bank.
81. IBISWorld Industry Report, Real Estate Services in New Zealand (May 2020).
82. Barnes Reports, 2019 World Industry & Market Outlook, Offices of Real Estate Agents & Brokers.
83. IBISWorld Industry Report, Real Estate Services in New Zealand (May 2020).

2 Industry Overview

Over the past five years, the number of annual property transfers has grown at a CAGR of 1%[84]. The number of transactions has experienced a recent decline due to measures taken by the government to cool the residential market, including lending restrictions that took effect in October 2016 limiting lending ratios, further restrictions in October 2018 reducing the ability of foreigners to buy residential properties, as well as the potential limitation of mortgage availability as a result of changes to the capital framework for ADIs announced by the RBNZ in December 2019 (see Section 2.14.3.3).

Transfer of Properties in New Zealand[85]



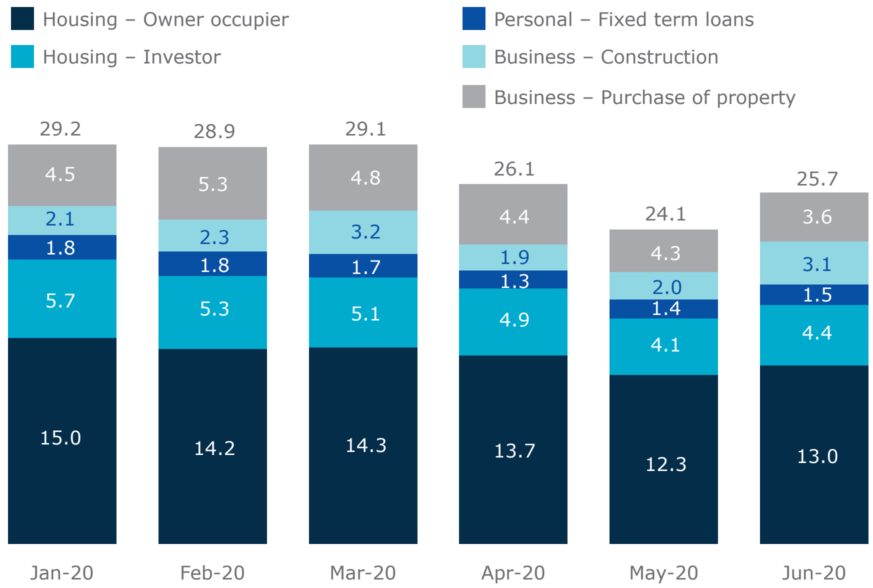
2.13. COVID-19 Impact on the Financial Services Market

The Australian economy has been impacted by the outbreak of the novel coronavirus, also known as COVID-19. Following the WHO's declaration of a global pandemic on 11 March 2020, the Australian government responded by implementing restrictions on international and domestic travel, social distancing requirements, restricted trading conditions for businesses and deliberate closure of parts of the economy. As a direct result, unemployment increased materially, from 5.3% in January 2020, to 6.8% in August 2020[86].

From the perspective of financial institutions, the conditions that the COVID-19 crisis triggered have specific implications for managing and mitigating credit risk. During this period, banks have been adjusting to new dynamics and exploring different approaches to the challenges, resulting in a reduction of new loan volumes across the three months to May 2020. The fall in new loan commitments also reflect the government restrictions imposed in March 2020 and April 2020 on open houses and people's mobility in general. As these restrictions eased, housing loan commitments experienced a gradual increase in June 2020.

84. Stats NZ, Property Transfer Statistics (June 2020).
85. Stats NZ, Property Transfer Statistics (June 2020).
86. Australian Bureau of Statistics, 6202.0 – Labour Force, Australia (January 2020, August 2020).

New Loan Commitments (A$ billion)[87]



In order to support businesses and individuals, the Australian government subsequently implemented a number of support packages, most notable being JobSeeker and JobKeeper, which provided wage subsidies to employers and increased unemployment benefits to individuals. These policies have helped the Australian economy by supporting employment and consumer spending.

Lenders have also provided temporary relief to borrowers impacted by COVID-19, allowing loan repayment deferrals. To support these institutions, APRA announced that deferred loans would not be considered overdue or in arrears for reporting purposes for a period of 10 months from the start of a repayment deferral, or until 31 March 2021. These measures were formalised on 9 September 2020. As a result, the full impact on bank arrears and bad debts is not yet known.

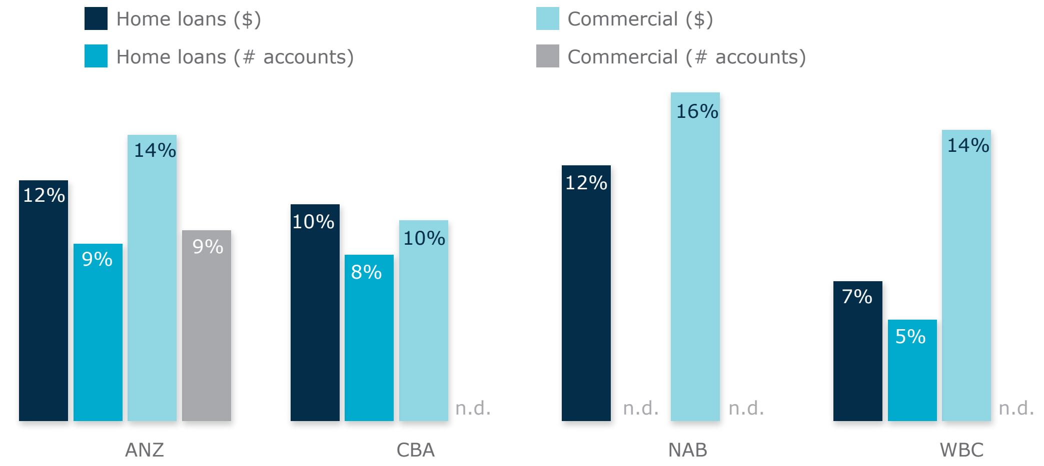
ADIs Loan Deferrals as a result of COVID-19 (June 2020)[88]

	Deferred loans	Total loans	Deferred loans, share of total loans
Total	$274 billion	$2.7 trillion	10%
Housing	$195 billion	$1.8 trillion	11%
Small business	$55 billion	$321 billion	17%

87. Australian Bureau of Statistics, 5601.0 –Lending to households and businesses, Australia (January 2020 - June 2020). Note loan commitments for owner occupier, investor housing and personal fixed term loans exclude refinancing.
88. APRA, Temporary Loan Repayment Deferrals due to COVID-19 (June 2020).

2 Industry Overview

Percentage of Total Loan Book Deferred for Major Banks[89]



To support the liquidity position of the ADI sector, the RBA established a $200 billion Term Funding Facility ("TFF"). To provide support to non-bank financial institutions, the AOFM established a $15 billion Structured Finance Support Fund ("SFSF"). As at 30 June 2020, SFSF investments and commitments totalled $2.7 billion.[90] These funds have been deployed to a number of non-bank financial institutions, including Liberty, Bluestone, Columbus Capital, Firstmac, La Trobe Financial, Pepper Money, Red Zed and Resimac.

2.14. Regulation

Liberty's operations are primarily governed by the laws and regulations of Australia and New Zealand. The regulatory landscape continues to evolve as regulators react to market occurrences and increase their level of supervision and enforcement of the markets in which Liberty operates. Liberty is compliant with all legislative and regulatory requirements in Australia and New Zealand as necessary to undertake its operations. An overview of regulatory developments (Section 2.14), the relevant laws of Australia (Section 2.14.1), the relevant laws of New Zealand (Section 2.14.2) and regulatory capital requirements (Section 2.14.3) is set out below.

2.14.1. Australia

Non-ADI lenders and finance brokers are primarily regulated by ASIC and under the *National Consumer Credit Protection Act 2009* (Cth) ("NCCP Act"), which includes the National Credit Code contained in Schedule 1 of the NCCP Act ("CCL") and the *National Consumer Credit Protection Regulations 2010* (Cth).

Australian credit licensees are subject to general obligations under the NCCP Act, which include:

- Doing all things necessary to ensure that the credit activities authorised by the licence are engaged in efficiently, honestly and fairly; and
- Having proper arrangements for conflicts of interest, staff training and competency, adequate resources and risk management systems and processes.

The NCCP Act also imposes a number of obligations on licensees in respect of responsible lending and consumers' best interests. These obligations are imposed in order to ensure that licensees do not provide or suggest or otherwise assist with a credit contract that is unsuitable for a consumer. Credit licensees are required to:

- Make reasonable inquiries concerning a customer's requirements and objectives in relation to a credit contract;
- Take reasonable steps to verify the financial situation of the customer;
- Conduct an assessment to determine that a credit contract is not unsuitable for the consumer; and
- In the case of mortgage brokers, from 1 January 2020, act in the best interest of consumers and where there is a conflict of interest, prioritise the interests of the consumer.

89. ANZ 3Q20 results; CBA FY20 full year results; NAB 3Q20 results; WBC 3Q20 results.
90. AOFM, Quarterly Structured Finance Support Fund (SFSF) Update (June 2020).

In addition to its obligations in respect of Liberty's lending activities, Liberty's insurance activities (being the issuance of CCI and VEI products marketed by LFI) are regulated by ASIC as an AFSL holder and issuer of financial products under the *Corporations Act 2001* (Cth) and the *Insurance Contracts Act 1987* (Cth), which regulates contracts of insurance. LFI is also regulated by APRA as a general insurer under the *Insurance Act 1973* (Cth). This is the prudential framework for licensed general insurers.

The principal regulators of financial products and conduct of Australian credit licensees are:

- **ASIC:** ASIC is the national regulator for consumer credit and finance broking in Australia and regulates both Australian Credit Licences ("ACL") and AFSLs. ASIC has an ongoing focus on the lending industry's compliance with responsible lending laws. ASIC has the power to order the suspension of sale of a product or the modification of its terms where ASIC determines that a financial product may result in significant detriment to consumers. This applies to insurance products and products that are regulated or exempt from the CCL;
- **AFCA:** Australian Financial Complaints Authority ("AFCA"), formed in 2018, is the dispute resolution scheme for financial services. AFCA has jurisdiction to hear disputes between credit providers, financial service entities and their customers. AFCA's jurisdiction requires it to attempt to resolve disputes on the grounds of fairness having regard to legal principles and also good industry practice. From August 2019, AFCA is permitted to name financial firms in published determinations; and
- **APRA:** A 2018 change in the *Banking Act 1959* (Cth) empowers APRA to temporarily oversee non-ADIs by introducing regulations that would become enforceable for one, some or all of non-ADI lenders if APRA considers that the lending by non-ADI lenders contributes to the risk of instability in the Australian financial system and that it is necessary to do so in order to address those risks.

As issuers of financial products, non-ADIs are also required to hold an AFSL. As an AFSL holder, non-ADI lenders are subject to specific obligations relating to conduct and disclosure.

In addition, non-ADI lenders are also subject to various other regulations including:

- The *Privacy Act 1988* (Cth) relating to the handling of personal information about individuals;
- The *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) which places a number of obligations on Liberty, including enrolment/registration with AUSTRAC, customer identification and verification protocols, establishment and maintenance of an "AML/CTF" program and ongoing customer due diligence reporting obligations;
- CCL sets out the requirements for any entity to hold an ACL. It regulates all loans that lenders, including Liberty, make to individuals or strata corporations which are provided wholly or predominantly for personal, domestic or household purposes or to purchase, renovate or improve residential property for investment purposes (or to refinance such loans);
- The *Australian Securities and Investments Act 2001* (Cth) and where relevant its equivalent provisions in the Australian Consumer Law protects consumers and small businesses from unfair terms in standard form contracts. A term of a contract will be unfair if it causes a significant imbalance in the parties' rights and is not reasonably necessary in order to protect legitimate interests. If a term is unfair, the term is void and it cannot be enforced; and
- Credit enforcement rights under the ipso facto regime came into effect on 1 July 2018. The law was introduced to restrict the ability of counterparties to exercise termination, enforcement or other contractual rights under affected contracts that are triggered by the entry of a company into or commencing a specified insolvency or restructuring procedure.

There is ongoing regulatory reform in Australia, particularly focused on consumer finance and product suitability. There are a number of current changes and proposed reforms that are in various stages of development.

2.14.1.1. Developments in Responsible Lending

In recent years, ASIC has increased its focus on responsible lending practices. Two specific areas being reviewed were:

- The extent to which licensed credit providers undertake independent verification of a potential customer's income; and
- The level and method of verification of a customer's expenses, including the reliance on benchmarks.

2 Industry Overview

Both of these areas were mentioned in the findings of the Royal Commission into misconduct in the banking, superannuation and financial services industry ("Banking Royal Commission"). See Section 2.14.1.3 for further detail.

In December 2019, ASIC updated its guidelines for responsible lending in RG 209. Notably, when determining how to comply with their responsible lending obligations, ASIC formed a view that licensees should have regard to what the obligation is intended to achieve and what consumer harm it is intended to address; have regard to the circumstances of the individual consumer the licensee is dealing with and have regard to whether the credit product involves a higher risk of harm to the consumer if it is unsuitable.

On 26 June 2020, the Full Federal Court in *Australian Securities and Investments Commission v Westpac Banking Corporation* [2020] FCAFC 111 provided further clarity for credit licensees in relation to the responsible lending requirements of the NCCP Act. The judgment confirmed that the NCCP Act gives latitude to credit licensees to determine how they should perform the assessments of unsuitability required by law before entering into credit contracts. ASIC confirmed that it will not appeal the decision and it will review its updated regulatory guidance RG209 on responsible lending conduct in light of the Full Federal Court decision.

On 25 September 2020, the Treasurer made a statement that the "responsible lending obligations" had become too prescriptive and restrictive and that the Australian Government intended to remove these requirements from the NCCP Act. While some guidance has been provided, the specific details of these further changes are unknown at this time. The Government will look to implement these reforms by 1 March 2021.

2.14.1.2. Product Design and Distribution Laws

The legislation that introduced ASIC's product intervention powers also introduced a number of design and distribution obligations for issuers and distributors of financial products including regulated and unregulated credit products. Whilst these do not commence until October 2021, they will require:

- Issuers of relevant products to prepare a target market determination ("TMD") for each affected product that must be publicised and reviewed;
- Issuers and distributors of relevant products to take reasonable steps to ensure that the distribution of a product is consistent with the most recent TMD; and
- Additional marketing, record-keeping and reporting obligations will apply to both distributors and issuers.

2.14.1.3. Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

The Banking Royal Commission was established to investigate whether any of Australia's financial services providers engaged in misconduct, and whether any criminal or civil legal proceedings should be commenced. The Banking Royal Commission focused on APRA and ASIC regulated entities, and the interim and final reports identified a number of adverse findings.

The final report contained six underlying principles and 76 recommendations. The six principles are: obey the law, do not mislead or deceive, act fairly, provide services that are fit for purpose, deliver services with reasonable care and skill, and when acting for another, act in the best interests of that other.

The Australian Government has endorsed almost all of the recommendations of the Banking Royal Commission. A timetable released in August 2019 stated that it intends to implement, or have introduced to Parliament, legislation to implement all of the supported recommendations by the end of 2020.

In May 2020, the Australian Government announced a six-month deferral to the implementation of unlegislated Royal Commission recommendations to enable the financial services industry to focus on responding to the COVID-19 pandemic. Under the updated timetable, those measures that the government had indicated would be introduced into the Parliament by 30 June 2020 will now be introduced by December 2020. Similarly, those measures originally scheduled for introduction by December 2020 will now be introduced by 30 June 2021.

A number of these principles and recommendations are relevant to the industries in which Liberty operates. Some recommendations that may impact these industries include:

- Mortgage broker best interest duty:
  - From 1 January 2021, mortgage brokers will be required to act in the best interests of consumers and to prioritise consumers' interests when providing credit assistance. ASIC's views on how mortgage brokers may comply is contained in RG 273;
- CCI: various recommendations impacting on the design and sale of CCI products including:
  - A ban on hawking of products (otherwise known as unsolicited telephone sales);
  - Unfair contract terms applying to insurance contracts;
  - A deferred sales model being introduced (where the sale of CCI would need to take place a number of days after the sale of the primary product to which it relates);
  - The handling and settlement of insurance claims no longer being excluded from the definition of a financial service; and
  - Insurance industry voluntary codes of conduct being given legal status.
- FAR: the Financial Accountability Regime ("FAR") (which will replace the Banking Executive Accountability Regime) will extend the strengthened responsibility and accountability framework that currently applies to directors and the most senior executives of ADIs across all APRA regulated industries, in accordance with the government's response to several Hayne Commission recommendations. The government intends to introduce legislation by the end of the year (following consultation on draft legislation). However, no implementation date is given. Until the final form of the regime is known, there remains uncertainty about its impact on Liberty (and more relevantly, LFI);
- Remuneration: identification of the remuneration of front-line staff as a potential area for improvement; and
- Industry Codes: recommendations as to the enforceability of voluntary industry codes.

2.14.1.4. Other Developments

The Australian Government and regulators are implementing initiatives such as the Comprehensive Credit Reporting and Open Banking regimes, which are intended to promote competition with enhanced data accessibility leading to improved customer outcomes and experiences.

As of 1 July 2018, Comprehensive Credit Reporting made the recording of positive credit information on credit histories mandatory for all credit providers. This is intended to allow lenders to better assess risk using a balanced assessment of applicants' credit histories and could be beneficial for people who have the means to take on a loan but may have had a limited number of credit blemishes.

Open banking gives consumers the ability to share their banking data with third parties that have been accredited by the ACCC. Open banking was applied to credit and debit card information from July 2020 and will apply to mortgages and personal loans information from November 2020 and business loans and foreign exchange transactions information from February 2021.

2.14.2. New Zealand

Liberty's New Zealand consumer loans and related securities are regulated by the *Credit Contracts and Consumer Finance Act 2003* (NZ) and the *Consumer Guarantees Act 1993* (NZ).

Liberty must also comply with the *Anti-Money Laundering and Countering Financing of Terrorism Act 2009* (NZ) which places obligations on New Zealand's financial institutions to detect and deter money laundering and terrorism financing.

As a financial services provider Liberty is required to adhere to certain financial services legislation in New Zealand, including:

- **Financial Services Registration:** Entities in the business of providing financial services in New Zealand must be registered under the *Financial Service Providers (Registration and Dispute Resolution) Act 2008* (NZ) for each financial service they provide. Entities must also be a member of an approved dispute resolution scheme when providing services to retail clients;

2 Industry Overview

- **Financial Product Disclosure:** *The Financial Markets Conduct Act 2013* (NZ) ("NZ FMCA") regulates the disclosure required in relation to "financial products";
- **Financial Adviser Registration:** To the extent that persons provide "financial advice" in New Zealand they must be registered under the *Financial Advisers Act 2008* (NZ) and comply with certain disclosure obligations;
- **Trustee Requirements:** Under the NZ FMCA an independent, licensed trustee is required to be appointed under a trust deed for offers of debt securities to the public (such as secured deposits); and
- **Non-Bank Deposit Takers:** The *Non-bank Deposit Takers Act 2013* (NZ) regulates and provides for the licensing of NBDTs. The RBNZ monitors licensed NBDTs' compliance with the rules and regulations.

In April 2019, the *Financial Services Legislation Amendment Act 2019* (NZ) was passed which will introduce a new financial advice provider regime in New Zealand. The new regime will come into effect on 15 March 2021 and is designed to remove the current adviser classifications and set industry-wide standards for conduct and competence. The Liberty Group will have until this date to apply for a transitional licence in order to continue to provide financial advice to retail clients. A transitional licence is valid for up to two years and enables financial advisers and nominated representatives to continue providing the advice they were legally able to provide before the new regime was introduced.

Liberty's activities in New Zealand are regulated by the RBNZ and the Financial Markets Authority and are also subject to the *Fair Trading Act 1986* (NZ) (covering both consumer and business borrowers). It is also required to comply with the *Privacy Act 1993* (NZ) (which contains provisions promoting and protecting individual privacy) and the P*ersonal Property Securities Act 1999* (NZ) (which regulates the registration of security interests in personal property and the priority afforded to creditors with competing interests in such property in New Zealand).

As Liberty is not an ADI, it is not required to operate within requirements specific to banks. These requirements are wide ranging, but include as examples, outsourcing restrictions, market risk guidance notes, capital adequacy assessment process guidelines, significant acquisitions policies and restrictions on high LVR mortgage lending.

2.14.3. Increasing Regulatory Capital Requirements

2.14.3.1. Global Perspective

The impact of the 2007-2009 financial crisis on financial markets and banking institutions across the globe highlighted the need for a more comprehensive framework for bank capital requirements. The financial crisis exposed a number of issues with global capital standards and management of financial institutions, including:

- Allowing the build-up of significant on and off-balance sheet leverage;
- Inadequate composition of regulatory capital and the level of associated buffers;
- Insufficient levels and composition of liquidity buffers; and
- Poor quality loss absorption characteristics of the capital base.

From a global perspective, the international framework on capital adequacy for institutions regulated as ADIs is managed by the Basel Committee on Banking Supervision ("Basel Committee").

In response to the deficiencies in the regulatory capital framework identified during the financial crisis, the Basel Committee put forward a set of reforms known as Basel III (or the Third Basel Accord).

Basel III is being implemented on a phased approach commencing 1 January 2019. Reforms are continuing to be implemented, with additional changes coming into effect over a five-year period commencing from 1 January 2022. These changes will serve to universally increase capital requirements over the medium term for regulated financial institutions. Implementation of the framework will be driven at a national level, with regulators implementing the standards in ways most appropriate to their local circumstances.

2.14.3.2. Australian Response

APRA's capital standards for ADIs follow closely those set by the Basel Committee, with APRA implementing Basel III capital reforms in Australia on 1 January 2013. APRA has also adopted a more conservative approach than the minimum standards published by the Basel Committee along with an accelerated timetable for implementation.

More recently there have been a number of Australia-specific developments that have aimed to increase capital requirements and limit excessive lending growth for ADIs, including:

- Establishing unquestionably strong capital ratios by 1 January 2020, namely a CET 1 ratio of 10.5% for ADIs using the internal ratings-based (IRB) approach and 9.5% for ADIs using the standardised approach. In March 2020, APRA announced that, provided banks are able to demonstrate continued adherence to their various minimum capital requirements, APRA would not be concerned if they were not meeting their "unquestionably strong" requirements during the period of disruption caused by COVID-19; and
- Recalibrating some of the risk weights for credit exposure, targeting specifically the higher risk residential mortgages with the goal of reducing the structural concentration of banks. Additionally, some mortgages considered non-standard, for example loans to SMSFs, may attract a flat risk weight of 100%. Those revised credit, operational and market risk frameworks are at the proposal stage with implementation expected for 1 January 2023 or before. The tables below illustrate the proposed APRA changes to risk-weight capital framework.

Current APS 112 Framework[91]

APS 112

<table>
<tr><th colspan="9">Risk weight%</th></tr>
<tr><th></th><th colspan="2">Loan to value ratio (%)</th><th>≤50</th><th>≤60</th><th>≤80</th><th>≤90</th><th>≤100</th><th>>100</th></tr>
<tr><td rowspan="4">Standard</td><td rowspan="2">Owner-occupied principal and interest mortgages</td><td>LMI</td><td rowspan="2">35</td><td rowspan="2">35</td><td rowspan="2">35</td><td>35</td><td>50</td><td>75</td></tr>
<tr><td>No LMI</td><td>50</td><td>75</td><td>100</td></tr>
<tr><td rowspan="2">Other residential mortgages</td><td>LMI</td><td rowspan="2">35</td><td rowspan="2">35</td><td rowspan="2">35</td><td>35</td><td>50</td><td>75</td></tr>
<tr><td>No LMI</td><td>50</td><td>75</td><td>100</td></tr>
<tr><td rowspan="2">Non-standard</td><td colspan="2">Reverse mortgages</td><td colspan="2">50</td><td colspan="3">100</td><td>Impaired</td></tr>
<tr><td colspan="2">Other non-standard mortgages</td><td colspan="2">35</td><td>50</td><td colspan="2">75</td><td>100</td></tr>
</table>

APRA Proposed Framework[92]

APRA proposal

<table>
<tr><th colspan="9">Risk weight%</th></tr>
<tr><th></th><th colspan="2">Loan to value ratio (%)</th><th>≤50</th><th>≤60</th><th>≤80</th><th>≤90</th><th>≤100</th><th>>100</th></tr>
<tr><td rowspan="4">Standard</td><td rowspan="2">Owner-occupied principal and interest mortgages</td><td>LMI</td><td rowspan="2">20</td><td rowspan="2">25</td><td rowspan="2">35</td><td>45</td><td>60</td><td>80</td></tr>
<tr><td>No LMI</td><td>55</td><td>70</td><td>85</td></tr>
<tr><td rowspan="2">Other residential mortgages</td><td>LMI</td><td rowspan="2">25</td><td rowspan="2">30</td><td rowspan="2">45</td><td>60</td><td>75</td><td>90</td></tr>
<tr><td>No LMI</td><td>70</td><td>85</td><td>95</td></tr>
<tr><td rowspan="2">Non-standard</td><td colspan="2">Reverse mortgages</td><td colspan="2">50</td><td colspan="3">100</td><td>Defaulted</td></tr>
<tr><td colspan="2">Other non-standard mortgages</td><td colspan="6">100</td></tr>
</table>

91. APRA response to submissions, Revisions to the capital framework for authorised deposit-taking institutions (June 2019).
92. APRA response to submissions, Revisions to the capital framework for authorised deposit-taking institutions (June 2019).

2 Industry Overview

In addition, APRA began consultations on revisions to the capital framework for ADIs in February 2018 which, as at the date of this Offer Document, continues to be ongoing. One of the changes announced by APRA in July 2019 is the obligation for domestically systemically important banks to increase their Total Loss Absorbing Capacity by 3% of RWAs by 2024, with an expectation for the additional capital to be in the form of additional Tier 2 capital. APRA expects this change to increase bank funding costs.

The impacts of the implementation of the Basel III framework and recent developments by APRA have caused Australia's major banks to undertake capital raisings, implement out-of-cycle increases to residential and investment mortgage rates, withhold portions of RBA rate cuts and adopt more conservative lending criteria.

2.14.3.3. New Zealand Response

The RBNZ is not a member of the Basel Committee, however it has adopted the key elements of the Basel reforms. Due to the close proximity of New Zealand to Australia, there are a number of banks operating in New Zealand that are subsidiaries of Australian parent companies, and as such look to have their capital recognised in both countries. As a result, the RBNZ's capital requirements closely align with those set by APRA for Australian banks.

Due to the existing strength of New Zealand's banks, the RBNZ was able to implement Basel III on an accelerated basis, with domestically-owned banks and New Zealand incorporated banks with foreign ownership (e.g. New Zealand subsidiaries of foreign banks) required to comply with the new minimum ratios from 1 January 2013.

In line with the global trend of increasing both capital requirements and the relative strength of bank balance sheets, the RBNZ has implemented a number of key measures to increase capital requirements and restrict growth in certain types of residential mortgage lending in the New Zealand market:

- From October 2013, the RBNZ increased the correlation factor for high LVR mortgage loans (i.e. LVR's in excess of 80%), thereby increasing the capital adequacy requirements for these loans for banks using the internal ratings-based model;
- From November 2015, residential mortgage investment loans secured by non-owner-occupied property have been classified in a separate asset class for capital calculation purposes and are subject to the following:
  - increased risk weights for standardised banks; and
  - higher correlation factors and minimum loss given default rates for internal ratings-based model banks;
- From October 2016, macro prudential regulations have been introduced that limit the amount of owner occupier and investor lending banks are able to underwrite based on LVR characteristics; and
- In December 2019, the RBNZ announced changes to the capital requirements of ADIs:
  - increase Tier 1 capital requirements to 16% of RWAs for systematically important banks and 14% for all other banks, total capital being increased to 18% and 16% respectively;
  - raise RWAs for the four internal ratings-based approach (IRB) accredited banks (ANZ NZ, ASB, BNZ and WBC NZ) to a minimum of 85% of what would be calculated under the Standardised approach and increase the scalar of credit risk RWA of IRB model from 1.06 to 1.2; and
  - these changes will be implemented from July 2021 with a seven-year transition period.

The resultant actions by the RBNZ have effectively forced regulated banks in New Zealand to tighten underwriting criteria in relation to residential property lending and, similar to the impacts in the Australian market, have forced borrowers to seek out alternative sources of financing in the form of non-bank lenders.

2.14.3.4. New Zealand Recent Developments

On 11 December 2019, the New Zealand government introduced new legislation regulating the conduct of financial institutions. The Financial Markets (Conduct of Institutions) Amendment Bill will notably require banks, insurers and non-bank deposit takers to be licensed in respect of their general conduct towards consumers and to comply with a principle to treat consumers fairly, including by paying due regards to their interests. The Bill is on standby as it awaits its second reading in the New Zealand Parliament.

Group Overview

3

3 Group Overview

3.1. Introduction

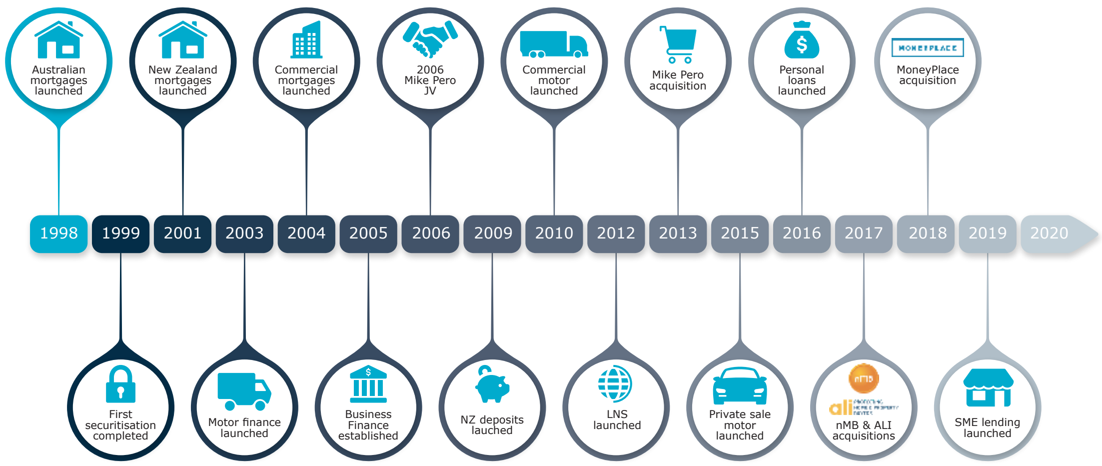
Liberty is a leading financial services business with operations across Australia and New Zealand. Liberty provides a broad range of solutions for customers including those that are not well served by conventional finance companies, such as banks. Liberty has consistently applied technological advances to help customers get financial in multiple retail finance markets with its customised risk management and operational practices. Liberty has been able to develop a unique combination of core competencies that produce competitive advantages and long-term financial performance including an extensive distribution network that leverages its proprietary risk management technology.

3.2. Group History

Liberty was established in 1997, with an initial focus on the Australian residential mortgage sector. Over time, Liberty has leveraged its operating platform and expanded into adjacent markets in Australia and New Zealand, including motor finance, commercial mortgages, personal loans, business loans, broking services, general insurance and real estate services.

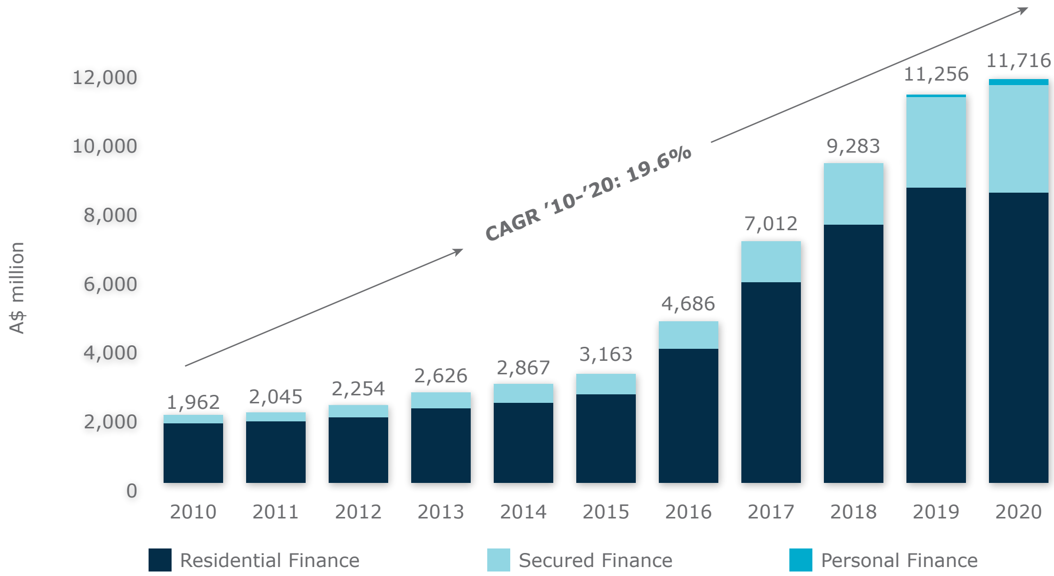
A summary of key events in Liberty's history is outlined below:

Liberty's Key Milestones



A summary of how Liberty's finance portfolio has evolved is also outlined below:

Loan Portfolio Evolution (A$ million)

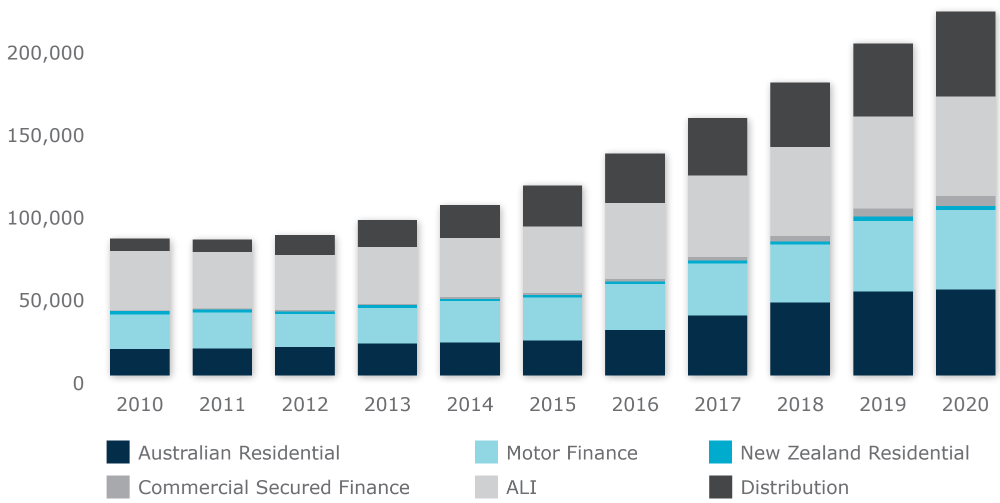


3.3. Business Overview

Liberty has a market leading position within the non-ADI lending sector[1] with a total asset base of approximately $13.0 billion as at 30 June 2020 and forecasted pro-forma net profit after tax and amortisation of $165.6 million for the year ending 30 June 2021.

Since inception, Liberty has helped more than 500,000 customers and advanced over $36 billion in loans. Customers are attracted to Liberty by its innovative solutions and outstanding customer service combined with risk-based practices and speed of execution. Liberty supports over 200,000 customers as at 30 June 2020.

Customers Supported by Liberty over time[2]



1. AFG Competition Index Media Release – Last two years' average as of June 2020.
2. Company data.

3 Group Overview

Since 1997, Liberty has developed a range of products across multiple finance categories in Australia and New Zealand. Today, Liberty is a diverse finance group that generates revenue across three segments and 14 businesses described in the table below.

Country	Segment	Description
Australia	*Residential finance*	• **Residential mortgages:** a leading specialty provider of finance in Prime and Custom residential loans.
	Secured finance	• **Motor finance:** specialty prime and custom retail motor finance provider offering loans on cars purchased privately and through dealerships; and • **Commercial finance:** provider of secured commercial property mortgages to SMEs and SMSFs for working capital, owner-occupiers and investment.
	Financial services	• **Personal loans:** online provider of personal loans via MoneyPlace; • **SME lending:** cashflow finance solutions for small business; • **Broker network and aggregators:** – **LNS:** Liberty branded mortgage broker distributing loan and insurance products with over 160 Advisers across Australia; – **nMB:** mortgage aggregator providing access to a panel of lenders and supplier of proprietary technology to a network of over 450 loan writers; • **Insurance** including underwriting and distribution: – **LFI:** manufacturer and underwriter of consumer credit and vehicle equity insurance solutions to Motor and Personal loan customers and a distributor of home and contents and comprehensive car insurance; – **ALI:** designer and distributor of life insurance products to residential mortgage customers via mortgage brokers; and • **Investments:** a range of products for short and long-term investing backed by Liberty's lending products.
New Zealand	*Residential finance*	• **Residential mortgages:** a leading specialty provider of finance in Prime and Custom residential loans;
	Financial services	• **Distribution** including broking and real estate: – **MPM:** one of New Zealand's most recognised mortgage advisers accounting for close to 4% of all home loans originated by mortgage introducers in New Zealand; – **MPRE:** one of New Zealand's newest and fastest growing real estate agents; and • **Deposits:** investments offering fixed yield returns.

3.4. Impact of COVID-19

The COVID-19 pandemic has had an unprecedented impact on financial markets and the economy in Australia and worldwide. As a finance group, Liberty is exposed to the pandemic because it relies on financial markets to source its funds and Liberty's customers rely on the economy to provide jobs and income to meet their financial obligations.

Since the emergence of the pandemic, Liberty has experienced an impact on the demand for new products and services, an increase in the number of customers in hardship which has increased the value of loans in arrears, and a reduction in the demand for asset backed securities.

These experiences have been reflected in Liberty's business plans and forecasts.

Liberty experienced an 8% decrease in new loans between March and June 2020. However, loan originations for the quarter ended 30 September 2020 were 9% higher than the corresponding period in 2019.

Liberty has been supporting more customers in hardship during the pandemic. As at 30 April 2020, Liberty was supporting 8,087 customers impacted by the pandemic. As at 30 September 2020, this number had significantly reduced to 1,493 customers. The increased number of customers in hardship has resulted in a >90-day arrears level of 3.43% as at 30 September 2020 compared to 1.52% as at 30 June 2019.

The performance of Liberty's portfolio during this period is in part explained by the very low number of customers on payment holiday. Between April and September, 0.4% to 0.7% of Liberty's customers were on payment holiday.

More information regarding the impact of COVID-19 on the portfolio is outlined in Section 3.6.3.2.

A significant source of funding for Liberty is asset backed securities. In the 2019 calendar year, Liberty issued three asset backed security transactions (RMBS and SME ABS) sourcing $2.65 billion in funding. Despite the onset of the pandemic, Liberty has issued four asset backed security transactions sourcing $3.2 billion in funding since March 2020.

This demonstrates Liberty's ability to source funding even during times of increased capital market volatility.

The weighted average margin for the AAA rated securities issued in 2020 (154bps) was higher than in 2019 (141bps).

During the pandemic, Liberty's operations have transitioned to ensure continuity of business while working remotely. This has been realised in a timely and effective manner, with little disruption to the normal course of business. During this period Liberty did not reduce any staff, hours or wages reflecting the resilience of the business. Liberty is confident that it could continue to operate remotely for the foreseeable future.

Liberty has been able to quickly respond to the initial impacts of the COVID-19 pandemic whilst keeping its team safe, attracting new customers, serving existing customers, and increasing profit. However, the full impact of the COVID-19 pandemic continues to remain uncertain.

3.5. Group Strategy

3.5.1. Vision and Purpose

Liberty's vision is to be the leading finance group in Australia and New Zealand that champions free-thinking. Liberty's free-thinking approach seeks to understand a customer's unique circumstances and offer solutions that fit. To achieve this vision, the Liberty team are united by a purpose of helping more people get financial. This focus has allowed Liberty to achieve strong growth, superior customer satisfaction and a differentiated market position among non-ADIs in Australia and New Zealand.

Liberty was the first non-ADI of its type in Australia and New Zealand and from inception developed and offered a broad range of finance products and services. Liberty has done this by leveraging proprietary technology, risk capabilities and intellectual property resulting in services and products that today span a variety of different market segments.

Liberty's culture is an important part of its ability to achieve its vision. This culture has been built on the pioneering spirit that was developed through Liberty's early entry into the non-ADI market. It is further reinforced by a focus of constantly innovating and evolving the business model to support customers and business partners with streamlined solutions. Liberty refers to this cultural mind set as "free-thinking" which has been the platform for delivering numerous industry firsts in specialty finance, as detailed in Section 3.6.2.1.

3 Group Overview

The Liberty team are united by the pursuit of helping more people lead better lives through finance. Liberty was founded on the premise of financial inclusion and through time the team have broadened this objective to stakeholders in the wider community.

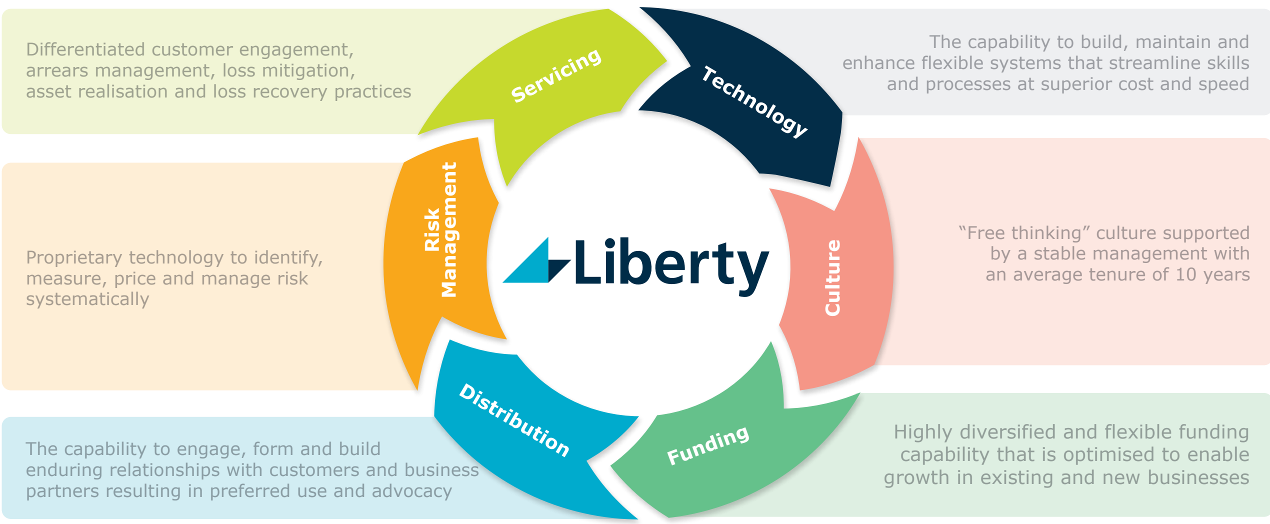
In 2006, Liberty established its Lend-a-Hand program to provide a range of support to what were overlooked non-profit groups. Over the history of this program, Liberty has made contributions to Aardvark, Beacon Foundation, Melbourne Affordable Housing and Mirabel Foundation.

More recently, Liberty was the first non-bank to sign up to the Financial Inclusion Action Plan ("FIAP") program in 2019. FIAP is an agreed set of actions to improve financial inclusion, wellbeing and resilience in Australia. Further, Liberty obtained B Corp certification earlier this year. B Corporations are companies that balance purpose and profit. Consistent with a philosophy of interdependence, Liberty is also currently settling its Reconciliation Action Plan in order to support the reconciliation movement in Australia.

These programs each provide a framework that allows the Liberty team to better serve its community and to understand the interconnected nature of our actions.

3.5.2. Competencies

To achieve its vision, Liberty leverages six competencies that have been developed during its 23 years in operation.



Liberty's competencies

Competency	Description
Risk Management	• Liberty utilises proprietary risk-based assessment, pricing and underwriting methodologies, which underpin the prudent management of a wide range of products, borrowers and risks; and • The level of sophistication in Liberty's proprietary risk-based pricing and underwriting model, which is constantly evolving, is a key differentiator for Liberty, contributing to its industry leading returns and loss experience.
Servicing	• Liberty utilises a proprietary platform to provide differentiated customer engagement, arrears management, loss mitigation, asset realisation and loss recovery practices; • Liberty remains the only servicer in Australia with the highest ranking possible across prime residential mortgages, non-prime residential mortgages, commercial mortgages and motor finance; and • Liberty delivers an excellent customer experience, as evidenced by its Net Promoter Score of 46[3] one of the highest in Financial Services.
Funding	• Liberty has a highly diversified funding mix relative to peers and has been able to undertake funding activities even during periods of market dislocation[4]; and • Liberty Financial Pty Ltd is the only investment grade rated non-ADI lender in Australia and New Zealand reflecting a prudent capital management plan and relatively strong capital base.
Technology	• Nearly all of Liberty's technology is internally maintained, which has enabled Liberty to embed automated processes, adapt quickly and develop products; • This technology is used to continuously enhance Liberty's ability to serve different markets while managing enterprise risk; and. • The technology supports all parts of Liberty's operations, from point of sale through to underwriting, settlement and loan management.
Distribution	• Liberty is well recognised in the third-party distribution industry having established itself as a top 10 lending group in Australia[5]; and • Liberty owns and operates five product distribution platforms.
Culture	• Liberty views its corporate culture as a key differentiator among its competitors; and • Liberty's "free thinking" culture supports openness, awareness and learning throughout the organisation, promoting innovation and product development.

3.5.3. Strategy

Liberty's strategy is to consistently and sustainably improve three disciplines that when combined create a unique point of difference. Those disciplines are Customer Experience, Customer Choice and Risk Adjusted Returns. The Liberty team believe these combined disciplines are applicable to each of the organisation's addressable markets. The Liberty leadership team has fostered awareness and ongoing commitment to learning and improving execution by prioritising these disciplines internally.

3. Six months survey conducted by Liberty marketing department in August 2020.
4. Including the Russian bond crisis in the late 1990s, September 11 in 2001 and the global financial crisis in 2007-08.
5. AFG Competition Index Media Release – Last two years' average as of June 2020.

3 Group Overview

Disciplines

3.5.3.1. Customer Experience

Specialty finance is focused on providing financial solutions to customers who are not well serviced by conventional financial institutions. This customer proposition changes regularly reflecting market dynamics such as regulation, competition, customer appetite, economic conditions and technology. Liberty's business model is designed to monitor changes and quickly execute product and service enhancements to maintain and build competitive positions.

3.5.3.2. Customer Choice

Liberty utilises proprietary technology that allows it to quickly conceive, implement and develop products for the specialty finance sector. Liberty provides a range of products for customers that do not meet the generic risk criteria of conventional finance providers. Liberty has diversified its broader business across various revenue streams and is focused on growing its presence to increase its addressable market and strengthen earnings quality.

3.5.3.3. Risk Adjusted Returns

Liberty is focused on delivering specialty finance products in ways that satisfy varied customers' needs. As such, Liberty has a totally unique and proprietary method of assessing and pricing risk. This approach is encapsulated in the technology Liberty has refined as well as the way each of Liberty's business teams engage with customers and brokers within their market.

Agile Practices

By harnessing agile work practices, the Liberty leadership team promotes collaboration, experimentation and learning to sustainably help more customers whilst growing profit. In order to do this, each team within the group contributes regular objectives and key results that are aligned to key strategic levers. The levers are expressed in active language to help drive stronger rapport and meaning with all members of the Liberty team.

Liberty's Agile Levers

Discipline	Description
Customer Experience	• **Faster approvals** by leveraging Liberty's proprietary technology to reduce uncertainty and provide fast answers while maintaining quality; • **Build advocacy** by providing customers and business partners with timely and helpful answers to their queries; and • **Self-service** by providing customers and business partners access to the information they require online around the clock.
Risk Adjusted Returns	• **Simplify Applications** by making the application process quicker, easier and less effort for customers and business partners; • **Loss Management** by working proactively and in cooperation with customers if things don't go to plan; and • **Company Health** by behaving like owners of the business, being responsible with costs, and fair with customers.
Customer Choice	• **Liberty Flow** by increasing ways that customers are able to choose Liberty for their financial needs; and • **Champion Custom** by making options available for customers who are otherwise excluded from financial choices.

3.5.4. Group Structure

The Liberty Group is represented by two entities that are stapled together to facilitate specialisation, durability and strong governance. The Liberty Group consists of:

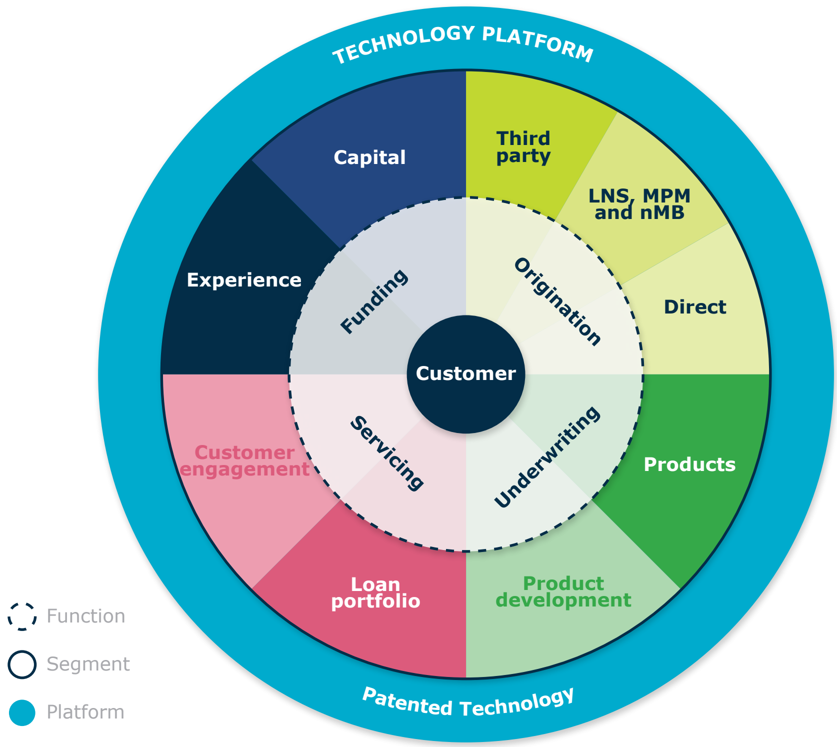
- Liberty Financial Group Limited (the "Company"): an operating company broadly responsible for originating and servicing financial assets; and
- Liberty Financial Group Trust (the "Trust"): a unit trust that funds the Company's growing pool of diversified financial assets and making investments.

Further details on the operations of the Liberty Group are detailed in Section 3.8.2.

3.6. Liberty's Business Model

The exhibit below illustrates Liberty's customer-centric business model. The following sections explain each stage of Liberty's business process in further detail.

Overview of Liberty's Business Model



Liberty utilises a unique technology platform that facilitates a differentiated, risk-based assessment, pricing and underwriting methodology. This technology platform also enables Liberty to provide differentiated customer engagement, arrears management, loss mitigation, asset realisation and loss recovery practices. This technology platform has been developed by the Founder Group for over 20 years and rights to this underlying intellectual property have been acquired by the Company.

3.6.1. Origination

Origination refers to the process by which a borrower enters into a loan with a lender. Liberty originates its business through three channels:

- **Third-party:** a network of over 14,000 independent Introducers including mortgage brokers, finance brokers, real estate agents and accountants. This network encompasses relationships with local, regional and national companies such as Aussie Home Loans, Australian Finance Group, Mortgage Choice and McMillan Shakespeare;
- **Retail:** includes LNS, which comprises a network of over 160 branded Liberty advisers across Australia, MPM which includes over 98 advisers in New Zealand and nMB a mortgage broker aggregator which has a loan book of over $18 billion. Both networks provide access to a broad suite of products available from an extensive lender panel, supported by local sales capabilities; and
- **Direct:** Liberty also provides customers the option of engaging Liberty directly either on the phone or via the Liberty website.

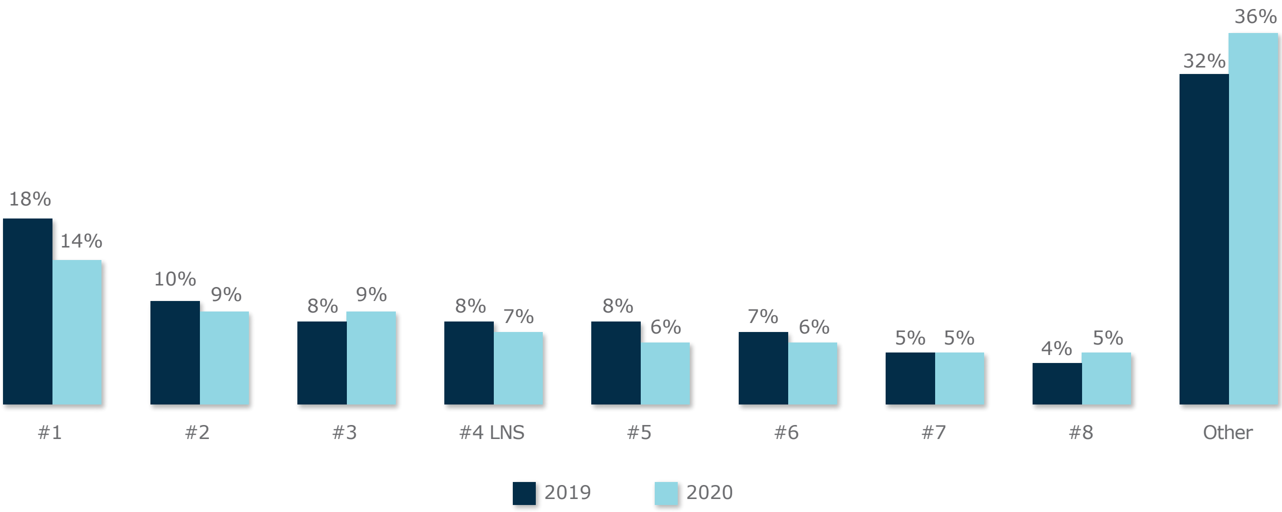
3 Group Overview

Liberty pays commissions to Introducers on originated loan products and also receives commissions on non-Liberty loan products originated through LNS, MPM and nMB. Commissions typically comprise two key components:

- **Upfront commissions on settled loans:** paid to brokers as a percentage of the total amount borrowed. Once a loan settles, the broker receives a one-off payment linked to the total amount borrowed as an upfront commission; and
- **Trail commissions on the originated loan book:** paid by lenders over the life of the loan (provided it is not in arrears or default), as a percentage of the particular loan's outstanding balance.

The combination of these origination channels means Liberty is accessible through a significant number of brokers in Australia and New Zealand. As contracts may not be renewed from time to time, Liberty continues to diversify its origination sources so it is not dependent on any one group for new business. For example, a termination with Liberty's largest introducer group would not be material to the FY21 forecast and its non-renewal would cause resources to be directed support to other valued business partners and initiatives.

Liberty's Origination per broker group[6]



In addition, Liberty invests in driving brand and product awareness through each channel in order to stimulate sales and drive increased market share. Liberty has an in-house marketing team which manages its business-to-business ("B2B"), business-to-consumer ("B2C") and broker marketing.

In the 24 months to June 2020, Liberty's market share in Australian residential mortgages written via the third-party network was approximately 2%.[7] This culminated in Liberty becoming a top 10 lending group across all lenders nationally in the 24 months to June 2020.[8]

Many of Liberty's non-ADI competitors offer white label products where local, regional or national mortgage brokers distribute competitor products using their own mortgage broker brand. Traditionally, white label products are offered in return for volume commitments at significant discounts. By not participating in the white label market, Liberty has been able to prioritise its strong brand and profitability position ahead of volume.

Liberty has consistently achieved high levels of satisfaction from existing and past customers, as evidenced by its Net Promoter Score of 46, one of the highest across Australian lenders. Further, independent research into broker preferences demonstrates Liberty has a superior service offering relative to other non-ADI peers as measured by broker engagement and ease and speed of use.

3.6.2. Underwriting

Liberty's underwriting process integrates application processing and credit assessment. Liberty's underwriting platform is a proprietary rules-based system that incorporates Liberty's credit decisions across the diverse range of circumstances along the borrower risk spectrum.

6. Company data.
7. AFG Competition Index Media Release – Last two years' average as of June 2020.
8. AFG Competition Index Media Release – Last two years' average as of June 2020.

This credit decision process is informed by the analysis of data collected over 23 years regarding the behaviour and performance of different credit profiles, on over $81 billion in total applications received for over $36 billion in loans advanced.

Liberty's credit parameters and verification procedures are continuously evolving as its database of borrower behaviour develops. Today Liberty uses over 200 credit parameters in pricing and assessing risk inherent in loan applications. Ongoing portfolio performance is tracked, allowing Liberty to optimise its portfolio mix and pre-empt potential changes in credit risk. This systematic approach also underpins the arrears and loss management functionality, which is discussed in Section 3.6.3.

This approach involves substantial effort in investigation and analysis to ensure that underwriting decisions appropriately identify and price inherent risk. Technology is leveraged to optimise the time and effort required to understand each applicant's specific circumstances.

3.6.2.1. Loan Product Development

Liberty's database and market knowledge allows it to identify clear market segments and develop appropriate products. Liberty has over 23 years of data and experience, which has allowed it to constantly refine and improve its approach. This has resulted in one of the most comprehensive risk-based management technologies in the market.

Liberty has a long-standing history of product innovation and has been first to market in the following:

- The first non-conforming residential home loan in Australia and in New Zealand;[9]
- The first non-conforming motor loan in Australia;[10]
- The first non-conforming commercial loan in Australia;[11]
- The first non-bank SMSF loan in Australia;[12] and
- The first non-bank online automated loan in Australia.[13]

3.6.2.2. Loan Products

Loan product revenue is primarily generated from charging interest and fees for loan products and services offered to borrowers. These revenue streams compensate Liberty for the funding costs incurred to provide the loans to borrowers, operational costs associated with the origination, underwriting and servicing of loans and the potential for credit losses. Liberty's key revenue is comprised of the following:

- **Interest Income:** the interest charged across the loan portfolio; and
- **Fee Income:** includes upfront loan establishment fees, ongoing loan service fees and loan discharge fees.

Since the introduction in 1997 of Liberty's initial Australian mortgage product offering, Liberty has continued to develop a range of products across multiple categories which are detailed below.

3.6.2.2.1 Residential Finance Segment

Australian Residential Mortgage Products

Liberty's Australian residential mortgage business represents the largest component of Liberty's business. For the 12 months to 30 June 2020, Australian residential mortgages accounted for 64% of Liberty's total originations. Since establishment, the business line has advanced more than $28 billion of funds, with the loan portfolio having grown at a CAGR of 26.7% over the last five years to 30 June 2020.

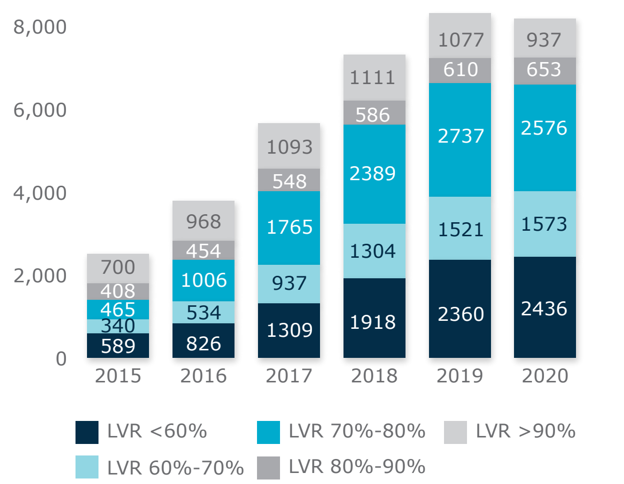
In recent times, Liberty has been able to extend credit to a greater number of Prime borrowers, with traditional bank lenders adjusting to operational and regulatory developments. The vast majority of Liberty's Australian residential mortgage portfolio was Prime business at 30 June 2020. For FY20 Prime origination was 91% of the overall loan portfolio, including Australian residential mortgages.

9. Standard & Poor's, Servicer Evaluation: Liberty Financial Pty Ltd, November 2003.
10. Thomson Financial, Asset Securitisation Report, 2002 Aussie ABS: Bigger and better.
11. The Daily Telegraph, Look outside the banking square, March 2003.
12. Standard & Poor's, Presale: Liberty Series 2013-1 Trust, March 2013.
13 AAP, Liberty Financial launches new on-line lender, April 1999.

3 Group Overview

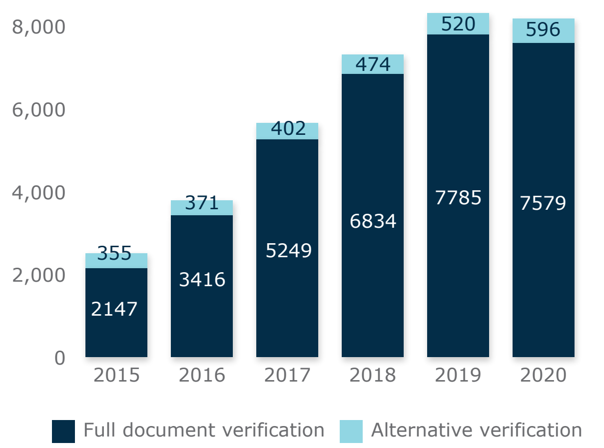
Key products	Key features	Target market
Liberty Sharp	• Low interest rate • No ongoing fees	• Customers looking for a low headline rate
Liberty Star	• Larger maximum loan • Lower minimum • Interest only option • Fixed rate option	• Customers looking for more flexibility and options
Self-Employed	• Full document verification ("Full Doc") • Alternative verification ("Alt Doc") • Flexibility around borrowing to expand a business	• Self-employed customers
Low Deposit	• Non-genuine savings • Option to roll LMI into the loan	• First home buyers • Investors
Credit History	• Does not require a perfect credit history	• Customers with paid or unpaid defaults, mortgage arrears or past bankruptcy
Debt Consolidation	• Debt consolidation	• Customers wishing to consolidate their home loan, credit card, personal loans or other liabilities into one monthly repayment

Liberty Australian Residential Mortgages Portfolio Evolution – LVR Distribution (A$ million)



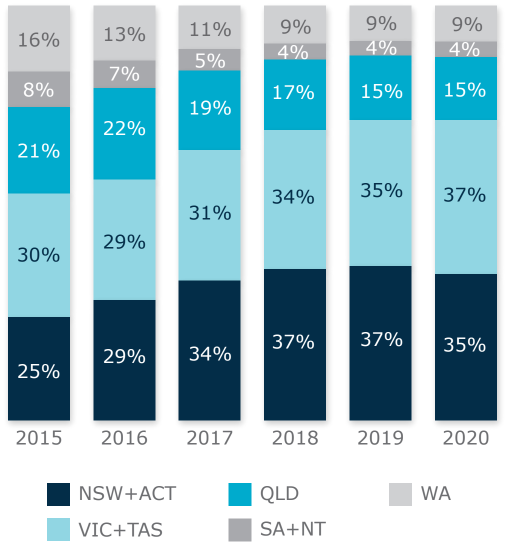
	LVR <60%	LVR 60-70%	LVR 70-80%	LVR 80-90%	LVR >90%	Total
CAGR '15-'20	32.8%	35.8%	40.9%	9.9%	6.0%	26.7%

Liberty Australian Residential Mortgages portfolio evolution – document verification (A$ million)



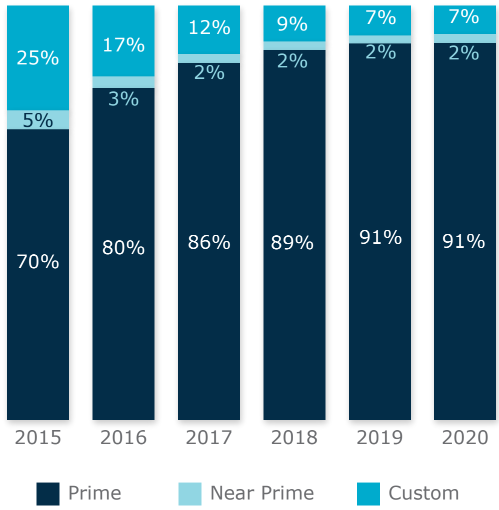
	Full document verification	Alternative verification	Total
CAGR '15-'20	28.7%	10.9%	26.7%

Liberty Portfolio Mix by Geography



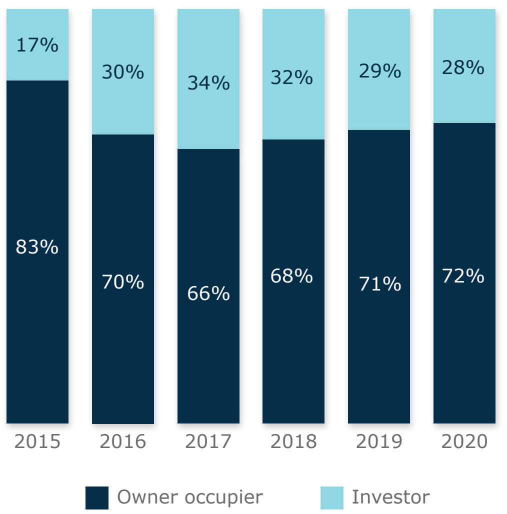
	NSW+ ACT	VIC+ TAS	QLD	SA+ NT	WA	Total
CAGR '15-'20	35.9%	32.4%	19.1%	7.4%	12.1%	26.7%

Liberty Portfolio Mix by Credit Profile



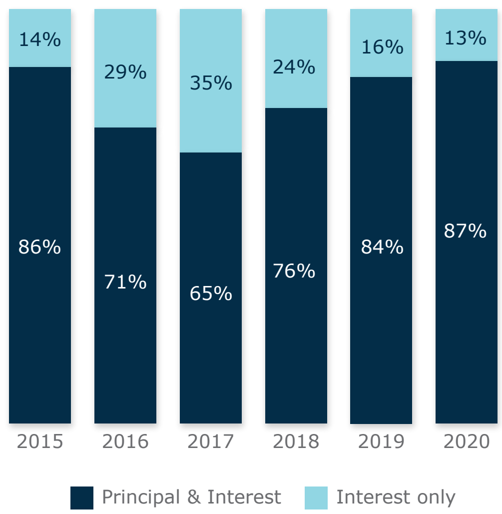
	Prime	Near Prime	Custom	Total
CAGR '15-'20	33.5%	9.1%	(2.6%)	26.7%

Liberty Portfolio Mix by Loan Purpose



	Owner Occupier	Investor	Total
CAGR '15-'20	23.4%	39.1%	26.7%

Liberty Portfolio Mix by Repayment Type



	P&I	Interest only	Total
CAGR '15-'20	27.1%	24.0%	26.7%

3 Group Overview

New Zealand Residential Mortgage Products

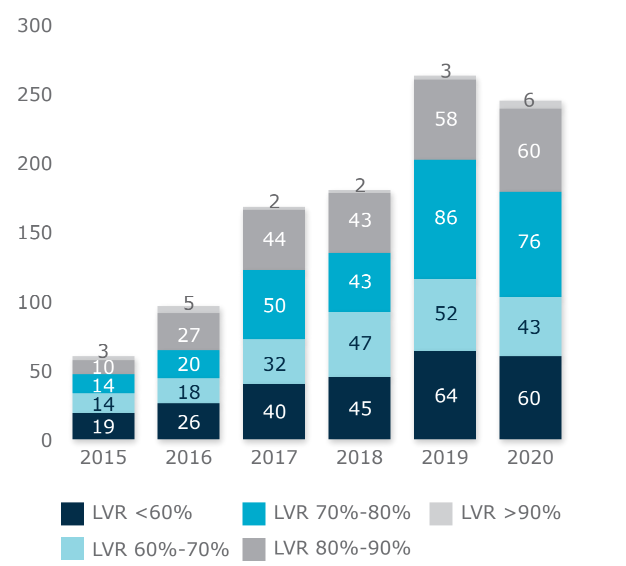
Liberty's New Zealand residential mortgages business has experienced strong growth with the loan portfolio growing at a CAGR of 32.8% over the last five years to 30 June 2020. Similar themes which have driven growth for Liberty in Australian residential mortgages are also evident in New Zealand. Regulatory inquiries have led to banks constraining their ability to service Prime borrowers, which has resulted in Liberty expanding its market share. Further announced regulatory developments, especially with regards to capital requirements for ADIs (see Section 2.14.3) are considered to be favourable for non-ADI lenders such as Liberty.

Key products	Key features	Target market
Liberty Star	• Larger maximum loan • Lower minimum • Interest only option • Fixed rate option	• Customers looking for more flexibility and options
Liberty Fixed	• Fixed rate home loan	• Customers wishing to have the peace of mind of a fixed rate
Liberty Boost	• Offers a short-term loan above 80% LVR	• Option for borrowers with a low deposit

Liberty Financial Limited ("LFL") funds some of the New Zealand residential mortgages of which the balance as of 30 June 2020 was NZ$53 million. LFL is a New Zealand based entity that also provides deposits for investors.

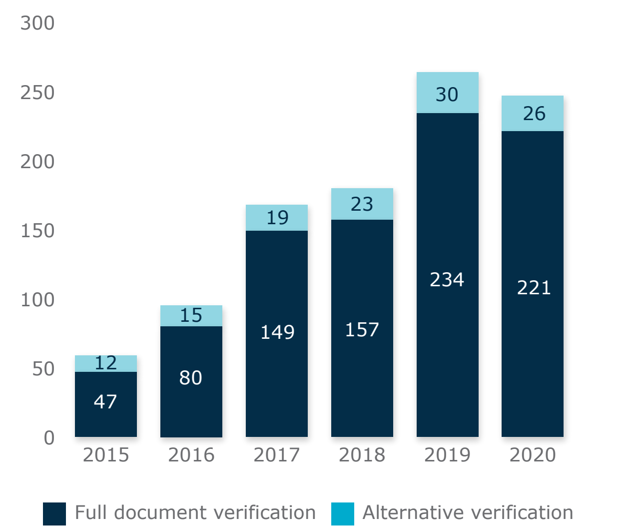
For the purpose of the loan book analysis provided in this Section, loans underwritten by LFL are consolidated with New Zealand loans categorised in the Residential Finance segment. For the purpose of the segmentation provided in Section 4.5, LFL's Profit and Loss and loan metrics are consolidated in Financial Services.

Liberty New Zealand Residential Mortgages Portfolio Evolution – LVR Distribution (A$ million)



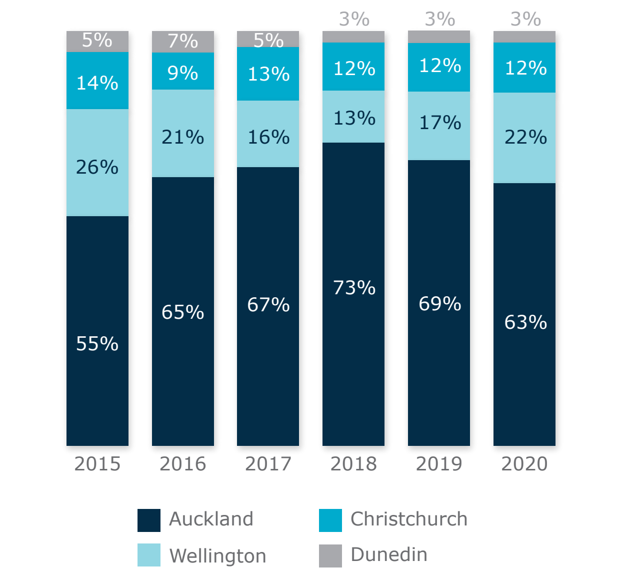
	LVR <60%	LVR 60-70%	LVR 70-80%	LVR 80-90%	LVR >90%	Total
CAGR '15-'20	26.5%	26.0%	39.6%	44.1%	12.3%	32.8%

Liberty New Zealand Residential Mortgages Portfolio Evolution – Document Verification (A$ million)

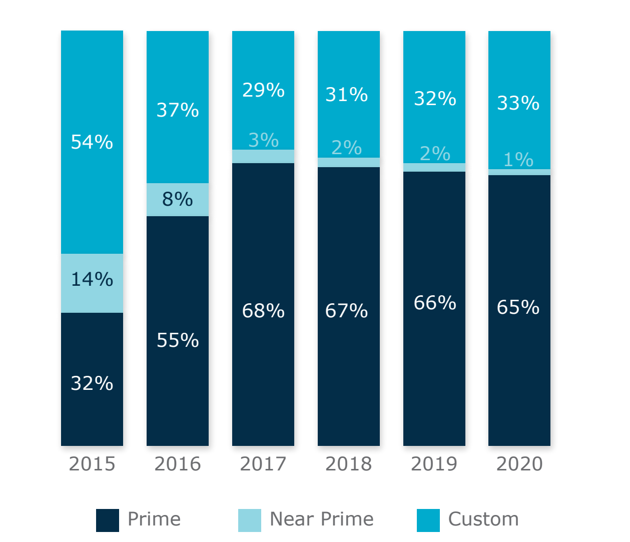


	Full document verification	Alternative verification	Total
CAGR '15-'20	36.2%	15.3%	32.8%

Liberty Portfolio Mix by Geography



Liberty Portfolio Mix by Credit Profile



	Auck.	Well.	Christ.	Dunedin	Total
CAGR '15-'20	36.4%	28.5%	29.3%	17.8%	32.8%

	Prime	Near Prime	Custom	Total
CAGR '15-'20	53.1%	(16.3%)	20.7%	32.8%

3.6.2.2.2 Secured Finance Segment

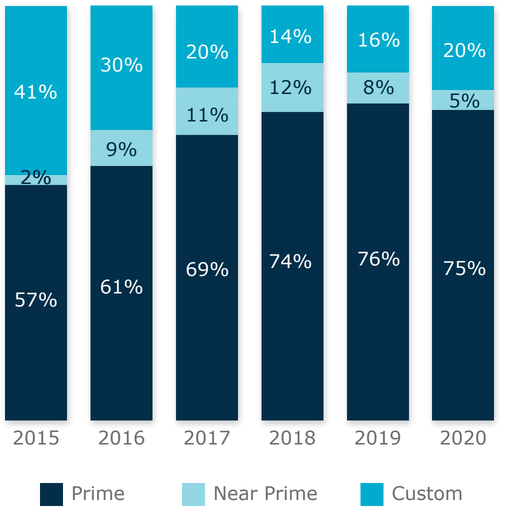
Motor Finance Products

Liberty provides loans secured by new and used cars, small commercial vehicles and caravans to individual customers and businesses. Motor finance has grown at a CAGR of 20.0% over the last five years to 30 June 2020. Currently, Liberty obtains most of its originations from brokers and only a small portion from dealers. Liberty offers private sales motor finance which offers loans via online automotive sales platforms (such as carsales.com.au) and non-dealer intermediated used car markets.

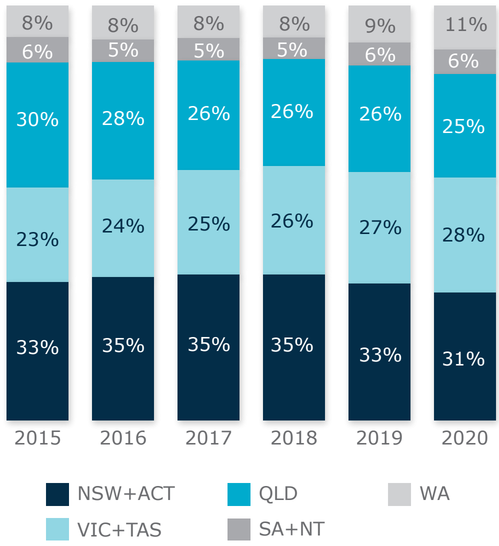
Key products	Key features	Target market
Liberty Drive, Liberty Options	• Quick application process • Competitive rates • Car loan protection options	• New and used car purchasers
Liberty Business	• Car loan protection options • Older vehicles accepted	• Businesses
Alternative verification	• Alternative ways to verify income	• Self-employed customers

3 Group Overview

Liberty Motor Finance Portfolio Evolution



Liberty Motor Finance Portfolio Mix by Geography



	Prime	Near prime	Custom	Total
CAGR '15-'20	26.8%	38.6%	4.4%	20.0%

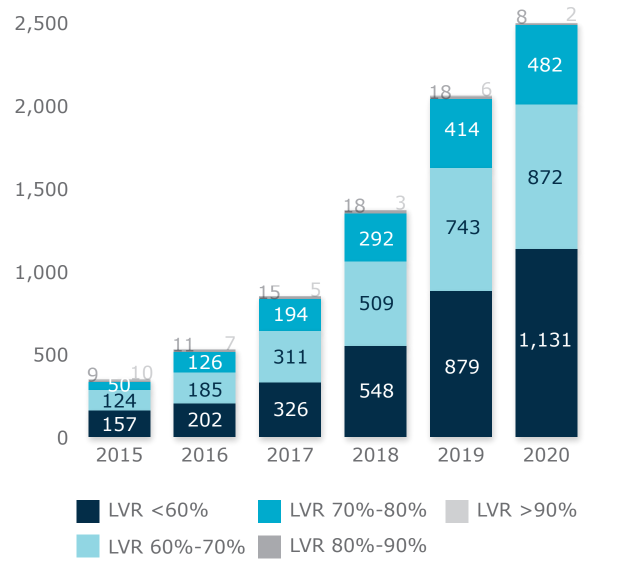
	NSW+ ACT	VIC+ TAS	QLD	SA+ NT	WA	Total
CAGR '15-'20	18.1%	24.7%	15.7%	18.7%	28.4%	20.0%

Commercial Secured Finance Products

Liberty provides business and SMSF loans to business owners, professional investors and self-employed customers. Commercial finance has grown at a CAGR of 48.1% over the last five years to 30 June 2020. SMSF lending has been a strong contributor towards growth and this trend is expected to continue. Other parts of the business, such as commercial lending for working capital purposes, owner-occupied borrowing and land-banking, have also grown. Liberty does not presently provide construction loans given the risk profile of this form of lending.

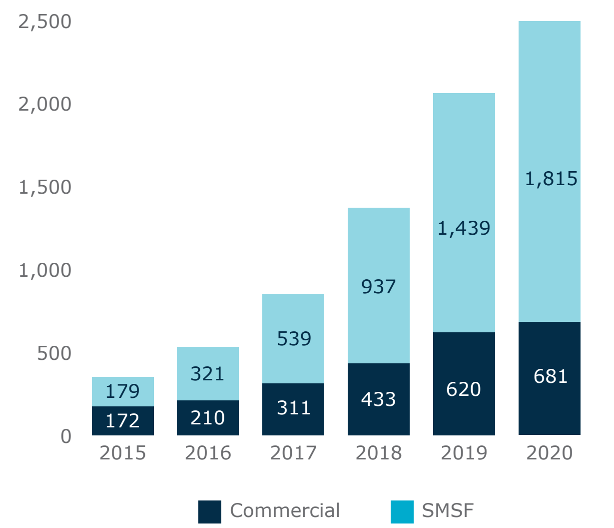
Key products	Key features	Target market
Enterprise	• Market-leading LVRs • Alternative verification options	• Small businesses • Self-employed
Lease Stream	• Self-servicing lease	• Property investors
Liberty Boost	• Short-term finance required	• Small businesses • Investors
SMSF SuperCredit	• Investment loan via SMSF to purchase an investment property	• SMSF investors

Liberty Commercial Finance – LVR Distribution (A$ million)



	LVR <60%	LVR 60-70%	LVR 70-80%	LVR 80-90%	LVR >90%	Total
CAGR '15-'20	48.4%	47.8%	57.4%	(2.8%)	(30.9%)	48.1%

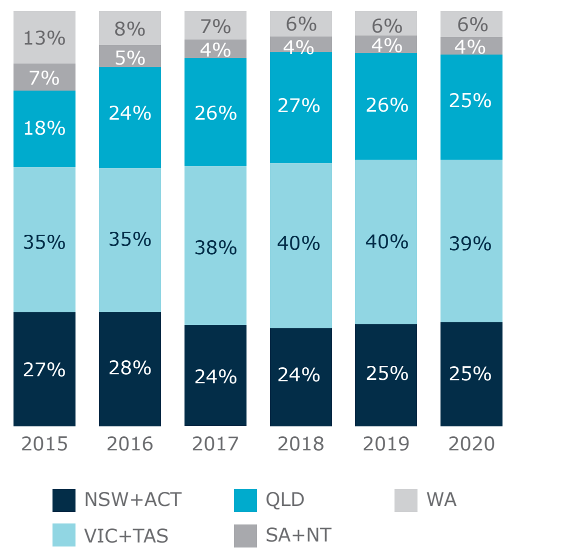
Liberty Commercial Finance – Commercial/ Residential SMSF Distribution (A$ million)



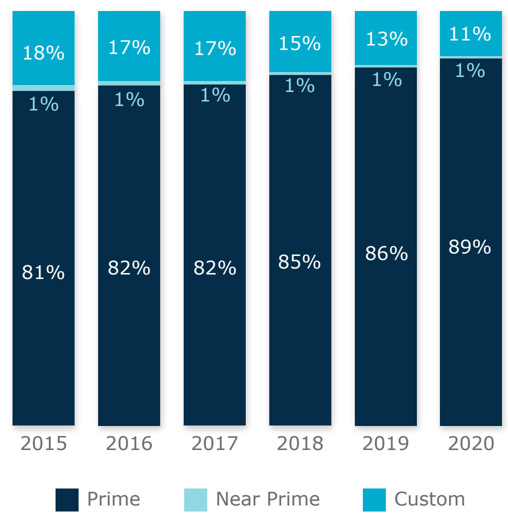
	Commercial	SMSF	Total
CAGR '15-'20	31.7%	59.0%	48.1%

3 Group Overview

Liberty Commercial Finance Portfolio Mix by Geography



Liberty Commercial Finance Portfolio Mix by Credit Profile



	NSW+ ACT	VIC+ TAS	QLD	SA+ NT	WA	Total
CAGR '15-'20	45.4%	51.5%	57.8%	35.8%	28.7%	48.1%

	Prime	Near Prime	Custom	Total
CAGR '15-'20	50.9%	22.3%	34.0%	48.1%

3.6.2.2.3 Financial Services Segment

Financial Services segment is comprised of different businesses with various types of revenue. Those revenues include loan product revenue described in Section 3.6.2.2 as well as the following:

- **Broking commission:** the commission received from introducing a borrower to a lender or from selling a property, which can include upfront and trail commissions (see Section 3.6.1);
- **Sale commission:** the commission received from the sale of financial products, including insurance contracts, which can include upfront and trail commissions (see Section 3.6.1); and
- **Insurance premiums:** the premiums paid by policyholders to insure against certain risks.

Personal Loan Products

Liberty provides personal loans ranging from $5,000 to $80,000 through its partly-owned subsidiary MoneyPlace. MoneyPlace has developed a proprietary automated platform, enabling automated approval and funding. The acquisition of MoneyPlace in 2018 has significantly accelerated origination (portfolio growth for the 12 months to 30 June 2020 was 194%), due to the combination of MoneyPlace distribution capabilities and Liberty's servicing and funding efficiency. Liberty owns 80.5% of MoneyPlace with an option to acquire the remaining 19.9% from January 2021. Liberty intends to acquire the minority interest after Listing. See Section 11.10 for further details.

Key products	Key features	Target market
Personal Loans	• Tailored interest rates • One upfront fee added to loan • No hidden fees or charges	• Customers requiring cash for debt consolidation, travel, home improvements or medical costs

LNS

LNS is a distributor of Prime and Custom residential mortgage finance, motor finance, commercial finance, business loans and insurance products. LNS has a network of over 160 branded advisers across Australia and presently receives over $200 million of loan applications per month.

Key products	Key features	Target market
Residential lending	• Liberty • ANZ, CBA, NAB, Westpac • ING, Macquarie, Suncorp • Other smaller lenders	• Wide range of options to appeal to a diverse range of customers
Motor lending	• Drive • Commercial	• Customers seeking motor lending
Commercial lending	• Property • Private	• Customers seeking commercial lending
SMSF lending	• Residential • Commercial	• SMSF investors
Custom lending	• Residential • Commercial • Motor • Private	• Customers seeking tailored lending solutions
Business lending	• Liberty • Moula	• SMEs seeking finance
Integrated insurance (LFI)[14]	• Mortgage protection products • Home, contents and car	• Customers seeking integrated insurance solutions

MPM

Mike Pero Mortgages Limited is a New Zealand based mortgage introducer, with significant brand recognition. MPM originates close to 4% of all broker originated home loans in New Zealand.[15]

Key products	Key features	Target market
Mortgages	• MPM and Liberty branded mortgages • ASB, Sovereign, ANZ, BNZ, National, Westpac • Other smaller lenders	• First home buyers • Investors • Renovators
Insurance	• Life insurance • Mortgage protection • Income protection • Disability and trauma • Landlord protection • Travel insurance • Home, contents and car	• Wide range of options to appeal to a diverse range of customers
Personal loans	• Debt consolidation • Personal use	• Customers seeking tailored personal loans

14. LFI underwrites general insurance policies (loan protection, mortgage protection and vehicle equity) and provides add-on products.
15. RBNZ – C30 New Residential Mortgage Lending: Loan-to-valuation ratio (LVR).

3 Group Overview

MPRE

Liberty offers the services of a real estate agent in New Zealand through MPRE that was recently acquired by MPM. The services offered by MPRE through its 162 agents include property sales, for which commissions are received based on the value of the property and administration fees.

nMB

nMB is a mortgage aggregator which provides a platform and access to a panel of lenders to mortgage brokers. nMB receives an access fee from brokers for the usage of its platform as well as a part of the commissions paid to the brokers.

Key products	Key features	Target market
Launch	• Broker software platform • Access to core lenders • Licence and compliance support • Predictable fixed monthly fee	• New to industry brokers
Build	• Broker software platform • Access to wide range of lenders • Licence and compliance support • Scalable for multiple brokers	• Established brokers

LFI

LFI is an APRA authorised general insurance company, acting under its own AFSL. It is the issuer of LFI Loan Protection insurance and LFI Vehicle Equity insurance. Through a partnership with Insurance Australia Group trading as CGU insurance, LFI distributes CGU home and contents insurance, landlord's insurance and car insurance products.

Key products	Key features	Target market
Credit insurance (underwritten by LFI)	• Loan protection • Vehicle equity	• Customers seeking loan repayment assurance
Home and car insurance (underwritten by CGU)	• Home and contents • Car	• Wide range of options to appeal to a diverse range of customers

ALI

ALI is a leading provider of loan protection and life insurance products such as death and permanent disability, terminal illness and trauma events to the mortgage broker industry. ALI currently serves 56,400 customers. Over its history, ALI has protected more than 200,000 clients and paid more than $100 million in claims.

ALI designs, manufactures, distributes and administers Loan Protection insurance on behalf of third-party insurers. ALI has a current market penetration of 2.5% amongst mortgage brokers as of June 2020.

Liberty owns 60% of ALI Corporate Pty Ltd ("ALI Corporate") with an option to acquire the remaining 40% in November 2022 and Liberty currently intends to acquire this interest from the minority shareholders by November 2022. See Section 11.9 for details on this arrangement.

Key products	Key features	Target market
Credit insurance (underwritten by Hannover Life Re)	• My Protection Plan	• Customers who want to know loan repayments can be met even if they become ill, injured or deceased

SME LENDING

Liberty established a new business in September 2019 to provide solutions to SMEs as they are underserviced by ADIs.

Liberty offers a number of lending products targeting SMEs requiring security on in whole or part of business cashflows. Where a business loan is secured it may include guarantees and/or registered security interests and may be combined with mortgage security to optimise a borrower's costs and finance needs. The loan offering ranges from $100,000 to $1,000,000 repayable over a maximum period of 5 years.

Key products	Key features	Target market
SME lending	• All-purpose loans • Tailored rates	• Customers who want flexibility in their business lending and no mortgage security

In April 2020, Liberty Group was approved as a Participating Lender under the Australian Government SME Guarantee Scheme ("Scheme 1.0"). Under Scheme 1.0, SME borrowers with an annual turnover of less than $50 million could apply for a loan of up to $250,000 repayable over 3 years to be used for working capital purposes. Any credit loss incurred on eligible loans would be shared equally between Liberty and the Australian Government. Scheme 1.0 concluded on 30 September 2020.

On 16 October 2020, Liberty Group was approved as a Participating Lender under phase two of the Government SME Guarantee Scheme ("Scheme 2.0"). SME borrowers can apply for a loan up to $1,000,000 repayable over 5 years to be used for a broad range of business purposes. Scheme 2.0 commenced on 1 October 2020 and will be available until 30 June 2021.

INVESTMENTS AND DEPOSITS

Liberty offers a range of products for short and long-term investing in Australia as well as a non-bank deposit product in New Zealand.

Key products	Key features	Target market
High yield fund (Australia)	• Aims for returns that are higher than traditional fixed income investments • Invests in a range of assets that have been generated by Liberty	• Customers aiming for a higher return over a longer horizon
Term investment (Australia)	• Offers a monthly fixed return, which can be paid in cash or reinvested • Offers a mix of terms and target returns	• Customers seeking steady, reliable returns
Debenture deposits (New Zealand)	• Offers a monthly fixed return, which can be paid in cash or reinvested • Offers a mix of terms and target returns	• Customers seeking higher yields than offered by banks for term deposits

3.6.2.3. Loan Portfolio Management

Liberty actively manages its loan portfolio to ensure diversification across a range of factors including, but not limited to, loan type, LVR, geographic spread, industry, employment type, security type, credit profile, verification type and loan purpose. The loan portfolio is managed on both a product level and an overall portfolio level with a review of portfolio mix conducted by management at regular intervals.

Liberty seeks to optimise the portfolio mix to ensure an adequate balance between Prime loans, which generate lower margins with lower risk, and Custom loans yielding significantly higher margins, albeit with higher risk profiles.

Ongoing portfolio analysis is also conducted by the risk department to ensure that the desired portfolio composition is maintained. This continuous portfolio review results in the regular updating of underwriting guidelines, product offerings and pricing.

3 Group Overview

Further, file reviews are conducted by the compliance team to ensure the requirements of relevant legislation including, but not limited to, the NCCP Act, *Privacy Act 1988 (Cth)* and *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (and the New Zealand equivalent legislation) are observed.

3.6.3. Servicing

3.6.3.1. Overview

Liberty has developed a purpose-built servicing operation to meet the specialised requirements of managing its customers and portfolio. Servicing responsibilities include documentation compliance, account establishment, welcome calls, remittance processing, security discharges and modifications, arrears management, forbearance arrangements, loss mitigation and loss recovery.

Liberty's proprietary servicing platform has been designed to accommodate all of its loan products. It has also been designed with flexibility in mind so that legislative requirements in Australia or New Zealand can be systematically integrated. Detailed information on scheduled payments, delinquency and arrears, borrower information, security details, income statements and risk assessment is accessible and monitored. By managing the entire collections process in-house, Liberty retains loan performance data from origination through to account closure across the entire loan portfolio and in all customer circumstances.

Liberty is able to analyse and interpret behaviour and trends informed by delinquent loans to continuously adapt and improve collections processes seamlessly to maximise loss recovery rates. This data gathering further supports development of Liberty's risk-based management approach.

Liberty has achieved the highest servicer ranking for prime residential mortgages, non-prime residential mortgages, commercial mortgages and motor finance. Liberty became the first and is still the only business in Australia to have received such favourable servicer rankings across each of these markets.

Liberty's portfolio displays superior loss rates relative to domestic benchmarks. This is as a result of Liberty's embedded risk-based pricing and underwriting practices, backed by technology and a personalised and proactive servicing approach.

Liberty Portfolio Arrears

			Excluding customers impacted by the pandemic	Including customers impacted by the pandemic
Arrears	**30 June 2018**	**30 June 2019**	**30 June 2020**	**30 June 2020**
>31 days	3.14%	3.32%	3.28%	9.55%
>91 days	1.61%	1.52%	1.87%	2.27%
Total delinquency	$291m	$373m	$384m	$1,119m
Gross loans	$9,290m	$11,255m	$11,716m	$11,716m

Portfolio arrears have exhibited stability over the past three years leading up to the pandemic. As at 30 June 2020, arrears >31 days were 3.28% excluding customers impacted by the pandemic and 9.55% including customers impacted by the pandemic.

A Liberty account executive is appointed to each account and is the primary point of contact with Liberty for that borrower. Upon approval and settlement of each loan, an account executive will also establish contact with the borrower through a welcome letter and phone call. This early contact with the borrower enables Liberty to build customer rapport and ensure payment arrangements are correct.

3.6.3.2. COVID-19

Since April 2020, Liberty has been engaging with customers impacted by COVID-19 and managing an increased level of borrower hardship.

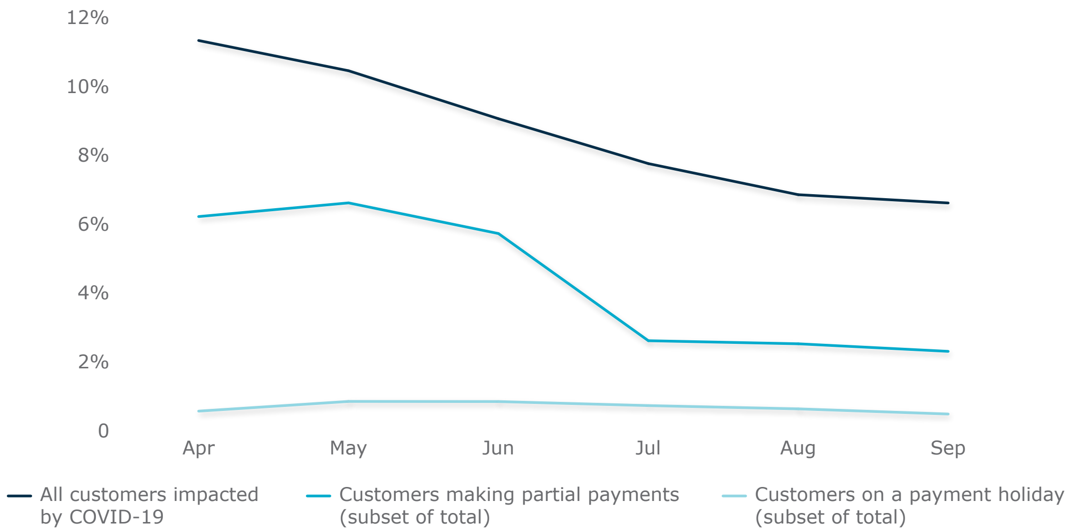
Approach

When engaging customers regarding hardship, Liberty seeks to understand their circumstances and tailor a specific solution to fit. Continuing to make smaller repayments during hardship reduces the ultimate cost of the loan to the borrower and improves the probability of recovery. Liberty provides payment holidays or deferrals when needed but encourages all customers to make some repayments where possible.

Customer Impact

After an initial spike in hardship requests, the total number of Liberty customers requiring hardship support has fallen consistently between April and September 2020. In addition, the number of customers making monthly repayments below the contracted monthly payment amount (subset of total customers impacted) has reduced over the same period.

Liberty Customers Impacted by COVID-19

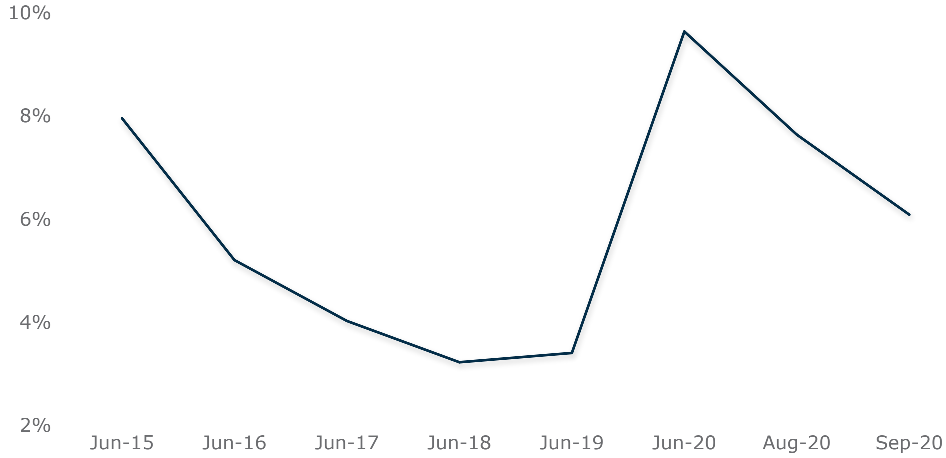


Between April and September 2020, Liberty has provided payment holidays to between 0.4% and 0.7% of customers. In contrast, major banks have reported providing payment deferrals ranging from 10% to 15% of their customers.

Portfolio Impact

As a result of COVID-19 related hardship, portfolio arrears have increased to a higher level than recent years. The arrears levels including customers impacted by COVID-19 were 9.55% at 30 June 2020 and declining to 6.09% at 30 September 2020.

Liberty >31 Days Arrears June 2015 to September 2020



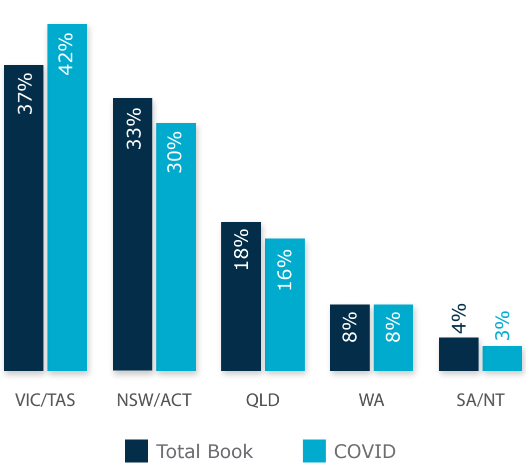
3 Group Overview

Portfolio Characteristics

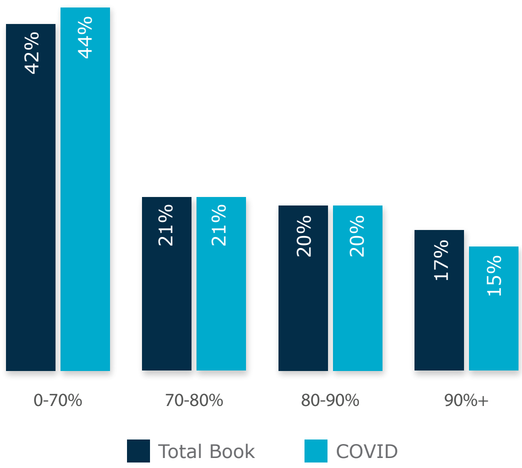
The LVR position of the Australian Residential mortgage and Australian Commercial mortgage portfolio of the customers impacted by COVID-19 are largely consistent with the global portfolio.

Selected characteristics of COVID impacted customers compared to the total portfolio as at 31 August 2020 are shown below.

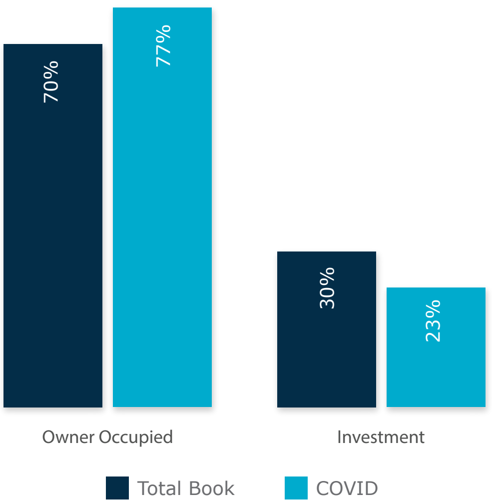
Portfolio by State



Portfolio by LVR



Portfolio by Purpose



3.6.4. Funding

3.6.4.1. Overview

Liberty has a well-developed capital management capability, the benefits of which are clearly evidenced by Liberty's consistently profitable financial performance over 23 years of operation under unchanged ownership – a period which has included significant global financial shocks, credit market dislocations and M&A activity. Liberty obtains its capital from a variety of sources as set out in the table below.

Overview of Liberty's funding arrangements

Capital source	Description
Equity	• Capital that includes retained earnings and shareholder's equity which is available to fund financial assets and provide support to access other capital sources.
Wholesale facilities	• Facilities established with 5 major commercial and investment banks secured by a pool of specific financial assets.
Commercial paper	• Short-term debt instruments of up to 364 days in maturity issued to capital markets investors secured by a pool of specific financial assets.
Term securitisation	• Term debt securities issued to different classes of investors which provide matched funding secured by a pool of specific financial assets.
Senior unsecured program	• Funding program under which MTN, being senior unsecured notes are issued by Liberty for operating purposes.
Corporate debt facility	• Facility with an Australian major domestic bank for working capital purposes that is secured by Liberty.
Managed investment schemes	• Australian investment product offered to retail investors to earn a return secured by a pool of specific financial assets.
Non-Bank deposits	• New Zealand debenture program to offer retail investors fixed interest returns secured and guaranteed by Liberty Financial Pty Ltd.
Cash	• Surplus cash which is able to be utilised by Liberty for investing and general corporate activities.

Through adopting a diversified funding base, Liberty enjoys a higher level of funding stability and cost efficiency. The funding sources available to Liberty are further detailed below.

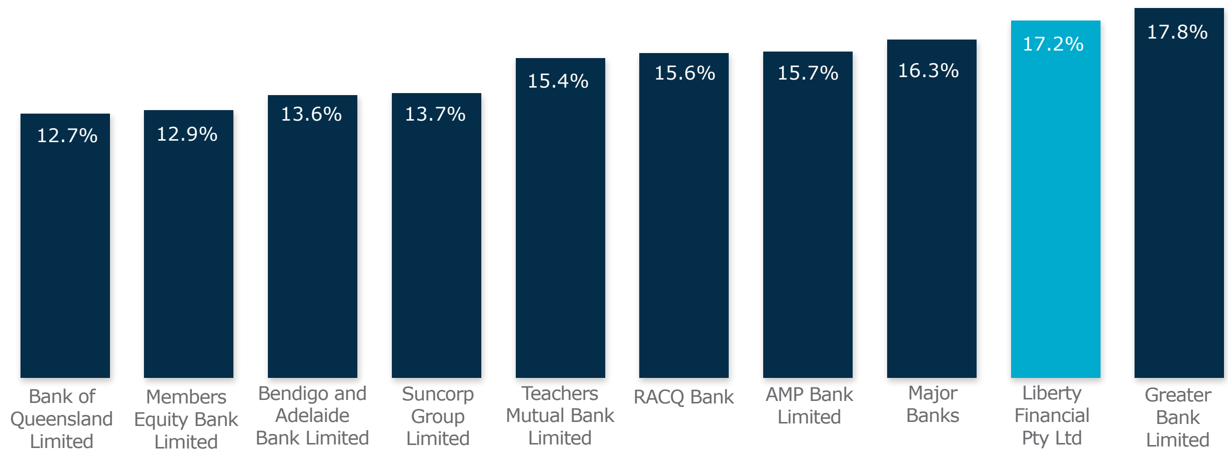
3.6.4.2. Equity

Liberty has maintained its capital adequacy ratio in excess of industry benchmarks in order to confidently pursue disciplined growth.

Liberty Financial Pty Ltd is the only investment grade rated non-bank lender in the Australian and New Zealand market, allowing it to access and optimise additional funding sources.

3 Group Overview

Total Regulatory Capital % Comparison (as at 30 June 2020)[16,17]

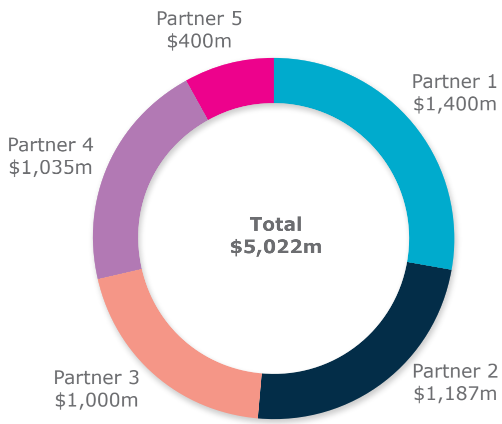


3.6.4.3. Wholesale Facilities

Wholesale Facilities are bilateral agreements which Liberty has with five financiers including three of the four major Australian banks and two global investment banks. These Wholesale Facilities are secured by and fund a specifically identified portfolio of financial assets. Recourse to the financier is limited to the cash flows generated by the assets of the Wholesale Facility which include contractual interest and principal repayments of the customer and the value of the secured property.

Liberty has a long history of consistently renewing, and also increasing, its facility limits due to its ability to successfully advance credit with low and stable loss rates. Wholesale Facility limits currently amount to $5.0 billion. Wholesale Facilities are arranged such that their maturities are staggered in order to reduce concentration risk and provide better certainty of funding over the life of the underlying assets.

Facilities – Total Limits (A$ million)



Utilised and Limits as at 30 June 2020 (A$ million)

Maturity	Utilised	Limits	Capacity
<1 Year	$1,019	$1,435	$416
>1 Year	$1,396	$3,587	$2,191
Total	**$2,415**	**$5,022**	**$2,608**

Business	Utilised	Limits	Capacity
RES	$1,925	$3,922	$1,997
MOT	$63	$300	$237
COM	$427	$800	$373
Total	**$2,415**	**$5,022**	**$2,608**

16. Liberty regulatory capital ratio calculated with reference to S&P. S&P's risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. Whilst Liberty is not regulated by APRA, Liberty has been shown with APRA regulated players on this chart to illustrate the comparison between Liberty and its regulated peers. Liberty metrics stated on a pre-Offer basis.
17. Bank of Queensland as at 31 May 2020; Greater Bank, Members Equity Bank, Newcastle Permanent, RACQ Bank and Teachers Mutual Bank as at 31 March 2020.

Each Wholesale Facility has a limit on the amount of funding it can provide. Whilst more costly due to utilisation fees, Liberty seeks to maintain a conservative buffer between the funds it has drawn and the limit of each Wholesale Facility so that it can continue to fund the origination of receivables should market volatility increase.

The nature of the typical terms and conditions of a Wholesale Facility are outlined below. See Section 11.1.2 for more details.

Key Terms of Wholesale Facilities

Capital source	Description
Advance rate	• Sets the value of the financial assets the financier will fund and often determined by reference to a target credit rating calculated either by an independent credit rating agency or the financier.
Eligibility criteria	• Determines the characteristics of individual financial assets that can be acquired or maintained by the Facility where such criteria may include loan sizes, LVRs, borrower credit history, serviceability and security type.
Event of default	• Results in the requirement to repay the Facility and is caused by non-payment of required funds to the financier or if losses are experienced such as charge-offs to the notes.
Maturity date	• Wholesale Facilities have maturities that range between 12 and 36 months, which if not renewed, will require the full repayment within an agreed timeframe before enforcement proceeds against financial assets.
Pool parameters	• Limits the aggregate portfolio characteristics of the financial assets funded by the Wholesale Facility where such criteria can include geography, LVR, product, repayment, security type and arrears.
Stop funding events	• Enable the financier to cease advancing monies if there is a breach in the conditions of the Wholesale Facility, such as a pool parameter or advance rate, that has not been remedied within a prescribed timeframe.

3.6.4.4. Commercial Paper Facility

A $300 million Commercial Paper Facility is also used to acquire new financial assets. Funding is provided by the Commercial Paper Facility via the issue of notes to sophisticated institutional investors. The notes generally have a short-term duration of between 30 to 90 days.

Recourse to investors in the Commercial Paper is limited to the cash flows generated by the assets supporting the Commercial Paper Facility which include contractual interest and principal repayments and the value of the secured property. See Section 11.1.3 for more details.

3.6.4.5. Term securitisation

Securitisation involves aggregating a pool of financial assets into a special purpose vehicle and selling the right to receive the future cash flows from those loans to wholesale financiers and sophisticated institutional investors through the issuance of Asset Backed Securities ("ABS"). ABS are rated by independent credit rating agencies, being S&P, Moody's and Fitch Ratings ("Fitch") in Australia and New Zealand.

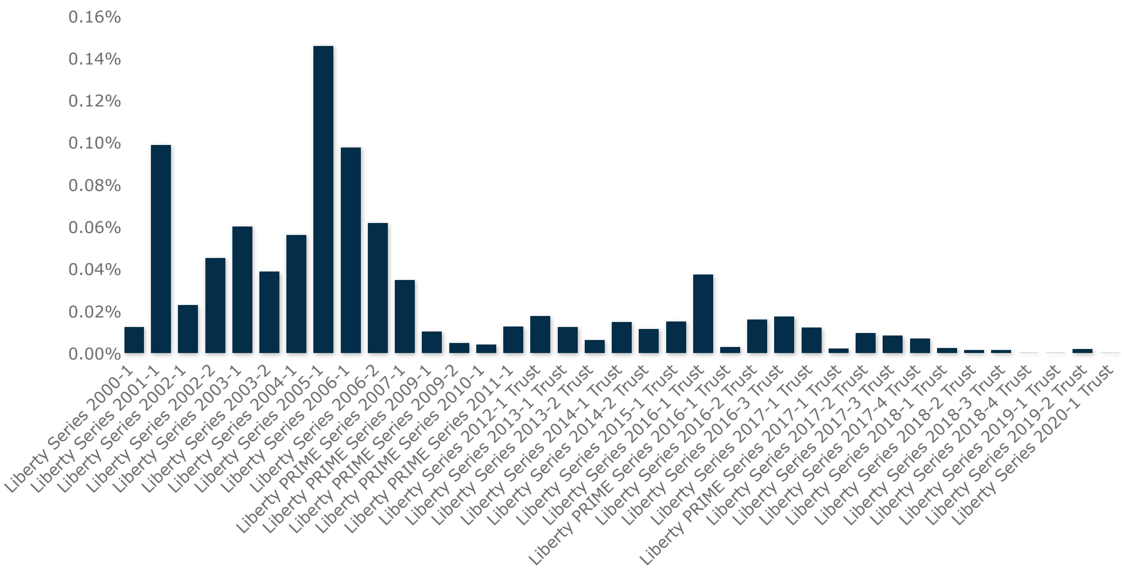
Liberty is a regular issuer in the Australian and New Zealand securitisation markets, having issued 63 public and private Term Issues in Australia and New Zealand, raising over $30 billion in aggregate since 1997. Liberty is one of the largest issuers in Australian securitisation markets[18].

18. Liberty is in the top five by market share of all RMBS issuances by non-ADIs since 2010, across Prime and Custom issuances.

3 Group Overview

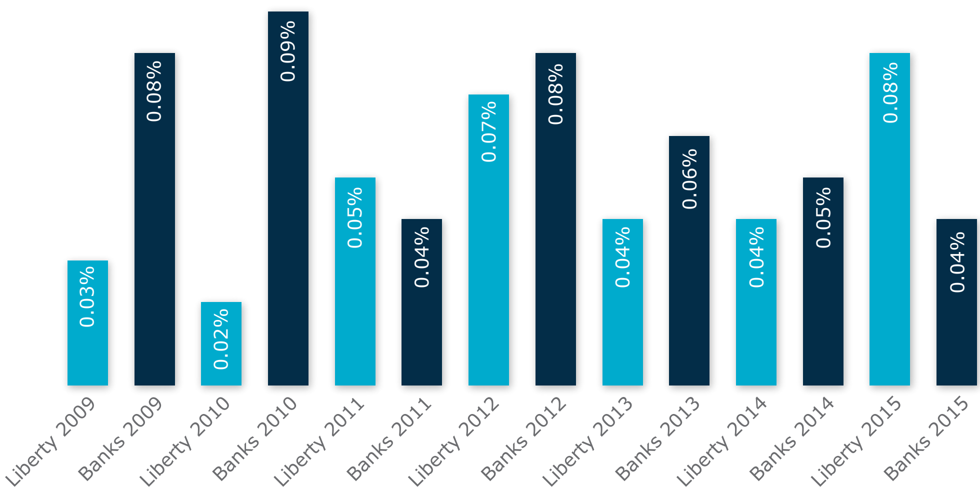
Liberty has a proven ability to regularly issue performing securities, having never had a charge-off made against an ABS issuance, nor a rating agency downgrade. Since establishment, Liberty has proven the value of its underwriting and servicing technology, approach and capability as measured by losses incurred within its RMBS issues. Since 1999, Liberty has issued 40 RMBS issues in Australia raising over $25 billion. In aggregate, these issues have experienced losses of 3bps per annum.

Annualised RMBS Loss (as at 30 June 2020)[19]



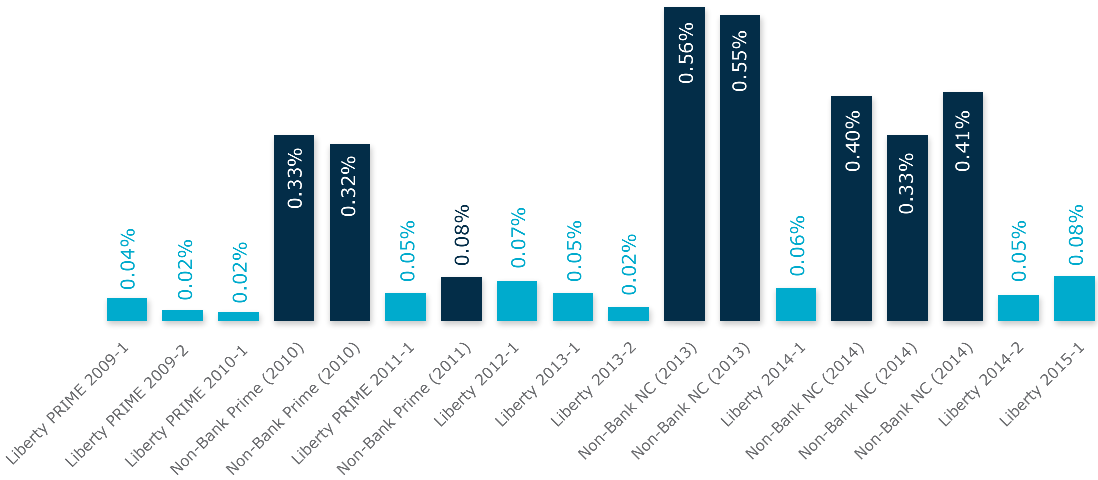
The performance of Liberty's Term Issuances is market leading amongst the cohort of non-bank lenders, as demonstrated below when comparing the cumulative losses of Liberty's previous issuances versus its peers. Refer to Section 11.1.2 for more details.

Cumulative Loss of transaction pre LMI claim (as at June 2020) – Prime[20]



19. Company data.
20. Standard & Poor's. Losses represent the weighted average of the issuances of AMP, Bendigo, Bank of Queensland, CBA, Macquarie Bank, NAB and WBC per lender in each calendar year.

Cumulative Loss of Transaction pre LMI Claim (as at June 2020) – Non-ADI[21]



3.6.4.6. Senior Unsecured Program

Liberty has established a Senior Unsecured Program under which it has issued six series of MTNs. The Senior Unsecured Program is a debt issuance program of fixed term duration, made to sophisticated institutional investors, where proceeds are used for general business purposes. The MTNs constitute a direct, unconditional, unsubordinated and unsecured obligation of Liberty.

Liberty Financial Pty Ltd has an investment grade rating and is the only Australian non-bank finance business to have a public investment grade issuer credit rating.

3.6.4.7. Corporate Debt Facility

Liberty has a Corporate Debt Facility of $80 million with a major Australian bank which is secured by a fixed and floating charge over a Liberty Entity. The Corporate Debt Facility has a term of 3 years, matures in 31 May 2022 and is subject to various financial and non-financial covenants and undertakings. The Corporate Debt Facility is used for working capital purposes and has been in place for over 10 years. See Section 11.1.1 for more details.

3.6.4.8. Managed Investment Schemes

Liberty has also established two Australian MIS called the Liberty Term Investment Fund ("LTIF") and the Liberty High Yield Fund ("LHYF") which has total funds under management of $17.9 million as at 30 June 2020. LTIF offers investors fixed rates of return backed by a diversified portfolio of financial assets whereas LHYF offers investors higher yields as it is backed by a portfolio of higher yielding securities (which rank lower in priority with less certain principal repayments).

3.6.4.9. Non-Bank Deposits

Liberty Financial Limited (NZ) is licensed with RBNZ to take deposits from retail depositors under the *Non-Bank Deposit Takers Act 2013* (NZ) and has total deposits of NZ$52.7 millon as at 30 June 2020. The debentures are offered by registered prospectus. Retail depositors receive a fixed interest rate return which is secured by assets of the relevant company as well as an irrevocable guarantee from Liberty Financial Pty Ltd.

21 Standard & Poor's. Losses other than Liberty represent the weighted average aggregation of all issuances of all competitors in each calendar year.

3 Group Overview

3.6.4.10. Funding During COVID-19

Despite the challenging economic environment, Liberty has continued to access banks and markets for asset backed financing, proving its ability to fund its growth even in uncertain times.

Since March 2020, Liberty has notably:

- Increased the funding limit in one Wholesale Facility in June 2020;
- Issued three RMBS transactions in May, June and October 2020 raising $2.6 billion; and
- Issued one SME ABS in September 2020 raising $600 million.

3.6.4.11. Future funding developments

Going forward, Liberty plans to continue to diversify and optimise its funding base to increase the availability of capital during various market scenarios. This will help Liberty continue to fund its business with less interruption even in times of stress in capital markets.

3.6.4.12. Funding and historical yield trend

The vast majority of Liberty's loan book receives interest based on variable interest rates. Aligned to the loan profile, most of Liberty's funding is sourced at a variable rate, floating over the 1-month BBSW reference rate.

The 3-year history of the RBA cash rate and the 1-month BBSW reference rate depicts three broad timeframes:

- July 2017 to March 2019 during a stable monetary policy environment, the 1-month BBSW reference rate was above the RBA cash rate;
- April 2019 to March 2020 during an easing monetary policy environment when the RBA cash rate was reduced from 1.5% to 0.25%, the 1-month BBSW reference rate was broadly consistent with the RBA cash rate; and
- April 2020 to September 2020, during which the RBA has provided liquidity to the ADI sector via the TFF program, the 1-month BBSW reference rate has been lower than the RBA cash rate.

3.7. Growth Strategy

Liberty has exhibited growth in all segments over the past five years across both Australia and New Zealand. The table below outlines the growth opportunities in the market segments in which Liberty has scale:

Residential and Secured Finance	Liberty 1 Year Growth[22]	Liberty 5 Year CAGR[23]	Est. market share[24]	Growth Opportunities
Australian Residential Finance	(1.6%)	26.7%	2.0%	• Continued underlying low rate environment • Increased industry change opportunity • Ongoing technology investment in service
New Zealand Residential Finance	(6.6%)	32.8%	1.5%	• Continued underlying low rate environment • Significant recent regulatory change • Existing unrealised distribution synergies
Australian Motor Finance	9.9%	20.0%	1.1%	• Increasing industry change opportunity • Recent expansion of security types • Ongoing technology investment in service
Australian Commercial Finance	21.1%	48.1%	4.0%	• Growth focus for third party industry • Further regulatory impact on ADI appetite • Ongoing SMSF investor demand

22. Growth in loan portfolio size.
23. Growth in loan portfolio size.
24. Market share of origination for FY20.

3 Group Overview

The table below outlines the growth opportunities in Liberty's emerging market segments:

Financial services	Growth opportunities
Australian personal finance	• Ongoing addition of broker intermediaries • Interest from existing brokers in diversified customer solutions
SME lending	• Recent launch of new products • Segment underserviced by major ADIs
LNS and MPM	• Ongoing momentum in broker recruitment • Ongoing momentum through marketing effort and lead generation • Pending technology consolidation to improve service
LFI	• Reduction in the number of market participants • Increased penetration via Liberty distribution
ALI	• Ongoing momentum through increased authorised representatives • Additional small and regional ADI referral partners
Investments	• Managed funds growth enabled by retail corporate rating • Growth enabled by increased marketing effort

Beyond the forecast period Management believe that there are also opportunities to apply Liberty's competencies in both established and emerging market segments.

The four main drivers that Liberty believes could be leveraged to create growth are:

- Continue to capitalise on structural tailwinds for NBFIs;
- Shift business mix towards higher yielding products, such as Commercial, SMSF, Personal and Motor loans;
- Maintain focus on product innovation; and
- Increase revenue diversification.

3.7.1. Australian Residential Mortgages

Liberty's business has experienced significant growth, having grown at a CAGR of 35.3% since inception in 1997 to 30 June 2020. Liberty's average loan tenure is approximately 3 years, ensuring that the full benefit of recent loan originations will underpin profitability over the coming years.

Over the last 24 months, continued regulatory inquiries have allowed Liberty to capture a greater proportion of the Prime market. During this same period, in Management's opinion, there were more changes in home lending product pricing and credit policies across all lenders than the industry has experienced since before the Royal Commission.

The COVID-19 pandemic has resulted in significant structural support for lenders which has been amplified by Treasury's announcement to reform Consumer Credit laws to ensure consumers and small business get timely access to credit. Management believe that this will accelerate the pace of change and that Liberty is well placed to identify and participate in new product and service segments that naturally occur as a result of these developments.

In addition to this underlying growth, Liberty continues to develop new mortgage products. Liberty believes its technology platform provides it with a competitive advantage in this area. A higher level of automation will allow Liberty's risk-management framework to provide faster loan acceptances, with reduced paperwork from borrowers.

3.7.2. New Zealand Residential Mortgages

Liberty has an increasing presence in New Zealand, with the business having grown at 32.8% in the past 5 years to 30 June 2020. As discussed in Section 2.3, the New Zealand residential mortgage sector is currently facing significant regulatory inquiry. Liberty has demonstrated an ability to adapt to regulatory changes to increase market share in the Australia residential mortgage market and is also pursuing this outcome in New Zealand. Management believes that growth driven by low interest rates, strong home borrower demand and regulatory change can sustain originations over the forecast period.

Liberty also sees an opportunity to expand its product offerings into other markets, including Motor Finance and Commercial Finance, which Liberty does not currently offer in New Zealand.

3.7.3. Australian Motor Finance

Liberty's Australian motor finance business has been growing at a CAGR of 20.0% over the past 5 years to 30 June 2020. Currently, Liberty obtains the majority of its originations from brokers. Liberty is seeking to further diversify its product by expanding its lending into recently covered asset types such as caravans and other new assets.

Liberty is unique among motor lenders in offering a Lender Application Programming Interface which is appealing to consolidated third party brokers on single technology platforms. This service allows aggregators and online brokers to pass loan applications to Liberty automatically from point of sale. These recent initiatives, coupled with continued organic organisational growth from brokers and dealers, are expected to deliver further expansion of Liberty's Australian motor finance business.

3.7.4. Australian Commercial Finance

Commercial Finance has been growing at a CAGR of 48.1% over the past 5 years to 30 June 2020, driven by increasing demand from mortgage brokers looking to broaden their revenue stream beyond residential lending. SMSF lending has been a driver of growth in this segment and this trend is expected to continue. Increased regulatory inquiry in lending, along with economic volatility has also led to a reduction of bank appetite for certain industries and small businesses. This has resulted in organic growth in commercial lending for working capital purposes, owner-occupied borrowing and investment.

3.7.5. Australian Personal Finance

In 2018 Liberty acquired a majority stake in MoneyPlace. MoneyPlace's competitive advantage is that the current personal finance product can allow for instant online approval for customers and brokers. This technology utilises third party data and a short application form to automatically approve borrowers upon submission and then fund loans. The technology could eventually be leveraged into Liberty's other businesses, which would help build further momentum and gain market share.

3.7.6. Australian SME Lending

The SME market is currently underserviced by mainstream ADI lenders. An opportunity exists for Liberty to develop lending solutions for the SME segment. As a result, Liberty launched in September 2019 a number of products for SMEs offering loans secured in whole or part by business cashflow. Liberty offers loans to established businesses seeking growth capital. SME loans are sourced from third party intermediaries and range between $100,000 and $1,000,000 for a term up to 5 years. Security includes registered security interests over the business plus guarantees. These loans may be combined with mortgage security to optimise borrowers' costs and finance needs. Liberty also leverages the experience of SME lender and related party, Moula, to enhance its offering and capability.

3.7.7. LFI

LFI underwrites policies to support Liberty and third-party loans. This mix has been supported by the recent market exit by traditional providers of these types of insurance products. In the coming period, there exists a substantial opportunity to further increase penetration of LFI products into the broader Liberty distribution network utilising its differentiated approach to those of departing market participants.

3 Group Overview

3.7.8. LNS, nMB and MPM

The LNS and nMB network of loan writers grew by more than 40% over the year ended 30 June 2020 and MPM had more new franchisees join in the last year than in the previous three years combined. This recruiting success and network increase has also led to increased momentum in loan originations. Liberty believes it will be able to secure a larger market share from these networks through technology services, branding and business support. As these networks continue to grow and Liberty drives higher penetration in MPM, these businesses will help capture increased market share.

3.7.9. ALI

ALI’s growth is expected to be driven by increased penetration of existing broker networks. The Australian market continues to be underinsured by global standards and ALI will continue to seek to build awareness amongst brokers and customers to the benefit of protection solutions.

3.7.10. Investments

Liberty’s debenture book in New Zealand has grown by more than 48.3% in the year ended 30 June 2020. This growth has been a function of increased investment in online marketing and Liberty’s relatively attractive public corporate rating. It is anticipated that growth will continue at this rate and could be further enhanced by additional marketing measures. Liberty’s managed funds in Australia do not benefit from Liberty’s corporate rating and are yet to receive a retail rating. As such they have plateaued over the past year but may benefit from an increased profile.

3.7.11. Inorganic Growth

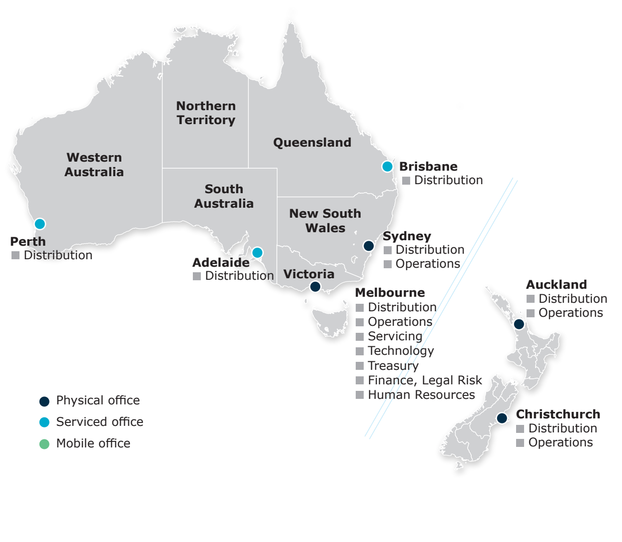
Liberty’s growth has historically been largely organically derived. However, Liberty reviews potential acquisitions on both an opportunistic and strategic basis. Liberty’s acquisition approach seeks to identify synergies with its existing business, or growth into new revenue streams where it may acquire complementary capabilities and skills. This has been demonstrated in recent years with the acquisition of nMB, ALI and MoneyPlace. Liberty holds an equity position in a number of entities related to its purpose of helping people get financial and expects to consider similar opportunities in the future.

3.8. Group Overview

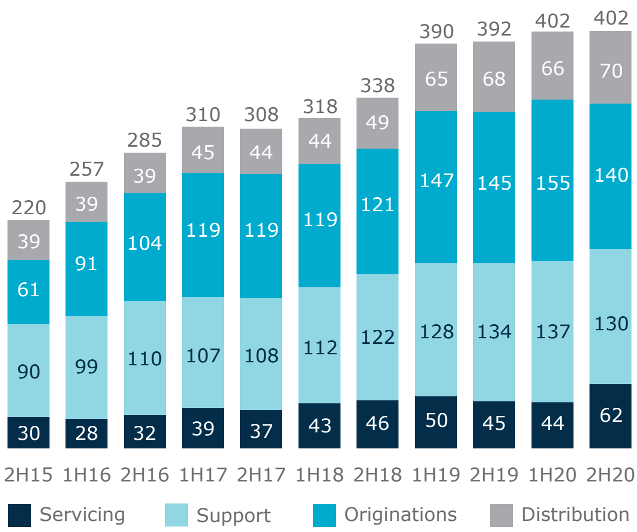
3.8.1. Employees and Geographic Footprint

Liberty’s headquarters are located in Melbourne with regional offices in Sydney, Auckland and Christchurch. Liberty’s physical offices are supplemented by mobile business development staff in all other mainland states.

Liberty’s Geographic Footprint[25]



Liberty Employee Headcount[26]

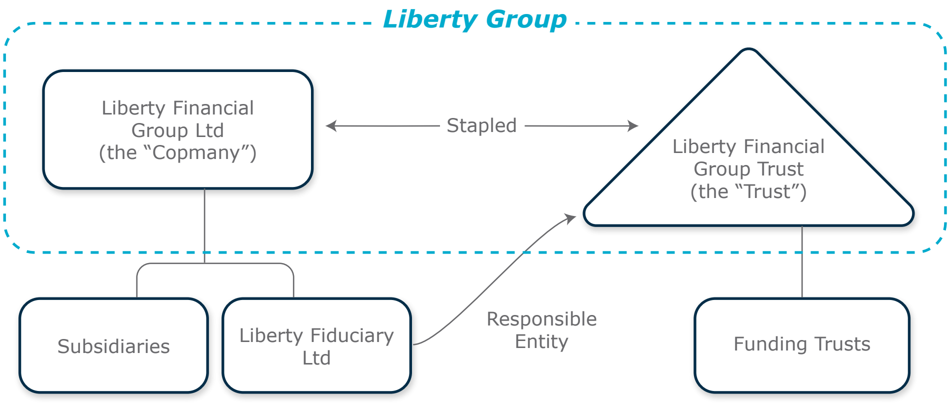


25. Company data.
26. Company data as at 30 June 2020, excluding ALI and MPRE staff.

As at 30 June 2020, Liberty had 434 full-time equivalent employees. Liberty has a stable and longstanding management team, with the current team having an average employment tenure of 10 years.

3.8.2. Group Structure

The Liberty Group structure on Completion of the Offer



The Liberty Group is comprised of two entities that have entered into arrangements, such that a security in each entity comprising the Liberty Group must be dealt with on an aggregated basis. Therefore, each of the following securities are stapled together to form a Security in the Liberty Group:

- One fully paid ordinary share in the Company; and
- One unit in the Trust.

The following entities form the Liberty Group:

Liberty Financial Group Limited (the "Company")	• The Company is an operating company generating active financial services income from activities such as origination, underwriting and servicing of financial assets and businesses. • The Company has entered into an arrangement with the Trust to provide services. Profits generated by the Company are distributed to Security Holders as dividends.
Liberty Financial Group Trust (the "Trust")	• The Trust is a holding trust for underlying entities including Liberty's wholesale and securitisation entities. The Responsible Entity is the trustee of the Trust, holder of the Liberty Group's AFSL and the responsible entity for the purposes of the Trust's registration as a Managed Investment Scheme. • As a result of holding these entities, the Trust holds the rights to receive interest and fee income from principal amounts lent to borrowers, along with the obligation to pay interest amounts to the various funding sources. • Income is distributed from the Trust to Security Holders as a trust distribution of passive income.

3 Group Overview

Liberty first implemented this type of formation in 2007 (without the stapling of the securities of each entity) when it recognised that to participate in an increasingly diverse range of financial opportunities, a further evolution of Liberty was required. This evolution has resulted in the following benefits:

- **Transparency:** to key functions within the business (i.e., Operations, Funding and Responsible Entity);
- **Efficiency:** provides scale and coordination by centralising the entity and governance for all financial assets;
- **Sustainability:** a platform to better engage and access emerging pools of domestic and international funds; and
- **Flexibility:** a platform for future financial asset acquisitions.

The subsidiary companies of the Liberty Group are further detailed in Appendix A: Corporate Structure.

Financial Information

4

4 Financial Information

4.1. Introduction

The pro forma financial information contained in this Section 4 relates to Liberty Group, which on Completion of the Offer will comprise the Company and its controlled entities and the Trust and its controlled entities.

This Section 4 contains a summary of the financial information for Liberty Group, which includes:

	Statutory financial information	Pro forma financial information
Historical Financial Information	• The consolidated historical income statements of Liberty Financial Pty Ltd for FY18 and Liberty Group for FY19 and FY20 (the "**Statutory Historical Income Statements**"); • The consolidated historical statement of cash flows before corporate financing and taxation of Liberty Financial Pty Ltd for FY18 and Liberty Group for, FY19 and FY20 (the "**Statutory Historical Cash Flows**"); and • The consolidated historical statement of financial position of Liberty Group as at 30 June 2020 (the "**Statutory Historical Balance Sheet**"), together the "**Statutory Historical Financial Information**"	• The pro forma consolidated historical income statements of Liberty Group for FY18, FY19 and FY20 (the "**Pro Forma Historical Income Statements**"); • The pro forma consolidated historical statement of cash flows before corporate financing and taxation for Liberty Group for FY18, FY19 and FY20 (the "**Pro Forma Historical Cash Flows**"); and • The pro forma consolidated historical statement of financial position of Liberty Group as at 30 June 2020 (the "**Pro Forma Historical Balance Sheet**"), together the "**Pro Forma Historical Financial Information**"
Forecast Financial Information	• Statutory consolidated forecast income statement of Liberty Group for FY21 (the "**Statutory Forecast Income Statement**"); and • Statutory consolidated forecast statement of cash flows of Liberty Group for FY21 (the "**Statutory Forecast Cash Flows**"), together the "**Statutory Forecast Financial Information**"	• The pro forma consolidated forecast income statement of Liberty Group for FY21 (the "**Pro Forma Forecast Income Statement**"); and • The pro forma consolidated forecast statement of cash flows of Liberty Group for FY21; (the "**Pro Forma Forecast Cash Flows**"), together the "**Pro Forma Forecast Financial Information**"

The Historical Financial Information and the Forecast Financial Information defined above together form the "**Financial Information**".

Also summarised in this Section 4 and Appendix B: Significant Accounting Policies are:

- A summary of the basis of preparation and presentation of the Financial Information (as set out in Section 4.2);
- Information regarding certain non-IFRS financial measures (as set out in Section 4.2.4);
- A description of the pro forma adjustments to the Statutory Historical Financial Information and the Statutory Forecast Financial Information, along with reconciliations of Statutory Historical Financial Information to the Pro Forma Historical Financial Information and the Statutory Forecast Financial Information to the Pro Forma Forecast Financial Information (see Section 4.3);
- An analysis of the key sensitivities in respect of the Forecast Financial Information (see Section 4.4);
- Information in relation to Operating Segments (see Section 4.5);

- A summary of capitalisation and indebtedness, debt facilities, liquidity and capital resources (see Section 4.6.1);
- A description of the general and specific assumptions underlying the Forecast Financial Information (see Section 4.9.1 and Section 4.9.2);
- A summary of the proposed distribution policy (see Section 4.11);
- Management discussion and analysis of the Pro Forma Historical Financial Information and Forecast Financial Information (see Section 4.8 and Section 4.10); and
- A description of the significant accounting policies (see Appendix B: Significant Accounting Policies).

All amounts disclosed in the tables are presented in Australian dollars and unless otherwise noted, are rounded to the nearest $0.1 million. Percentage movements have been calculated from underlying source information and hence may not reconcile with rounded calculations.

The information in this Section 4 should also be read in conjunction with the risk factors set out in Section 5 and other information contained in this Offer Document.

4 Financial Information

4.2. Basis of Preparation and Presentation of the Financial Information

4.2.1. Overview

The Financial Information is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flows and financial position of Liberty Group, together with forecast financial performance and cash flows. The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards ("AAS") issued by the Australian Accounting Standards Board ("AASB"), which are consistent with the International Financial Reporting Standards ("IFRS") and interpretations issued by the International Accounting Standards Board.

The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by the AAS applicable to annual financial reports prepared in accordance with the *Corporations Act*. Liberty Group's key accounting policies have been consistently applied throughout the financial years presented and are set out in Appendix B: Significant Accounting Policies.

The Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information has been prepared in accordance with the recognition and measurement principles of AAS other than it includes certain adjustments which have been prepared in a manner consistent with AAS in order to illustrate their effect as if they had occurred on 1 July 2017.

The Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information has been prepared solely for inclusion in this Offer Document and does not reflect the actual financial results and cash flows for the years indicated. Liberty Group believes that it provides useful information as it permits investors to examine what it considers to be the underlying financial performance and cash flows of the business presented on a consistent basis.

As described in Section 4.5 Liberty Group intends to report four reportable segments under Australian Accounting Standard AASB 8 *Operating Segments*, which are Residential Finance, Secured Finance, Financial Services and Corporate.

The Pro Forma Historical Financial Information and Forecast Financial Information has been reviewed by KPMG Financial Advisory Services (Australia) Pty Ltd ("KPMG Transaction Services") in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Fundraising and/or Prospective Financial Information*, as stated in its Investigating Accountant's Report in Section 8. Investors should note the scope and limitations of the Investigating Accountant's Report in Section 8.

Common control restructure

On 18 December 2019, the Liberty Group completed an internal restructure whereby the Company acquired Liberty Financial Pty Ltd (and its controlled entities), Minerva Funding Pty Ltd and Minerva Funds Management Limited from an entity under common control. On 30 December 2019, the Company and the Trust entered into a stapling deed under which for accounting purposes the Company was deemed to acquire the Trust, in line with AAS. Each of the restructuring transactions and the entering of the stapling deed occurred between entities under common control and have been accounted for using the book values of assets and liabilities transferred on the respective dates of the restructure and entering of the stapling deed.

The statutory historical financial statements of the Company for FY19 and FY20, prepared on a consolidated basis to include the Trust (the Company and the Trust together being the Liberty Group), reflect a full year of trading as if the internal restructure and entering of the stapling deed had always been in place.

New accounting standards

Certain new accounting standards and interpretations have been published, including some which have become mandatory to adopt within the years covered by the Financial Information. An outline of these new standards and assessment of the impact of these new standards on the Financial Information is as follows:

- AASB 9 *Financial Instruments:* AASB 9 *Financial Instruments* ("AASB 9") replaces AASB 139 *Financial Instruments: recognition and measurement* ("AASB 139"). AASB 9 introduced a new forward-looking expected credit loss impairment model required in estimating provisions for losses on Liberty Group's loan portfolios. The Company adopted AASB 9 on 1 July 2018. The impact of adoption of AASB 9 resulted in an increase in the provision for impairment losses of $8.8 million and a reduction in retained earnings of $6.1 million (net of income taxes) on 1 July 2019. The Forecast Financial Information has been prepared in accordance with the requirements of AASB 9. The Pro Forma Historical Financial Information includes an adjustment to reflect the impact of AASB 9 as if it had been adopted on 1 July 2017. AASB 9 also introduces a new hedge accounting model and new requirements regarding classification and measurement of financial instruments. AASB 9 allows entities to continue with hedge accounting under AASB 139 and the Company has continued to apply hedge accounting under AASB 139. The new classification and measurement elements contained within the standard have been adopted and have resulted in the reclassification of financial assets on the balance sheet. The effect of adopting AASB 9 on the carrying value of financial assets relates solely to the impact of the new expected credit loss impairment model described above.
- AASB 15 *Revenue* ("AASB 15") is mandatory for annual reporting periods commencing on or after 1 January 2018, and establishes a comprehensive framework of determining whether, how much, and when revenue is recognised. It replaces previous revenue recognition guidance in AASB 118 *Revenue*. The Company adopted AASB 15 on 1 July 2018. Liberty Group assessed all revenue streams that fall within the scope of the standard and determined that the transition impacts are immaterial. Accordingly, a pro forma adjustment for the impact of AASB 15 has not been recognised.
- AASB 16 *Leases* ("AASB 16") introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months on balance sheet. AASB 16 is mandatory for all reporting periods commencing on or after 1 January 2019. The Company adopted AASB 16 on 1 July 2019. The impact of AASB 16 results in an increase to property, plant and equipment of $10.4 million and an increase to liabilities of $12.4 million, with a corresponding adjustment to reduce opening retained earnings by $1.4 million (net of tax) on 1 July 2019. The Forecast Financial Information is prepared in accordance with the requirements of AASB 16. The Pro Forma Historical Financial Information includes an adjustment to reflect the impact of AASB 16 as if it had been adopted on 1 July 2017.
- IFRIC 23 Uncertainty over Income Tax Treatments ("IFRIC 23") became effective from 1 July 2019. The new interpretation clarifies the accounting for uncertainties in income taxes in relation to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The adoption of this interpretation did not have a material impact on Liberty Group.

4.2.2. Preparation of Pro Forma Historical Financial Information

The Statutory Historical Financial Information for FY18 has been derived from the statutory historical financial statements of Liberty Financial Pty Ltd. The Statutory Historical Financial Information for FY19 and FY20 has been derived from the statutory historical financial statements of the Company and its controlled entities (Liberty Group). The statutory historical financial statements of Liberty Financial Pty Ltd for FY18 and the Company for FY19 and FY20 have been audited by KPMG. KPMG has issued unqualified opinions for Liberty Financial Pty Ltd for FY18 and for the Company for FY19 and FY20.

The Pro Forma Historical Financial Information is based on the statutory historical financial information of Liberty Financial Pty Ltd and the Liberty Group after adjusting for certain pro forma transactions. The pro forma adjustments are applied to the Statutory Historical Income Statements and the Statutory Historical Cash Flows as if they had taken place on 1 July 2017, and to the Statutory Historical Balance Sheet as if they had taken place on 30 June 2020. The pro forma adjustments include:

- The common control internal restructure and the stapling of the Company and the Trust;
- The acquisition of LFI and Priceware;

4 Financial Information

- The settlement of certain existing related party loans and the removal of associated interest income and expenses;
- The acquisition of intellectual property on 18 December 2019 and the net impact of removing previously incurred transactions for use of the intellectual property, replacing these with amortisation charges associated with recognised intangible assets;
- Incremental costs associated with being a publicly listed company, including Board and governance costs, incremental audit, tax, legal and compliance related costs and ASX listing fees;
- Incremental executive remuneration expenses associated with the implementation of new management incentive plans;
- The impact of the acquisitions of ALI, nMB, and MoneyPlace (each acquired during FY18). The financial information of each for the periods prior to acquisition by Liberty has been extracted from the unaudited financial records of the businesses acquired. Post-acquisition, each business is consolidated in the audited Statutory Historical Financial Information;
- The application of new accounting standards AASB 9 *Financial* Instruments and AASB 16 *Leases*; and
- The application of the pro forma effective income tax rate which would be applicable following Completion of the Offer as set out in the Notes to Table 4.1 in Section 4.3.1.

Refer to Section 4.3 for a reconciliation between the Statutory Historical Income Statement of the Company and the Pro Forma Historical Income Statement of Liberty Group for FY18, FY19 and FY20; to Section 4.7.1 for a reconciliation between the Statutory Historical Cash Flows of the Company and the Pro Forma Historical Cash Flows before corporate financing and tax of Liberty Group for FY18, FY19 and FY20; and to Section 4.6 for a reconciliation between the Statutory Statement of Financial Position for the Company and the Pro Forma Statement of Financial Position for Liberty Group as at 30 June 2020.

Investors should note that past results are not a guarantee of future performance.

4.2.3. Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared based on an assessment of current economic and operating conditions and on a number of assumptions, including the general and specific assumptions set out in Section 4.9.1 and 4.9.2 respectively.

The Forecast Financial Information has regard for the current trading performance of Liberty Group up to the Offer Document Date and to current operating conditions under the COVID-19 pandemic. The impact of the COVID-19 pandemic on the business is discussed further in Section 3.4.

The Directors have prepared the Forecast Financial Information with due care and attention, and consider all general and specific assumptions, when taken as a whole, to be reasonable at the time of preparing this Offer Document. However, this information is not fact and investors are cautioned to not place undue reliance on the Forecast Financial Information. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on actual financial performance or financial position.

Investors are advised to review the general and specific assumptions set out in Section 4.9, in conjunction with the sensitivity analysis set out in Section 4.4, the risk factors set out in Section 5, the Investigating Accountant's Report set out in Section 8 and other information set out in this Offer Document.

The Forecast Financial Information has been presented on both a statutory and pro forma basis.

The Statutory Forecast Income Statement and the Statutory Forecast Cash Flows for FY21 are representative of the financial performance and cash flows that the Directors expect to report in Liberty Group's financial statements in respect of FY21.

The Pro Forma Forecast Income Statement and Pro Forma Forecast Cash Flows for FY21 are based on the Statutory Forecast Income Statement and Statutory Forecast Cash Flows, adjusted for the operating and capital structure that will be in place upon Completion, but excluding the costs of the Offer and the impact of Completion of the Offer, as well as other items which are not expected to occur in the future. Refer to Section 4.3 for a reconciliation between the Statutory Forecast Income Statement and the Pro Forma Forecast Income Statement, and Section 4.7.1 for a reconciliation between the Statutory Forecast Cash Flows and the Pro Forma Forecast Cash Flows.

The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation of the Pro Forma Historical Financial Information.

The Directors have no intention to update or revise the Forecast Financial Information or other forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Offer Document, except where required by law.

4.2.4. Explanation of certain non-IFRS and other financial measures

Liberty Group uses certain measures to manage and report on its business that are not recognised under AAS. These measures are collectively referred to as "non-IFRS financial measures." The principal non-IFRS financial measures that are referred to in this Offer Document are as follows:

- **NPATA** is presented on a pro forma basis and is net profit after tax excluding amortisation of intangible assets related to intellectual property. These costs are non-cash in nature and are incremental to the personnel costs and other expenses associated with the maintenance and development of the intellectual property reported in the statutory and pro forma income statements;
- **Net segment revenue** is net interest income, plus fee, commission and other income;
- **Capital expenditure** is costs primarily related to property, plant and equipment and technology infrastructure;
- **Operating cash flow before financing and taxation** is net operating cash flow before financing activities and excluding income tax paid;
- **Net cash flow before corporate financing activities and taxation** is net cash flow before corporate financing activities and taxation, but including net repayment or drawdown of portfolio finance facilities;
- **Pro forma net free cash flow available for distribution** is net cash flow after corporate financing and taxation, excluding distributions to the registered holder of Securities;
- **Bad and doubtful debts ratio** is calculated as bad and doubtful debts ("BDD") divided by average financial assets; and
- **Cost to income ratio** is calculated as total expenses (excluding fee and commission expense, interest expense, BDD expense and amortisation of intangible assets), divided by total income (net of interest expense).

Although the Directors believe that these measures provide useful information about the financial performance of Liberty Group, they should be considered as supplements to the income statement and cash flow measures that have been presented in accordance with Australian Accounting Standards and not as a replacement for them. As these non-IFRS financial measures are not based on AAS, they do not have standard definitions, and the way Liberty Group has calculated these measures may differ from similarly titled measures used by other companies. Readers should therefore not place undue reliance on these non-IFRS measures.

4 Financial Information

4.3. Historical and Forecast Statutory and Pro Forma Income Statements

The tables below set out the Statutory and Pro Forma Income Statements for the historical years FY18, FY19 and FY20 and the forecast year FY21.

4.3.1. Pro Forma Historical and Pro Forma and Statutory Forecast Income Statements

Table 4.1 provides a summary of Liberty Group's Pro Forma Historical Income Statements for FY18, FY19 and FY20, Pro Forma Forecast Income Statement for FY21 and Statutory Forecast Income Statement for FY21.

Table 4.1: Pro Forma Historical, and Pro Forma and Statutory Forecast Income Statements

			Pro Forma[13]		Pro Forma Forecast[13]	Statutory Forecast
June year-end ($ millions)	**Notes**	**FY18**	**FY19**	**FY20**	**FY21**	**FY21**
Interest income	1	495.5	629.2	648.6	630.2	630.3
Fee, commission and other income	2	140.0	182.0	203.5	207.9	207.9
Total income		**635.5**	**811.3**	**852.1**	**838.2**	**838.3**
Interest expense	3	(300.2)	(401.4)	(344.2)	(296.4)	(296.4)
Fee and commission expense	4	(135.1)	(177.8)	(188.2)	(190.1)	(190.1)
Employee expenses	5	(60.5)	(68.8)	(70.6)	(76.1)	(88.6)
Bad and doubtful debts	6	(17.0)	(21.8)	(32.5)	(32.0)	(32.0)
Loan establishment and management expenses	7	(11.8)	(14.4)	(13.9)	(11.5)	(11.5)
Other expenses	8	(40.8)	(51.0)	(54.7)	(57.2)	(76.8)
Total expenses		**(565.5)**	**(735.2)**	**(704.1)**	**(663.3)**	**(695.4)**
Profit before tax		**70.0**	**76.1**	**148.0**	**174.9**	**142.9**
Income tax expense	9	(8.4)	(9.1)	(17.8)	(21.0)	(17.1)
NPAT		**61.6**	**67.0**	**130.3**	**153.9**	**125.7**
Amortisation of intangible assets	10	11.8	11.8	11.8	11.8	
NPATA	**11**	**73.4**	**78.7**	**142.0**	**165.6**	
Non-controlling interest	12	-	-	-	-	(0.2)
NPAT attributable to the Company		19.6	21.3	41.4	49.0	40.0
NPAT attributable to the Trust		42.0	45.7	88.8	104.9	85.9
NPAT attributable to equity holders of the stapled Group	**12**	**61.6**	**67.0**	**130.3**	**153.9**	**125.9**

Notes:

1. Interest income consists of income earned from financial assets and investments in interest bearing securities and bank deposits and interest income on loans to related party shareholders. Interest income excludes interest that is related to financial assets where payments are 90 days past due.
2. Fee, commission and other income consists of a variety of fees received from customers over the life of a loan, commission income from mortgage broking, sale of real estate and sale of insurance products and insurance premiums.
3. Interest expense consists of interest incurred in financing financial assets and in relation to corporate borrowings.
4. Fee and commission expense consist of commissions paid to mortgage brokers, finance brokers and introducers for selling mortgage products, insurance products and real estate, as well as effective yield costs on financial liabilities measured at amortised cost.
5. Employee expenses consist of payroll and related expenses such as salaries, bonuses and commissions paid to employees of Liberty Group.
6. Bad and doubtful debts consist of bad debts written off and any movement in the provision of bad and doubtful debts over the period. Reported bad debts are net of interest income that is 90 days past due.
7. Loan establishment and management expenses consist of borrowing costs and costs of originating and servicing financial assets.
8. Other expenses primarily consist of occupancy expenses, marketing, and technology and communications expenses.
9. The income tax expense reflects the estimated effective tax rate for Liberty Group based on the Group structure following the Offer, which assumes a 60% distribution of profits from the Trust which are not subject to tax, with remaining profit realised in the Company subject to tax at 30%. Refer to Section 5.2.7 for further information in relation to Liberty Group's tax arrangements.
10. Reflects the non-cash charges associated with the amortisation of intellectual property on a tax-effected basis.

11. NPATA refers to net profit after tax excluding amortisation pertaining to intangibles on a tax-effected basis. Management believes NPATA is an important measure of the underlying cash earnings of the business.
12. Non-controlling interests in the statutory forecast income statement include the share of profit of LFI and Priceware prior to the date of the Offer. NPAT attributable to owners of the stapled Group includes profit of the Company and the profit of the Trust. The profit of the Trust will be presented as a non-controlling interest in the consolidated financial statements of the Company due to the stapling of the Trust to the Company.
13. A reconciliation from Statutory Historical Income Statements and Statutory Forecast Income Statement to Pro Forma Historical Income Statements and Pro Forma Forecast Income Statement can be found in Section 4.3.3.

4.3.2. Statutory Historical Income Statements

Table 4.2 provides a summary of the Company's Statutory Historical Income Statements for FY18, FY19 and FY20.

Table 4.2: Statutory Historical Income Statements

		Statutory Historical[1]		
June year-end ($ millions)	**Notes**	**FY18**	**FY19**	**FY20**
Interest income	2	495.2	629.4	648.8
Fee, commission and other income		126.7	182.0	203.5
Total income		**621.9**	**811.4**	**852.3**
Interest expense	2	(299.4)	(400.6)	(344.2)
Fee and commission expense		(131.3)	(177.8)	(188.2)
Employee expenses		(53.4)	(64.7)	(70.6)
Bad and doubtful debts		(19.2)	(21.8)	(32.5)
Loan establishment and management expenses		(11.8)	(14.4)	(13.9)
Other expenses		(23.0)	(38.0)	(47.1)
Total expenses		**(538.1)**	**(717.3)**	**(696.6)**
Profit before tax		**83.9**	**94.1**	**155.7**
Income tax expense		(20.8)	(5.1)	(21.0)
NPAT		**63.1**	**89.0**	**134.7**
Non-controlling interest	3	17.3	(0.6)	(0.1)
NPAT attributable to the Company			56.7	46.5
NPAT attributable to the Trust			32.9	88.3
NPAT attributable to the owners of the stapled Group	**3**	**45.8**	**89.6**	**134.8**

Notes:
1. Statutory Historical Income Statements are the consolidated accounts of Liberty Financial Pty Ltd for FY18 and Liberty Group in FY19 and FY20. Accordingly, the Statutory Historical Income Statements in FY18 do not include the consolidation of the Company and the Trust in FY18. The impact of the consolidation of the Company and the Trust for FY18 is set out in the reconciliation of pro forma NPAT to statutory NPAT in Table 4.3.
2. Interest income and interest expense on a statutory historical basis includes interest income and expense on related party loans that will be extinguished as part of a pre-Offer restructure or that were eliminated as part of the stapling with the Trust in FY20.
3. Non-controlling equity interests on a statutory basis for FY18 include the share of profit of Liberty Financial Pty Ltd (and its controlled entities) owing to the Trust. In FY19 and FY20, following the common control restructure NPAT attributable to owners of the stapled Group includes profit of the Company (and its controlled entities) and the profit of the Trust. The profit of the Trust will be presented as a non-controlling interest in the consolidated financial statements of the Company due to the stapling of the Trust to the Company.

4 Financial Information

4.3.3. Pro Forma adjustments to the Statutory Historical and Forecast Income Statements

Table 4.3 sets out a reconciliation of the statutory historical and forecast revenue and NPAT for the Company to the pro forma historical and forecast revenue and NPAT for Liberty Group for FY18, FY19, FY20 and FY21.

Table 4.3: Statutory to Pro Forma Income Statements Reconciliation

		Historical			Forecast
June year-end ($ millions)	**Notes**	**FY18**	**FY19**	**FY20**	**FY21**
Statutory revenue		621.9	811.4	852.3	838.3
Pro Forma adjustments					
Related party loans	1	(0.2)	(0.2)	(0.2)	(0.1)
Impact of the common control restructure and stapling of the Trust	2	(0.0)	-	-	-
Impact of acquisitions	3	13.7	-	-	-
Total adjustments		**13.5**	**(0.2)**	**(0.2)**	**(0.1)**
Pro Forma revenue		**635.5**	**811.3**	**852.1**	**838.2**
Statutory NPAT		63.1	89.0	134.7	125.7
Pro Forma adjustments					
Related party loans	1	(0.2)	(0.2)	(0.2)	6.8
Impact of the common control restructure and stapling of the Trust	2	(0.0)	-	-	-
Impact of acquisitions	3	1.6	-	-	-
IP acquisition	4	(15.4)	(15.8)	(5.9)	-
Impact of new accounting standards	5	1.7	(0.4)	-	-
New employee incentive arrangements	6	-	-	-	12.5
Impact of the Offer	7	(1.7)	(1.7)	(1.7)	12.7
Total adjustments		**(13.8)**	**(18.0)**	**(7.7)**	**32.0**
Tax effect of adjustments	8	12.4	(4.0)	3.3	(3.8)
Pro forma NPAT		**61.6**	**67.0**	**130.3**	**153.9**

Notes:

1. Historical interest income in relation to certain related party loans and the removal of expenses in FY21 associated with the unwinding of certain related party arrangements that will be extinguished as part of the pre-Offer restructure. The adjustment in FY21 includes the removal of FBT charges in FY20F incurred as part of the settlement of employee loans.
2. Impact of the common control restructure and stapling of the Company and Trust, to the Company FY18 statutory historical financial information of Liberty Financial Pty Ltd, including inter-entity eliminations.
3. Adjustment to reflect the reported statutory revenue and statutory profit before tax of ALI, nMB and MoneyPlace as if they had been owned by Liberty Group from 1 July 2017.
4. Net impact of the removal of the recovery of expenses from related parties in connection with the development and maintenance of intellectual property (approximately $4.0 million per annum), replaced with non-cash amortisation expenses of $11.8 million per annum related to the amortisation of the intellectual property intangible assets acquired at the time of the common control restructure (in December 2019) over its estimated useful life.
5. Reflects the impact of AASB 9 Financial Instruments on bad and doubtful debt expenses and of AASB 16 Leases on interest expenses and other expenses as if Liberty Group had applied each standard from 1 July 2017.
6. Relates to the removal of estimated: employee expenses of $12.0 million associated with proposed new staff incentive plans from the IPO Bonus Security Rights (described in Section 6.4.4.2) and the removal of employee expenses of $0.5 million associated with one-off grants of Securities to employees in connection with the Offer. Costs associated with the Medium Term Incentive Plan (described in Section 6.4.4.3) are consistent with historical bonus costs under pre-Offer employee arrangements. Liberty has also designed a Long Term Incentive (described in Section 6.4.4.4) under which certain employees will be eligible to receive Security Rights expected to commence in or around 31 December 2021.
7. Relates to (i) the removal of $13.4 million estimated one-off costs incurred as a result of the Offer (advisers, Lead Manager, accounting and legal fees), and (ii) the inclusion of ongoing incremental costs of $1.7 million associated with being a public company following the Offer ($0.7 million adjustment in FY21), including listing fees, share registry fees, annual general meeting costs, insurance costs and annual report costs, adjusted to reflect these costs as if Liberty Group had listed on 1 July 2017.
8. Reflects the net tax effect of the pro forma adjustments and adjusting the historical tax expense to reflect the estimated effective tax rate of Liberty Group following the Offer. Refer to Section 9 for further information in relation to Liberty Group's tax arrangements.

4.3.4. Key financial and operating metrics

Table 4.4 provides a summary of the key historical financial and operating metrics for FY18, FY19 and FY20 on a pro forma basis and forecast financial and operating metrics for FY21 on a pro forma basis.

Table 4.4: Key Financial and Operating Metrics

			Pro Forma Historical		Pro Forma Forecast
June year-end ($ millions)	**Notes**	**FY18**	**FY19**	**FY20**	**FY21**
Average financial assets	1	8,141.8	10,444.0	11,535.4	11,944.1
Total income growth			27.7%	5.0%	(1.6%)
Net interest income growth	2		16.7%	33.6%	9.7%
Net interest margin	3	2.40%	2.18%	2.64%	2.80%
NPAT growth			8.7%	94.5%	18.1%
Full time equivalent employees		400	424	434	455
Bad and doubtful debts expense ratio	4	0.21%	0.21%	0.28%	0.27%
Cost to income ratio	5	30.2%	29.9%	25.1%	24.6%

Notes:
1. Average total financial assets during the year.
2. Net interest income calculated as interest income less interest expense.
3. Calculated as net interest income divided by the average financial assets.
4. Calculated as bad and doubtful debts expense divided by average financial assets.
5. Calculated as total expenses (excluding fee and commission expense, interest expense, BDD expense and amortisation of intellectual property), divided by total income (net of interest expense).

4.4. Sensitivity Analysis

The Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Liberty Group and its Directors and Management, and upon assumptions with respect to future business developments which are subject to change. The forecast assumptions are set out in Section 4.9.1 General Assumptions and Section 4.9.2 Specific Assumptions.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Offer Document are to be expected. In particular, the future impact of the COVID-19 pandemic is inherently uncertain in severity and duration and may result in differences to Liberty Group's actual trading performance for FY21 compared to the forecast presented in this Offer Document.

To assist investors in assessing the impact of these assumptions on the forecasts, set out below is a summary of the sensitivity of the Forecast Financial Information to changes in a number of key variables. The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. For the purposes of the analysis below, the effect of the changes in key assumptions on FY21 pro forma forecast NPAT of $153.9 million is presented.

It is important to note that the sensitivity analysis calculations only assume changes in the identified variable and are not impacted by changes in other variables. The sensitivity analysis is intended as a guide only and variations in actual performance could exceed the ranges shown.

4 Financial Information

Table 4.5: Sensitivity Analysis on FY21 Pro Forma NPAT

Assumptions	Note	Variance	Pro Forma FY21 NPAT impact ($ millions)
Average financial assets	1	+/- 1%	+/- $2.8
Net interest margin	2	+/- 10 bps	+/- $10.5
Bad and doubtful debts ratio	3	+/- 5 bps	+/- $5.3
Total operating expenses	4	+/- 5%	+/- $6.4

Notes:
1. Sensitivity represents a movement of +/-1% to average financial assets across the business over the relevant year.
2. Sensitivity represents a movement of +/-10 bps to the net interest income to average portfolio loan ratio.
3. Sensitivity represents a movement of +/-5 bps to the bad and doubtful debts to average portfolio loan ratio.
4. Sensitivity represents a movement of +/- 5% to total operating expenses.
5. Refer to Section 5.2.7 for further information in relation to Liberty's tax arrangements, any changes to which could impact pro forma NPAT.

4.5. Segment Information

Liberty Group intends to report Financial Information in future periods by three operating segments, namely Residential Finance, Secured Finance and Financial Services in accordance with AASB 8 *Operating Segments*. The operating segments are described below.

Table 4.6: Pro-Forma Segment Net Contribution Summary

		Pro Forma Historical			Pro Forma Forecast
June year-end ($ millions)	**Notes**	**FY18**	**FY19**	**FY20**	**FY21**
Residential Finance		75.6	75.8	107.5	119.0
Secured Finance		54.8	62.8	93.7	110.9
Financial Services		6.7	5.9	16.7	20.2
Corporate	1	(67.1)	(68.4)	(69.9)	(75.2)
Profit before tax		**70.0**	**76.1**	**148.0**	**174.9**

Notes:
1. Corporate includes administration expenses and interest income and expense not directly related to segments. With the exception of AASB 9 and the impact of acquisitions (refer to Table 4.3 in Section 4.3.3), all pro forma adjustments are related to the Corporate expense segment.

4.5.1. Residential Finance

The Residential Finance segment includes revenues and direct expenses associated with residential mortgage lending in Australia and New Zealand, with the exception of loans underwritten by LFL, which are included in Financial Services.

4.5.2. Secured Finance

The Secured Finance segment includes revenues and direct expenses associated with motor vehicle, commercial and SMSF lending in Australia.

4.5.3. Financial Services

The Financial Services segment includes revenues and direct expenses associated with MPM, LNS, nMB, ALI, LFI, Personal Lending, SME Lending, LFL and MPRE.

Table 4.7 contains a summary of Liberty Group's Pro Forma Historical Income Statements by segment for FY18, FY19, FY20 and Pro Forma Forecast Income Statement by segment for FY20.

Table 4.7: Pro Forma Historical and Forecast Income Statements by Segment

		Pro Forma Historical			Pro Forma Forecast
June year-end ($ millions)	**Notes**	**FY18**	**FY19**	**FY20**	**FY21**
Residential Finance					
Total income		382.1	455.6	416.5	382.0
Net revenue	1	158.2	162.3	193.3	199.6
Total expenses (incl. fee and commission expense)	2	(82.6)	(86.6)	(85.9)	(80.6)
Net contribution	**3**	**75.6**	**75.8**	**107.5**	**119.0**
Secured Finance					
Total income		143.8	200.0	244.7	254.3
Net revenue	1	91.1	111.9	150.8	170.1
Total expenses (incl. fee and commission expense)	2	(36.3)	(49.1)	(57.1)	(59.2)
Net contribution	**3**	**54.8**	**62.8**	**93.7**	**110.9**
Financial Services[5]					
Total income		88.6	129.0	157.8	174.8
Net revenue	1	84.7	122.5	147.6	162.1
Total expenses (incl. fee and commission expense)	2	(78.0)	(116.6)	(130.8)	(141.8)
Net contribution	**3**	**6.7**	**5.9**	**16.7**	**20.2**
Corporate	**4**				
Total income		20.9	26.7	33.1	27.0
Net revenue		1.4	13.1	15.8	9.6
Total expenses		(68.5)	(81.6)	(85.7)	(84.9)
Net contribution		**(67.1)**	**(68.4)**	**(69.9)**	**(75.3)**
Profit before tax		**70.0**	**76.1**	**148.0**	**174.9**

Notes:
1. Net segment revenue includes net interest income and fee, commission and other income.
2. Total expenses include fee and commission expenses, employee expenses, bad and doubtful debts, loan establishment and management expenses and other expenses.
3. Segment contributions are presented before allocation of corporate expense.
4. Corporate includes administration expenses and interest income and expense not directly related to segments. With the exception of the impact of AASB 9 and the impact of acquisitions (refer to Table 4.3 in Section 4.3.3), all other pro forma adjustments relate to the Corporate segment.
5. Within Section 3.6.2.2.1, certain assets relating to the LFL deposit business in New Zealand are presented within residential loan assets given the nature of the securities. The business results and assets are included in Financial Services for financial reporting purposes.

4 Financial Information

Table 4.8 contains a summary of Liberty Group's key historical financial metrics for FY18, FY19 and FY20 on a pro forma basis and forecast financial metrics for FY21 on a pro forma basis for the Residential Finance, Secured Finance and Financial Services segments.

Table 4.8: Pro Forma Historical and Forecast Key Segment Metrics

			Pro Forma Historical		Pro Forma Forecast
June year-end ($ millions)	**Notes**	**FY18**	**FY19**	**FY20**	**FY21**
Residential Finance					
Average loan portfolio		6,635.6	8,143.9	8,449.1	8,411.2
Net revenue growth			2.6%	19.1%	3.2%
Net contribution growth			0.2%	41.9%	10.7%
Secured Finance					
Average loan portfolio		1,464.8	2,220.3	2,915.0	3,241.5
Net revenue growth			22.9%	34.7%	12.8%
Net contribution growth			14.7%	49.1%	18.3%
Financial Services					
Average financial assets	1	81.8	124.8	224.7	350.3
Net revenue growth			44.6%	20.5%	9.8%
Net contribution growth			(11.8)%	183.5%	20.8%

Notes:
1. Includes average loan portfolio from personal and SME lending and the present value of future trail commissions.

4.6. Statutory and Pro Forma Historical Balance Sheet

The table below sets out the pro forma adjustments that have been made to the Statutory Historical Balance Sheet of the Company as at 30 June 2020, in order to prepare the Pro Forma Historical Balance Sheet for Liberty Group. These adjustments reflect:

- The impact of post balance date events related to the acquisition of LFI and Priceware; and
- The impact of the Offer.

These adjustments reflect the impact of the capital structure of Liberty Group that will be in place following Completion of the Offer, as if it was in place as at 30 June 2020.

Table 4.9: Pro Forma Historical Balance Sheet as at 30 June 2020

$ millions	Statutory audited balance sheet of the Company 30 June 2020[1]	Impact of post balance date events and pre-Offer restructure[2]	Impact of the Offer[3]	Pro forma
Assets				
Cash and cash equivalents	498.4	-	(13.8)	484.6
Trade receivables and other assets	125.4	-	-	125.4
Financial assets	11,658.9	-	-	11,658.9
Other investments	29.2	-	-	29.2
Deferred tax assets	64.6	-	1.6	66.2
Property, plant and equipment	23.2	-	-	23.2
Intangible assets	299.9	-	-	299.9
Derivative assets	14.5	-	-	14.5
Loans to/(from) related parties[4]	322.0	(10.1)	-	311.9
Total assets	**13,036.1**	**(10.1)**	**(12.2)**	**13,013.8**
Liabilities				
Payables	(113.5)			(113.5)
Financing	(11,792.1)			(11,792.1)
Deferred tax liabilities	(34.9)			(34.9)
Provisions	(11.9)			(11.9)
Derivative liabilities	(48.9)			(48.9)
Other liabilities	(11.2)			(11.2)
Total liabilities	**(12,012.5)**			**(12,012.5)**
Net assets	**1,023.6**	**(10.1)**	**(12.2)**	**1,001.2**
Equity				
Issued capital	719.0		-	719.0
Reserves	(140.1)		12.0	(128.1)
Retained earnings	452.6	(2.6)	(24.2)	425.8
Units in the Trust owned by stapled security holders	(15.4)		-	(15.4)
Total equity	**1,016.1**	**(2.6)**	**(12.2)**	**1,001.2**
Minority interest	7.5	(7.5)	-	0.0
Equity attributable to shareholders	**1,023.6**	**(10.1)**	**(12.2)**	**1,001.2**

Notes:
1. Reflects the consolidated statutory accounts of the Liberty Group as at 30 June 2020.
2. Impact of events that took place post 30 June 2020 including as a result of the pre-Offer restructure, including the acquisition of LFI and reduction in related party loans from the current owners of LFI, and the acquisition of the remaining 50% share of Priceware.
3. Impact of the Offer, which includes the impact of transaction costs paid in connection with the Offer as well as expenses associated with the issuance of the IPO Bonus Security Rights ($12 million) and the Employee Gift Offer ($0.5 million). Liberty Group has estimated transaction costs payable in connection with the Offer of $13.4 million recognised as an expense in the income statement (reflected in retained earnings, net of tax). An associated deferred tax asset of $1.6 million is recognised at Liberty Group's effective tax rate.
4. The Statutory Historical Balance Sheet and the Pro Forma Historical Balance sheet includes net loans from related party shareholders of $322 million. The associated interest income in respect of those loans is included in the Historical Financial Information and the Forecast Financial Information. Related party arrangements are described in Section 6.8. Liberty Group has the right to offset future distributions and dividend payments to related party shareholders against existing related party loans.

4 Financial Information

4.6.1. Indebtedness, Capital and Liquidity

Liberty Group's sources of liquidity for lending, investing and general corporate activities comprise cash generated from operations, cash on hand, non-recourse borrowings such as wholesale facilities, term securitisation and commercial paper issuance, debenture issuance in New Zealand, secured borrowings from the Corporate Debt Facility and borrowings under Liberty Group's MTN Program.

As at 30 June 2020 Liberty Group had in place a total of $14.3 billion of committed funding in order to fund its loan origination activities, comprising $11.7 billion in drawn facilities and $2.6 billion in undrawn facilities.

Liberty Group regularly accesses the debt capital markets through the issuance of Term Funding to refinance other funding sources such as Wholesale Funding balances. Liberty Group has issued over $29 billion in Term Funding since 1999 and typically seeks to issue Term Funding every three months, subject to new loan origination volumes, capital management and market conditions.

Liberty Group expects to have sufficient cash flow to meet operational needs for growth objectives during the Forecast Period.

Table 4.10 sets out the indebtedness of Liberty Group as at 30 June 2020 on a statutory basis and on a Pro Forma basis following Completion of the Offer.

Table 4.10: Statutory and Pro Forma Consolidated Indebtedness as at 30 June 2020

$ millions	Note	Statutory	Pro Forma[1]
Limited-recourse debt			
Wholesale funding		2,414.5	2,414.5
Securitised notes		8,221.5	8,221.5
Commercial paper		0.0	0.0
Total limited-recourse debt		**10,635.9**	**10,635.9**
Medium term note		872.0	872.0
Deposits and unit holder liabilities		64.9	64.9
Other limited recourse borrowings		135.4	135.4
Less: restricted cash and cash equivalents in funding vehicles		(101.6)	(101.6)
Net limited-recourse and non-corporate debt		**11,606.7**	**11,606.7**
Corporate debt			
Loans and borrowings	2	80.0	80.0
Less: available cash and cash equivalents	3	(396.8)	(383.0)
Net corporate debt/(cash)		**(316.8)**	**(303.0)**
Net total debt		**11,289.8**	**11,303.7**
Balance sheet			
Total assets		13,036.1	13,013.8
Total equity		1,023.6	1,001.2
Key metrics			
Net total debt/Total assets		86.6%	86.9%
Net corporate debt/Total equity		Net cash	Net cash
Net Corporate debt/Pro Forma FY20 Profit Before Tax		Net cash	Net cash

Notes:
1. Pro forma indebtedness following the pre-Offer restructure and completion of the Offer, as at 30 June 2020.
2. Loans and borrowings comprise the Corporate Debt Facility.
3. Available cash and cash equivalents include both corporate cash and cash held within Liberty's funding vehicles and trusts.

Table 4.11 includes a breakdown of the contractual maturity profile of Liberty's financing facilities from the date of 30 June 2020, including the future estimated cash flows associated with interest expense incurred on Securitised notes.

Table 4.11: Contractual Maturity Profile of Financing Arrangements at 30 June 2020

$ millions	Balance	Contractual cash flow	<1 year	1-5 years	> 5 years
Securitised notes and MTN	9,093.5	13,966.4	422.3	1,351.9	12,192.1
Wholesale funding, commercial paper, other limited recourse borrowings and corporate debt	2,629.8	2,616.6	1,650.4	966.1	-
Deposits and unitholder liabilities	64.9	68.8	51.7	17.1	0.0
Total	**11,788.2**	**16,651.8**	**2,124.5**	**2,335.2**	**12,192.2**

4.6.2. Credit Risk Management

Table 4.12 sets out a breakdown of Liberty's gross loan portfolio by credit risk grading and assessed provision staging at 30 June 2020 in accordance with Liberty's credit loss models.

Table 4.12: Loans by credit risk rating grade and provision for financial asset impairment

$ millions	Note	Stage 1 12 months Expected Credit Loss	Stage 2 Lifetime Expected Credit Loss not credit impaired	Stage 3 Lifetime Expected Credit Loss credit impaired	Total
30 June 2020					
Gross loans	1				
Prime		8,334.8	558.2	121.2	9,014.1
Non-prime		2,166.6	280.9	115.8	2,563.2
Unrated		134.8	-	-	134.8
Total		**10,636.2**	**839.0**	**237.0**	**11,712.1**
Provision for financial asset impairment		38.9	4.3	33.7	76.9
30 June 2019					
Gross loans	1				
Prime		8,487.6	78.9	29.7	8,596.2
Non-prime		2,348.5	105.4	84.0	2,537.9
Unrated		119.9	-	-	119.9
Total		**10,956.1**	**184.4**	**113.7**	**11,254.1**
Provision for financial asset impairment		23.0	2.1	31.4	56.5

Notes:

1. Gross loans exclude unamortised effective yield fees which are reported within the carrying value of financial assets on the Pro Forma Historical Balance Sheet.

4 Financial Information

COVID-19 has caused an unpredictable market wide shock. Liberty Group has increased the provision for expected credit loss at 30 June 2020 by $12.4 million above the provision for expected credit loss estimated using Liberty Group's credit models. The increase in the provision is estimated using a scenario-based stress to the underlying assumptions applied within Liberty Group's credit models. Table 4.13 sets out the scenario weightings applied and the stress factors applied to underlying macroeconomic variables.

Table 4.13: Scenario Stress Assumptions

$ millions	Scenario 1 Upside	Scenario 2 Baseline	Scenario 3 Downside
Scenario weighting	10%	40%	50%
Unemployment rate	6.8%	7.8%	9.2%
House price index	130.2%	121.9%	100.5%

Liberty has also applied stress factors within each scenario to the proportion of accounts that are in arrears (i.e., Stage 1, Stage 2 and Stage 3) and the recoverable amount on loans that do default.

Refer to Section 4.8 for details of the impact of Liberty Group's provision for financial asset impairment of bad and doubtful debt expenses and Section 3.6.3.2 for details on the impact of COVID-19 on Liberty Group.

4.6.3. Capital Commitments and Contingent Liabilities

Liberty Group has no capital commitments as at 30 June 2020.

Liberty Group is subject to a number of obligations which, if not discharged, may give rise to potential claims. At 30 June 2020 an assessment of the likely outcome and potential loss to the Group has been made in respect of the identified claims, on a claim by claim basis and a specific provision has been made where it is considered probable that an outflow of economic benefits will occur and the amount can be reliably estimated.

Refer to Section 5.2 for a description of the Key Risks related to the Liberty Group.

4.6.4. Description of Liberty Group's Funding Arrangements

A summary of Liberty Group's funding arrangements is described in Section 11.1.

4.7. Summary Pro Forma Historical and Forecast Cash Flows and Statutory Forecast Cash Flows

Table 4.14 presents the Pro Forma Historical Cash Flows for FY18, FY19 and FY20, the Pro Forma Forecast Cash Flows for FY21 and the Statutory Forecast Cash Flows for FY21.

Table 4.14: Pro Forma Historical, Statutory and Pro Forma Forecast Cash Flows

		Pro Forma Historical			Pro Forma Forecast	Statutory Forecast[10]
June year-end $ million	**Note**	**FY18**	**FY19**	**FY20**	**FY21**	**FY21**
Net profit before tax		**70.0**	**76.1**	**148.0**	**174.9**	**142.9**
Add back non-cash items:						
Depreciation and amortisation		16.5	20.4	17.7	16.7	16.7
Change in balance sheet	1	10.6	6.3	27.0	26.5	42.1
Operating cash flow before financing and taxation		**97.1**	**102.8**	**192.7**	**218.1**	**201.7**
Capital expenditure	2	(3.0)	(2.4)	(4.4)	(6.7)	(6.7)
(Increase)/decrease in financial assets	3	(2,336.7)	(1,967.1)	(475.1)	(554.9)	(554.9)
Increase/(decrease) in financing	4	2,330.0	2,196.0	220.2	361.8	361.8
Prefunding of specialty finance debt facility	5	-	(211.0)	211.0	-	-
Net lending activities		(6.7)	17.8	(43.9)	(193.1)	(193.1)
Receipts/(payments) for businesses acquired/investments, net of cash acquired		(1.9)	(2.2)	(16.4)	(2.8)	(2.8)
Net cash flow before corporate financing and taxation		**85.5**	**116.0**	**128.0**	**15.4**	**(1.0)**
Income taxes paid	6				(23.6)	(21.2)
Net movements in related party loans	7				(6.9)	(6.9)
Net cash flow before dividends and distributions					**(15.2)**	**(29.1)**

Notes:

1. Movement in balance sheet represents the non-cash costs relating to BDD expenses, the timing of payments in relation to prepayments, other debtors, deferred fees, costs and commissions, accruals and employee provisions. Forecast changes in balance sheet includes the non-cash expenses associated with the issuance of share options to employees as part of the Offer.
2. Capital expenditure represents investments in property, plant and equipment. Liberty Group has not capitalised staff costs incurred in relation to the ongoing development of the intellectual property.
3. Relates to the net cash flows required to fund new loan receivables.
4. Relates to the net cash flows from financing facilities (excluding corporate debt facilities) used to fund new loan receivables.
5. Reflects an adjustment, on a pro forma basis, for the timing impact of cash which was drawn down from a financing facility prior to 30 June 2019 (and so representing a cash inflow during FY19 on a statutory basis) to fund loans which were written post 30 June 2019 (and so representing a cash outflow during FY20).
6. Reflects payments for income tax. On a pro forma basis, income tax payments are assumed equal to the pro forma tax expense at the effective tax rate following Completion of the Offer. Liberty Group makes tax payments on an instalment basis which may result in timing differences between the tax expenses and tax payments. Refer to Section 9 for further information in relation to Liberty Group's tax arrangements.
7. Relates to net movements in related party loans including the impact of interest income that is not settled in cash. Liberty Group has the right to offset future distributions and dividend payments to related party shareholders against existing related party loans.

4 Financial Information

4.7.1. Pro Forma Adjustments to the Statutory Historical Net Cash Flow Before Financing and Taxation and the Statutory Forecast Net Cash Flow

Table 4.15 sets out a reconciliation of the statutory historical net cash flow before financing and tax to the historical pro forma net cash flow before corporate financing and tax for FY18, FY19 and FY20.

Table 4.15: Pro Forma Adjustments to the Statutory Historical Net Cash Flow Before Financing and Taxation

		Historical		
June year end ($ millions)	**Notes**	**FY18**	**FY19**	**FY20**
Statutory net cash flow before corporate financing and taxation	**1**	**94.0**	**331.9**	**(342.9)**
Prefunding from speciality finance debt facility	2	-	(211.0)	211.0
IP acquisition	3	-	-	261.5
Impact of acquisitions	4	(6.8)	(3.2)	-
Impact of the Offer	5	(1.7)	(1.7)	(1.7)
Pro forma net cash flow before corporate financing and taxation		**85.5**	**116.0**	**128.0**

Notes:
1. Statutory net cash flow before financing and taxation has been derived from net cash from operating activities presented in the Statutory Historical Financial Information, adjusted to include selected investing activities to present statutory and pro forma net cash flow before corporate finance and taxation on a comparable basis.
2. Reflects an adjustment, on a pro forma basis, for the timing impact of cash which was drawn down from a financing facility prior to 30 June 2019 (and so representing a cash inflow during FY19 on a statutory basis) to fund loans which were written post 30 June 2019 (and so representing a cash outflow during FY20).
3. Relates to the acquisition of intellectual property acquired as part of the common control restructure.
4. Relates to the reported statutory cash flows of businesses acquired in FY18, as if those businesses had been owned from 1 July 2017, as well as the removal of the cash outflows of Liberty Group associated with the acquisitions.
5. Liberty Group's estimate of ongoing incremental costs associated with being a public company following the Offer, including listing fees, share registry fees, annual general meeting costs, insurance costs and annual report costs, adjusted to reflect these costs as if Liberty Group had listed on 1 July 2017.

Table 4.16 sets out a reconciliation of the statutory forecast net cash flow to the pro forma forecast net cash flow for FY21.

Table 4.16: Pro forma Adjustments to the Statutory Forecast Net Cash Flow

		Forecast
June year end ($ millions)	**Notes**	**FY21**
Statutory net cash flow before dividends and distributions		**(29.1)**
Settlement of certain related party loans	1	3.3
Impact of the Offer	2	13.1
Tax effect of adjustments	3	(2.5)
Pro-forma net cash flow before dividends and distributions		**(15.2)**

Notes:
1. Relates to FBT costs incurred in relation to the settlement of certain existing related party loans in connection with completion of the Offer.
2. Relates to the removal of cash flows related to costs incurred by Liberty that are associated with the Offer ($13.4 million in respect of adviser fees and $0.5 million payments to acquire Securities for the Employee Gift Offer) offset by the inclusion, on a pro forma basis, of five months of additional ongoing incremental costs as a result of being a listed Company ($0.7 million, $1.7 million estimated on a full year basis).
3. Reflects the net tax effect of the pro forma adjustments, as well as adjusting the historical tax expense to reflect the effective tax rate for Liberty Group following the Offer.

4.8. Management Discussion and Analysis of the Pro Forma Historical Financial Information

4.8.1. General Factors Affecting the Operating Results

Set out below is a discussion of the general factors that affected Liberty Group's operations and relative financial performance in FY18, FY19 and FY20 and which the Directors expect may continue to affect its operating and financial performance in the Forecast Period.

The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that affected historical operating and financial performance, nor everything that may affect operations and financial performance in the future.

4.8.1.1. Total Income

In general, the key drivers of total income for Liberty Group are:

- the value and product mix of financial assets;
- the value and product mix of new financial assets originated;
- the rate of prepayment of the financial assets;
- the expected average life of the financial assets;
- the contracted interest rate on the financial assets, which is a function of the product type, loan structure, expected credit risk based on Liberty Group's underwriting assessment and market competition;
- the contracted fees applied to the financial assets;
- the value and product mix of loans distributed by the distribution network;
- the contracted upfront and trail commissions received by the distribution network;
- the rate of prepayment of loans distributed by the distribution network;
- the value and product mix of insurance policies sold by the distribution network; and
- the lapse rate of insurance policies sold by the distribution network.

The major components of total income are:

- **Interest income** – income earned from financial assets and investments in interest bearing securities and bank deposits; and
- **Fee, commission and other income** – fees charged to customers earned over the life of a loan and commission income. Fee income relates to fees that can typically be classified into (i) those charged at the point a loan is originated; (ii) those charged during the life of the loan; and (iii) those charged upon the discharge of a loan. Commission income is related to upfront and trailing commissions on the loans and insurance policies sold through its distribution network, commissions on properties sold through real estate agencies and insurance premiums.

4.8.1.2. Operating Expenses

Key operating expenses include:

- **Interest expense** – interest incurred in financing financial assets and in relation to corporate borrowings. Liberty Group's interest expense is a function of the total size and mix of the financial assets which are funded by Liberty Group's financing facilities, the mix of facilities used, as well as the applicable base funding rates. Liberty Group's base funding rates are principally linked to the Bank Bill Swap Rate ("BBSW") in Australia, and the Bank Bill Benchmark Rate ("BKBM") in New Zealand, as well as the margins applied to each financing facility. Further information regarding Liberty Group's financing arrangements is set out in Section 11.1;
- **Fee and commission expense** – commissions paid to mortgage brokers, finance brokers and introducers for selling mortgage products, insurance products and real estate as well as effective yield costs on financial liabilities measured at amortised cost;
- **Employee expenses** – include payroll and related expenses such as salaries, bonuses and commissions paid, share based payments, on-costs such as superannuation, payroll tax, workers' compensation and fringe benefits tax and other employment related items such as training, recruitment fees and allowances;
- **Bad and doubtful debts expenses** – include bad debts written off and the movement in the specific and collective provision for financial asset impairment. Bad and doubtful debts are a function of the total size and mix of Liberty Group's financial assets, prevailing economic conditions (which can impact, among other things, the ability of Liberty Group's customers to make required contracted payments and Liberty Group's ability to realise asset values in the case of a default by one of its customers) and Liberty Group's management of outstanding loan receivables and delinquencies;

4 Financial Information

- **Loan establishment and management expenses** – include Funding Vehicle costs, fees paid for external service providers (e.g. credit reports), and the costs of managing the portfolio; and
- **Other expenses** – include occupancy expenses, marketing, technology expenses, professional services fees and other items.

An adjustment for additional expenses has been made in the above other expenses for estimated listed company expenses to reflect Liberty Group's current estimate of the incremental annual costs that it will incur as a listed company. These costs include directors' and officers' liability insurance premiums, additional professional fees, ASX listing fees and costs associated with the annual reporting and shareholder communications expected to be required as a listed company.

4.8.1.3. Operating Cash Flow Before Financing and Taxation

Operating cash flow before financing and taxation is a function of Liberty Group's profit before tax, and the non-cash revenues and expenses included with profits that relate to bad and doubtful debts, the timing of settlement of receivables and payables as well as depreciation and amortisation charges.

4.8.1.4. Net Cash Flow Before Corporate Financing and Taxation

Net cash flow before corporate financing and taxation includes the Operating cash flow before financing and taxation, as well as:

- **Capital expenditure** - Capital expenditure includes investments in office infrastructure, furnishings and equipment and licence assets; and
- **Net lending activities** - represent the net inflows/outflows from loan origination activities and are impacted by the amount of portfolio assets compared to portfolio liabilities.

4.8.2. Pro Forma Historical Income Statements: FY19 Compared to FY18

Table 4.17 sets out the summary Pro Forma Historical Income Statements for FY19 and FY18.

Table 4.17: Pro Forma Historical Income Statements: FY19 compared to FY18

	Pro Forma Historical			
June year-end ($ millions)	**FY18**	**FY19**	**Change**	**Change %**
Interest income	495.5	629.2	133.8	27.0%
Fee, commission and other income	140.0	182.0	42.0	30.0%
Total income	**635.5**	**811.3**	**175.8**	**27.7%**
Interest expense	(300.2)	(401.4)	(101.2)	33.7%
Fee and commission expense	(135.1)	(177.8)	(42.7)	31.6%
Employee expenses	(60.5)	(68.8)	(8.3)	13.7%
Bad and doubtful debts	(17.0)	(21.8)	(4.8)	27.9%
Loan establishment and management expenses	(11.8)	(14.4)	(2.6)	21.6%
Other expenses	(40.8)	(51.0)	(10.2)	25.0%
Total expenses	**(565.5)**	**(735.2)**	**(169.7)**	**30.0%**
Profit before tax	**70.0**	**76.1**	**6.1**	**8.7%**
Income tax expense	(8.4)	(9.1)	(0.7)	8.7%
NPAT	**61.6**	**67.0**	**5.4**	**8.7%**
Amortisation of intangible assets	11.8	11.8	-	0.0%
NPATA	**73.4**	**78.7**	**5.4**	**7.3%**
Non-controlling interest	-	-	-	N/A
NPAT attributable to the owners of the Company	61.6	67.0	5.4	8.7%

4.8.2.1. Total Income

Total income increased by $175.8 million (27.7%) from $635.5 million in FY18 to $811.3 million in FY19 due to:

- Interest income increasing by $133.8 million (27.0%) from $495.5 million to $629.2 million as a result of:
  - Average financial assets increasing by 28.3% from $8.1 billion to $10.4 billion, reflecting the full year contribution in FY19 of the closing balance of financial assets from loans settled in FY18, as well as growth in settlements during FY19; and
  - Offset by a reduction in interest income yield of 6 bps as a result of the full year impact of loans settled in FY18 and new originations settled in FY19, both of which comprised loans with lower expected credit risk than average financial assets and accordingly generated lower interest yield, particularly in Residential Finance.
- Fee, commission and other income increasing by $42.0 million (30.0%) from $140.0 million to $182.0 million primarily as a result of:
  - An increase in loan origination and servicing fees due to the increase in average financial assets; and
  - An increase in fee income due to higher personal loan originations and an increase in fee and commission income received by nMB due to higher loan originations through the nMB broker network.

4.8.2.2. Expenses

Total expenses increased by $169.7 million (30.0%) from $565.5 million in FY18 to $735.2 million in FY19 as a result of:

- Interest expense increasing by $101.2 million or 33.7% from $300.2 million to $401.4 million, as a result of:
  - Average borrowings increasing by 28.4% from $8.2 billion to $10.6 billion due to the increase in average financial assets; and
  - An increase in the weighted average cost of borrowing of 16 bps as a result of an increase in BBSW, a higher utilisation of borrowing under the MTN program and a shift in the mix of funding sources from wholesale facilities to term securitisation. The increase in BBSW arose in the second half of FY18 and was the result of a temporary market driven change. Average BBSW increased by 10bps in FY19, resulting in an increase in the average cost of funding and a reduction in Liberty Group's net interest margin (see Section 3.6.4.12);
- Fee and commission expense increasing by $42.7 million or 31.6% from $135.1 million to $177.8 million due to the increase in average financial assets and an increase in commissions paid by nMB due to higher loan originations through the nMB broker network;
- Employee expenses increasing by $8.3 million or 13.7% from $60.5 million to $68.8 million, driven by the full year impact of new FTE's during FY18 and an increase in total FTEs from 400 to 424 at the end of FY19, with a focus on Commercial Lending and data science recruits to support the business growth during FY19 and beyond;
- Bad and doubtful debts increasing by $4.8 million or 27.9% from $17.0 million to $21.8 million due to the increase in average financial assets. The bad and doubtful debt to average financial assets ratio was 21 bps in FY19 and was consistent with FY18 reflecting stability in the assessed credit risk on financial assets;
- Loan establishment and management expenses increasing $2.6 million or 21.6% from $11.8 million to $14.4 million due to the increase in average financial assets and an increase in the Wholesale Facility limits from $4.2 billion as at 30 June 2018 to $5.0 billion as at 30 June 2019; and
- Other expenses increasing $10.2 million or 25.0% due to an increase in marketing and corporate and professional services expenses.

4 Financial Information

4.8.2.3. Profit Before Tax

Profit before tax increased by $6.1 million (8.7%) from $70 million in FY18 to $76.1 million in FY19 for the reasons noted above. Profit before tax as a percentage of average financial assets reduced by 13 bps to 0.73% primarily due to a reduction in interest income yield as a result of loans settled in both FY18 and FY19 having a lower assessed risk than average financial assets, therefore generating lower interest income yields. This was compounded by a higher cost of borrowing due to the increase in BBSW and a shift in the mix of funding (which had a positive impact on Liberty Group's funding capacity).

4.8.3. Pro Forma Historical Statements of Cash Flows: FY19 Compared to FY18

Table 4.18 sets out the summary Pro Forma Historical Cash Flows for FY19 and FY18.

Table 4.18: Pro Forma Historical Cash Flows: FY19 compared to FY18

	Pro Forma Historical			
June year-end ($ million)	**FY18**	**FY19**	**Change**	**Change %**
Net profit before tax	**70.0**	**76.1**	**6.1**	**8.7%**
Add back non-cash items:				
Depreciation and amortisation	16.5	20.4	3.9	23.8%
Change in balance sheet	10.6	6.3	(4.3)	(40.7)%
Operating cash flow before financing and taxation	**97.1**	**102.8**	**5.7**	**5.9%**
Capital expenditure	(3.0)	(2.4)	0.5	(17.1)%
(Increase)/decrease in financial assets	(2,336.7)	(1,967.1)	369.6	(15.8)%
Increase/(decrease) in financing	2,330.0	2,196.0	(134.1)	(5.8)%
Prefunding of specialty finance debt facility	-	(211.0)	(211.0)	NMF
Net lending activities	(6.7)	17.8	24.5	NMF
Receipts/(payments) for businesses acquired/ investments, net of cash acquired	(1.9)	(2.2)	(0.2)	11.1%
Net cash flow before corporate financing and taxation	**85.5**	**116.0**	**30.5**	**35.6%**

The conversion of profit before tax to net cash flow before corporate financing and taxation increased from a cash inflow of $85.5 million in FY18 to a cash inflow of $116.0 million in FY19, as a result of:

- Depreciation and amortisation increasing from $16.5 million in FY18 to $20.4 million in FY19 due to the write-down of goodwill on a business acquisition;
- Change in balance sheet decreasing from $10.6 million cash inflow in FY18 to a $6.3 million cash inflow in FY19 primarily due to movements in trade receivables and other assets, movements in interest and other payables and movements in other provisions; and
- Net lending activities experiencing a net cash outflow of $6.7 million in FY18 compared to a cash inflow of $17.8 million in FY19 due to the timing of drawdowns from financing facilities and use of cash to fund the growth from new settlements in financial assets, as well as the timing of cash flows associated with the refinancing of Wholesale facilities from the proceeds from the issuance of Securitised notes.

4.8.4. Pro Forma Historical Income Statements: FY20 Compared to FY19

Table 4.19 sets out the summary Pro Forma Historical Income Statements for FY20 and FY19.

Table 4.19: Pro Forma Historical Income Statements: FY20 compared to FY19

	Pro Forma Historical			
June year-end ($ millions)	**FY19**	**FY20**	**Change**	**Change %**
Interest income	629.2	648.6	19.4	3.1%
Fee, commission and other income	182.0	203.5	21.5	11.8%
Total income	**811.3**	**852.1**	**40.9**	**5.0%**
Interest expense	(401.4)	(344.2)	57.1	(14.2)%
Fee and commission expense	(177.8)	(188.2)	(10.3)	5.8%
Employee expenses	(68.8)	(70.6)	(1.9)	2.7%
Bad and doubtful debts	(21.8)	(32.5)	(10.7)	49.3%
Loan establishment and management expenses	(14.4)	(13.9)	0.5	(3.5)%
Other expenses	(51.0)	(54.7)	(3.6)	7.1%
Total expenses	**(735.2)**	**(704.1)**	**31.1**	**(4.2)%**
Profit before tax	**76.1**	**148.0**	**71.9**	**94.5%**
Income tax expense	(9.1)	(17.8)	(8.6)	94.5%
NPAT	**67.0**	**130.3**	**63.3**	**94.5%**
Amortisation of intangible assets	11.8	11.8	-	0.0%
NPATA	**78.7**	**142.0**	**63.3**	**80.4%**
Non-controlling interest	-	-	-	N/A
NPAT attributable to the owners of the Company	67.0	130.3	63.3	94.5%

4.8.4.1. Total Income

Total income increased by $40.9 million (5.0%) from $811.3 million in FY19 to $852.1 million in FY20 due to:

- Interest income increasing by $19.4 million (3.1%) from $629.2 million to $648.6 million as a result of:
  - Average financial assets increasing by 10.5% from $10.4 billion to $11.5 billion, reflecting the full year contribution in FY20 of the closing balance of financial assets from loans settled in FY19, as well as settlements during FY20; and
  - Offset by a reduction in interest income yield of 40 bps largely as a result of reductions in customer interest rates following reductions in the official RBA cash rate throughout FY20, partially offset by a change in the mix of average financial assets towards higher yielding Secured Finance and Financial Services products which grew at a faster rate than Residential Finance products.
- Fee, commission and other income increasing by $21.5 million (11.8%) from $182.0 million to $203.5 million primarily as a result of:
  - An increase in loan origination and servicing fees due to the increase in average financial assets; and
  - An increase in fee income due to higher personal loan originations and an increase in fee and commission income received by nMB and ALI, due to higher loan originations and insurance policy sales through their respective platforms.

4.8.4.2. Expenses

Total expenses decreased by $31.1 million (4.2%) from $735.2 million in FY19 to $704.1 million in FY20 as a result of:

- Interest expense decreasing by $57.1 million (14.2%) from $401.4 million to $344.2 million, as a result of:
  - Average borrowings increasing by 11.2% from $10.6 billion to $11.7 billion due to the increase in average financial assets;

4 Financial Information

- – Being more than offset by a decrease in the weighted average cost of borrowing of 86 bps as a result of reductions in BBSW throughout FY20 and a shift in the mix of funding sources from term securitisation to wholesale facilities, partially offset by a higher utilisation of borrowing under the MTN program. The reduction in BBSW resulted in a greater reduction in Liberty Group's cost of borrowing than the reduction in the RBA cash rate (see Section 3.6.4.12);

- Fee and commission expense increasing by $10.3 million or 5.8% from $177.8 million to $188.2 million due to the increase in average financial assets and an increase in commissions paid by nMB and ALI due to higher loan originations and insurance policy sales;
- Employee expenses increasing by $1.9 million or 2.7% from $68.8 million to $70.6 million, driven by the full year impact of new FTE's during FY19 and an increase in total FTEs from 424 to 434 at the end of FY20, to support the business growth during FY20 and beyond;
- Bad and doubtful debts increasing by $10.7 million or 49.3% from $21.8 million to $32.5 million due to the increase in average financial assets and an increase in the Collective Provision. The bad and doubtful debt to average financial assets ratio was 28 bps in FY20 an increase from 21 bps in FY19 reflecting:
  - – Continued reduction in the assessed credit risk on financial assets as a result of the mix of new originations in FY18, FY19 and FY20 comprising loans with lower expected credit risk;
  - – Being more than offset by an increase in the Collective Provision to reflect increased credit risk resulting from COVID-19. The Collective Provision reflects the portfolio arrears position as at 30 June 2020 plus an additional risk overlay to reflect the elevated uncertainty caused by COVID-19. Refer to Section 3.6.3.2 for further discussion of COVID-19 and its impact on the portfolio;
- Loan establishment and management expenses decreasing $0.5 million or 3.5% from $14.4 million to $13.9 million due to lower loan origination expenses, partly offset by an increase in Wholesale Facility fees; and
- Other expenses increasing $3.6 million or 7.1% due to an increase in marketing and corporate and professional services expenses.

4.8.4.3. Profit Before Tax

Profit before tax increased by $71.9 million (94.5%) from $76.1 million in FY19 to $148.0 million in FY20 for the reasons noted above. Profit before tax as a percentage of average financial assets increased by 55 bps to 1.28%, primarily due to a reduction in interest expense as a result of the reduction in BBSW.

4.8.5. Pro Forma Historical Statements of Cash Flows: FY20 Compared to FY19

Table 4.20 sets out the summary Pro Forma Historical Cash Flows for FY20 and FY19.

Table 4.20: Pro Forma Historical Cash Flows: FY20 compared to FY19

	Pro Forma Historical			
June year-end ($ million)	**FY19**	**FY20**	**Change**	**Change %**
Net profit before tax	**76.1**	**148.0**	**71.9**	**94.5%**
Add back non-cash items:				
Depreciation and amortisation	20.4	17.7	(2.7)	(13.5)%
Change in balance sheet	6.3	27.0	20.7	NMF
Operating cash flow before financing and taxation	**102.8**	**192.7**	**89.9**	**87.3%**
Capital expenditure	(2.4)	(4.4)	(1.9)	78.9%
(Increase)/decrease in financial assets	(1,967.1)	(475.1)	1,492.0	(75.8)%
Increase/(decrease) in financing	2,196.0	220.2	(1,975.8)	(90.0)%
Prefunding of specialty finance debt facility	(211.0)	211.0	422.0	(200.0)%
Net lending activities	**17.8**	**(43.9)**	**(61.7)**	**NMF**
Receipts/(payments) for businesses acquired/investments, net of cash acquired	(2.2)	(16.4)	(14.3)	NMF
Net cash flow before corporate financing and taxation	**116.0**	**128.0**	**12.0**	**10.3%**

The conversion of profit before tax to net cash flow before corporate financing and taxation increased from a cash inflow of $116.0 million in FY19 to a cash inflow of $128.0 million in FY20, as a result of:

- Depreciation and amortisation decreasing from $20.4 million in FY19 to $17.7 million in FY20 due to write-off in FY19 of goodwill on a business acquisition;
- Change in balance sheet increasing from $6.3 million cash inflow in FY19 to a $27.0 million cash inflow in FY20 primarily due to movements in trade receivables and other assets, movements in interest and other payables and movements in other provisions;
- Net lending activities experiencing a net cash inflow of $17.8 million in FY19 compared to a $43.9 million cash outflow in FY20 due to the timing of facility drawdowns and settlements. The cash flows in relation to Liberty Group's net lending activities reflect the timing of drawdowns from financing facilities and use of cash to fund growth in settlements, as well as the timing of refinancing funding facilities from the proceeds from the issuance of new securitised notes.

4.9. Forecast Financial Information

The basis of preparation for the FY21 Forecast Financial Information is detailed in Section 4.2. This section includes the general assumptions (Section 4.9.1) and specific assumptions (Section 4.9.2) relevant to the Forecast Period.

4.9.1. General Assumptions

The following general assumptions are relevant to the Forecast Financial Information:

- there is no material change in the competitive, regulatory and operating environments in which Liberty Group operates (including no assumed impact from the recently announced removal of responsible lending obligations in the NCCP Act);
- the rate of repayment and amortisation of financial assets continues to perform in line with most recently observed trends;
- there is no change in applicable AAS and IFRS that would have a material impact on Liberty Group's accounting policies, financial reporting or disclosure requirements;
- there is no significant deviation from current market expectations of the deterioration in the broader economic conditions relevant to the sectors within the countries in which Liberty Group and its key customers operate as a result of COVID-19;
- there is no significant deviation from current market expectations of the deterioration in the residential and commercial property markets in Australia and New Zealand and in the motor vehicle market in Australia as a result of COVID-19;
- there is no significant deviation from current market expectations of the increase in the rate of unemployment and underemployment in Australia or New Zealand as a result of COVID-19;
- there is no significant deviation from the current and known timing of economic stimulus measures provided in response to COVID-19 by the governments and regulatory authorities within the countries in which Liberty Group operates;
- there is no material change in the legislative regime (including taxation) and regulatory environment in which Liberty Group and its customers operate;
- there is no material relaxation of the regulatory framework APRA imposes on ADIs in Australia;
- there is no material relaxation of the regulatory framework the RBNZ imposes on ADIs in New Zealand;
- there are no material amendments to any material agreements relating to Liberty Group's business other than those disclosed in this Offer Document;
- there is no material change to nature or availability of Liberty Group's Wholesale Funding arrangements;
- Liberty Group continues to be able to access the debt capital markets to access Term Funding at its discretion and on consistent commercial terms;
- there is no material change to the contractual terms relating to financing facilities which determine Liberty Group's cost of funds;
- Liberty Group continues to be able to set its customer rates based on its own risk parameters and is not restricted in this approach by a change in legislation or regulation;
- none of APRA, ASIC or AFCA make a finding against Liberty Group that impacts its financial results, reputation, or ability to access customers or funding;

4 Financial Information

- there are no significant disruptions to the continuity of operations of Liberty Group and there are no material changes in Liberty Group's business other than those disclosed in this Offer Document;
- there are no material changes to Liberty Group's corporate and funding structure other than as set out in, or contemplated by, this Offer Document;
- there is no loss of key management personnel and Liberty Group will maintain the ongoing ability to recruit and retain required personnel;
- there is no material litigation that will arise or be settled to the benefit or detriment of Liberty Group;
- there are no contingent liabilities that will arise or be realised to the detriment of Liberty Group;
- no acquisition or disposal of any material business or asset is completed other than those disclosed in this Offer Document; and
- none of the key risks set out in Section 5 occurs.

4.9.2. Specific Assumptions

The Forecast Financial Information has been prepared for the 12 months ending 30 June 2021. Liberty Group's forecast has regard to the current trading performance of Liberty Group up until the Offer Document Date. The Forecast Financial Information has been prepared with respect to current operating conditions under the COVID-19 pandemic.

The Forecast Financial Information is based on various specific assumptions which are set out below. The specific assumptions are a summary only and do not represent all the factors that will affect Liberty Group's forecast financial performance.

This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur. It should be read in conjunction with the basis of preparation of the Forecast Financial Information as set out in Section 4.2, the general assumptions set out in Section 4.9.1 and the risk factors set out in Section 5.

4.9.2.1. Interest Income

Forecast FY21 interest income is based on the following assumptions:

- average financial assets increasing 3.5% from $11.5 billion in FY20 to $11.9 billion in FY21;
- new settlements are forecast to continue at the levels achieved in the period July to September 2020;
- interest income yield reducing by 35 bps in FY21 due to the full year impact of reductions in customer interest rates in FY20, partially offset by a change in the mix of average financial assets towards Secured Finance and Financial Services products which earn a higher interest income yield; and
- the average rate of loan repayments (both discharges and amortisation) by customers being consistent with the levels achieved in the period July to September 2020.

4.9.2.2. Fee, Commission and Other Income

Forecast FY21 fee, commission and other income is based on the following assumptions:

- average financial assets increasing 3.5% from $11.5 billion in FY20 to $11.9 billion in FY21;
- new settlements are forecast to continue at levels achieved in the period July to September 2020; and
- fee amounts charged on loan products and commission rates received by the distribution network continue at the levels achieved in the period July to September 2020.

4.9.2.3. Interest Expense

Forecast FY21 interest expense is based on the following assumptions:

- average financial assets increasing 3.5% from $11.5 billion in FY20 to $11.9 billion in FY21;
- renewal of the Wholesale Funding on terms that are materially consistent with those currently in place;
- Term Funding issuance margins not being materially higher than market conditions in October 2020;
- issuance of a further series of MTN notes for proceeds of $200 million expected in March 2021, offset by the repayment of a previous issue of MTN notes for $225m in April 2021;
- Cash rates remaining at 0.25% in Australia and 0.25% in New Zealand; and
- A progressive increase in BBSW of 40bps from July 2020 levels, to 50bps by February 2021 (see Section 3.6.4.12).

4.9.2.4. Fee and Commission Expense

Forecast FY21 commission expense is based on the following assumptions:

- Higher fee and commission expenses of $2.0 million compared to FY20 in line with forecast FY21 settlements and trail commissions on the existing financial assets, with commission rates paid on loans products and through the distribution network to continue at the levels achieved in the period July to September 2020.

4.9.2.5. Other Operating Expenses

Forecast FY21 other operating expenses are based on the following assumptions:

- Higher employee expenses of $5.5 million compared to FY20 due to 21 additional FTEs joining Liberty Group to support continued business growth; and
- Bad and doubtful debt expense is forecast to remain consistent in FY21 at $32.0 million compared to $32.5 million in FY20. As a proportion of the average financial assets, bad and doubtful debt expense is forecast to be 27bps in FY21 compared to 28bps in FY20. Forecast bad and doubtful debt expenses have been estimated with regard to the current and expected portfolio performance and economic conditions as a result of COVID-19. As described in Section 4.8.4, Liberty's FY20 bad and doubtful debt expense includes the impact of a significant increase at 30 June 2020 (relative to 30 June 2019) in the Collective Provision for expected losses. This increase included the recognition of a risk overlay to reflect the elevated uncertainty and therefore risk of increased losses associated with COVID-19 which may arise during the life of the current loan portfolio. In FY21, a further increase in the Collective Provision for expected losses is assumed, including an additional risk overlay to that recognised at 30 June 2020. Refer to Section 3.6.3.2 for further consideration of the current and expected impact of COVID-19 on Liberty Group.

4.9.2.6. Income Tax Expense

The primary jurisdictions in which Liberty Group operates are Australia and New Zealand. Liberty Group comprises taxable and non-taxable entities under Australian income tax law.

For Australian income tax purposes, the Company is subject to Australian income tax. The Company is the head entity of an Australian income tax consolidated group, consisting of the Company and a number of subsidiary entities.

Based on forecast taxable income that will be generated by Liberty Group, the Company is expected to accrue tax expense of $21.0 million in pro forma FY21.

The Trust is treated as a trust for Australian income tax purposes. It is expected that it will be treated as a "flow through" trust and not subject to Division 6C of the *Income Tax Assessment Act 1936 (Cth)*, such that it will not be liable for Australian tax, including on any capital gains. This assumes that the Unitholders in the Trust are presently entitled to the net income at year end. As a result, the Unitholders in their personal capacity should be liable for tax on the net income of the Trust that they are presently entitled to.

Accordingly, no allowance has been made for tax or withholding tax withheld on behalf of Unitholders that are non-Australian tax residents. See Section 9 for further details on tax considerations as well as Section 5.2.7 for potential risks associated with the tax structure.

Expected GST recoveries in respect of transaction costs and ongoing operations have been forecast.

4.9.2.7. Capital Expenditure

Capital expenditure has been forecast to reflect the level of investment required to build, maintain and keep current intellectual property and property, plant and equipment used in Liberty Group's operations.

4.9.2.8. Funding Facilities

Total Wholesale Funding limits are assumed to remain stable at $5.0 billion. Wholesale Facilities maturing during the forecast period are assumed to be renewed on substantially the same terms.

4.9.2.9. Exchange Rate

An exchange rate of A$1:NZ$1.0709 has been assumed in preparing the Forecast Financial Information.

4 Financial Information

4.10. Management Discussion and Analysis of the Forecast Financial Information

4.10.1. Pro Forma Historical and Forecast Income Statements: FY21 Compared to FY20

Table 4.21 sets out the summary Pro Forma Forecast Income Statement for FY21 and summary Pro Forma Historical Income Statement for FY20.

Table 4.21: Pro Forma Historical and Forecast Income Statements: FY21 compared to FY20

June year-end ($ millions)	Historical FY20	Forecast FY21	Change	Change %
Interest income	648.6	630.2	(18.4)	(2.8)%
Fee, commission and other income	203.5	207.9	4.4	2.2%
Total income	**852.1**	**838.2**	**(14.0)**	**(1.6)%**
Interest expense	(344.2)	(296.4)	47.9	(13.9)%
Fee and commission expense	(188.2)	(190.1)	(2.0)	1.1%
Employee expenses	(70.6)	(76.1)	(5.5)	7.8%
Bad and doubtful debts	(32.5)	(32.0)	0.5	(1.5)%
Loan establishment and management expenses	(13.9)	(11.5)	2.4	(17.3)%
Other expenses	(54.7)	(57.2)	(2.5)	4.5%
Total expenses	**(704.1)**	**(663.3)**	**40.8**	**(5.8)%**
Profit before tax	**148.0**	**174.9**	**26.8**	**18.1%**
Income tax expense	(17.8)	(21.0)	(3.2)	18.1%
NPAT	**130.3**	**153.9**	**23.6**	**18.1%**
Amortisation of intangible assets	11.8	11.8	-	0.0%
NPATA	**142.0**	**165.6**	**23.6**	**16.6%**
Non-controlling interest	-	-	-	N/A
NPAT attributable to the owners of the Company	130.3	153.9	23.6	18.1%

4.10.1.1. Total Income

Total income is forecast to decrease by $14.0 million (1.6%) from $852.1 million in FY20 to $838.2 million in FY21. A summary of the key factors affecting total income in FY21 is set out below:

- Interest income is forecast to decrease by $18.4 million (2.8%) from $648.6 million to $630.2 million due to:
  - an increase in average financial assets from $11.5 billion in FY20 to $11.9 billion in FY21. The forecast increase in average financial assets reflects the continuation of the most recently observed trends to September 2020 in the origination of new Residential Finance, Secured Finance and Financial Services products; and
  - a reduction in interest income yield of approximately 35 bps due to the full year impact of reductions in customer interest rates in FY20, partially offset by a change in the mix of average financial assets towards higher yielding Secured Finance and Financial Services products which are forecast to grow at a faster rate than Residential Finance products in line with FY20 and the most recently observed trends to September 2020.
- Fee, commission and other income is forecast to increase by $4.4 million (2.2%) from $203.5 million to $207.9 million primarily as a result of:
  - an increase in fees and commissions driven by higher personal loan originations and higher nMB originations, offset by lower upfront commissions received by ALI due to lower insurance policy sales;
  - an increase in loan servicing fees due to the increase in average financial assets; and
  - a change in the mix of average financial assets towards Secured Finance and Financial Services products that have relatively higher fees.

4.10.1.2. Expenses

Total expenses are forecast to decrease by $40.8 million (5.8%) from $704.1 million in FY20 to $663.3 million in FY21 as a result of the following:

- Interest expense reducing by $47.9 million or 13.9% from $344.2 million to $296.4 million, due to:
  - an increase in average borrowings of 2.1% from $11.7 billion to $12.0 billion, in line with the increase in average financial assets;
  - being more than offset a reduction in the weighted average cost of borrowing of 50 bps due to:
    - the full year impact of the reductions in BBSW in FY20 partly offset by a forecast increase in BBSW of 40bps between June 2020 and February 2021 (see Section 3.6.4.12);
    - a slight shift in the mix of funding sources from term securitisation to wholesale facilities and cash reserves; and
    - a decrease in the average value of MTN on issue of $79 million;
- Fee and commission expenses are forecast to increase by $2.0 million (1.1%) from $188.2 million to $190.1 million, in line with the increase in average financial assets and higher forecast originations through nMB. Commission rates are forecast to remain consistent with FY20;
- Employee expenses are forecast to increase by $5.5 million (7.8%) from $70.6 million to $76.1 million, driven by the full year impact of the increase in FTEs that occurred in FY20 and an additional 21 FTEs expected to join Liberty Group in FY21 to support continued growth in the forecast period and beyond;
- Bad and doubtful debts are forecast to remain broadly consistent with a marginal decrease by $0.5 million from $32.5 million in FY20 to $32.0 million in FY21. The bad and doubtful debt to average financial assets ratio is forecast to remain broadly consistent at 28bps in FY20 to 27bps in FY21, reflecting:
  - A further increase in the Collective Provision for expected losses, which includes an additional risk overlay in FY21 along with the continued recognition of risk overlays recognised at 30 June 2020;
  - As described in Section 4.8.4, Liberty's FY20 bad and doubtful debt expense includes the impact of an increase at 30 June 2020 (relative to 30 June 2019) in the Collective Provision for potential losses which included the recognition of a risk overlay to reflect the elevated uncertainty and therefore risk of increased losses associated with COVID-19, as described in Section 3.6.3.2, which may arise during the life of the existing loan portfolio;
- Loan establishment and management expenses are forecast to decrease by $2.4 million (17.3%) from $13.9 million in FY20 to $11.5 million in FY21, reflecting a reduction in Wholesale Facility fees; and
- Other expenses are forecast to increase by $2.5 million (4.5%), reflecting an increase in marketing and technology expenses.

4.10.1.3. Profit Before Tax

Profit before tax is forecast to increase by $26.8 million (18.1%) from $148.0 million in FY20 to $174.9 million in FY21 due to the reasons indicated above. Profit before tax as a percentage of average financial assets is forecast to increase by 18 bps to 1.46%, primarily due to an increase in net interest margin of 36 bps as a result of the net benefit to the business of the reduction in BBSW, after allowing for the reduction in interest income yield.

4 Financial Information

4.10.2. Pro Forma Historical and Forecast Statement of Cash Flows: FY21 Compared to FY20

Table 4.22 sets out the summary Pro Forma Forecast Cash Flow for FY21 and Pro Forma Historical Cash Flows for FY20.

Table 4.22: Pro forma Historical and Forecast Cash Flows: FY21 compared to FY20

June year-end ($ million)	Historical FY20	Forecast FY21	Change	Change %
Net profit before tax	**148.0**	**174.9**	**26.8**	**18.1%**
Add back non-cash items:				
Depreciation and amortisation	17.7	16.7	(1.0)	(5.6)%
Change in balance sheet	27.0	26.5	(0.4)	(1.7)%
Operating cash flow before financing and taxation	**192.7**	**218.1**	**25.4**	**13.2%**
Capital expenditure	(4.4)	(6.7)	(2.4)	54.1%
(Increase)/decrease in financial assets	(475.1)	(554.9)	(79.8)	16.8%
Increase/(decrease) in financing	220.2	361.8	141.5	64.3%
Prefunding of specialty finance debt facility	211.0	-	(211.0)	(100.0)%
Net lending activities	(43.9)	(193.1)	(149.2)	NMF
Receipts/(payments) for businesses acquired/investments, net of cash acquired	(16.4)	(2.8)	13.7	(83.1)%
Net cash flow before corporate financing and taxation	**128.0**	**15.4**	**(112.5)**	**(87.9)%**
Income taxes paid		(23.6)		
Net movements in related party loans		(6.9)		
Net cash flow		**(15.2)**		

The conversion of profit before tax to net cash flow before corporate financing and taxation decreased from a cash inflow of $128.0 million in FY20 to $15.4 million in FY21, as a result of:

- Depreciation and amortisation decreasing from $17.7 million in FY20 to $16.7 million in FY21, due to a reduction in amortisation of other intangibles;
- Change in balance sheet is forecast to decrease from $27.0 million cash inflow in FY20 to $26.5 million in FY21 primarily due to movements in trade receivables and other assets and movements in interest and other payables;
- A forecast increase in capital expenditure from $4.4 million in FY20 to $6.7 million in FY21 due to an increase in computer software and hardware expenditure and office fit-out costs; and
- Net lending activities are forecast to experience a net cash outflow of $43.9 million in FY20 compared to $193.1 million in FY21 due to the timing of facility drawdowns and settlements and a higher usage of cash reserves to fund financial assets.

4.11. Forecast Distributions

Subject to future business conditions, available profits and the financial position of Liberty Group, it is the current intention of Liberty Group to pay distributions. Distributions to Security Holders from the Trust are expected to be made semi-annually in arrears in July and January in respect of the preceding half years ending 30 June and 31 December. The first distribution to Security Holders is expected to be paid in July 2021 for the period from 1 December 2020 to 30 June 2021. Liberty Group is targeting a payout ratio of 40% to 80% of NPAT. Based on the Forecast Financial Information, expected distribution for the seven months ending 30 June 2021 is $35.5 million to $70.9 million. The forecast distributions will be on a pre-tax basis as distributions are expected to only be made from the Trust. Distributions will therefore not be franked.

The Directors have approved the discounted DRP alternative to Security Holders in relation to these distributions. See Section 6.5 for a summary of the DRP.

Whilst distributions are currently expected to only be made from the Trust and hence be unfranked, if the distribution policy changes to include dividends to be paid from earnings of the Company, such distributions are expected to be franked.

Liberty Group gives no assurance that the forecast financial information will be achieved, or that distributions will be made to Security Holders during the Forecast Period, nor following the Forecast Period. The forecast financial information contained in this Offer Document may vary from actual financial results, and these variations may be material. This is due to the fact that the financial performance of Liberty Group and its ability to make distributions may be influenced by factors potentially beyond the control of Liberty Group. Details of the Forecast Financial Information and the Director's best estimate assumptions on which it is based, together with the sensitivities and associated risk factors are set out in Sections 4.9.1, 4.9.2, 4.10 and 5.

Key Risks

5

5.1. Introduction

Liberty is subject to risks that are both specific to its business activities and others that are more general in nature. The risks associated with an investment in Securities fall into the following broad categories:

- Risks specific to Liberty and the Business (Section 5.2); and
- General risks associated with any investment in listed securities (Section 5.3).

Section 5 outlines the significant risk factors of which potential Security Holders need to be aware when considering whether to invest in the Securities, however this list does not purport to list every risk that may be associated with an investment in the Securities now or in the future. Any, or a combination, of these risk factors may have a material adverse impact on Liberty's financial performance, financial position, cash flows, the size and timing of distributions, growth prospects or the value of Securities.

You should carefully read this entire Offer Document and consult with your professional advisers before deciding whether or not to apply for Securities. If you do not understand any part of this Offer Document or are in any doubt as to whether to invest in Securities, it is recommended that you seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

5.2. Specific Risks of an Investment in Liberty

5.2.1. COVID-19 Pandemic

The COVID-19 pandemic has had an unprecedented impact on financial markets and the economic landscape in Australia and worldwide. Measures have been introduced, and may be further extended, to control the spread of the COVID-19 outbreak, including travel and trade restrictions, restrictions on public gatherings and business closures. The impact of the COVID-19 pandemic has led to increased unemployment, deteriorating household income and financial distress for many businesses and capital market volatility. The full impact of the COVID-19 pandemic is inherently uncertain in severity and duration and there is a risk that the economic and financial markets and business conditions could become more severe leading to a more widespread downturn in business and economic activity. Increased capital market volatility could lead to a reduced investor demand for debt products. This would likely result in a significant loss of revenue for many businesses from a wide range of industry sectors, in turn potentially leading to further increased unemployment and financial stress.

The Federal and State Governments in Australia, have announced welfare and economic support and stimulus packages in response to COVID-19 aimed at reducing the severity of the social and economic impact on the population. The extent to which these packages may mitigate and/or defer the economic impact, including any credit losses Liberty may incur, is uncertain. There is also a risk that these packages (or any reforms and measures introduced as the packages are unwound) will create longer-term risks to the economy. This may also negatively impact customer sentiment towards Liberty and the financial services sector more broadly.

There is a risk, as a result of the COVID-19 pandemic, that Liberty could experience increased levels of borrower default and bad debts, a reduction in the demand for Liberty's products and services, a reduction in interest and fee income, a reduction in cash flow or a reduction or loss of access to funding or an increase in the cost of funding.

5.2.2. Funding of Financial Assets

Liberty relies on a range of sources to fund the origination of financial assets. See Sections 3.6.4 and 11.1 for further information on how Liberty funds its financial assets. A material change in Liberty's funding program could impact its ability to continue to fund its existing business, to effectively originate new business and/or fund its existing portfolio of financial assets. This in turn may have an adverse impact on Liberty's financial performance and the value of its assets.

Liberty's funding program could be materially impacted by, among other things:

- a fall in demand for Asset Backed Securities issued by Liberty;
- a revision, suspension, qualification or withdrawal of the credit rating ascribed to an Asset Backed Security issued by Liberty;
- a downgrade in the issuer credit rating of Liberty Financial Pty Ltd;

5 Key Risks

- a change in a funding covenant required by a Wholesale Facility provider (e.g. eligibility criteria or pool parameter);
- a change in a key term of a Wholesale Facility (e.g. interest rate, facility limit, advance rate); and
- increasing interest rates or an increase in the benchmark interest rate used to calculate the cost of Liberty's funding facilities.

Each of these factors could:

- impact the availability of funding to Liberty, which could impact its ability to continue to fund its existing business, to effectively originate new business and/or fund its existing portfolio, which could materially impact on Liberty's financial performance; and
- increase the cost of funding to Liberty – Liberty often reserves the ability to pass on increased costs to its customers, but if it is unable to do so, is prevented from doing so for commercial reasons, or is forced to delay implementing any cost increases, this could materially impact on Liberty's financial performance.

In addition to this, the availability of funding to Liberty could be materially impacted by:

- non-renewal of a Wholesale Facility;
- an event of default or other event that causes the unavailability or amortisation of a Wholesale Facility or Corporate Debt Facility which may require immediate repayment of the Facility or the accelerated sale of financial assets;
- regulatory change being imposed on a Wholesale Facility provider which may result in a change in a key term of a Wholesale Facility or availability of a Wholesale Facility;
- a deterioration in the credit quality of the financial assets portfolio, or non-compliance with a financial or non-financial covenant within its Wholesale Facilities, which could trigger a restriction on or cessation of funding by a Wholesale Facility provider; and/or
- general market conditions that may restrict Liberty from expanding its funding capability.

These risks, which are elevated as a result of the ongoing economic impact (both globally and domestically) of the COVID-19 pandemic, could impact Liberty's ability to continue to fund its existing business, to effectively originate new business and/or fund its existing portfolio, which could materially impact on Liberty's financial performance.

In certain situations, Liberty Financial Pty Ltd can be removed as the originator, manager or servicer of Liberty's securitisation programs. This would mean that Liberty:

- would lose the fees associated with acting in that capacity – adversely impacting on Liberty's financial performance; and
- could potentially suffer substantial damage to its customer relationships.

5.2.3. Customer Default

Liberty is exposed to the risk of customers defaulting on their financial obligations (e.g. their obligation to repay loans). Specifically, customers default if they do not meet their loan commitment which is mostly caused by either a decrease in the customer's available income or an increase in the customer's payment obligations or living expenses. An increase in interest rates may also increase the risk of customer default as the cost of loans increases. Generally, customer defaults may increase as a result of adverse business or economic conditions, whether generally or in a specific industry sector or geographic region. Significant customer defaults, or large numbers of individual customer defaults, may have an adverse impact on the financial performance of Liberty.

5.2.4. Property Prices

A decline in property prices may result in a decrease in the value of the underlying security supporting Liberty's financial assets. A decrease in the value of security increases the risk of loss in the event of customer default. In turn, this may have an adverse effect on Liberty's financial performance and on the price of the Securities. The risk of a decline in the value of property prices is elevated as a result of the ongoing economic impact of the COVID-19 pandemic.

5.2.5. Credit Loss Provisions

In accordance with accounting standards, Liberty provides for expected losses on loans to its customers. Estimating losses is, by its very nature, uncertain. The accuracy of these estimates depends on many factors, including general economic conditions, forecasts and assumptions, and involves complex modelling and judgments. The uncertainty of expected loss assumptions has increased in the current market environment. The assumptions used by Liberty to estimate expected losses include (among others) the probability that a customer will default, the likelihood that a default will result in a loss to Liberty (based on underlying asset values and the loan to value ratio of the loan), the arrears profile of Liberty’s loans to borrowers and general macroeconomic assumptions. If the assumptions upon which these assessments are made prove to be inaccurate, the provision for credit losses may need to be revised and may adversely impact Liberty’s financial performance and position.

5.2.6. Regulatory Risk

5.2.6.1. General

As discussed in Section 2.14, Liberty is subject to a range of laws and regulations in Australia. Failure to comply with those laws could adversely impact Liberty’s business.

In Australia, Liberty must comply with statutory obligations in relation to (among other things) licensing, consumer credit protection including responsible lending, anti-money laundering, counter-terrorism financing measures and privacy. If Liberty does not comply with these obligations, there is a risk that Liberty may cease to be authorised or appropriately licensed to undertake its business, may be subject to penalties, may be unable to recover fees, charges or interest, may have to waive existing loan balances and write off insurance premiums. This may negatively impact the performance of Liberty’s portfolio, its future origination activities and ability to maintain its current funding or attract new funding. There is also a risk that Liberty could face other legal or regulatory sanctions as a consequence of non-compliance.

The following Sections 5.2.6.2, 5.2.6.3, 5.2.6.4 and 5.2.6.5 set out specific matters raised by ASIC with Liberty since 2018.

5.2.6.2. Responsible Lending

As outlined in Section 2.14.1, in Australia Liberty’s credit activities must comply with the NCCP Act. The obligations under the NCCP Act are commonly referred to as “responsible lending”. ASIC monitors the responsible lending compliance of all licensed credit providers.

ASIC has expressed concern with the steps taken by licensed credit providers to ensure that a loan is “not unsuitable” for a potential customer and in particular the steps taken to verify customers’ financial circumstances, including their living expenses. The use of benchmarks such as the Household Expenditure Measure (“HEM”) in this process has been of specific concern to ASIC.

Liberty is of the opinion that all relevant Liberty Entities have complied with their responsible lending obligations and although ASIC has advised Liberty that it would not take any enforcement action against Liberty Financial Pty Ltd or Secure Funding in relation to the Liberty’s compliance with the responsible lending obligations (as described below), ASIC has reserved its right to take regulatory action, and as such, there remains a risk that ASIC may take regulatory action against Liberty for failures to comply with these obligations.

If ASIC is successful in any such proceedings, there is a risk that the relevant Liberty Entities may cease to be authorised or licensed to undertake its business, may be subject to penalties, may be unable to recover fees, charges or interest, or may have to waive existing loan balances or refund funds repaid to it by customers under loan contracts, amounts representing an incorrect charging of fees, interest payments, or other amounts and incur significant remediation costs. This will likely have a negative impact on the performance of Liberty’s portfolio, its future origination activities and its ability to maintain its current funding or attract new funding.

There is also a risk that the relevant Liberty Entities could face other legal or regulatory sanctions or reputational damage as a result of any failure to comply with (or comply with developing interpretations of) the NCCP Act.

5 Key Risks

Any non-compliance by Liberty could result in a negative impact on customers and other stakeholders' trust, fines, penalties, the payment of compensation, remediation orders, the cancellation or suspension of the relevant Liberty Entities' ability to carry on certain activities or businesses, or class actions from customers. There is also a risk that non-compliance may negatively impact Liberty's distribution channels and product development opportunities.

As noted in Section 2.14.1.1, the Treasurer announced on 25 September 2020 the intention to implement consumer credit reforms by 1 March 2021, including a new framework to regulate conduct of non-ADIs. As at the Offer Document Date, it is unclear what specific consumer credit reforms will be implemented and how these will impact Liberty.

5.2.6.3. ASIC Investigation into Responsible Lending by Liberty

Since 2018, Liberty Financial Pty Ltd and Secure Funding (being the lender on record and trustee of Liberty's Funding Vehicles) have been the subject of, and responded to, ASIC requests for information about Liberty's responsible lending policies and practices and the approval of certain specific loans identified by ASIC. ASIC's enquiries have focused on Liberty's responsible lending policy and procedures, verification of living expenses, calculations of loan affordability and the division of responsibility for responsible lending between group companies.

On 14 October 2020, Liberty Financial Pty Ltd and Secure Funding received notices from ASIC confirming that ASIC had concluded its investigation into Liberty's responsible lending policies and practices and advised that it would not take any enforcement action against Liberty Financial Pty Ltd or Secure Funding.

5.2.6.4. Car Finance Industry Review

In 2018, ASIC commenced an industry wide review into the car finance industry. Liberty Financial Pty Ltd and Secure Funding provided information to ASIC in connection with this industry review along with a number of ADIs and non-ADIs. The focus of the review is on compliance with regulatory obligations relating to responsible lending, collections and hardship.

The review follows ASIC's enforcement outcomes for breaches of responsible lending obligations by car financiers, ASIC's work in add-on insurance in the car market, and ASIC's ban on flex commissions in the car finance industry commenced in November 2018.

As part of ASIC's assessment process, ASIC has, among other things, requested detail in relation to Liberty's assessment and verification process when assessing suitability for car finance as well as detail of arrangements and systems used by intermediaries engaged in credit activities on behalf of Liberty in the context of the provision of car finance.

As at the Offer Document Date, ASIC has not formally expressed any preliminary findings in relation to its current investigations.

5.2.6.5. Add-on Insurance Product Remediation Program

ASIC has expressed concern that the sale of add-on insurance through car dealers by industry participants in this market is either expensive, represents poor value, or provides consumers with little or no benefit. ASIC has sought remediation for consumers as part of its large-scale review of the sale of add-on insurance. LFI has offered refunds of approximately $951,700 to 2,001 customers and accordingly ASIC determined that such concerns in relation to LFI and Liberty are now resolved.

However, ASIC reserves its right to undertake a further review of the issues forming the basis of the remediation program implemented by LFI and Liberty and undertake regulatory action in the future if circumstances change or new information is obtained.

Accordingly, there remains the risk that ASIC takes further regulatory action where it is not satisfied that LFI and Liberty have implemented an appropriate remediation program to the standard expected by ASIC.

5.2.6.6. Consumer Credit Insurance

The CCI industry has had an increasing focus from regulators in Australia. The key risks that regulators are focused on are concerns around mis-selling of the product and concerns that the product offers insufficient value to consumers.

In 2019, ASIC issued the Consumer Credit Insurance Report (REP 622) ("CCI Report") setting out its expectations of issuers and lenders in relation to CCI. The CCI Report provides that a deferred sales model in relation to CCI, whereby the sale of CCI would need to take place a number of days after sale of the primary product to which it relates, should be adopted across all distribution channels.

The Australian Federal Department of Treasury released the Treasury Proposal Paper in September 2019 proposing a four-day deferral period for insurance sales but with ASIC dealing with more problematic insurances, including potentially CCI, using its product intervention powers. Treasury has since introduced a Bill that will implement an industry-wide deferred sales model for the sale of add-on insurance products. This has been deferred because of the COVID-19 pandemic and is not expected to come into effect until September 2021. ASIC also recently sought stakeholder feedback in relation its product intervention powers to introduce a deferred sales model for the sale of add-on insurance by car yard intermediaries. At the Offer Document Date, it is unclear when this will come into effect, but it is expected to be implemented in early 2021. In addition, the General Insurance Code of Practice 2020 ("GICOP") will also introduce a deferred sales model for CCI. This will apply to signatories of GICOP and will come into effect on 1 July 2021.

Introduction of a deferred sales model requires changes to LFI's insurance products and processes which may impact the future performance of LFI.

5.2.7. Australian Taxation

5.2.7.1. Taxation Impact of Liberty Group Reorganisation

In December 2019, members of Liberty reorganised which had the effect of the Company becoming the Australian holding company of Liberty. The Australian holding company of Liberty prior to the reorganisation, Minerva Financial Group Pty Ltd ("MFG"), is no longer a member of Liberty. MFG is owned by Vesta and is controlled by the Founder Group.

MFG has received amended assessments from the ATO relating to past income years. These amended assessments remain unpaid and MFG has objected to the amended assessments. The ATO may issue further amended assessments to MFG for additional periods up to the date of reorganisation.

Certain entities within the Liberty Group were members of the MFG tax consolidated group prior to the reorganisation and were parties to a Tax Sharing Agreement. Consequently, if MFG does not pay its tax liabilities under the amended assessments, the ATO could seek payment from the members of Liberty.

If the ATO demands payment from members of Liberty in respect of any amended assessment issued to MFG referenced in this Section 5.2.7.1, which has been finally determined by the courts in Australia, Liberty Group may pay the relevant ATO assessment ("MFG Debt"). In these circumstances, Vesta has agreed to assume the MFG Debt in accordance with the MFG Debt Acknowledgment Letter. Vesta has further agreed that Liberty Group may offset any future dividends or distributions otherwise payable by the Liberty Group to Vesta against the amount of the MFG Debt in accordance with the MFG Debt Acknowledgement Letter and the Set-Off Agreement until such time as the amount of the MFG Debt has been effectively repaid. Summaries of the MFG Debt Acknowledgment Letter and the Set-Off Agreement are set out in Sections 6.8 and 11.11.

5.2.7.2. Taxation of Company and Trust

The Liberty Group comprises the Company and the Trust.

The Company will be taxed in Australia at 30% on its taxable income. Dividends paid by the Company may be franked to the extent franking credits are available. Dividends paid to resident Security Holders will be taxable in the Security Holders' hands, subject to any offset that is available for the Security Holder for any franking credits attached to the dividend. Dividends paid to non-resident Security Holders should be subject to dividend withholding tax, although no dividend withholding tax should apply to franked dividends or dividends paid out of conduit foreign income.

The Trust should be treated as a trust for Australian income tax purposes. It is expected that it will be treated as a "flow through" trust and not subject to Division 6C of the ITAA 1936, such that it will not be liable for Australian income tax, including tax on any capital gains.

5 Key Risks

Australian resident Security Holders should be liable for tax in their personal capacity on the amount of net income of the trust to which they are presently entitled or the amount which is attributed to a Security Holder.

On the basis that income of the Trust should primarily comprise interest income derived from investment in securities and loans (as well as similar financial instruments), distributions of ‘interest income’ that the Trust makes to non-resident Security Holders should be subject to a final interest withholding tax at a rate of 10%.

To the extent that a non-resident Security Holder is presently entitled to an amount of net income of the Trust that is not “interest income” or is attributed an amount of net income that is not “interest income” the tax treatment for a non-resident Security Holder depends on whether the Trust is a managed investment Trust (“MIT”).

If the Trust is not a MIT, the Responsible Entity of the Trust is assessed on behalf of the non-resident Security Holders in respect of the amount of net income of the Trust that is not “interest income” to which the non-resident Security Holder is presently entitled. The Responsible Entity will deduct an amount of tax to cover the amount assessed which will be based on the non-resident Security Holder’s prescribed tax rate (between 30% and 45%) which depends on whether the non-resident Security Holder is an individual, a company or a trust.

Any tax assessed to the Responsible Entity on amounts that are not “interest income” in relation to the non-resident Security Holder is generally not a final tax. If the Responsible Entity is assessed in respect of an individual or company non-resident Security Holder, those Security Holders should lodge an income tax return and claim a credit for any tax paid by the Responsible Entity.

If the Responsible Entity is assessed in respect of a trustee non-resident Security Holder, the trustee non-resident Security Holder and any later trustee in a chain of trusts, is not assessed again on that amount. However, an amount may be taxed to an ultimate individual or company beneficiary and credit allowed for any tax paid by the Responsible Entity.

If the Trust is a MIT, distributions of “non-interest income’ that the Trust makes to non-resident Security Holder should be subject to a final withholding tax at rates between 15% and 30%.

The Trust will be taxed in a similar manner to a company if it is classified as a “public trading trust” under Division 6C of the ITAA 1936 in which case distributions to Security Holders are effectively taxed in the manner of dividends.

The Trust will be classified as a “public trading trust” if the Trust is a “public unit trust” and the Responsible Entity or any trustee of a sub-trust of the Trust carries on a trading business or controls or is able to control directly or indirectly a trading business in any income year. On the basis that the Trust should be considered to be closely held in FY21 and that the Trust and any sub-trust of the Trust in that income year will only carry on “eligible investment business” within the meaning of Division 6C of the ITAA 1936, the Responsible Entity should not carry on a trading business and should not be considered to be a “public trading trust” in FY21.

Under the Company’s and Trust’s constituent documents and governance arrangements, the Responsible Entity and any trustee of a sub-trust of the Trust should not control or be able to control directly or indirectly a trading business within the meaning of Division 6C of the ITAA 1936.

This conclusion should apply in future income years. However, the test as to whether the Trust is a public trading trust is undertaken on an annual basis and looks at the actual activities of the Trust at any time in each income year.

If the Trust was classified as a public trading trust and taxed under Division 6C, rather than being able to distribute interest and other income to Security Holders on a flow-through basis, the interest and other income would be taxable to the Trust at the prevailing corporate tax rate, currently 30%. For Australian tax-resident Security Holders this should not constitute an additional tax cost, as the tax paid by the Trust should ordinarily give rise to a franking offset on any taxable distributions paid to Australian tax-resident Security Holders. However, the application of Division 6C would represent an additional cost to non-Australian tax-resident Security Holders, as distributions of interest income that would ordinarily be subject to withholding tax in Australia at a rate of 10% would instead be taxable at a rate of 30%.

The ATO and the Government have recently increased their attention towards stapled structures.

On 31 January 2017, the ATO issued Taxpayer Alert 2017/1 which warned that stapled structures might attract the operation of the general anti-avoidance rules in Part IVA of the ITAA 1936, particularly if they fragment an integrated trading business in order to re-characterise trading income into more favourably taxed passive income.

On 5 April 2019, *Treasury Laws Amendment (Making Sure Foreign Investors Pay Their Fair Share of Tax in Australia and Other Measures) Act 2019* (Cth) was enacted which introduced new rules into the taxation law from 1 July 2019 for arrangements involving stapled structures and which limit the concessions currently available to foreign investors for passive income derived by a MIT. On the basis that the income of the Trust should primarily comprise income derived from investment in securities and loans (as well as similar financial instruments) with independently owned and unrelated third party borrowers and the Trust should not be a trading trust and should not hold an interest in a trading trust within the meaning of Division 6C of the ITAA 1936, these measures should not apply to the income of the Trust.

The ATO has issued amended assessments to MFG on the basis Part IVA of the ITAA 1936 applies to include in MFG's taxable income amounts of income derived by the Trust. In future income years, the ATO may contend that Part IVA applies to the Company on a similar basis.

If the ATO successfully applied Part IVA to the Company to assess income derived by the Trust, interest and other income would be taxable to the Company at the prevailing corporate tax rate, currently 30%. In order to prevent double taxation arising on this income, a determination can be sought from the ATO to refund any tax paid by, for or in respect of distributions paid to Australian resident Security Holders. However, there is a risk that the ATO would not refund any tax paid by, for or in respect of all distributions to non-resident Security Holders.

The income tax liability of the Company also reflects an agreement reached with the Company in regard to the payment for management services and the acquisition and licensing of intellectual property.

In summary, the risks in relation to the taxation treatment of the stapled group are:

- The ATO may dispute whether the Trust is a public unit trust;
- The ATO may dispute whether the Trust or a sub-trust of the Trust is a trading trust and whether the Responsible Entity or any trustee of a sub-trust of the Trust carries on a trading business or controls or is able to control directly or indirectly a trading business in any income year;
- The ATO may seek to apply Part IVA of the ITAA 1936;
- The ATO may dispute the pricing for the acquisition and licensing of intellectual property; and
- The ATO may dispute the amount of the payments for management services and disallow deductions or increase income.

These matters could adversely affect the financial results of the Liberty Group or cause the Security Holders of the Trust to receive different tax outcomes on distributions.

5.2.8. Operation of the Group's Business and Systems

Liberty is exposed to the risk of loss resulting from inadequate or failed internal processes, conduct risk and risk management systems, such as:

- Failing to correctly underwrite and price its loans through its risk-based credit assessment methodologies;
- Accuracy of models in practice may be less predictive that Liberty predicts for a variety of reasons including as a result of errors in constructing, interpreting or using the models or the use of inaccurate assumptions (including failure to update in a timely manner);
- Failing to adequately service customer loans, manage arrears and proactively undertake loss mitigation activities;
- Failure of security and physical protection systems;
- Non-compliance with proper systems and processes may exposes Liberty to operational risks including process error, system failure and regulatory non-compliance; and

5 Key Risks

- Failure of the information technology systems, software and telecommunications equipment used to originate and service the financial assets.

Losses can include fines, penalties, loss or theft of funds or assets, legal costs, customer compensation, loss of value, reputational losses, and loss of property and/or information. Loss from these risk events could adversely affect Liberty's business, financial performance, financial position, cash flows, distributions and growth prospects, which in turn may impact on the price of the Securities.

In response to COVID-19, the majority of Liberty's workforce is now working from home. This has been a rapid implementation and significant change in the way Liberty operates. This exposes Liberty to additional operational risk, including increased risk of fraud, technology related risks and employee health and safety related risks.

5.2.9. Dependence on Third Party Introducers

Liberty depends on Introducers as its source of new customers and business, through non-exclusive relationships. In most cases, Introducer contracts may be terminated without cause on between three and six months' notice. As a result, there can be no assurance that Liberty will be successful in maintaining its existing relationships or expanding its network of Introducers. If Liberty is unsuccessful in maintaining its existing relationships or expanding its network of Introducers, the levels of business sourced may fall. Additionally, Liberty may be required to improve the terms that it offers Introducers in order to maintain or develop a relationship at a higher cost than current terms.

A significant fall in the level of business sourced or a significant increase in costs arising from improved terms to Introducers may adversely impact on Liberty's financial performance and its cash flows, which in turn affects Liberty's growth prospects and the price of the Securities.

5.2.10. Successful Implementation of Business or Growth Initiatives

There is no guarantee that any of Liberty's growth initiatives will be successfully implemented, deliver expected returns and market share gains or ultimately be profitable. Liberty may also fail to adopt and execute the business initiatives that will enable it to successfully maintain or improve its service and product offering to its customers and meet their requirements. Failure to do so could result in customers and third-party Introducers choosing to utilise Liberty's competitors, potentially leading to a worsening of Liberty's market position and financial performance.

5.2.11. Competition

The markets in which Liberty operates are competitive. Competitors may engage in more aggressive marketing, loosen underwriting standards, invest in improved customer services or technology offerings, undertake consolidation activities, or adopt more aggressive pricing strategies to gain scale and improve their market share. Some of Liberty's competitors are large financial institutions that operate in the broader financial services industry. Accordingly, Liberty may be disproportionately affected by:

- Changes to the regulatory environment which may impact Liberty's competitive position relative to ADIs;
- Actions of its larger competitors;
- Changes to the regulatory environment which may impact Liberty's competitors differently to Liberty, including some of Liberty's competitors who are ADIs and are subject to a different regulatory environment compared to Liberty; or
- Changes to the markets in which it operates caused by actions of those competitors.

Actions by competitors or new entrants (including technology-enabled players) could:

- Reduce the number of loans originated by Liberty;
- Reduce Liberty's margins; or
- Reduce Liberty's market share.

In addition, as a result of the competitive dynamics, Liberty's market position may worsen and it may not be able to retain existing customers or attract new customers, unless it reduces its own margins and fees or provide loans on less secure terms.

5.2.12. Inability to Recruit and Retain Personnel

Liberty's ability to attract and retain suitably qualified and skilled employees is an important factor in achieving its strategic objectives. If Liberty had difficulty retaining or attracting highly qualified people for important roles, this may have an adverse effect on Liberty's financial performance and prospects.

5.2.13. Fraud

As a lender, the Liberty business is exposed to the risk of customer and Introducer fraud, in particular, the provision of false information, false or inflated property valuations, fraud in relation to security information and identity fraud. Any failure of these internal controls to detect fraud could result in credit losses, damage to Liberty's reputation and its ability to raise funding.

5.2.14. Information Technology

There is a risk that the information technology software and systems used by Liberty to operate its business become obsolete, outdated, disrupted, or exposed to damage or interruption. Failure to successfully implement new technology systems, any systemic failure or sustained disruption to the effective operation of Liberty's technology platform may adversely affect Liberty's business, operations and financial condition.

5.2.15. Cybersecurity

In the normal course of business, Liberty collects, processes and retains personal, sensitive and confidential information regarding its partners and its customers. Liberty seeks to ensure the integrity of its systems through information security and business continuity programs. Notwithstanding this, Liberty's facilities and systems are subject to the risk of external or internal security breaches, cyber-attacks, data theft, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors, or other similar events. It is possible the measures taken by Liberty (including firewalls, encryption of client data, privacy policy, and policies to restrict access to data to authorised employees) will not be sufficient to detect or prevent unauthorised access to, or disclosure of, personal or confidential information, whether malicious or inadvertent. This risk is elevated as a result of the COVID-19 pandemic given the majority of Liberty's staff have been working from home since March 2020.

While Liberty maintains insurance policies in respect of such risks, cyber-attacks and other security breach events could interrupt Liberty's business or operations, result in significant legal and financial exposure and loss of intellectual property and confidential information, cause breaches of Liberty's obligations under applicable laws and regulatory standards (e.g. data privacy laws, APRA Prudential Standard CPS 234 – Information Security) or lead to supervisory liability or a loss of confidence in the security of Liberty's systems, products and services which may, in turn, have an adverse impact on Liberty's reputation.

5.2.16. Reputation and Brand

Reputational damage could arise due to a number of circumstances, including, but not limited to, inadequate or deteriorating service, improper conduct or adverse media coverage. Any factors that damage the reputation of Liberty may potentially result in failure to win, retain and/or maintain relationships with customers, maintain its funding program, maintain relationship with Introducers of new financial assets and attract and retain employees. If any of these events occur, this could materially adversely affect Liberty's business, operating and financial performance.

5.2.17. Litigation

Liberty is subject to litigation and other claims and disputes in the course of its business, including employment disputes, contractual disputes, indemnity claims and occupational and personal claims. Adverse findings against Liberty in such litigation, claims or disputes may adversely affect Liberty's financial position.

5.2.18. Adverse Foreign Exchange Movements

Liberty's financial reports are prepared in Australian dollars. However, a portion of Liberty's income, expenses, cash flows, assets and liabilities are denominated in New Zealand dollars. Liberty is exposed to the risks of fluctuations in the value of the Australian dollar against the New Zealand dollar, as fluctuations in exchange rates impact on the translation of account balances to Australian dollars. As a result, movements in foreign exchange rates may affect Liberty's business, operating and financial performance.

5 Key Risks

5.2.19. Impairment of Intangible Assets

Liberty has material identified intangible assets on its balance sheet. Identifiable intangible assets are amortised and assessed for any indicator of impairment in each reporting period. Impairment of identifiable intangible assets will be made if any indicators of impairment are present. This would result in an expense in the income statement and reduced reported profit for Liberty.

As a result of the acquisition of the intellectual property from Vesta on 31 December 2019, Liberty now has a significant identified intangible asset on its balance sheet. Identifiable intangible assets are amortised and assessed for any indicator of impairment in each reporting period. Impairment of identifiable intangible assets will be made if any indicators of impairment are present. This would result in an expense in the income statement and reduced profit for Liberty.

5.2.20. Founder Group as Controlling Security Holders

The Founder Group is expected to hold collectively an economic interest in approximately 77.4% of the Securities at Listing. As such, the Founder Group will continue to be able to exert material influence over the Liberty Group, including in relation to the election of Directors and the potential outcome of matters submitted to the vote of Security Holders. There is a risk that the interests of the Founder Group may be different from the interests of investors who acquire Securities under the Offer. This risk is mitigated by Liberty having three Independent Non-Executive Directors which together form a majority of the board of directors. The Founder Group's holding may delay, defer, prevent or facilitate a third-party obtaining control of Liberty.

The Founder Group currently intends that it will continue to hold the Securities as a long-term investment. Following Completion of the Offer, the Founder Group will be subject to the escrow arrangements described in Section 11.5. If the Founder Group sells or is perceived as intending to sell a substantial number of Securities, then the market price of the Securities could be adversely affected.

5.3. General Risks of an Investment in the Liberty Group

5.3.1. The Price of the Securities on the ASX May Fluctuate

The market price of the Securities may be affected by numerous factors, many of which are outside the Liberty Group's control. These factors include (but are not limited to):

- General movements in Australian and international stock markets for listed securities;
- Changes in general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices and changes to government fiscal, monetary or regulatory policies;
- Changes in the stock market rating of the Liberty Group's Securities relative to other listed securities (especially other listed financial services businesses); and
- Other investment options available to investors.

As a consequence, Securities may trade on the ASX at higher or lower prices than the Offer Price and may not fully reflect Liberty's underlying net asset value. There is also no assurance that the price of the Securities will increase following their quotation on the ASX, even if the Liberty Group's earnings increase.

5.3.2. There May be a Lack of Liquidity in Securities

There can be no guarantee that an active market in the Liberty Group's Securities will develop or that the price of its Securities will increase. There may be relatively few, or many, potential buyers or sellers of the Liberty Group's Securities on the ASX at any given time. This may increase the volatility of the market price of Securities. It may also affect the prevailing market price at which Security Holders are able to sell their Securities. This may result in Security Holders receiving a market price for their Securities that is less than the price that Security Holders paid.

5.3.3. There Is a Risk of Security Holder Dilution

In the future, the Company may elect to issue Securities, including in connection with fundraisings to facilitate growth, or for acquisitions that the Liberty Group may decide to make.

Security Holders' interests may be diluted and Security Holders may experience a loss in value of their equity if the Liberty Group issues Securities (e.g. as consideration for acquisitions, if the Liberty Group funds acquisitions through raising equity capital by issuing Securities to new investors). While the Liberty Group will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Security Holders may be diluted as a result of such issues of Securities or other securities.

5.3.4. Taxation Treatment of Securities May Change

Changes in Australian taxation law (including transfer pricing, GST, stamp duties and employment taxes) or changes in interpretation or application of the law by the courts or taxation authorities in Australia may have a material effect on:

- the taxation treatment of an investment in Securities, the holding or disposal of Securities or the treatment of distributions; and
- the financial performance, financial position, cash flows, distributions and growth prospects of the Liberty Group and its Security price.

A general outline of the taxation consequences in Australia of investing in Securities is set out in Section 9. The information provided in this Offer Document is based on current taxation law as at the Offer Document Date. Tax law is frequently being changed, both prospectively and retrospectively. The outline is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular investor.

An investment in the Securities involves tax considerations which may differ for each Security Holder. Each prospective Security Holder is encouraged to seek professional tax advice in connection with any investment in the Liberty Group.

5.3.5. Australian Accounting Standards May Change

AAS are set by the AASB and are outside the control of either the Liberty Group or its Directors.

There is a risk that interpretations of existing AAS, including those relating to the measurement and recognition of key income statement and balance sheet items, may differ. Changes to AAS issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in the Company's consolidated financial statements.

5.3.6. Force Majeure Events May Occur

Events may occur within or outside the economies in which Liberty operates that could impact the operations of Liberty and the price of the Securities. The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, pandemics, outbreaks of disease, lockdowns, lock-outs, forced closures, restrictions or mobility, currency restrictions, embargos, actions or inaction of government agencies or other natural or man-made events or occurrences that can have an adverse effect on the demand for Liberty's services and its ability to conduct business. Liberty has only a limited ability to insure against some of these risks.

5.3.7. General Economic and Financial Market Conditions

The operating and financial performance of Liberty is influenced by a variety of general economic, business and financial market conditions, including demand for credit, inflation, employment, interest rates and exchange rates, access to debt and capital markets, and government fiscal, monetary and regulatory policies. One of the key drivers of the financial performance of Liberty is the volume of financial assets it originates, services and manages.

Prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have a material adverse impact on the financial performance, financial position, cash flows, distributions and growth prospects of Liberty and the price of the Securities.

Key Individuals, Interests and Benefits

6

6.1. Board of Directors

In line with Liberty's focus on corporate governance, the Company appointed its independent Chair in 2005 and an additional independent Non-Executive Director in 2006. The establishment of an independent board of directors of the Company with the appointment of Richard Longes and Peter Hawkins, in addition to Liberty's Executive Director, Sherman Ma, was an important milestone in the Company's history. Leona Murphy was appointed as an independent Non-Executive Director of the Company in 2016 and the Chief Executive Officer of the Company, James Boyle, also joined the Company Board in 2020. The Company now has a board of directors with five members.

Director	Biography
	**Richard Longes** *Chair and Independent Non-Executive Director* Richard Longes was appointed as Chair in 2005. Richard was a Partner in the leading law firm Freehilll Hollingdale & Page (now Herbert Smith Freehills) from 1971 to 1988 and a founding principal of the corporate advisory and private equity group Wentworth Associates. His prior directorships have included Chairman of MLC, GPT and Austbrokers, Deputy Chairman of Lend Lease Corporation and a Director of Boral, Metcash and Investec Bank Australia. He holds, and has held, positions with Government advisory boards as well as significant non-profit organisations, including Pain Management Research Institute, Bangarra Dance and NIDA. Richard is currently Chairman of Investec Australia Property Fund. He has Arts and Law degrees from the University of Sydney and an MBA from the University of New South Wales.
	**James Boyle** *Executive Director, Chief Executive Officer* James Boyle is the Group Chief Executive Officer and has been responsible for Liberty's strategy and execution for over five years. James oversees the Liberty's performance while ensuring the company remains agile, free thinking and curious. James received an MBA from INSEAD Graduate Business School in France, and also holds a Masters of Applied Finance from Macquarie University and a Bachelor of Business from the Australian Catholic University. James has been part of the Liberty group for more than 15 years and brings invaluable insight into the changing landscape of the financial services industry.
	**Peter Hawkins** *Independent Non-Executive Director* Peter Hawkins was appointed as a Director of the Company in 2006. Peter's 34-year career with the Australia and New Zealand Banking Group Ltd spanned the highest level of management. His previous roles included Group Managing Director of Group Strategic Development and Group Managing Director of Personal Financial Services. He was formerly a director of Clayton Utz, ING Australia Limited, ING (NZ) Limited, Visa International and Westpac Banking Corporation Ltd. Peter presently serves as a non-executive director of Crestone Holdings.

6 Key Individuals, Interests and Benefits

Director	Biography
	**Sherman Ma** *Executive Director* Sherman Ma founded the Liberty Group in 1997. Prior to that he gathered financial services experience whilst working in investment banking with the First Boston Corporation (now Credit Suisse), investment management with BlackRock Financial Management and management consulting with McKinsey & Company. Sherman earned an MBA from the Wharton School and won the Management & Technology award for being first-in-program with dual disciplines in Economics and Operations Research at the University of Pennsylvania. He is a member of the Wharton Undergraduate Executive Board.
	**Leona Murphy** *Independent Non-Executive Director* Leona Murphy was appointed as a Director of the Company in 2016. Leona joined the Liberty Group from leading insurer IAG Ltd, where she performed a number of group executive roles including Chief Strategy Officer and Chief Transformation Officer. Prior to IAG she was an Executive General Manager with Promina Group and Vero Insurance. She is formally an independent director of Australian Insurance Association and Co-Chair of the UN Environmental Programs' Financial Initiative for Sustainable Insurance and the NZ Accident Compensation Commission. Leona is currently the Chair of Stone & Chalk and Royal Brisbane and Womens' Hospital Foundation and an independent director of RACQ Ltd, RACQ Bank and RACQ Insurance. She has a Bachelor of Commerce degree in Accounting and Law from Griffith University.

The RE Board comprises Peter Hawkins (Chair), Richard Longes, Leona Murphy and Sherman Ma.

6.2. Director Disclosures

6.2.1. Insolvent Companies

No Company Director or RE Director has been an officer of any company that entered into a form of external administration because of insolvency during the time that a Director was an officer of that company (or within a 12-month period afterwards).

6.2.2. Legal or Disciplinary Actions

There are no legal or disciplinary actions against a Company Director or RE Director (or against companies that a Director was a director of at the relevant time) that are less than 10 years old and are relevant to his/her duties as a Director or to the question of whether to invest in the Liberty Group.

6.3. Senior Management of Liberty

Liberty's management team consists of qualified individuals with extensive relevant experience and applicable skills to lead sales, origination, customer fulfilment, underwriting, settlements, servicing, human resources, technology, marketing, finance, risk, legal and strategy roles of the Company. The individuals in the management team have gained a variety of experience from a diverse range of organisations including financial institutions such as large domestic banks, global investment banks, insurance companies and consumer finance companies. All members of the management team are employed by the Company or a subsidiary of the Company and are available to provide support and services to the Trust under the Service Agreement.

Executive	Biography
	**Heidi Armstrong** *Head of Consumer Advocacy* Heidi Armstrong leads Liberty's marketing and communications team. Heidi draws on her diverse experience as a customer, business owner, lawyer, finance specialist and media commentator to actively advocate for small businesses, property ownership and consumers. Heidi won Best Industry Thought Leader at the 2014 Australian Lending Awards, holds a Bachelor of Laws, Bachelor of Science and a Diploma in Mortgage Finance.
	**Anne Bastian** *Group Culture and Community Manager* Anne Bastian heads our dynamic culture and community team and is a proud champion of Liberty's inclusive workplace culture. Committed to learning and development, Anne is passionate about enhancing employee experience and facilitating new growth opportunities. With over 18 years' experience at Liberty, Anne played an important role in establishing Liberty as an employer of choice. She holds a Bachelor of Business from Victoria University of Technology and a Graduate Diploma in Management from the Australian Graduate School of Management.
	**James Boyle** *Chief Executive Officer* Refer to Section 6.1 Board of Directors.
	**Mark Collins** *Chief Executive Officer (New Zealand)* Mark has overall responsibility for Liberty's operations and performance in New Zealand. His focus is on Liberty's development of innovative financial products and services, as well as building strong customer-client relationships and sales networks. Mark brings 27 years of relevant experience most recently from New Zealand Home Loans, where he was Chief Executive. Prior to that he was General Manager of Distribution and Head of New Business and Claims with Sovereign. Mark holds an MBA from the Open University in London and an LLB from Otago University.

6 Key Individuals, Interests and Benefits

Executive	Biography

Gerald Foley
Managing Director – nMB

Gerald Foley is Managing Director and founder of nMB. Established in 2001 and based in Melbourne, nMB is a wholesale mortgage aggregator that provides services to over 400 brokers. As founder of nMB, Gerald has been a leading advocate for brokers almost since they first started helping customers in Australia. Formerly National President of the MFAA, Gerald has over 35 years industry experience.

Glen Foley
General Manager - Customer Experience

Glen Foley is responsible for driving Liberty’s customer engagement and technology departments. At the forefront of the tech industry, Glen is the founder of several start-ups and has acted as a software consultant within a range of industries. This includes human services, education, aerospace and not-for-profit. Drawing on his vast experience and extensive consumer insight, Glen guides his teams to create meaningful connections that truly resonate with customers.

Rupert Hugh-Jones
General Manager – Corporate Affairs

Rupert Hugh-Jones is responsible for Liberty’s corporate affairs strategy. With over 30 years of corporate and public affairs experience, Rupert has held several senior positions and was most recently Head of Corporate Communications at Etihad Airways. Rupert has a Bachelor of Economics from Monash University and a Diploma in Financial Markets from Financial Services Institute of Australia (“FSIA”).

Lynne Jordan
General Manager –Group Operational Risk and Compliance

Lynne Jordan is the head of Liberty’s risk and compliance division and was previously the leader of Liberty’s Servicing Operations team. Before joining Liberty, Lynne worked with Ford Credit for over 20 years in positions including Ford Group Treasurer, Australia and New Zealand. Lynne has a Bachelor of Science (Hons) from the University of Strathclyde, Scotland.

Executive	Biography
	**Sherman Ma** *Executive Director* Refer to Section 6.1 Board of Directors.
	**John Mohnacheff** *Group Sales Manager* John Mohnacheff is Liberty's long-serving Group Sales Manager. With over 30 years of insurance, banking and finance experience, John is committed to improving the sales habits and disciplines of the entire Liberty Sales team. Before joining Liberty, John held executive roles at Westpac and Bank of Melbourne. John has a Bachelor of Business, and a Marketing Masters through the University of New England and a Post Graduate Diploma in Organisational Behaviour from the University of NSW.
	**Brendan O'Donnell** *Managing Director – LNS* Brendan O'Donnell is the passionate and driven director of LNS. With more than 25 years' experience in financial services, Brendan is committed to achieving excellent customer outcomes and supporting Liberty Advisers to grow their business. Before Liberty, he was CEO at Choice Aggregation Services. Brendan has also held executive management positions with Absa Group in South Africa. Brendan attended executive programs at INSEAD and the GIBS, qualified as a Chartered Marketer, and has a Chartered Associate Banking Diploma.
	**Dennis Rappoport** *Group Data Scientist and Credit Risk Manager* Dennis Rappoport manages Liberty's credit risk and data science capabilities. An analytics expert with more than 15 years' experience, Dennis leads a team that seeks to use data and fast model deployment methodologies to facilitate improved operational and strategic decision-making to support sustainable business operations. Dennis holds a Bachelor of Commerce (Actuarial Science) and a Bachelor of Science (Mathematics and Statistics) from the University of Melbourne.

6 Key Individuals, Interests and Benefits

Executive	Biography
	**Peter Riedel** *Chief Financial Officer and Company Secretary* Peter Riedel is responsible for managing access to and control over capital for the wider Liberty group. Passionate about delivering efficient and effective financial solutions, Peter draws on his extensive knowledge to identify key insights to enhance business performance. Before joining Liberty, Peter spent 16 years at Deloitte providing merger and acquisition, valuation and capital raising advice to companies in the financial services industry. Peter is a Chartered Accountant and holds a Bachelor of Economics from Monash University.
	**Michelle Sparsi** *General Manager– Strategy* Michelle Sparsi is the leader behind Liberty's strategy and innovation efforts. During her tenure at Liberty, Michelle has gained extensive experience across customer engagement, sales, human resources and marketing. Michelle plays a key role in nurturing curious and empowered teams and is a champion of women in the workplace. She holds a Bachelor of Human Resources and a Graduate Diploma in International Business (Marketing) from Monash University.
	**Stuart Stoyan** *Managing Director – MoneyPlace* Stuart is founder and CEO of MoneyPlace. Stuart is a leading member of Australia's fintech community and has helped shape national fintech and innovation policies. He is also a member of the Australian Federal Government's Fintech Advisory Group and also the Banking Advisory Committee for Data Standards Board, a former Chairman of Fintech Australia and a former Board member of Fintech Victoria. Prior to founding MoneyPlace, Stuart was the Head of Strategy for NAB Business.
	**Huy Truong** *Managing Director – ALI Group* Huy is the leader of ALI Group. Huy has had an extensive business career spanning the range of strategy consulting, private equity, startups and business leadership. Huy has previously worked at Boston Consulting Group, Carter Holt Harvey Tissue AFH and Jurlique International. He was a Co-Founder of Yarra Capital and is Co-Founder and Deputy Chairman at Thrive Refugee Enterprise. Huy has an Honours Degree in Economics from Monash University and a Master of Business Administration from Harvard Business School.

6.4. Interests and Benefits

This Section 6.4 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Offer Document, no:

- Director or proposed Director of the Company or Responsible Entity;
- Person named in this Offer Document and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Offer Document;
- Promoter of the Liberty Group; or
- Underwriter to the Offer,

holds at the Offer Document Date, or has held in the two years before the Offer Document Date, an interest in:

- the formation or promotion of the Liberty Group;
- property acquired or proposed to be acquired by the Liberty Group in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Liberty Group or the Offer or to any Director or proposed Director of the Company or the Responsible Entity to induce them to become, or qualify as, a Director of the Company or the Responsible Entity.

Sherman Ma will receive consideration in the form of a promissory note from Liberty Financial Pty Ltd for the amount of $30,000 from Liberty in consideration for the transfer of his interest in Priceware to Liberty Financial Pty Ltd. Further details regarding the sale and purchase agreement entered to effect this transfer are set out in Section 11.8.

6.4.1. Non-Executive Directors’ Interests and Remuneration

6.4.1.1. Non-Executive Director Remuneration

Under each of the Constitutions of the Company and the Responsible Entity, the respective shareholders may, in a general meeting, determine the maximum aggregate remuneration to be provided to or for the benefit of the Directors as remuneration for their services as a Director (“Directors’ Remuneration”). Further, under the ASX Listing Rules, the total amount paid to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the members of the Company and Responsible Entity in a general meeting.

6.4.1.1.1 Company and RE Directors

Initially, and until a different amount is determined, the Constitution of the Company provides that the maximum aggregate Directors’ Remuneration is $1,000,000 per annum. This amount excludes, among other things, amounts payable to any executive Director under any executive services agreement with Liberty or any special remuneration which the Company Board may grant to its Directors for special exertions or additional services performed by a Director for or at the request of the Company, which may be made in addition to or in substitution for the Company Director’s fees.

In relation to the Company, the annual Directors’ fees currently agreed to be paid are $270,000 to the Chair of the Company Board and $180,000 to each of the other Non-Executive Directors. In addition, Directors are paid an additional $30,000 for each of the roles of Chair of the Audit and Risk Committee and Chair of the Remuneration and Nomination Committee. The annual Directors’ fees include the participation of all Non-Executive Directors as members of each committee. Superannuation payments are included in the Company Directors’ fees.

6.4.1.1.2 One-Off Services Fee

In addition, a one-off fee of $120,000 will be paid to each Non-Executive Director for services provided by each of them in connection with the Offer. Each Non-Executive Director has elected to receive this fee in the form of Securities on Completion of the Offer. See Section 6.4.1.2 for details of the Directors’ holdings of the Securities on Completion of the Offer.

6 Key Individuals, Interests and Benefits

6.4.1.2. Non-Executive Director Security Holdings

While Directors are not required under the respective Constitutions to hold any securities (including the Securities), set out below are details of Non-Executive Directors' relevant interests in the Securities immediately following Completion of the Offer, which includes any purchases made pursuant to the Offer.

Non-executive Director	Number of Securities	Percentage of Securities
Peter Hawkins	398,600	0.13%
Richard Longes	365,000	0.12%
Leona Murphy	103,000	0.03%

6.4.2. Management Interests and Remuneration

6.4.2.1. Executive Manager Remuneration

James Boyle, Sherman Ma and Peter Riedel are employed by the Company in the positions of Chief Executive Officer, Executive Director and Chief Financial Officer, respectively. Under the terms of their employment contracts, James Boyle, Peter Riedel and Sherman Ma will be entitled to receive a fixed annual package of $840,000, $840,000 and $420,000 respectively (inclusive of base salary and any superannuation or non monetary benefits). Further, all members of the Office of the Executive ("Executive Managers") will be entitled to participate in the Liberty Group's employee incentive scheme as further described in Section 6.4.4.

6.4.2.2. Executive and Employee Security Holdings

The interests of the Senior Managers are aligned with creating long-term value for the Liberty Group. Shown below are the Securities to be held by the Executive Managers, Senior Managers and employees of Liberty following Completion of the Offer. Securities held by the Founder Group and the Executive Managers will be subject to escrow arrangements described in Section 11.5 and the Securities Trading Policy described in Section 6.7.6.

Executive/Group	Number of Securities	Percentage of Securities
James Boyle	4,097,880	1.3%
Sherman Ma[1]	144,120,043	47.5%
Peter Riedel	3,076,000	1.0%
Other Current and Former Employees (including Senior Managers)	7,529,280	2.5%

Details of the Security Rights to be held by the Executive Managers and employees (including other Senior Managers) of Liberty following Completion of the Offer are set out in Section 6.4.4.2.

6.4.3. Deeds of Access, Indemnity and Insurance for Directors

The Company and Responsible Entity have entered into deeds of access, indemnity and insurance with each Director ("Deed") which gives each Director the right to access certain books and records of the relevant company and corresponding Board papers for a seven-year period after the Director ceases to hold office as a Director of the Company, the Responsible Entity or any of their related bodies corporate.

Under the Deeds and the Constitutions of the Company and the Responsible Entity, each company agrees to indemnify each of its Director against any liability (including all legal costs) incurred by the Director as an officer of the company or a related body corporate, except any liability which is precluded by law from indemnification.

Under the Deed, to the maximum extent permitted by law, a directors and officers insurance policy must be maintained insuring each Director (among others) against liability as a director and officer of the relevant company and its related bodies corporate for a period of seven years after the Director ceases to hold office as a director or officer of the relevant company or a related body corporate (or the date any relevant proceedings commenced during the seven-year period have been finally resolved).

1. Sherman Ma has an economic interest in 144,149,280 Securities by virtue of his interest in Vesta.

6.4.4. Equity Incentive Plan

The Company Board has determined that Liberty's current remuneration policy for its eligible employees include annual incentive programs to reward sustained and consistent performance, payments under which are subject to discretion each year. The Company has established the Equity Incentive Plan ("EIP") to align the interests of selected employees (including Executive Directors) with the securityholders of Liberty. The EIP permits the grant of performance rights (which will have a nil exercise price) and options.

The rules of the EIP and the offer documents provide the framework under which individual grants will operate.

6.4.4.1. Equity Incentive Plan

The table below provides a summary of how the EIP broadly operates.

Feature	Description
Types of securities	• The EIP provides the flexibility for Liberty to grant options or performance rights (each a "Security Right") to eligible participants. • A Security Right is an entitlement to receive a Security upon satisfaction of the applicable vesting and exercise conditions, the exercise of the Security Right and the payment of an exercise price (if applicable).
Eligibility	• Security Rights may be granted under the EIP to eligible participants from time to time in the absolute discretion of the Company Board. • Eligible participants will include employees (including Executive Directors) as selected by the Company Board from time to time. • If permitted by the Company Board, participants will be able to nominate a third party to be issued the Security Rights on their behalf.
Issue price of Security Rights	• No payment is required for the grant of Security Rights unless the Company Board determines otherwise.
Terms and conditions	• The Company Board has the absolute discretion to determine the terms and conditions (including in relation to vesting, exercise, forfeiture, disposal and pricing) on which it will make offers under the EIP and it may set different terms and conditions for different participants in the EIP.
Vesting and exercise of Security Rights	• Security Rights will vest if and to the extent that any applicable performance, service and other vesting conditions specified at the time of the grant (collectively the "Vesting Conditions") are satisfied or waived and the Company has given the participant a vesting notice. • Vested Security Rights will be exercisable if and to the extent that any applicable exercise conditions specified at the time of the grant (collectively the "Exercise Conditions") are satisfied or waived and the Company has given the participant a confirmation notice. If no Exercise Conditions apply to a grant of Security Rights, a vesting notice will be deemed to also be a confirmation notice.
Exercise price	• As a condition of the grant of the Security Rights, the Company Board may require a participant to pay an exercise price to exercise those Security Rights.
Issue, allocation or acquisition of Securities	• Subject to applicable laws, Securities to be delivered to participants upon the exercise of vested Security Rights may be issued by the Company, acquired on or off market and transferred, and/or allocated within an employee securities trust. • The Company may, but is not obliged to, limit the manner in which it delivers Securities to a participant that has exercised a Security Right. For example, to obtain the benefit of ASX Listing Rule 10.16(b), the Company may limit itself to only sourcing Securities from on-market to fulfil particular vested Security Rights.

6 Key Individuals, Interests and Benefits

Feature	Description
Equity or cash settlement	• The EIP has the flexibility for Security Rights to be settled in either Securities or cash as determined by the Company Board.
Expiry date	• Security Rights will be issued with an expiry date. If no date is specified, the expiry date will be the business day prior to the 15-year anniversary of the date of grant.
Restrictions on dealing of Security Rights	• Subject to applicable laws and the ASX Listing Rules, Security Rights may not be sold, transferred, encumbered, hedged or otherwise dealt with other than in accordance with the rules of the EIP and the relevant invitation. • Participants may not enter into any arrangement which hedges or otherwise affects the participant's economic exposure to the Security Rights granted to them under the EIP.
Lapse/forfeiture of Security Rights	• The EIP contains provisions which set out the treatment of Security Rights and any Securities issued, allocated or transferred following the exercise of Security Rights, including in the event that: – the participant ceases employment with Liberty; – the Vesting Conditions or Exercise Conditions attaching to the relevant Security Rights are not satisfied or the Company Board forms the view they cannot be satisfied; – a participant acts fraudulently or dishonestly, or wilfully breaches the obligations that they owe to Liberty; – a participant becomes insolvent; – a participant breaches (without remedy) the obligation that are owed to the Group in respect of the EIP; – a participant's nominated affiliate has undergone a change of control without the prior written consent of the Company Board; and – the Security Rights are not exercised before the applicable expiry date. • The EIP also contains provisions which provide the Company Board with the ability to reduce Security Rights and/or impose claw-back in the following circumstances: – if the participant joins a competitor of Liberty; and – in the event of fraudulent or dishonest actions to ensure that no benefit is obtained by the participant.
Change of control impact on Security Rights	• If a change of control event in relation to the Company or the Trust occurs (or if the Company Board resolves for the purpose of the EIP that a change of control event will occur), the Company Board will have the absolute discretion to determine the manner in which Security Rights (whether vested or unvested) will be dealt with.
Employee securities trust	• The Company may establish and operate an employee securities trust to assist with operation of the EIP, including facilitating the provision of Securities to participants when Security Rights are exercised, the sale of Securities on behalf of a participant and remission of the proceeds of sale to the participant, and the retention of unvested or forfeited Securities if vesting conditions (if any) are not met.

Feature	Description
Other terms	• The EIP contains customary and usual terms having regard to Australian law and the ASX Listing Rules for dealing with the administration, variation and termination of the EIP (including in relation to the treatment of Security Rights in the event of a reorganisation of the Company's share capital or the Trust's unit capital, a rights issue or a bonus share or bonus unit issue). • Security Rights will not carry any distributions or voting rights. • Security Rights will not be quoted on the ASX. • The Company will apply in accordance with the ASX Listing Rules for official quotation of any Securities issued to a participant under the EIP.

6.4.4.2. IPO Bonus Security Rights

The purpose of the Security Rights to be granted prior to or around the Completion of the Offer ("IPO Bonus Security Rights") is to reward executives for their contribution to the Company and the performance achieved prior to Completion of the Offer.

There will be a total of 14,196,638 IPO Bonus Security Rights on issue, each of which will confer upon the relevant holder the right to be issued or transferred one Security upon the exercise of such Security Right. The terms specific to the IPO Bonus Security Rights are set out below.

Eligibility	• It is anticipated that certain key employees in Australia and New Zealand will participate in the one-off offer of IPO Bonus Security Rights. Eligibility to participate in the IPO Bonus Security Rights will be determined by the Company Board in its absolute discretion. • Participants will be able to nominate a third party to be issued the IPO Bonus Security Rights on their behalf.
Security Right vehicle	• Certain key employees will be invited to apply for a grant of options under the rules of the EIP to acquire Securities prior to or around the Completion of the Offer. • The IPO Bonus Security Rights will be granted with an exercise price equal to the Offer Price. • Unexercised IPO Bonus Security Rights will expire on the earlier of: – the 15th anniversary of the date of grant; and – if the participant ceases employment with the Company, the second anniversary of the date of cessation (or such later date that the Company Board may determine) • Once vested, an IPO Bonus Security Right may be exercised by the participant subject to the Securities Trading Policy. • A vested IPO Bonus Security Right that has been exercised may be settled by way of an issue, allocation or transfer of a Security or by way of a cash payment (equal to the value of a Security that would have been issued, allocated or transferred had the Security Right been settled with a Security) as determined by the Company Board.

6 Key Individuals, Interests and Benefits

Quantum	• The total number of IPO Bonus Security Rights to be granted to each participant will be determined by the Company Board. It is currently intended that IPO Bonus Security Rights will be offered as follows:
Vesting Conditions	• IPO Bonus Security Rights which are granted prior to Completion of the Offer will vest subject to the Completion of the Offer. • IPO Bonus Security Rights which are granted upon or following Completion of the Offer will be granted as fully vested.
Exercise Conditions	• Once an IPO Bonus Security Right has vested, the IPO Bonus Security Right will not be subject to any further exercise conditions and, subject to the Securities Trading Policy, may be exercised at any time prior to the relevant expiry date.
Disposal restrictions	• Securities to be delivered to participants upon the exercise of the vested IPO Bonus Security Rights will be subject to the following disposal restrictions: – one-third of the Securities will be subject to a disposal restriction ending on the third anniversary of the date of Completion of the IPO; – one-third of the Securities will be subject to a disposal restriction ending on the fourth anniversary of the date of Completion of the IPO; and – one-third of the Securities will be subject to a disposal restriction ending on the fifth anniversary of the date of Completion of the IPO.
Other terms	• In addition to the provisions contained in the rules of the EIP which relate to the lapse/forfeiture of Security Rights, a vested IPO Bonus Security Right will lapse and a Security delivered following exercise of a vested IPO Bonus Security Right will be forfeited (unless the Company Board determines otherwise) if the participant joins a competitor of Liberty prior to the end of the applicable disposal restriction (described above).

Executive	Number of IPO Bonus Security Rights
James Boyle	668,077
Sherman Ma	334,039
Peter Riedel	668,077
Other Employees (including other Senior Managers)	12,526,445

6.4.4.3. Medium-Term Incentive ("MTI")

Certain employees will be provided with a variable remuneration opportunity which seeks to promote individual accountability and performance on a medium-term basis. At the end of each calendar year, the Company Board will undertake a discretionary process that will include the consideration of Company key performance indicators and employee behaviour and performance for the prior year and determine the value that each eligible participant will receive in respect of their MTI variable remuneration opportunity ("MTI Outcome").

The MTI Outcome will be paid as follows:

- one-third of the MTI Outcome will be delivered via a cash payment; and
- two-thirds of the MTI Outcome will be delivered in a combination of cash and/or Security Rights ("MTI Deferred Equity Portion") granted under the EIP ("MTI Security Rights") at the discretion of the Company Board.

The terms specific to the MTI Security Rights are set out below.

Eligibility	• Participation in the MTI will be open to employees in Australia and New Zealand at the Company Board's discretion. • Participants will be able to nominate a third party to be issued the MTI Security Rights on their behalf.
Initial participation and frequency of grants	• Subject to applicable law, it is intended that the first offer of MTI Security Rights will be made under the rules of the EIP in or around December 2020. • The number of MTI Security Rights to be granted to each participant will be determined by dividing the dollar value of their MTI Deferred Equity Portion by the market value of a Security Right at the date of grant. • The Company intends to grant MTI Security Rights annually.
Security Right vehicle	• The MTI Security Rights will be granted with a nil exercise price. • Unexercised MTI Security Rights will expire on the earlier of: – the 15th anniversary of the date of grant; and – if the participant ceases employment with the Company, the second anniversary of the date of cessation (or such later date that the Company Board may determine). • Once vested, an MTI Security Right may be exercised by the participant subject to the Securities Trading Policy. • A vested MTI Security Right that has been exercised may be settled by way of an issue, allocation or transfer of a Security or by way of a cash payment (equal to the value of a Security that would have been issued, allocated or transferred had the Security Right been settled with a Security).
Vesting Conditions, Exercise Conditions	• It is intended that the MTI Security Rights will vest in two equal tranches on the first and second anniversaries of the date of grant, contingent on the participant's continued employment at the relevant vesting date. • Once an MTI Security Right has vested, the MTI Security Right will not be subject to any further exercise condition and, subject to the Securities Trading Policy, may be exercised at any time prior to the relevant expiry date.
Cessation of employment	• If a participant ceases to be employed with Liberty prior to their MTI Outcome being determined, they will not be entitled to receive any value in respect of their MTI variable remuneration opportunity unless the Company Board determines otherwise. • If a participant ceases to be employed with Liberty while they hold MTI Security Rights, unless the Board determines otherwise, all of their unvested MTI Security Rights will be forfeited and they will be entitled to retain all of their vested but unexercised MTI Security Rights.

6.4.4.4. Long-Term Incentive ("LTI")

Certain employees will also be provided with long-term incentive through the offer of Security Rights granted under the EIP ("LTI Security Rights") to align their interests with those interests of the Security Holders.

The terms specific to the LTI Security Rights are set out below.

Eligibility	• Participation in the LTI will be open to employees in Australia and New Zealand at the Company Board's discretion. • Participants will be able to nominate a third party to be issued the LTI Security Rights on their behalf.

6 Key Individuals, Interests and Benefits

Initial participation and frequency of grants	• It is intended that the first offer of LTI Security Rights will be made under the rules of the EIP in or around December 2021. • Thereafter, Liberty intends to grant LTI Security Rights annually.
Security Right vehicle	• It is intended that the LTI Security Rights will be granted with an exercise price equal to the value of Security on the date of grant. • Unexercised LTI Security Rights will expire on the earlier of: – the 15th anniversary of the date of grant; and – if the participant ceases employment with the Company, the 2nd anniversary of the date of cessation (or such later date that the Company Board may determine) • Once vested, an LTI Security Right may be exercised by the participant subject to the Securities Trading Policy. • A vested LTI Security Right that has been exercised may be settled by way of an issue, allocation or transfer of a Security or by way of a cash payment (equal to the value of a Security that would have been issued, allocated or transferred had the Security Right been settled with a Security) as determined by the Company Board.
Vesting Conditions, Exercise Conditions	• The Company Board will have the discretion to determine the vesting conditions (including any performance hurdles) and any exercise conditions which will apply to LTI Security Rights. • It is intended that the LTI Security Rights will vest in three equal tranches on the third, fourth and fifth anniversaries of the date of grant, subject to the satisfaction of certain performance hurdles (see below) and contingent on the participant's continued employment at the relevant vesting date. • It is intended that the applicable performance hurdles to the LTI Security Rights will be as follows: – 50% of the LTI Security Rights will be subject to a total shareholder return performance hurdle measured over a three-year period; and – 50% of the LTI Security Rights will be subject to an earnings per security performance hurdle measuring over a three-year period. • Once an LTI Security Right has vested, the LTI Security Right will not be subject to any further exercise condition and, subject to the Securities Trading Policy, may be exercised at any time prior to the relevant expiry date.
Cessation of employment	• If a participant ceases to be employed with the Company while they hold LTI Security Rights, unless the Board determines otherwise, all of their unvested LTI Security Rights will be forfeited and they will be entitled to retain all of their vested but unexercised LTI Security Rights.

6.5. Distribution Reinvestment Plan

The Responsible Entity and the Company have jointly established rules for participation by Security Holders in a Distribution Reinvestment Plan ("DRP"). The rules of the DRP are typical of a distribution reinvestment plan operated by an ASX listed company. Security Holders who elect to participate in the DRP will be able to reinvest the dividends they are entitled to receive in Securities rather than receiving those dividends in cash. Security Holders may choose to participate in the DRP in respect of some or all of their Securities.

The DRP may be varied, terminated or suspended by the Boards at any time, according to the rules of the DRP.

A Security Holder whose registered address is in Australia or New Zealand is eligible to participate in the DRP unless otherwise excluded under the rules of the DRP. The Boards may, at their discretion determine that Security Holders with a registered address outside of Australia or New Zealand are eligible to participate in the DRP.

A copy of the rules of the DRP will be made available by the Liberty Group to Security Holders in advance of the record date for the first distribution. Alternatively, a copy of the rules of the DRP will be available on the Liberty Group's website at www.lfgroup.com.au.

6.6. Interests of Advisers

The Liberty Group has engaged the following professional advisers in relation to the Offer:

- Credit Suisse (Australia) Limited has acted as Lead Manager to the Offer. Liberty has paid, or agreed to pay, the Lead Manager the fees described in Section 11.2 for these services, which is anticipated to be approximately $7.0 million;
- Shaw and Partners and E&P Corporate Advisory have acted as a Co-Lead Managers to the Offer. The Lead Manager has agreed to pay the Co-Lead Managers the fees described in Section 11.2 for these services;
- PricewaterhouseCoopers has acted as the Liberty Group's Australian and New Zealand legal and tax adviser in relation to the Offer. Liberty has paid, or agreed to pay, approximately $2.55 million (excluding disbursements and GST) for these services up until the Offer Document Date; and
- KPMG Transaction Services has acted as Investigating Accountant and has prepared the Investigating Accountant's Report and has performed work in relation to due diligence enquiries. Liberty has paid, or agreed to pay, approximately $1.4 million in total (excluding disbursements and GST) for the above services up until the Offer Document Date.

These amounts, and other costs of the Offer will be paid by the Company and the Trust out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of costs of the Offer is set out in Sections 7.1.4.

6.7. Corporate Governance

The Company Board and the RE Board recognise the importance of strong corporate governance and are committed to high standards of governance and compliance.

The Company and the Responsible Entity have each adopted a corporate governance structure which is designed to provide oversight of the operations and activities of the Company and the Trust respectively. A key feature of this corporate governance structure is that the Company and the Responsible Entity have separate and distinct functions.

The Board Charters of each of the Company and the Responsible Entity include dispute resolution procedures, such as escalation of disputes to senior representatives as well as the potential for mediation processes and referral to independent experts.

The Company Board and the RE Board are each committed to implementing the highest standards of corporate governance and operate in accordance with their own policies and procedures. However, given that Liberty Group is a stapled entity, there are instances in which it will be appropriate for the Company and Responsible Entity to undertake a coordinated approach to the corporate governance of Liberty Group and therefore, joint policies and procedures have been adopted in some circumstances (as indicated in this Section 6.7). A summary of the policies and charters of the Liberty Group are set out in the remainder of this Section 6.7. Copies of these policies and charters will be made available at www.lfgroup.com.au.

6.7.1. ASX Recommendations

Under the ASX Listing Rules, the Liberty Group will be required to annually provide a statement to ASX disclosing the extent to which it has or has not followed the recommendations issued by the ASX Corporate Governance Council ("ASX Recommendations"). The Liberty Group intends to comply with all of the ASX Recommendations from the time of Listing with the following exceptions:

- The Responsible Entity also does not intend to have a separate diversity policy, whistleblower policy or anti-bribery and corruption policy to that adopted by the Company, given the entry into the Service Agreement by the Responsible Entity with the Company.

6 Key Individuals, Interests and Benefits

6.7.2. Boards of Directors

The board of directors of the Company comprises five directors being:

- A Non-Executive Independent Chair;
- Two Non-Executive Independent Directors;
- The Chief Executive Officer; and
- An Executive Director.

The board of directors of the Responsible Entity comprises four directors being:

- A Non-Executive Independent Chair;
- Two Non-Executive Independent Director; and
- An Executive Director.

Detailed biographies of each Director are provided in Section 6.1.

Each Board considers a Director to be independent where they are not members of management (i.e. non-executive) and are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgement. The materiality of any given relationship will be considered on a case-by-case basis by the relevant Board as required. Each Board has adopted materiality guidelines to assist it in this regard and will regularly review the independence of each of its Directors in light of information disclosed by each Director.

6.7.2.1. Director Independence

Each Board considers that each of Richard Longes, Peter Hawkins and Leona Murphy are free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of their judgement. Accordingly, each Board considers that it is able to fulfil the role of an independent director for the purposes of the ASX Recommendations.

James Boyle and Sherman Ma are currently considered by each Board not to be independent. James Boyle is currently the Chief Executive Officer of the Liberty Group. Sherman Ma, along with the Founder Group, founded Liberty and as at the Offer Document Date, held 100% of the ordinary shares in the Company and 100% of the units in the Trust.

Although James Boyle and Sherman Ma are not considered to be independent, each Board considers that they both add significant value to deliberations with their experience and skills.

6.7.3. Board Charter and Committees

The Company Board and the RE Board has each adopted a written board charter (“Board Charter”) which is designed to provide a framework for the effective operation of the relevant board in overseeing the operations and activities of the Company and the Trust (respectively).

6.7.3.1. Company Board Charter

The Company’s Board Charter set outs:

- The roles and responsibilities of the Company Board, including to provide overall strategic guidance, oversight of risk management and reporting, effective oversight of management, monitoring of the Company Board and management performance and oversight of governance;
- The roles and responsibilities of the Chair and the Company Secretary;
- The membership of the Company Board, including in relation to the board’s composition and size and the process of selection and re-election of Company Directors, terms of appointment of Company Directors, independence of Company Directors and conduct of individual Company Directors;
- The delegations of authority of the board to the Executive Managers and other management;
- The delegations of authority to the committees of the Company Board; and
- The Company Board process, including how the Company Board meets.

The management function is conducted by, or under the supervision of, the Executive Managers as directed by the Company Board (and by officers to whom the management function is properly delegated by the Executive Managers).

The Company Board collectively, and individual directors, may seek independent professional advice at the Company's expense, subject to the approval of the Chair or (or if the Chair is the relevant director, with the approval of the Chair of the Audit and Risk Committee).

In addition, the Company Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Company Board has established an audit and risk committee and a remuneration and nomination committee.

6.7.3.2. Responsible Entity Board Charter

The RE Board charter sets out:

- The roles and responsibilities of the RE Board, including to provide:
  - overall strategic guidance for the activities of the Trust;
  - oversight of audit and risk management and reporting for the Trust;
  - effective oversight of management (performed by the Company under the Service Agreement);
  - monitoring of RE Board performance; and
  - general oversight of governance.
- The membership of the RE Board, including in relation to the board's composition and size and the process of nomination, selection and re-election of RE Directors, terms of appointment of RE Directors (including remuneration), independence of RE Directors and conduct of individual RE Directors;
- The delegations of authority of the RE Board to the Executive Managers and other members of the Company's management under the Service Agreement;
- The RE Board process, including how often the RE Board meets; and
- The RE Board collectively, and individual RE Directors, may seek independent professional advice at the Responsible Entity's expense, subject to the approval of the RE Board (as a whole).

Under its board charter, the Responsible Entity may elect to establish appropriate committees to assist in the discharge of its responsibilities.

6.7.3.3. Audit and Risk Committee

The Company's and Trust's Audit and Risk Committee's role is to assist the Company Board and RE Board respectively in carrying out their respective accounting, auditing and financial reporting responsibilities, including:

- Overseeing the Liberty Group's relationship with the external auditor and the external audit function generally;
- Overseeing the Liberty Group's relationship with the internal auditor and the internal audit function generally (if any);
- Overseeing the preparation of the financial statements and reports;
- Overseeing the Liberty Group's financial controls and systems; and
- Managing the process of identification and management of business and financial risk.

The Company's and Trust's Audit and Risk Committee's charter provides that the committee must comprise a majority of Independent Directors, an Independent Chair who is not the chair of the Board and a minimum of three Directors.

As at the Offer Document Date, each Audit and Risk Committee of the Liberty Group comprises:

- Peter Hawkins (Audit and Risk Committee chair);
- Richard Longes; and
- Leona Murphy,

all of whom are Independent, Non-Executive Directors.

6 Key Individuals, Interests and Benefits

Each Audit and Risk Committee will be empowered to establish relevant sub-committees (such as credit committees and product and pricing committees). Whilst the Audit and Risk Committee of the Company and the Trust are comprised of the same individuals, each Audit and Risk Committee will operate separately and independently of each other, such that the Audit and Risk Committee of the Company will consider matters relevant to the Company only and the Audit and Risk Committee of the Trust will consider matters relevant to the Trust only.

6.7.3.4. Remuneration and Nomination Committee

The Company's and Trust's Remuneration and Nomination Committee is responsible for final approval of matters relating to succession planning, nomination of Company Directors and RE Directors respectively and the Executive Managers; and remuneration of the Company Directors and RE Directors, the Executive Managers and executives reporting to them.

The role of the Remuneration and Nomination Committees are to:

- Review and recommend to the Boards executive remuneration generally (including, but not limited to, base pay, incentive payments, equity awards and service contracts), specific remuneration for Executive Directors and Senior Managers of the Liberty Group, and levels of remuneration for Non-Executive Directors, including fees, superannuation and other benefits;
- Review and recommend to the Boards, the size and composition of the Boards, including review of board succession plans and the succession of the Chair of the Boards and the Executive Managers, having regard to the objective that the Boards comprise Directors with a broad range of skills, expertise and experience from a broad range of backgrounds, including gender;
- Review and recommend to the Boards the criteria for board membership, including the necessary and desirable competencies of board members and the time expected to be devoted by Non-Executive Directors in relation to the Liberty Group's affairs;
- Review and make recommendations to the Boards in respect of membership of the Board, including making recommendations for the re-election of Directors, subject to the principle that a committee member must not be involved in making recommendations to the Boards in respect of themselves and assisting the Boards as required to identify individuals who are qualified to become Board members (including in respect of Executive Directors);
- Assist the Boards as required in relation to the performance evaluation of the Boards, their committees and individual Directors, and in developing and implementing plans for identifying, assessing and enhancing Director competencies;
- Ensuring that appropriate checks are undertaken before appointing a potential candidate or putting forward a candidate to security holders for approval;
- In relation to the Company's Remuneration and Nomination Committee:
  - ensure that an effective induction process is in place and regularly review its effectiveness on an annual basis, review the effectiveness of the Company's Diversity Policy by assessing the Company's progress towards the achievement of the measurable objectives and any strategies aimed at achieving the objectives, and reporting to the Company Board any changes to the measurable objectives, strategies or the way in which they are implemented; and
  - in accordance with the Company's Diversity Policy, on an annual basis, review the relative proportion of women and men in the workforce at all levels of the Company, and submit a report to the Company Board, which outlines the Committee's findings.

As at the Offer Document Date, each Remuneration and Nomination Committee comprises:

- Leona Murphy (Remuneration and Nomination Committee chair);
- Peter Hawkins; and
- Richard Longes,

all of whom are Independent, Non-Executive Directors.

Whilst the Remuneration and Nomination Committee of the Company and the Trust are comprised of the same individuals, each Remuneration and Nomination Committee will operate separately and independently of each other, such that the Remuneration and Nomination Committee of the Company will consider matters relevant to the Company only and the Remuneration and Nomination Committee of the Trust will consider matters relevant to the Trust only.

6.7.4. Diversity Policy of the Company

6.7.4.1. Company Diversity Policy

The Company Board has adopted a Diversity Policy in order to ensure a work environment where people are treated fairly and with respect notwithstanding their gender, ethnicity, disability, age or educational experience. The Company Board will include in its corporate governance statement each year a summary of the Company's progress towards achieving the measurable objectives set under this policy for the year to which the corporate governance statement relates and details of the measurable objectives set under this policy for the subsequent financial year.

6.7.4.2. Responsible Entity Diversity Policy

As the Trust does not employ any staff, the Responsible Entity has not adopted a diversity policy. However, the board charter of the Responsible Entity includes requirements to consider a person's diverse background, in addition to their skills, expertise and experience when nominating a person as an officeholder of the Responsible Entity.

6.7.5. Continuous Disclosure Policy

6.7.5.1. Continuous Disclosure

The Company and the Trust place a high priority on communication with Security Holders and is aware of the obligations they will have, once listed on the ASX, under the ASX Listing Rules and the Corporations Act, to keep the market fully informed of any information:

- The Company becomes aware of concerning the Company; or
- The Responsible Entity (in its capacity as responsible entity of the Trust) becomes aware of concerning the Trust,

which is generally not available and which a reasonable person would expect to have a material effect on the price or value of the Securities.

Under the terms of the Constitutions and the Stapling Deed, the Company and the Responsible Entity (in its capacity as responsible entity of the Trust) are obliged to exchange relevant information and coordinate ASX releases and financial reporting with each other.

Each of the Company and the Responsible Entity (in its capacity as responsible entity of the Trust) has adopted a Continuous Disclosure Policy which establishes procedures to ensure that Directors and employees of Liberty are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information. As the Securities are stapled, the Boards must ensure consistent messaging to the market. To support this, the Boards consider that it is appropriate for their respective Continuous Disclosure Policies to be consistent.

6.7.5.2. Disclosure Committee

The Company has established a Disclosure Committee, which will comprise:

- Richard Longes (Chair);
- Peter Riedel; and
- James Boyle.

The Chairman of the Company, the CEO, CFO and any other person who is expressly authorised in writing by the Board are the authorised spokespersons for the Company.

The RE Board has delegated authority to the Company's Disclosure Committee to approve ASX announcements, provided that ASX announcements which relate to matters within the reserved powers of the RE Board are first approved by the RE Board.

The secretary of the Company will act as the ASX liaison person for the Trust (by delegated authority from the RE Board) and for the Company.

6 Key Individuals, Interests and Benefits

6.7.6. Securities Trading Policy

As the Shares and Units are stapled together, they must trade and otherwise be dealt with together in accordance with their respective Constitutions and the Stapling Deed. The Boards have adopted a joint Securities Trading Policy in respect of trading in the Securities.

The Securities Trading Policy will apply to the Liberty Group and the Directors, Senior Management, Officers and other employees, including those persons having authority and responsibility for planning, directing and controlling the activities of the Liberty Group, whether directly or indirectly.

The Securities Trading Policy is intended to explain the types of conduct in relation to dealings in Securities that is prohibited under the Corporations Act and establish procedures in relation to Directors or employees of Liberty dealing in the Securities. Subject to certain exceptions, including exceptional financial circumstances, the Securities Trading Policy defines certain "blackout periods" during which trading in the Securities by Directors and employees of Liberty is prohibited.

The Chairman of the Company may, after having liaised with the RE Board, declare a trading window closed at any time.

6.7.7. Code of Conduct

The Boards are committed to a high level of integrity and ethical standards in all business practices. Accordingly, the Boards have adopted a joint formal Code of Conduct which outlines how the Company expects its representatives to behave and conduct business in the workplace and includes legal compliance and guidelines on appropriate ethical standards.

All employees of the Company (including temporary employees, contractors and the officers) must comply with the Code of Conduct. The Trust does not employ any staff.

6.7.8. Whistleblower Policy

6.7.8.1. Company Whistleblower Policy

The Company Board has adopted a Whistleblower Policy which encourages the reporting of any instances of suspected unethical, illegal, fraudulent or undesirable conduct involving the Business. This includes:

- Corruption or bribery;
- Dishonesty or fraud;
- Unsafe work practices;
- Illegal or unethical activities;
- A breach of Liberty's policies or procedures; or
- Any act that could cause financial or reputational loss.

The Whistleblower Policy provides a safe and supportive framework for those eligible to make a report to raise concerns without fear of retribution. A whistleblower report will automatically be treated anonymously unless agreed otherwise by the reporter. This policy also sets out Liberty's commitment to investigating all matters reported in an objective and fair manner and as soon as possible after the matter has been reported. In particular, the Company's Audit and Risk Committee will be informed of the findings of any investigation conducted in accordance with the Whistleblower Policy.

6.7.8.2. Responsible Entity Whistleblower Policy

As the Trust does not employ any staff, the Responsible Entity has not adopted a whistleblower policy. It is noted that the Company – which employs Management and all other staff, either directly or through its controlled entities – will be covered by the Whistleblower Policy adopted by the Company.

6.7.9. Anti-Bribery and Corruption Policy

6.7.9.1. Company Anti-Bribery and Corruption Policy

The Company is committed to operating in a manner consistent with the laws and regulations of the jurisdictions in which Liberty operate, including those relating to anti-bribery and corruption. Accordingly, the Company Board has adopted an Anti-Bribery and Corruption Policy which sets out the responsibilities of the Company and its employees in observing and upholding the prohibition on bribery and related improper conduct and provides information and guidance on how to recognise and deal with instances of bribery and corruption. In particular, the Company Board or a committee of the Company Board must be informed of any material breaches of the Anti-Bribery and Corruption Policy.

6.7.9.2. Responsible Entity Anti-Bribery and Corruption Policy

As the Trust does not employ any staff, the Responsible Entity i(n its capacity as responsible entity for the Trust) has not adopted an anti-bribery and corruption policy. It is noted that the Company – which employs Management and all other staff, either directly or through its controlled entities – will be covered by the Anti-Bribery and Corruption Policy adopted by the Company.

6.7.10. Communication Strategy for the Company

Each Board aims to ensure that Security Holders are kept informed of all major developments affecting the state of affairs of the Company and/or the Trust.

All ASX announcements made to the market, including annual and half year financial results, will be posted on Liberty's website at www.lfgroup.com.au as soon as practicable following their release by the ASX. Copies of all investor presentations made to analysts and media briefings will also be posted on Liberty's website.

6.8. Related Party Arrangements

The Liberty Group has the following related party arrangements:

- **Moula:** The Founder Group has a minority interest of 26.5% in Moula. Liberty Financial Pty Ltd provides interest-bearing debt financing to Moula for the acquisition of certain receivables utilised by its relevant warehouse securitisation trusts. As at the Offer Document Date, the maximum financing commitment provided by Liberty Financial Pty Ltd to Moula is $200 million. It is expected that this arrangement will continue;
- **Loans to the Founder Group:** The Company and the Trust have granted interest-bearing, unsecured loans to Vesta (which is controlled by the Founder Group) for an aggregate amount of $415 million pursuant to promissory notes issued by Vesta in favour of the Company and the Trust. In addition, the MFG Debt Acknowledgment Letter acknowledges the interest-bearing, unsecured loan to MFG if the Liberty Group pays the MFG Debt to the ATO on behalf of MFG (as contemplated in Section 5.2.7.1) and Vesta has agreed to assume the MFG Debt from MFG. Further, under the Set-Off Agreement, the Hestia Related Entities have agreed to set-off any amounts owing to them presently or in the future by certain Liberty Entities (including the Company and the Trust), such that these Liberty Entities are able to offset amounts owed to them by the Hestia Related Entities (including the MFG Debt and the Related Party Loans) against any amounts owing to the Hestia Related Entities by these Liberty Entities; and
- **Agreement to acquire LFI:** The Company has entered into an agreement with Hestia Holdings BV to acquire all of the shares in LFI, conditional on receipt of consent for the transfer from APRA and receipt of approval from FIRB. Hestia Holdings BV is the ultimate owner of Vesta; and
- **Agreement to acquire Priceware:** Liberty Financial Pty Ltd has entered into an agreement to acquire the share interest which it does not hold in Priceware (being 50% of the share capital in Priceware), conditional on receipt of approval from FIRB.

All related party arrangements described in this Section 6.8 are on arms' length terms. Details of these material related party arrangements are set out in Section 11.

Details of the Offer

7

7.1. Description of the Offer

This Offer Document relates to the offer of approximately 53.4 million Securities by the Offerors at an Offer Price of $6.00 per Security ("Offer Price"). The Securities offered under this Offer Document will represent approximately 17.5% of the Securities on issue on Completion of the Offer. The total number of Securities on issue at Completion will be 303.6 million and all Securities on issue will rank equally with each other.

At the Offer Price, the Offer is expected to raise a minimum of $320.7 million. All Securities will be sold by and transferred from SaleCo.

A summary of the rights attaching to the Shares and Units are set out in Section 11.4.

The Offer is made on the terms, and is subject to the conditions, set out in this Offer Document.

7.1.1. Description of Securities

The Offer is an offer of Securities in the Liberty Group. Each Security transferred pursuant to the Offer will consist of one Share and one Unit. The Shares and the Units will be stapled to each other in accordance with the Constitutions and the Stapling Deed and will trade together on the ASX.

7.1.2. Structure of the Offer

The Offer comprises:

- The **Institutional Offer**, which consists of an offer to Institutional Investors in Australia, New Zealand and certain other jurisdictions, made under this Offer Document.
- The **Retail Offer**, which consists of the:
  - **Broker Firm Offer:** which is open to investors with a registered address in Australia or New Zealand who have received a firm allocation from their Broker;
  - **Priority Offer:** which is open to selected investors in eligible jurisdictions who have received a Priority Offer invitation; and
  - **Employee Gift Offer:** which is open only to Eligible Employees.

No general public offer of Securities will be made under the Offer.

Details of the:

- Institutional Offer and the allocation policy under it are described in Section 7.3;
- Broker Firm Offer and the allocation policy under it are described in Section 7.4;
- Priority Offer and the allocation policy under it are described in Section 7.5; and
- Employee Gift Offer and the allocation policy under it are described in Section 7.6.

The allocation of Securities between the Institutional Offer, Broker Firm Offer, Priority Offer and the Employee Gift Offer was determined by the Lead Manager in agreement with the Offerors, having regard to the allocation policies outlined in this Section 7.

The Offer (with the exception of the Employee Gift Offer) has been fully underwritten by the Lead Manager. A summary of the Underwriting Agreement, including the events which would entitle the Lead Manager to terminate the Underwriting Agreement, is set out in Section 11.2.

7.1.3. Purpose of the Offer

The Offer is being conducted to:

- Allow the Founder Group to realise a part of its holding by selling down its Securities via SaleCo;
- Allow eligible Liberty employees to participate directly in the equity ownership of the Liberty Group;
- Provide the business with access to equity capital markets which is expected to give it added flexibility to pursue further growth opportunities; and
- Provide opportunities for investors to become Security Holders in the Liberty Group.

7 Details of the Offer

7.1.4. Sources and Uses of Funds

The Offer is expected to raise gross proceeds of approximately $320.7 million, which is calculated as the sum of the number of Securities transferred from SaleCo (under the Institutional Offer and Retail Offer) multiplied by the Offer Price.

The proceeds of the Offer will be applied to:

- distribute payments to Vesta; and
- payment of the transaction costs associated with the Offer.

7.1.5. Shareholding Structure

Details of the ownership of Securities immediately prior to the Offer and ownership of Securities as expected at Completion are set out in the table below:

Security Holder	Securities held prior to Completion		Securities held on Completion	
	Millions	%	Millions	%
Founder Group[1]	288.4	95.0	234.9	77.4
Non-Executive Directors	0.6	0.2	0.9	0.3
Executive Managers	7.1	2.3	7.2	2.4
Other Current and Former Employees (including other Senior Managers)	7.5	2.5	7.5	2.5
New Security Holders	0.0	0.0	53.1	17.5
Total	**303.6**	**100.0%**	**303.6**	**100.0%**

7.1.6. Control Implications of the Offer

Post-Listing, the Founder Group will hold an interest of 77.4% in the Liberty Group and as such will control the Liberty Group (as defined in section 50AA of the Corporations Act). The balance of Securities will be held by new Security Holders. See Section 5.2.19 for the risks associated with the Founder Group exerting material influence over the Liberty Group.

The Securities held by the Founder Group are subject to the escrow arrangements described in Section 11.5.

7.1.7. Potential Effect of the Fundraising on the Future of the Liberty Group

The Company Directors believe that on Completion of the Offer, the Company will have sufficient funds available from the proceeds of the Offer and its operations to fulfil the purposes of the Offer and meet the Company's stated business objectives.

The RE Directors believe that on Completion of the Offer, the Trust will have sufficient funds available from the proceeds of the Offer and its operations to fulfil the purposes of the Offer and meet the Trust's stated business objectives.

7.1.8. Working Capital

The Company Board is of the opinion that, following Completion of the Offer, the Company will have sufficient working capital to carry out its stated business objectives.

The RE Board is of the opinion that, following Completion of the Offer, the Trust will have sufficient working capital to carry out its stated business objectives.

1. The Founder Group do not hold Securities directly but rather through existing arrangements, directly and indirectly, through other holdings by companies and trusts.

7.1.9. Brokerage, Commission and Stamp Duty

No brokerage, commission or stamp duty should be payable by Applicants who apply for Securities using an Application Form.

Investors who buy or sell Securities on the ASX may be subject to brokerage and other transaction costs. Under current legislation, there should be no stamp duty payable on the sale or purchase of Securities on the ASX.

7.2. Terms and Conditions of the Offer

Topic	Summary
What is the type of security being offered?	The Securities in the Liberty Group comprise: • one Share (being fully paid ordinary shares in the Company); and • one Unit (being fully paid units in the Trust), stapled pursuant to the Constitution and the Stapling Deed.
What are the rights and liabilities attached to the security being offered?	A description of the Shares and the Units, including the rights and liabilities attaching to them, are set out in Section 11.4.
What is the consideration payable for each security being offered?	Successful Applicants under the Offer (other than the Employee Gift Offer) will pay the Offer Price, being $6.00 per Security.
What is the Offer Period?	The key dates, including details of the Offer Period, are set out on page 7. This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in AEDT. The Offerors and the Lead Manager reserve the right to vary both of the above times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before settlement, in each case without notifying any recipient of this Offer Document or any Applicants). If the Offer is cancelled or withdrawn before the allocation of Securities, all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens. No securities will be issued or transferred on the basis of this Offer Document later than the expiry date of 13 months after the Offer Document Date.
What are the cash proceeds to be raised?	Approximately $320.7 million will be raised if the Offer proceeds.
Is the Offer underwritten?	Yes. The Lead Manager has fully underwritten the Offer (other than the Employee Gift Offer) pursuant to the Underwriting Agreement. Details are provided in Section 11.2.

7 Details of the Offer

Topic	Summary
What is the minimum and maximum Application size?	• Broker Firm Offer: Applications under the Broker Firm Offer must be for a minimum of $2,000 of Securities. There is no maximum Application size, unless directed by your Broker. • Priority Offer: Applications under the Priority Offer must be for a minimum of $2,000 of Securities. The Offerors and the Lead Manager reserve the right to reject any Application or to allocate a lesser number of Securities than that applied for, in their absolute discretion. • Employee Gift Offer: Australian Eligible Employees will be offered the opportunity to apply for $1,000 worth of Securities at no cost and NZ Eligible Employees will be offered the opportunity to apply for $1,000 worth of Securities at the Offer Price per Security. Payment of Application Monies under the Employee Gift Offer to NZ Eligible Employees will be made by Liberty on behalf of NZ Eligible Employees who apply for Securities under the Employee Gift Offer.
What is the allocation policy?	The allocation of Securities between the Institutional Offer, the Broker Firm Offer, the Priority Offer and the Employee Gift Offer will be determined by agreement between the Lead Manager and the Offerors, having regard to the allocation policies outlined in this Section 7. • Institutional Offer: The allocation of Securities among bidders in the Institutional Offer was determined by the Offerors and the Lead Manager. See Section 7.3 for further information. • Broker Firm Offer: For Broker Firm Offer participants, the relevant Broker will decide how they allocate Securities amongst their retail clients. The relevant Broker (and not the Offerors nor the Lead Manager) will be responsible for ensuring that eligible retail clients who have received an allocation of Securities from the Broker actually receive those Securities. See Section 7.4 for further information. • Priority Offer: With respect to the Priority Offer, the allocation of Securities to invitees is at the absolute discretion of the Offerors, provided that those allocations (in aggregate) do not exceed $7.4 million. The Lead Manager and the Offerors have absolute discretion regarding the allocation of Securities to Applicants under the Priority Offer and may reject an Application or allocate a lesser number of Securities than applied for. The Lead Manager and the Offerors also reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person. See Section 7.5 for further information. • Employee Gift Offer: The allocation of Securities under the Employee Gift Offer is guaranteed to Eligible Employees. See Section 7.6 for further information.
When will I receive notification if my Application has been successful?	It is expected that initial holding statements will be dispatched to successful Applicants by standard post on or around Monday, 21 December 2020. Refunds (without interest) to Applicants who make an Application and receive an allocation of Securities, the value of which is smaller than the amount of the Application Monies, will be made as soon as practicable after Completion of the Offer.

Topic	Summary
Will the Securities be listed?	The Liberty Group will apply to the ASX for its admission to the Official List and quotation of the Securities on the ASX (which is expected to be under the code "LFG") ("Listing Application"). Completion of the Offer is conditional on the ASX approving the Listing Application. If approval is not given within three months after the date of the Listing Application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. The Liberty Group will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Liberty Group from time to time. The ASX takes no responsibility for this Offer Document or the investment to which it relates. The fact that the ASX may admit the Liberty Group to the Official List is not to be taken as an indication of the merits of the Liberty Group or the Securities offered for subscription.
When are the Securities expected to commence trading?	It is expected that the Securities will commence trading on the ASX on a conditional and deferred settlement basis on or about Tuesday, 15 December 2020. Conditional trading will continue until the Liberty Group has advised the ASX that: (i) the Underwriting Agreement is not terminated and becomes unconditional; (ii) SaleCo's acceptance of the irrevocable offer to sell the Securities made by Vesta to SaleCo; and (iii) SaleCo has transferred the Securities to successful applicants under the Offer, which is expected to be on or about Thursday, 17 December 2020. The dispatch of holding statements will occur on or about Monday, 21 December 2020 and that the Securities will commence trading on the ASX on a normal settlement basis on or about Thursday, 17 December 2020. **It is the responsibility of each Applicant to confirm their holding before trading in Securities. Applicants who sell Securities before they receive an initial holding statement do so at their own risk.** To the maximum extent permitted by law, the Offerors, the Directors, the Lead Manager, the Registry and the Founder Group disclaim all liability, whether in negligence or otherwise, to persons who sell Securities before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Liberty Financial Offer Information Line, by a Broker or otherwise.
Are there any escrow arrangements?	Yes. Details are provided in Section 11.5.
Has an ASIC relief or ASX waiver been obtained or relied upon?	Yes. Details are provided in Section 12.3.
Are there any taxation considerations?	Summaries of certain Australian tax consequences of participating in the Offer and investing in the Securities are set out in Section 9. The tax consequences of any investment in the Securities will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.

7 Details of the Offer

Topic	Summary
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty should be payable by Applicants on acquisition of Securities under the Offer.
Where can I find out more information about this Offer Document or the Offer?	All enquiries in relation to this Offer Document should be directed to the Liberty Financial Offer Information Line on 1800 129 431 (within Australia) or +61 1800 129 431 (outside Australia) between 8.30am and 5.30pm (AEDT), Monday to Friday. All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether Securities are a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

7.3. Institutional Offer

7.3.1. Invitations to Bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and certain other jurisdictions to apply for Securities. The Lead Manager separately advised Institutional Investors of the application procedures for the Institutional Offer.

7.3.2. Allocation Policy Under the Institutional Offer

The allocation of Securities among bidders in the Institutional Offer was determined by the Offerors and the Lead Manager. The Lead Manager and the Offerors have absolute discretion regarding the basis of allocation of Securities among Institutional Investors. Participants in the Institutional Offer have been advised of their allocation of Securities, if any, by the Lead Manager. The allocation policy was influenced, but not constrained, by the following factors:

- number of Securities bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- the Liberty Group's desire for an informed and active trading market following Listing on the ASX;
- the Liberty Group's desire to establish a wide spread of institutional Security Holders;
- overall level of demand under the Institutional Offer, Broker Firm Offer and Priority Offer;
- the size and type of funds under management of particular bidders;
- the likelihood that particular bidders will be long-term Security Holders; and
- any other factors that the Offerors and the Lead Manager considered appropriate.

7.4. Broker Firm Offer

7.4.1. Who May Apply in the Broker Firm Offer

The Broker Firm Offer is open to investors with a registered address in Australia or New Zealand who have received a firm allocation from their Broker. If you have received a firm allocation of Securities from your Broker, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. The Broker Firm Offer is not open to persons in the United States or to or for the account or benefit of any person in the United States.

No separate public offer of Securities will be made under the Offer, other than through the ability of the public to apply through the Broker Firm Offer. Members of the public wishing to apply for Securities under the Offer must do so through a Broker with a firm allocation.

Investors should contact their Broker to determine whether they can receive an allocation of Securities under the Broker Firm Offer.

7.4.2. How to Apply for Securities under the Broker Firm Offer

Applications for Securities may only be made on an Application Form attached to or accompanying this Offer Document or any supplementary or replacement offer document. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Application Form with the Broker from whom you received your firm allocation. Application Forms for the Broker Firm Offer must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to this Offer Document, together with an Application Form. **The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Offer Document or the complete and unaltered electronic version of this Offer Document**.

If you apply in the Broker Firm Offer, you must apply for a minimum of $2,000 of Securities. There is no maximum number or value of Securities that may be applied for under the Broker Firm Offer; however, the Offerors and the Lead Manager reserve the right to reject or scale back any Applications in the Broker Firm Offer for any reason. If your Application is scaled back, you agree to be allocated and accept the lesser number of Securities that is allocated to you.

The Offerors and the Lead Manager also reserve the right to aggregate any applications which they believe may be multiple Applications from the same person. The Offerors may determine a person to be eligible to participate in the Broker Firm Offer and may amend or waive the Broker Firm Offer application procedures or requirements, in their discretion in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Application Form and Application Monies with their Broker in accordance with their Broker's directions, in order to receive their firm allocation. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5.00pm (AEDT) on Friday, 11 December 2020 or any earlier Closing Date as determined by your Broker. Applicants under the Broker Firm Offer must not send their Application Forms to the Registry.

The Broker Firm Offer opens at 9.00am (AEDT) on Friday, 4 December 2020 and is expected to close at 5.00pm (AEDT) on the Closing Date. The Offerors and the Lead Manager may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

The Offerors, the Founder Group, the Lead Manager and the Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

7.4.3. Payment Methods for Applications under the Broker Firm Offer

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

7.4.4. Allocation Policy under the Broker Firm Offer

The allocation of Securities to Brokers will be determined by agreement of the Lead Manager and the Offerors. Securities which are allocated to Brokers for allocation to their Australian or New Zealand resident retail clients will be transferred to the Applicants who have received a valid application from those Brokers (subject to the right of the Lead Manager and the Offerors to reject or scale back Applications). It will be a matter for the Brokers how they allocate Securities among their eligible retail clients, and they (and not the Offerors or the Lead Manager) will be responsible for ensuring that eligible retail clients who have received an allocation from them receive the relevant Securities.

7.4.5. Acceptance of Allocations under the Broker Firm Offer

Applications in the Broker Firm Offer are an offer by the Applicant to subscribe for Securities for all or any of the Application Monies specified in the Application Form at the Offer Price on the terms and conditions set out in this Offer Document including any supplementary or replacement offer document and the Application Form. To the maximum extent permitted by law, an Application by an Applicant under the Offer is irrevocable and acceptance of an Application will give rise to a binding contract on allocation of the Securities to successful Applicants.

7 Details of the Offer

7.4.6. Application Monies Received under the Broker Firm Offer

Application Monies received under the Broker Firm Offer will be held in a special purpose account until the Securities are transferred to successful Applicants.

Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of the Securities than the amount applied for, will be provided a refund (without interest) of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation of the Securities or refund will be retained by the Offerors

7.4.7. Announcement of Final Allocation Policy in the Broker Firm Offer

The Offerors expect to determine the final allocation policy under the Broker Firm Offer on or about Monday, 7 December 2020. If required by the ASX, this information will be advertised in The Sydney Morning Herald, The Age (Melbourne), The Australian and The Australian Financial Review. Applicants in the Broker Firm Offer should confirm their firm allocation with the Broker from whom they received their allocation.

You may also call the Liberty Financial Offer Information Line on 1800 129 431 (within Australia) or +61 1800 129 431 (outside Australia) between 8.30am and 5.30pm (AEDT), Monday to Friday to confirm your allocations. If you sell Securities before receiving a holding statement, you do so at your own risk, even if you have confirmed your firm allocation with your Broker or obtained details of your holding from the Liberty Financial Offer Information Line.

7.5. Priority Offer

7.5.1. Who May Apply in the Priority Offer

The Priority Offer is open to eligible investors who have received a Priority Offer invitation from the Offerors. If you are an Applicant under the Priority Offer, you should have received a personalised invitation to apply for Securities in the Priority Offer. The Priority Offer is not open to persons in the United States or to or for the account or benefit of any person in the United States.

7.5.2. How to Apply for Securities under the Priority Offer

If you have received a personalised invitation to apply for Securities under the Priority Offer and you wish to apply for Securities, you should follow the instructions on your personalised Priority Offer invitation and the instructions on the website www.lfgroup.com.au.

The Priority Offer opens at 9.00am (AEDT) on Friday, 4 December 2020 and is expected to close at 5.00pm (AEDT) on Friday, 11 December 2020. Applications must be received on or before the Closing Date.

Applications under the Priority Offer must be for a minimum of $2,000 of Securities and in multiples of $500 of Securities thereafter.

There is no maximum value of Securities that may be applied for under the Priority Offer; however, the maximum size of the Priority Offer is $7.4 million. The Offerors reserves the right to scale back Applications under the Priority Offer in their absolute discretion.

Any amount applied for in excess of the amount allocated to you will be refunded in full (without interest). If the amount of your payment for Application Monies (or the amount for which those payments clear in time for allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

Applicants under the Priority Offer may apply for Securities by visiting www.lfgroup.com.au, completing the online Application Form and paying the Application Monies in the manner described in Section 7.5.3.

7.5.3. How to Pay for Securities Under the Priority Offer

Payment of Application Monies under the Priority Offer must be made in Australian dollars via BPAY® or if the Applicant is are unable to use BPAY® , by direct bank transfer to the bank account details provided in the personalised Priority Offer invitation, and otherwise must be made in accordance with the instructions on the personalised Priority Offer invitation and instructions on the website www.lfgroup.com.au (no physical Application Form is required when paying by BPAY®).

It is the responsibility of the Applicant to ensure payments are received by the Registry by no later than the Closing Date, being 5.00pm (AEDT) on Friday, 11 December 2020. If you make a BPAY® payment or direct bank transfer, your bank, credit union or building society may impose a limit on the amount that you can transact electronic payments and policies with respect to timing for processing of electronic payment transactions, which may vary between bank, credit union or building society. Neither the Offerors nor the Lead Manager takes any responsibility for any failure to receive Application Monies or electronic payment before the Priority Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

Electronic Payments

When completing the electronic payment of Application Monies, Applicants under the Priority Offer must use the specific biller code (for BPAY® payments) and unique Customer Reference Number ("CRN") generated by the online application.

Applicants under the Priority Offer who have completed the online application but do not make an electronic payment in accordance with the instructions on the personalised Priority Offer invitation and instructions on the website www.lfgroup.com.au will render the online application incomplete and will therefore not be accepted into the Priority Offer.

7.5.4. Allocation Policy Under the Priority Offer

Allocations under the Priority Offer will be at the absolute discretion of the Offerors, provided that those allocations (in aggregate) do not exceed $7.4 million.

7.6. Employee Gift Offer

7.6.1. Who May Apply in the Employee Gift Offer

All Eligible Employees are entitled to participate in the Employee Gift Offer.

A separate offer letter, together with this Offer Document, will be provided to Eligible Employees, detailing the terms of the Employee Gift Offer. Eligible Employees should read the separate offer letter and this Offer Document carefully and in their entirety before deciding to apply under the Employee Gift Offer. If you are unclear in relation to any matter or are uncertain as to whether Securities are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, tax adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

7.6.2. How to Apply for Securities under the Employee Gift Offer

A separate offer invitation, together with this Offer Document, will be provided to Eligible Employees, detailing the terms of the Employee Gift Offer.

Australian Eligible Employees will be offered the opportunity to apply for $1,000 worth of Securities at no cost. NZ Eligible Employees will be offered the opportunity to apply for $1,000 worth of Securities at the Offer Price per Security. Payment of Application Monies under the Employee Gift Offer to NZ Eligible Employees will be made by Liberty on behalf of NZ Eligible Employees who apply for Securities under the Employee Gift Offer.

7.6.3. Allocation Policy under the Employee Gift Offer

Applicants under the Employee Gift Offer will receive a guaranteed allocation of $1,000 worth of Securities (rounded down to the nearest whole Security based on the Offer Price).

7.6.4. Further Information about the Employee Gift Offer

The Securities offered under the Employee Gift Offer will be transferred to Applicants at or shortly after Completion.

Participation in the Employee Gift Offer does not automatically entitle Eligible Employees to participate in future grants under any other employee incentive program, scheme or plan implemented by the Company. Eligibility to participate in any future grant, and the terms and conditions of any future grant, under any such employee incentive plan is determined by the Company Board in its absolute discretion.

Securities transferred to Applicants ("Employee Security Holder") under the Employee Gift Offer will be held in trust and subject to disposal restrictions for three years from the date of transfer ("Disposal Period").

7 Details of the Offer

At the end of the Disposal Period, Employee Security Holders will, subject to the Liberty Group's Securities Trading Policy, be free to deal with the Securities.

Securities transferred under the Employee Gift Offer are not subject to forfeiture and carry the same rights and entitlements of Securities, including distribution and voting rights. The Liberty Group may, at its discretion, use an employee securities trust or other mechanism to acquire Securities (on or off market), for allocation to an Employee Security Holder in the Employee Gift Offer.

Not all Employee Security Holders in the Employee Gift Offer will be able to take advantage of the taxation concession under the Australian tax legislation to acquire the Securities income tax-free.

7.7. Restrictions on Distribution

No action has been taken to register or qualify this Offer Document, the Securities or the Offer or otherwise to permit a public offering of the Securities outside Australia, New Zealand and certain other international jurisdictions. See Section 12.7 for a summary of the international offer restrictions.

This Offer Document does not constitute an offer or invitation to subscribe for or acquire the Securities in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Offer Document.

Each Applicant under the Institutional Offer will be required to make certain additional representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

7.8. Discretion regarding the Offer

The Offerors may withdraw the Offer at any time before the transfer of Securities to successful Applicants under the Institutional Offer, Broker Firm Offer, Priority Offer and the Employee Gift Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Offerors, in consultation with the Lead Manager reserves the right to extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant fewer Securities than the amount applied or bid for.

7.9. ASX Listing, Registers and Holding Statements and Deferred Settlement Trading

7.9.1. Application to the ASX for the Listing of Liberty Group and Quotation of Securities

The Liberty Group will apply for admission to the Official List of the ASX and quotation of the Securities on the ASX, no later than seven days after the Offer Document Date. The Liberty Group's ASX code is expected to be "LFG".

The ASX takes no responsibility for this Offer Document or the investment to which it relates. The fact that the ASX may admit the Liberty Group to the Official List is not to be taken as an indication of the merits of the Liberty Group or the Securities offered.

If permission is not granted for the official quotation of the Securities on the ASX within three months after the Offer Document Date (or any later date permitted by law), all Application Monies received by the Offerors will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

The Liberty Group will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Liberty Group from time to time.

7.9.2. Chess and Issuer Sponsored Holdings

The Liberty Group has applied to participate in CHESS and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an automated electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Securities become approved financial products (as defined in ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister.

The Securities of Security Holders who are participants in CHESS or Security Holders sponsored by participants in CHESS will be registered on the CHESS subregister. All other Securities will be registered on the issuer sponsored subregister.

Following Completion of the Offer, Security Holders will be sent a holding statement that sets out the number of Securities that have been allocated to them. This statement will also provide details of a Security Holder's Holder Identification Number for CHESS holders or, where applicable, the Security Holder's Reference Number of issuer sponsored holders. Security Holders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

Security Holders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Security Holder's sponsoring broker in the case of a holding on the CHESS subregister or through the Registry in the case of a holding on the issuer sponsored subregister. The Liberty Group and the Registry may charge a fee for these additional issuer sponsored statements.

7.9.3. Conditional and Deferred Settlement Trading and Selling Securities On-Market

It is expected that trading of the Securities on the ASX will commence on or about Tuesday, 15 December 2020, initially on a conditional and deferred settlement basis.

The contracts formed on acceptance of Applications will be conditional on the ASX agreeing to quote the Securities on the ASX and on Settlement and the transfer of the Securities occurring. Trades occurring on ASX before Settlement and on the transfer of Securities occurring will be conditional on Settlement and transfer occurring.

Conditional trading will continue until Liberty Group has advised ASX that: (i) the Underwriting Agreement is not terminated and has become unconditional; (ii) SaleCo's acceptance of the irrevocable offer to sell the Securities made by Vesta to SaleCo; and (iii) SaleCo has transferred the Securities to successful applicants under the Offer, which is expected to be on or about Thursday, 17 December 2020.

Normal settlement trading (i.e. trading on a T+2 settlement basis) is expected to commence on or about Thursday, 17 December 2020.

If Settlement has not occurred within 14 days (or such longer period as the ASX allows) after the day Securities are first quoted on the ASX, the Offer and all contracts arising on acceptance of the Offer will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect.

It is the responsibility of each Applicant to confirm their holding before trading in Securities. Applicants who sell Securities before they receive an initial holding statement do so at their own risk. To the maximum extent permitted by law, the Offerors, the Directors, the Lead Manager and the Registry disclaim all liability, whether in negligence or otherwise, to persons who sell Securities before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Liberty Financial Offer Information Line, by a Broker or otherwise.

Investigating Accountant's Report

8

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The Directors
Liberty Financial Group Limited
Liberty Fiduciary Limited (as Responsible Entity of the Liberty Financial Group Trust)
Liberty SaleCo Limited
Level 16, 535 Bourke Street
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26 November 2020

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("**KPMG Transaction Services**") has been engaged by Liberty Financial Group Limited (**"Company"**) and Liberty Financial Group Trust (**"Trust"**) (together the Company and Trust are referred to as the "**Liberty Group"**) to prepare this report for inclusion in the Offer Document to be dated 26 November 2020 ("**Offer Document**"), and issued by the Liberty Group and Liberty SaleCo Limited ("**SaleCo**"), in respect to the proposed Initial Public Offering of stapled securities of the Company and Trust and listing on the Australian Securities Exchange (the "**Transaction**").

Expressions defined in the Offer Document have the same meaning in this report.

This Investigating Accountant's Report should be read in conjunction with the KPMG Transaction Services Financial Services Guide included in the Offer Document.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the, pro forma historical and forecast financial information described below and disclosed in the Offer Document.

8 Investigating Accountant's Report

The pro forma historical and forecast financial information is presented in the Offer Document in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001* (Cth).

Pro Forma Historical Financial Information

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the pro forma historical financial information of the Liberty Group (the "**responsible party"**) included in the Offer Document.

The pro forma historical financial information has been derived from the historical financial information of Liberty Financial Pty Ltd and the Company (which was renamed and formerly known as Minerva Technology Pty Ltd ("**MinTech**")), after adjusting for the effects of pro forma adjustments described in section 4.2 of the Offer Document. The pro forma historical financial information consists of the Liberty Group's:

— pro forma consolidated historical Statement of Financial Position as at 30 June 2020;

— pro forma consolidated historical Income Statements for the years ended 30 June 2018, 30 June 2019 and 30 June 2020;

— pro forma consolidated historical Statement of Cash Flows for the years ended 30 June 2018, 30 June 2019 and 30 June 2020

as set out in section 4 of the Offer Document issued by Liberty Group (collectively the "**Pro Forma Historical Financial Information**"). The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 4.2 of the Offer Document. Due to its nature, the Pro Forma Historical Financial Information does not represent the Liberty Group's actual or prospective financial position, financial performance, and/or cash flows.

The Pro Forma Historical Financial Information has been compiled by the Liberty Group to illustrate the impact of the event(s) or transaction(s) described in section 4.2.2 of the Offer Document on the Liberty Group's financial position as at 30 June 2020 and Liberty Group's financial performance and cash flows for the years ended 30 June 2018, 30 June 2019, and 30 June 2020. As part of this process, information about the Liberty Group's financial position, financial performance and cash flows has been extracted by Liberty Group from:

- Liberty Financial Pty Ltd's financial statements for the year ended 30 June 2018; and
- MinTech's financial statements for the years ended 30 June 2019 and 30 June 2020.

The financial statements of Liberty Financial Pty Ltd and MinTech for the years listed above were audited or reviewed by KPMG in accordance with Australian Auditing Standards. The audit and review opinions issued to the members of Liberty Group relating to those financial statements were unqualified.

For the purposes of preparing this report we have performed limited assurance procedures in relation to Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro Forma Historical Financial Information is not prepared or presented fairly, in all material respects, by the directors in accordance with the stated basis of preparation as set out in section 4.2 of the Offer Document. The stated basis of preparation is:

- the extraction of historical financial information comprising of the Income Statements and Statements of Cash Flows for the year ending 30 June 2018 from the audited financial statements of Liberty Financial Pty Ltd;
- the extraction of historical financial information comprising of the Income Statements and Statements of Cash Flows for the years ending 30 June 2019 and 30 June 2020 from the audited financial statements of MinTech; and
- the extraction of the historical Statement of Financial Position as at 30 June 2020 from the audited financial statements of MinTech.

(collectively "**Historical Financial Information**")

- the application of pro forma adjustments, determined in accordance with Australian Accounting Standards and the Liberty Group's accounting policies, to the Historical Financial Information to illustrate the effects of the Transaction on the Liberty Group described in section 4.2.1 of the Offer Document as if the Transaction had occurred on 1 July 2017.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures we performed were based on our professional judgement and included:

Historical financial information

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of the Historical Financial Information of Liberty Financial Pty Ltd and MinTech from the respective audited financial statements for the years ended 30 June 2018, 30 June 2019 and 30 June 2020.

8 Investigating Accountant's Report

Pro forma adjustments:

- consideration of the pro forma adjustments described in the Offer Document;
- enquiry of directors, management, personnel and advisors of the Liberty Group;
- the performance of analytical procedures applied to the Pro Forma Historical Financial Information; and
- a review of accounting policies for consistency of application;

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Historical Financial Information is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

Forecast Financial Information and directors' best-estimate assumptions
You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the forecast statutory and pro forma Statement of Financial Performance and Statement of Cash Flows of the Liberty Group (the responsible party) for the year ending 30 June 2021, as described in section 4.3, 4.5 and 4.7 of the Offer Document (the "**Forecast Financial Information**"). The directors' best-estimate assumptions underlying the Forecast Financial Information are described in section 4.9 of the Offer Document. As stated in section 4.2 of the Offer Document, the basis of preparation of the Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and Liberty Group's accounting policies.

We have performed limited assurance procedures in relation to the Forecast Financial Information, set out in section 4.3, 4.5 and 4.7 of the Offer Document, and the directors' best-estimate assumptions underlying it in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions do not provide reasonable grounds for the Forecast Financial Information;
- in all material respects the Forecast Financial Information is not:
  - prepared on the basis of the directors' best-estimate assumptions as described in the Offer Document; and
  - presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards and the Liberty Group's accounting policies;

- the Forecast Financial Information itself is unreasonable.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.*

Our limited assurance procedures consisted primarily of:

- comparison and analytical review procedures;
- discussions with management and directors of the Liberty Group of the factors considered in determining their assumptions; and
- examination, on a test basis, of evidence supporting:
  - the assumptions and amounts in the Forecast Financial Information; and
  - the evaluation of accounting policies used in the Forecast Financial Information.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The directors of the Liberty Group are responsible for the preparation of:

- the Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the Historical Financial Information and included in the Pro Forma Historical Information;
- the Forecast Financial Information, including the directors' best-estimate assumptions on which the Forecast Financial Information is based and the sensitivity of the Forecast Financial Information to changes in key assumptions.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

8 Investigating Accountant's Report

Conclusions

Review statement on the Pro Forma Historical Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in section 4.3, 4.5 and 4.7 of the Offer Document, comprising:

- the pro forma historical income statements of the Liberty Group for the years ended 30 June 2018, 30 June 2019 and 30 June 2020; and
- the pro forma historical statements of cash flows of the Liberty Group for the years ended 30 June 2018, 30 June 2019 and 30 June 2020; and
- the pro forma historical balance sheet of the Liberty Group as at 30 June 2020,

is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in section 4.2.1 and 4.2.2 of the Offer Document, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and the Liberty Group's accounting policies.

Forecast Financial Information and the directors' best-estimate assumptions

Based on our procedures, which are not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Forecast Financial Information for the year ending 30 June 2021 do not provide reasonable grounds for the Forecast Financial Information;
- in all material respects, the Forecast Financial Information:
  - is not prepared on the basis of the directors' best-estimate assumptions as described in section 4.9 of the Offer Document; and
  - is not presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards, and the Liberty Group's accounting policies; or
- the Forecast Financial Information itself is unreasonable.

The Forecast Financial Information has been prepared by the Liberty Group's management and adopted and disclosed by the directors in order to provide prospective investors with a guide to the potential financial performance of the Liberty Group for the year ending 30 June 2021.

There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Forecast Financial Information is based relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Offerors. Evidence may be available to support the directors' best-estimate assumptions on which the Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Liberty Group, which are detailed in the Offer Document, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in sections 4.4 and 5 of the Offer Document. The sensitivity analysis described in section 4.4 of the Offer Document demonstrates the impact on the Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of the Liberty Group, that all material information concerning the prospects and proposed operations of the Liberty Group has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed Initial Public Offering, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of the Liberty Group and from time to time, KPMG also provides the Offerors with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared, and included in the Offer Document, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information

8 Investigating Accountant's Report

contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Restriction on use

Without modifying our conclusions, we draw attention to section 4.2 of the Offer Document, which describes the purpose of the financial information, being for inclusion in the Offer Document. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Offer Document in the form and context in which it is so included, but has not authorised the issue of the Offer Document. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Offer Document.

Yours faithfully

Paul Guinea
Authorised Representative

Craig Mennie
Authorised Representative

KPMG

KPMG Financial Advisory Services (Australia) Pty Ltd

ABN 43 007 363 215
Australian Financial Services Licence No. 246901

Financial Services Guide

Dated 26 November 2020

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) ('**KPMG Transaction Services**'), and Paul Guinea as an authorised representative of KPMG Transaction Services, authorised representative number 1245044, and Craig Mennie as an authorised representative of KPMG Transaction Services, authorised representative number 404257 (together the "**Authorised Representatives"**).

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representatives and how they can be contacted;
- The services KPMG Transaction Services and its Authorised Representatives are authorised to provide;
- How KPMG Transaction Services and its Authorised Representatives are paid;
- Any relevant associations or relationships of KPMG Transaction Services and its Authorised Representatives;
- How complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- The compensation arrangements that KPMG Transaction Services have in place.

The distribution of this FSG by the Authorised Representatives has been authorised by KPMG Transaction Services.

This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- Deposit and non-cash payment products;
- Derivatives;
- Foreign exchange contracts;
- Government debentures, stocks or bonds;
- Interests in managed investments schemes including investor directed portfolio services;
- Securities;
- Superannuation;
- Carbon units;
- Australian carbon credit units; and

8 Investigating Accountant's Report

- Eligible international emissions units,

  to retail and wholesale clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by Liberty Financial Group Limited ("**Company**") and Liberty Fiduciary Ltd, as responsible entity of the Liberty Financial Group Trust ("**Trust**") (together the Company and Trust are referred to as the "**Liberty Group**") and Liberty Group SaleCo Limited (together, the **Offerors**") to provide general financial product advice in the form of a Report to be included in the Offer Document ("**Document**") prepared by the Offerors in relation to the proposed Initial Public Offering of stapled securities of the Liberty Group and listing on the Australian Securities Exchange ("**Transaction"**).

You have not engaged KPMG Transaction Services or the Authorised Representatives directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Transaction Services nor the Authorised Representatives are acting for any person other than the Offerors.

KPMG Transaction Services and the Authorised Representatives are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General advice

As KPMG Transaction Services has been engaged by the Offerors, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Transaction Services approximately $1.4m (excluding disbursements and GST) for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representatives) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representatives) are eligible for bonuses based on

overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representatives pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representatives are partners in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representatives and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representatives know. Formal complaints should be sent in writing to The AFSL Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than **45 days** after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representatives cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority ("AFCA"). AFCA is an independent

8 Investigating Accountant's Report

company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly at:

Address: Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 56 55 62

Facsimile: (03) 9613 6399

Email: info@afca.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1800 931 678 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover in accordance with section 912B of the *Corporations Act 2001(Cth).*

Contact details

You may contact KPMG Transaction Services or the Authorised Representatives using the contact details:

KPMG Transaction Services
A division of KPMG Financial Advisory
Services (Australia) Pty Ltd
Level 38, Tower Three
300 Barangaroo Avenue
Sydney NSW 2000
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Paul Guinea Craig Mennie

C/O KPMG
PO Box H67
Australia Square
NSW 1213

Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Tax Considerations

9

9 Tax Considerations

9.1. Introduction

This taxation summary addresses the Australian consequences for Security Holders of acquiring and disposing of Securities.

This taxation summary is of a general nature and should not be relied upon by Security Holders as specific Australian taxation advice. Security Holders should obtain and rely on their own independent professional advice about the consequences of acquiring or disposing of Securities and receiving distributions on the Securities having regard to their own individual circumstances.

9.1.1. Limitations of Comments

The Australian consequences described in this taxation summary only extend to individuals, companies (other than life insurance companies) and complying superannuation funds that are residents or non-residents for Australian income tax purposes and acquire and hold their Securities on capital account. This taxation summary does not consider the consequences for Security Holders who acquire or hold their Securities on revenue account or as trading stock, or who are exempt from Australian income tax, or are subject to the taxation of financial arrangements provisions in respect of a Security Holder’s Securities. This taxation summary does not apply to Australian non-resident Security Holders who hold their Securities through a permanent establishment in Australia or hold their Securities via an interposed Australian entity(ies).

This Australian taxation summary is based on the relevant taxation laws in the *Income Tax Assessment Act 1936* (Cth), the *Income Tax Assessment Act 1997* (Cth), the *Income Tax Rates Act 1986* (Cth), *A New Tax System (Goods & Services Tax) Act 1999* (Cth), the *Taxation Administration Act 1953* (Cth) and relevant stamp duty legislation as at the date of this Offer Document and the associated administrative instruments, except where otherwise indicated.

It is possible that future legislation or changes made to the administrative interpretation of the existing law will affect the matters considered in this summary.

9.2. Australian Tax Residents

The Securities constitute two separate capital gains tax (“CGT”) assets – a Share in the Company and a Unit in the Trust. The tax consequences associated with each asset must be separately determined.

9.2.1. The Company

9.2.1.1. Payment of Dividends

Generally, dividends received from the Company will be included in a Security Holder’s assessable income in the year the dividends are paid. To the extent that the Company pays a franked dividend, any franking credit attached to the dividend will also be included in assessable income of the Security Holder. Where the franking credit is included in a Security Holder’s assessable income, the Security Holder will generally be entitled to a corresponding tax offset.

To be eligible for the franking credit and tax offset, the Security Holder must have held the Shares at risk for a period of at least 45 days (not including the date of acquisition or the date of disposal). This period will be measured from the day after acquisition of the Shares provided there are no related payments in respect of the dividend.

A Security Holder will not be taken to have held the Shares at risk where the Security Holder or an associate holds “positions” (such as options or other hedging arrangements) which materially diminish the risks of loss or opportunities for gain in respect of those Shares.

This holding period rule will not apply to a Security Holder who is an individual whose tax offset entitlement (for all franked distributions received in the income year) does not exceed $5,000 for the income year in which the franked dividend is received provided there are no related payments in respect of the dividend.

Where the Security Holder is an individual, complying superannuation entity, or registered charity (in certain circumstances) and satisfies the above requirements, the Security Holder will generally be entitled to a refund of tax to the extent that the franking credit attached to the shareholder’s dividends exceeds the Security Holder’s income tax liability for the income year.

Where the Security Holder is a company and satisfies the requirements, franked dividends received by the Security Holder will generally give rise to a tax offset and also a franking credit in the Security Holder's franking account. However, the tax offset generated from the franking credits received cannot give rise to a refund. In certain circumstances, the amount of the tax offset in excess of the tax payable by the company may be carried forward into future income years as a revenue loss. The amount of the revenue loss is calculated by dividing the excess franking offset by the corporate tax rate.

Security Holders are advised to obtain their own tax advice based upon their specific circumstances to confirm that they are entitled to the benefit of any franking credit gross-up and tax offset in respect of franked dividends paid.

9.2.2. The Trust

9.2.2.1. Managed Investment Trust ("MIT")

The Trust is not expected to qualify as a MIT for Australian income tax purposes at the time the Securities are acquired because the Trust will be closely-held.

The Trust will also be ineligible to apply the new Attribution MIT ("AMIT") rules as in order to be eligible to be an AMIT, the Trust must be a MIT.

Depending on changes to unitholders in the Trust, the Trust may become eligible to be treated as a MIT. However, there is unlikely to be any material benefit for unitholders in the Trust from being a MIT due to the nature of the income primarily expected to be generated by the Trust (i.e. interest income), as the reduced withholding tax rates for MIT's do not apply to interest income.

9.2.2.2. The Trust and Distributions

A unit trust is taxed in a similar manner to a company if it is classified as a 'public trading trust' under Division 6C of the *Income Tax Assessment Act 1936* (Cth). At the date the Securities are acquired, the Trust may not satisfy the widely held requirement of Division 6C and should not undertake or control or have the ability to control the affairs or operations of a trading business. Accordingly, the Trust should not be a "public trading trust". The Division 6C test is, however, undertaken on an annual basis and is based on the ownership of the Trust and the activities of the Trust and there can be no assurance that Division 6C will not apply in the future or that the ATO will not seek to apply Division 6C to the Trust in the future.

On the basis that Division 6C does not apply, the Trust should be a "flow-through" entity for Australian income tax purposes such that the net income of the Trust will be taxable in the hands of the Security Holders. If the Trust has taxable income, Australian tax resident Security Holders will include in their assessable income their proportion of its taxable income determined by reference to their holding of the Units. Security Holders will be subject to tax in respect of the income year in which they have a present entitlement, even if the income to which they are entitled is not distributed to them until after that year. Security Holders will be notified of this amount by the Responsible Entity.

9.2.2.3. Cost Base Adjustments

To the extent that a Security Holder receives a non-assessable distribution that is an amount less than the Security Holder's cost base in their Units, this will result in a reduction to the Security Holder's cost base in their Units for CGT purposes.

If the cost base of the Units is reduced to nil by any non-assessable distributions, any further non-assessable distribution in excess of the cost base would constitute a capital gain to a Security Holder. In these circumstances, the capital gain included in the Security Holder's assessable income may be reduced if the CGT discount applies (please refer to Section 9.2.3 below for further details).

It is unlikely that non-assessable distributions will be made by the Trust.

9.2.3. Disposal of Securities

For CGT purposes, the disposal of a Security will involve the disposal of two separate assets – a Share and a Unit. The tax consequences must be worked out separately for each.

9 Tax Considerations

As the components of the Securities cannot be acquired or traded separately, an apportionment of the sale proceeds between the two assets will be required based on the relative market value of each at the time of the disposal.

The capital proceeds for each Share and Unit will need to be compared with the cost base (or reduced cost base) of each Share and Unit respectively in order to determine any resulting capital gain (or loss).

The cost base is used to determine a capital gain. The reduced cost base is used to determine a capital loss.

The cost base (or reduced cost base) of each Share will be the amount of the overall purchase price of a Security allocated to the Share (together with any capital costs of acquisition or disposal) at the time the Securities were originally acquired.

The cost base (or reduced cost base) of each Unit will be the amount of the overall purchase price of a Security allocated to the Unit (together with any capital costs of acquisition or disposal). Further, the cost base of each Unit is required to be reduced by any non-assessable distributions received from the Trust which reduce the cost base, as discussed above.

Where the capital proceeds received on disposal of the Shae or Unit exceed the cost base of the Share or Unit, an Australian resident Security Holder will make a capital gain.

Where the capital proceeds received on disposal of the Share or Unit are less than the reduced cost base, an Australian resident Security Holder will make a capital loss.

All capital gains and capital losses arising in a financial year are added together to determine whether a Security Holder has made a net capital gain or made a net capital loss in a year.

If a Security Holder makes a net capital gain in a year, this amount is, subject to the comments below, included in the Security Holder's assessable income. If a Security Holder has other capital losses or carried forward capital losses, subject in some cases to the Security Holder satisfying certain rules relating to the recoupment of carried forward tax losses, these losses may be able to be offset against any net capital gain arising. Any net capital gain arising after reduction of losses should be included in the Australian resident Security Holder's assessable income and should be taxable at the Security Holder's applicable rate of tax.

If a Security Holder makes a net capital loss in a year, this amount may be carried forward and should be available to offset capital gains derived in subsequent years, subject in some cases to the Security Holder satisfying certain rules relating to the recoupment of carried forward tax losses.

9.2.3.1. Individuals and Trusts

Security Holders which are individuals and trusts will in certain circumstances be liable to tax on only half of any capital gain made on the disposal of a Share or Unit. This 50% "discount" is only available if the Share or Unit is owned by the Security Holder for at least 12 months prior to disposal. The CGT discount applies after the offset of current year and carry forward capital losses.

A capital gain arising from the receipt of non-assessable distributions by a Security Holder from the Trust (as described above) may, after adjusting for any capital losses, be reduced by the CGT discount.

The treatment of capital gains and the CGT discount for trusts is complex, but the benefit of any CGT discount may flow through to the relevant beneficiaries of the trust, subject to certain requirements being met.

9.2.3.2. Superannuation Funds

The CGT treatment of complying Australian resident superannuation funds is, in general, the same as that set out above for Australian resident individuals and trusts, except that the "discount" is one-third of the capital gain rather than 50%.

9.2.3.3. Corporates

The CGT discount is not available to corporate Security Holders.

9.3. Non-Australian Tax Residents

The Securities constitute two separate CGT assets – a Share and a Unit. The tax consequences associated with each asset must be separately determined.

9.3.1. The Company

9.3.1.1. Payment of Dividends

Franked dividends from the Company should be exempt from Australian dividend withholding tax.

Unfranked distributions will generally be subject to dividend withholding tax. The withholding tax rate is generally 30% but is generally reduced to 15% (or lower under certain tax treaties) for dividends paid to residents of countries with which Australia has entered into a tax treaty. The applicable dividend withholding tax rate will depend on the tax treaty relevant to the non-Australian tax resident Security Holder. The dividend withholding tax represents a final tax liability for non-Australian tax resident Security Holders (i.e. there is no further tax on an assessment basis in respect of these dividends in Australia).

Unfranked dividends will not be subject to dividend withholding tax if the Company declares the dividend paid out of conduit foreign income.

9.3.2. The Trust

9.3.2.1. Payment of Distributions

On the basis that income of the Trust should primarily comprise interest income derived from investment in secured and unsecured loans (as well as similar financial instruments), distributions of "interest income" that the Trust makes to non-Australian residents should be subject to interest withholding tax at a rate of 10%.

The interest withholding tax represents a final tax liability for non-Australian tax resident Security Holders (i.e. there is no further tax on an assessment basis in respect of this interest in Australia).

No Australian tax consequences should arise for non-Australian tax resident Security Holders from non-assessable distributions from the Trust (i.e. no withholding tax will be imposed).

9.3.2.2. Net income of the Trust

Apart from interest income, Australian non-resident Security Holders are assessed on income of the Trust that has a source in Australia. To the extent that a Security Holder has a present entitlement to a share of the income of the Trust, then the associated tax is payable by the Responsible Entity as trustee in respect of so much of the Security Holder's share of the net income as is attributable to sources in Australia. The Responsible Entity is entitled to be indemnified out of the Trust property for any tax paid.

Accordingly, to the extent that the Trust derives income not in the nature of interest to which the Security Holder has a present entitlement, tax may be required to be withheld by the Responsible Entity. The amount of tax that is payable by the Responsible Entity Trustee, and which will therefore be withheld by the Responsible Entity, depends on the nature of the Security Holder and will vary between 30% and 45%.

Australian non-resident unitholders should lodge an Australian tax return, and depending on their individual circumstances, they may be entitled to a credit or refund for some or all of the Australian tax paid by the Responsible Entity.

If the Trust is characterised as a MIT, distributions of "non-interest income" that the Trust makes to non-resident Security Holders should be subject to a final withholding tax at rates between 15% and 30%.

9.3.3. Disposal of Securities

For CGT purposes, the disposal of Securities will involve the disposal of two separate assets – a Share and a Unit. The tax consequences associated with each must be separately determined.

A non-resident Security Holder is only subject to CGT where their investment in the Share or Unit comprises (together with associates) 10% or more of the Company or Trust (either at the time of the CGT event or in any 12-month period in the 24 months prior to the CGT event) and more than 50% of the Company's or Trust's underlying investments are Taxable Australian Real Property.

9 Tax Considerations

No Australian income tax should be payable on capital gains made by non-resident Security Holders on the basis that the Company's and the Trust's underlying investments do not comprise more than 50% of Taxable Australian Real Property.

9.4. Other

9.4.1. GST

No Australian GST should be payable by Security Holder in respect of their acquisition or disposal of the Securities. Security Holders may not be entitled to claim full input tax credits in respect of any GST included in the costs they have incurred in connection with their acquisition or disposal of the Securities. Security Holders should seek their own independent tax advice relevant to their particular circumstances.

9.4.2. Tax file Number and Australian Business Number

An Australian Security Holder may quote its Tax File Number ("TFN") or, where relevant, Australian Business Number ("ABN").

If a TFN or ABN is not quoted, and no exemption is applicable, tax may be deducted by the Company from the unfranked portion of any dividends distributed to Security Holders or by the Trust from net income amounts to which a Security Holder is presently entitled. The rate of withholding is the highest marginal tax rate plus Medicare levy.

Australian resident Security Holders that hold their Securities as part of an enterprise may quote their ABN instead of their TFN.

9.4.3. Australian Stamp Duty

No material Australian stamp duty should arise on the proposed Listing and quotation of the Securities on the ASX, or the acquisition of Securities by Security Holders.

Fees and Other Costs

10

10 Fees and Other Costs

10.1. Overview

The Corporations Act requires the Responsible Entity, as the responsible entity of the Trust, to include the following standard consumer advisory warning. The information in the consumer advisory warning is standard across product disclosure statements and is not specific to information on fees and costs in the Liberty Group. Unless otherwise stated, all fees in this Section 10 are exclusive of GST net of RITC. For additional information in relation to the taxation implications of an investment in the Liberty Group, please see Section 9.

10.2. Consumer Advisory Warning

Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your investment balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from $100,000 to $80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower fees. Ask the fund or your financial adviser.

To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

10.3. Fees and Other Costs

The following table shows fees and other costs you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the Trust as a whole.

Taxes are set out in another part of this Offer Document.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount	How and when paid
Ongoing annual fees and costs		
Management fees and costs[1] The fees and costs for managing your investment	**Management fee:** The Manager will charge: • (**base fee**) an amount estimated to be approximately $84.5 million per annum for FY21, equal to 0.65% per annum based on the Assets as defined in the Service Agreement. This base fee is included in the calculation of the responsible entity fee described below; and • (**expenses**) costs and expenses incurred in relation to the Manager's performance of the Service Agreement from time to time.	The base fee is calculated and payable in arrears out of the assets of the Trust within 7 days of receiving notice of the base fee from the Manager. Expenses are reimbursable from the assets of the Trust when incurred from time to time.

Type of fee or cost	Amount	How and when paid
	Responsible entity fee: • (**base fee**) 1.5% per annum of GAV, estimated to be approximately $195 million per annum; and • (**expenses**) costs and expenses in connection with all aspects of performing the role of Responsible Entity which are incurred from time to time.	The base fee is calculated and payable in arrears out of the assets of the Trust within 10 Business Days of the beginning of the following month. Expenses are reimbursable from the assets of the Trust when incurred from time to time. The Responsible Entity does not intend to charge its base fee.
Performance fees[1] Amounts deducted from your investment in relation to the performance of your investment	Nil	Not applicable.
Transaction costs The costs incurred by the Trust when buying or selling assets	Nil. The transaction costs associated with the Offer will be borne by Liberty Financial Pty Ltd.	Not applicable.
Member activity related fees and costs (fees for services or when your money moves in or out of the Trust)		
Establishment fee The fee to open your investment	Nil	Not applicable
Contribution fee[2] The fee on each amount contributed to your investment	Nil	Not applicable
Buy-sell spread An amount deducted from your investment representing costs incurred in transactions by the Trust	Nil	Not applicable
Withdrawal fee[2] The fee on each amount you take out of your investment	Nil	Not applicable
Exit fee[2] The fee to close your investment	Nil	Not applicable
Switching fee The fee for changing investment options	Nil	Not applicable

1. This fee comprises the management fees and costs (including indirect costs). Please refer to “Management costs” under Section 10.5 for further information.
2. This fee includes any amount payable to an adviser. Please refer to “Adviser Remuneration” under Section 10.5 for further information.

10 Fees and Other Costs

10.4. Example of Annual Fees and Costs for the Trust

This table gives an example of how the ongoing annual fees and costs for the Trust can affect your investment over a one-year period. You should use this table to compare this product with other managed investment schemes.

Example – Balance of $50,000 with a contribution of $5,000 during the year[1]

Contribution fees	Nil	For every additional $5,000 you put in, you will be charged $0.
PLUS Management fees and costs[2]	Estimated at 1.5% of the GAV (includes management fee and responsible entity fee described in Section 10.3 above)	**And**, for every $50,000 you have in the Trust, you will be charged or have deducted from your investment $0 in management fees and costs each year.
PLUS Performance fees	Nil	**And,** you will be charged or have deducted from your investment $0 in performance fees each year.
PLUS Transaction costs	Nil.	**And,** you will be charged or have deducted from your investment $0 in transaction costs each year.
EQUALS Cost of the Trust		If you had an investment of $50,000 at the beginning of the year and you put in an additional $5,000 during that year, you would be charged fees of $0.[3] **What it costs you will depend on the fees you negotiate**.

1. This example assumes the $5,000 contribution occurs at the end of the year, therefore management fees and costs are calculated using the $50,000 balance only.
2. Management fees and costs are expressed as a percentage of the GAV.
3. Additional fees may apply.
   Establishment fee - $0
   And if you leave the Trust early, you will be charged 0% of your total investment ($0 for every $50,000 you withdraw).

10.5. Additional Explanation of Fees and Costs

Following is further information on the management fees and costs section in the table at Section 10.3.

10.5.1. Management Fees and Costs Payable to the Manager

As at the Offer Document Date, the management fees and costs payable to the Manager comprise:

- a management fee of 0.65% per annum based on the Assets as defined in the Service Agreement;
- all reasonable and documented costs which are payable to third parties and incurred in relation to the proper performance of the Manager's powers and duties under the Service Agreement; and
- all costs and expenses incurred in connection with the provision of information or other assistance to the Responsible Entity,

in accordance with the Service Agreement.

10.5.2. Management Fees and Costs Payable to the Responsible Entity

As at the date of this Offer Document, the management fees and costs payable to the Responsible Entity comprise:

- a management fee of 1.5% per annum of GAV. This includes the management fee of 0.65% per annum payable to the Manager under the Service Agreement; and
- costs and expenses in connection with all aspects of the Responsible Entity performing its role as responsible entity of the Trust,

in accordance with the Constitution of the Trust. The Responsible Entity can, in its absolute and unfettered discretion, choose to waive, reduce, refund or defer these amounts.

10.5.3. Adviser Remuneration

No commissions will be paid by the Responsible Entity to financial advisers. You may incur a fee for the advice provided to you by your adviser, but this does not represent a fee that the Responsible Entity has charged you for investing in the Trust and is not an amount paid out of the assets of the Trust. The amount of fees you will pay (if any) to your adviser should be set out in a Statement of Advice given to you by your financial adviser. You are responsible for the payment of these fees and they are not paid by the Responsible Entity. The Responsible Entity recommends that you check with your adviser if you will be charged a fee for the provision of their advice.

10.5.4. Government Charges and Taxation

Government taxes such as GST will be applied to your account as appropriate. In addition to the fees and costs described in this Section, standard government fees, duties and bank charges may also apply such as stamp duties. Some of these charges may include additional GST and will apply to your investments and withdrawals as appropriate.

Material Agreements and Arrangements

11

11.1. Funding Structure

11.1.1. Description of the Corporate Debt Facility

11.1.1.1. Overview

Liberty Financial Pty Ltd has in place a Corporate Debt Facility with a major Australian trading bank ("Corporate Debt Facility Financier"). The Corporate Debt Facility matures on 31 May 2022.

The key terms of the Corporate Debt Facility are summarised below.

Corporate Debt Facility

Amount	The total facility limit under the Corporate Debt Facility is $80 million, comprising a tranche A facility of $60 million and a tranche B facility of $20 million. The Corporate Debt Facility is available to be used for working capital requirements (in the case of the tranche A facility) or for financing the acquisition of certain assets (in the case of the tranche B facility). As at 31 October 2020, the Corporate Debt Facility was drawn to $80 million.
Costs	The Corporate Debt Facility bears interest at the bank bill swap rate for the relevant interest period plus a margin and certain fees are paid to the Corporate Debt Facility Financier. There are no hedging arrangements in place for the Corporate Debt Facility.
Financial Covenants	The Corporate Debt Facility is subject to certain customary financial covenants.
Security	Liberty Financial Pty Ltd has granted a security interest over all of its assets to secure the Corporate Debt Facility.
Mandatory Requirements	The amount outstanding under the Corporate Debt Facility is repayable in full on its maturity date.
Conditions Precedent	A drawing may not be made under the Corporate Debt Facility if its conditions precedent are not satisfied. Those conditions precedent include that the Corporate Debt Facility Financier is satisfied that Liberty Financial Pty Ltd's representations and warranties are correct and that no event of default or potential event of default is continuing or would result from the drawing.
Distributions	Liberty Financial Pty Ltd has undertaken not to make, declare or pay a dividend whilst an event of default or potential event of default under the Corporate Debt Facility is continuing.
Disposals	Under the Corporate Debt Facility, Liberty Financial Pty Ltd undertakes not to dispose of its property, except for disposals of a material nature made with the consent of the Corporate Debt Facility Financier or disposals in the ordinary course of Liberty Financial Pty Ltd's business for arm's length consideration.

11.1.2. Securitisation Funding

11.1.2.1. Description of Securitisation Funding

A traditional Australian securitisation structure involves a bankruptcy-remote special purpose funding vehicle (typically a trust or a company) ("Funding Vehicle") issuing one or more classes of debt securities and using the proceeds of such issue to acquire or originate a pool of receivables or other income-generating assets. The Funding Vehicle's ability to fund payments of interest and principal on the debt securities will primarily depend on the performance of the underlying pool of securitised assets. Investors in the debt securities typically have limited (if any) recourse to the originator of the securitised assets.

Typically, a traditional securitisation can be categorised as being either a "Wholesale Securitisation" or a "Term Securitisation".

11 Material Agreements and Arrangements

11.1.2.2. Overview – Wholesale Securitisation

Liberty primarily funds the origination of new loans by means of Wholesale Securitisation, with the relevant Funding Vehicle primarily being funded by a facility provided by a wholesale financier ("Wholesale Facility").

The description of the facility as a "Wholesale" reflects the fact that typically:

- the facility is provided on a revolving basis and can be drawn against, and repaid, on an ongoing basis during the term of the facility; and
- the expectation of the wholesale financier is that the loans funded by the Wholesale Facility will be refinanced with a Term Securitisation.

As at 31 October 2020, Liberty had a total committed facility size of $5.17 billion in 10 Funding Vehicles with various maturity dates ranging from 12 to 36 months. Wholesale financiers include major Australian banks and global investment banks. A number of Wholesale Facilities are expected to mature over the Offer Document forecast period. Liberty believes these will be able to be renewed on substantially the same terms.

See Section 11.1.2.5 for further details in respect of Liberty's Wholesale Securitisation Facilities.

11.1.2.3. Overview – Term Securitisation

Liberty is a regular issuer in the Australian Term Securitisation market.

As noted in Section 3.6.4, Liberty has issued approximately $30.6 billion in Term Securitisations in Australia and New Zealand since 1999.

A typical Liberty Term Securitisation shares many of the features of a Liberty Wholesale Securitisation with key differences being the following:

- the Term Securitisation typically involves a "closed" pool with no additional loans being acquired or substituted after the closing date of the Term Securitisation;
- the Term Securitisation issues limited recourse debt securities, comprising a number of different classes, each of which attracts a different credit rating determined by an independent credit rating agency;
- the maturity of the debt securities is similar to the term of the underlying pool of securitised loans (commonly, having a term over 25-30 years). However, typically Liberty has the right (but not the obligation) to cause the redemption of the debt securities by repurchasing or refinancing the securitised loans, typically after three to five years or once the pool of securitised loans has amortised to a pre-agreed percentage of the original pool size (typically, 20%).

11.1.2.4. Framework of Liberty Wholesale and Term Funding

Liberty's Wholesale Securitisations and Term Securitisations are governed by a number of material contracts including (as applicable):

- **Master trust deeds**

  The master trust deeds provide for the creation of special purpose trusts to act as Funding Vehicles in connection with the applicable Wholesale Securitisation or Term Securitisation. Each trust is separate and distinct from any other trust and the assets of each trust are not available to meet the liabilities of any other trust. The trustee of each Funding Vehicle is Secure Funding Pty Ltd (in the case of any Australian Funding Vehicle) or Liberty Funding Limited (in the case of any New Zealand Funding Vehicle) and Liberty Entities are the sole unitholders of these Funding Vehicles.

  The master trust deeds contain customary provisions for documents of this type that regulate the performance by the trustee of its duties and obligations in respect of each Funding Vehicle and the protections afforded to the trustee in doing so, as well as the entitlement of each unitholder as a beneficiary of the relevant Funding Vehicle.

- **Management deeds**

  The management deeds provide for the terms on which Liberty Financial Pty Ltd is appointed to act as the manager of each Funding Vehicle to carry on the day to day administration, supervision and management of the business of each Funding Vehicle. The manager is entitled to be paid a fee for performing this role. The manager's duties include:

  – to monitor compliance by the Funding Vehicle with the terms of the transaction documents of the relevant Wholesale Securitisation or Term Securitisation;
  – to take all steps as it considers necessary or desirable to enable the Funding Vehicle to perform its obligations in connection with the relevant Wholesale Securitisation or Term Securitisation;
  – to open, close, maintain and operate certain bank accounts of the Funding Vehicle;
  – to maintain certain records in respect of the Funding Vehicle; and
  – to conduct its business in a proper and efficient manner.

  Upon the occurrence of certain events, the appointment of Liberty Financial Pty Ltd as manager may be terminated. These events may vary between Funding Vehicles but commonly include:

  – if it becomes insolvent; or
  – certain breaches of its obligations or representations under relevant transaction documents.

  If Liberty Financial Pty Ltd's appointment as manager is terminated, a replacement manager will be appointed in respect of the relevant Funding Vehicle and Liberty Financial Pty Ltd will cease to be entitled to receive the relevant manager fee.

  As manager, Liberty Financial Pty Ltd typically gives a range of indemnities in respect of losses arising from breaches of its obligations or representations and in respect of certain taxes, costs, losses or liabilities that may be incurred by the Funding Vehicle or by funders of such Funding Vehicle.

- **Servicing deeds**

  The servicing deeds provide for the terms on which Liberty Financial Pty Ltd is appointed to act as the servicer of each Funding Vehicle to service, manage and administer the receivables of each Funding Vehicle. The servicer is entitled to be paid a fee for performing this role. The servicer's duties include:

  – to manage the receivables using all proper care, skill and diligence and all of its experience and expertise in the management of receivables;
  – to take action to protect or enforce the terms of the receivables and to exercise rights conferred by documentation or law in relation to the receivables;
  – to set interest rates and fees in respect of the receivables;
  – to not to do anything which might cause or contribute to a deterioration in the value of the receivables;
  – to prepare all necessary performance statistics of the receivables; and
  – to provide to the Funding Vehicle such documentation, records, reports or other information relating to the receivables as may be reasonably requested.

  Upon the occurrence of certain events, the appointment of Liberty Financial Pty Ltd as servicer may be terminated. These events may vary between Funding Vehicles but commonly include:

  – if it becomes insolvent; or
  – certain breaches of its obligations or representations under relevant transaction documents.

  If Liberty Financial Pty Ltd's appointment as servicer is terminated, a replacement servicer will be appointed in respect of the relevant Funding Vehicle and Liberty Financial Pty Ltd will cease to be entitled to receive the relevant servicer fee.

  As servicer, Liberty Financial Pty Ltd typically gives a range of indemnities in respect of losses arising from breaches of its obligations or representations and in respect of certain taxes, costs, losses or liabilities that may be incurred by the Funding Vehicle or by funders of such Funding Vehicle.

11 Material Agreements and Arrangements

- **Origination deeds and sale documents**

  The master trust deeds, origination deeds and sale documents provide for the terms on which Liberty Financial Pty Ltd or Secure Funding (as applicable) may originate or transfer receivables into a particular Funding Vehicle.

  Typically, Liberty Financial Pty Ltd or Secure Funding (as applicable) will give representations in respect of the receivables to be originated or acquired by a Funding Vehicle, including as to whether the receivables comply with certain eligibility criteria applicable to the relevant Wholesale Securitisation or Term Securitisation.

  If such representations are breached, Liberty Financial Pty Ltd or Secure Funding (as applicable) may be required to indemnify the Funding Vehicle and funders for any loss that may result and/or may be required to procure the repurchase of the relevant receivables and/or may be required to provide, or procure the provision of, collateral against such receivables (including by making a subordinated loan to the relevant Funding Vehicle).

- **Security trust deeds and security**

  The security trust deeds provide for the creation of security trusts for the benefit of the secured creditors of the Funding Vehicles. A separate security trust is established for each Funding Vehicle. The trustee of each security trust (known as a "security trustee") is a professional trustee company independent of Liberty.

  The primary asset of each security trust is the charge, or other security interest, granted by the relevant Funding Vehicle over all of the assets of the Funding Vehicle in favour of the security trustee, which it holds on behalf of the secured creditors of the Funding Vehicles (as beneficiaries of the relevant security trust).

  The security trust deeds contain customary provisions for documents of this type that regulate the performance by the security trustee of its duties and obligations in respect of each security trust and the protections afforded to the security trustee in doing so.

- **Supplementary terms notice**

  A supplementary terms notice (or equivalent document) is entered into in respect of each Funding Vehicle. This document typically governs a range of commercial terms and transaction-specific matters (which often vary between different Wholesale Securitisations and Term Securitisations) including:

  - the terms of key triggers and/or events (such as "stop funding events", "amortisation triggers" and "events of default") and the consequences of such triggers or events;
  - various calculations relating to amounts received by the Funding Vehicle from the receivables of that Funding Vehicle;
  - the application of such amounts by the Funding Vehicle (including the order of priority in which such amounts are applied to make payments to different ranking creditors of the Funding Vehicle).

- **Funding documents**

  The funding documents for each Wholesale Securitisation and Term Securitisation contain the terms and conditions of the funding provided by the relevant financiers including interest and repayment terms.

  In addition, the funding documents for a Liberty Wholesale Securitisation typically contain a number of additional terms dealing with the availability of the relevant facilities to fund the origination or acquisition of new assets on an ongoing basis. Those terms may include:

  - Term and availability

    A Wholesale Facility will typically have an availability period of between 12 and 36 months. The Funding Vehicle can request the relevant funder to extend that availability period for further periods (typically of 12 months each). The financier can agree or decline the extension request in its absolute discretion.

  - Conditions to funding

The availability of funding under a Wholesale Facility to fund the origination or acquisition of new assets is subject to a number of conditions precedent. The material conditions precedent typically include the following (some of which may be outside the control of Liberty):

- compliance by relevant Liberty Entities with their obligations and representations under the applicable transaction documents;
- the absence of certain events, including event of defaults and stop funding events;
- required credit support levels (for example, in the form of subordinated loans) being maintained.

– Stop funding events

The revolving period during which funding may be requested and during which new assets may be originated or acquired will typically end upon the occurrence of a "stop funding event" (or equivalent event). There may be considerable variance, between different Wholesale Facilities, as to what constitutes a stop funding events. However, they may include:

- a failure of the relevant receivables to satisfy certain pool parameters when tested from time to time (examples of which might include limits in the pool around geographic concentrations, levels of interest only loans or levels of loans with a principal balance above prescribed levels);
- level of arrears or losses on the pool exceeding prescribed percentages; and/or
- a failure by relevant Liberty Entities to comply with certain obligations.

In addition to stopping further funding under the relevant facility, the occurrence of these events may, in turn, lead to the occurrence of other adverse events (such as an event of default and/or amortisation event).

11.1.2.5. Key Terms – Wholesale Funding

Key aspects of the Liberty's Wholesale Funding are summarised below. The Lender in respect of each Funding Vehicle is either one of the major four Australian banks or a major international bank.

Funding Vehicle	Liberty Trust No. 1	Liberty Trust No. 2	Liberty Trust No. 3	Liberty Trust No. 4	Liberty Trust No. 5	Liberty Trust No. 6	Liberty Trust No. 7	Liberty Trust No. 8	Liberty Trust No. 9	Liberty Trust No. 10
Commitment	A$300 million	A$1,000 million	A$1,000 million	A$400 million	A$800 million	NZ$200 million	A$400 million	A$200 million	Uncommitted Facility	A$500 Million
Term/expiry	November 2021	March 2022	September 2021	June 2021	January 2021	June 2021	December 2021	November 2021	July 2021	November 2021
Permitted receivables	Residential housing loans	Commercial loans and residential housing loans	Residential housing loans	SME loans	Residential housing loans	Residential housing loans secured by residential property located in New Zealand	Australian and New Zealand residential housing loans, SME loans, Motor vehicle loans, invoices and equipment finance receivables	Motor vehicle loans and leases	Residential housing loans and risk retention assets	Residential housing loans
Eligible Receivables	• The characteristics (or eligibility criteria) of receivables that may be funded by the relevant Funding Vehicle are pre-agreed with the financiers and are, typically, tested only at the point of origination or acquisition by the Funding Vehicle.									

11 Material Agreements and Arrangements

Funding Vehicle	Liberty Trust No. 1	Liberty Trust No. 2	Liberty Trust No. 3	Liberty Trust No. 4	Liberty Trust No. 5	Liberty Trust No. 6	Liberty Trust No. 7	Liberty Trust No. 8	Liberty Trust No. 9	Liberty Trust No. 10
Interest rate and fees	• Interest on the funding is typically charged at a floating rate (calculated by reference to a variable market rate, such as BBSW, plus an agreed margin). • Additional fees (such as undrawn fees and extension fees) are often payable.									
Hedging	• In certain circumstances the Funding Vehicle may be obliged to enter into swap transactions (typically to hedge its exposure to fixed rate receivables) and may be required to pay break costs in the event of an early termination of any such swaps.									
Revolving nature of financing	• Funding provided to a Funding Vehicle by the relevant funder can be drawn and repaid on an ongoing basis up to agreed limits and subject to certain conditions. The funding is for a specified fixed term and is subject to renewal by the relevant financer in its absolute discretion.									
Limited recourse	• The funder of a Funding Vehicle is limited in its recourse, to the Funding Vehicle, by reference to the assets of that Funding Vehicle (subject to certain limited exceptions) • However, certain Liberty Entities may incur liabilities in connection with a Funding Vehicle which are not subject to the limited recourse restrictions. For example, liabilities incurred (including pursuant to contractual indemnities for loss) by a Liberty Entity in acting as servicer, manager or originator. In addition, to the extent that a Liberty Entity holds a subordinated, or first loss, position (for example, by making a subordinated loan to the Funding Vehicle) or where it agrees to procure the purchase of defaulting receivables, performance issues related to that Funding Vehicle may adversely affect the financial position of the Liberty Group.									
Application and priority of collections	• Collections from receivables are to be applied by the relevant Funding Vehicle on a periodic basis (typically monthly), in a pre-defined order of priority, to meet the liabilities of the Funding Vehicle. Broadly, amounts owed to the senior financier and other senior ranking creditors are paid prior to amounts owed to Liberty Entities (including in respect of subordinated funding historically provided by Liberty Financial Pty Ltd). • Accordingly, amounts payable to Liberty Entities have been typically subordinated to other creditors of the relevant Funding Vehicle.									
Residual income	• A Liberty Entity (as unitholder of the relevant Funding Vehicle) receives periodic distributions of the income (if any) generated in respect of the receivables funded by the Funding Vehicles after all prior ranking costs and expenses of the Funding Vehicle (including all interest and fees payable to funders) have been paid, except to the extent that cash flow is used for other purposes including: – making up for losses where there are unrecoverable amounts from debtors; or – helping to repay the funding in the event that a funding facility is not extended, or in default or certain other trigger events occur.									

11.1.2.6. Key Terms – Term Funding

Key aspects of the Liberty's Term Funding are summarised below.

Funding Vehicle	Principal Outstanding (initial issue – A$ equivalent where applicable)	Principal Outstanding (31 October 2020 – A$ equivalent where applicable)	Legal Final Maturity	Call Option Date	Interest rate	Receivables type
Liberty Series 2016-3	A$500 million	A$159,940,864.58	September 2048	Earlier of 20% and December 2020	Floating	Residential housing loans
Liberty Series 2017-1	A$800 million	A$311,241,692.84	January 2049	Earlier of 20% and March 2021	Floating	Residential housing loans
Liberty Series 2017-2	A$350 million	A$126,998,731.71	January 2049	Earlier of 20% and May 2021	Floating	Residential housing loans
Liberty Series 2017-3	A$1,200 million	A$452,794,369.88	April 2049	Earlier of 20% and July 2021	Floating	Residential housing loans
Liberty Series 2017-4	A$1,200 million	A$478,668,992.23	April 2049	Earlier of 20% and October 2021	Floating	Residential housing loans
Liberty Series 2018-1	A$1,500 million	A$719,327,331.81	October 2049	Earlier of 20% and April 2022	Floating	Residential housing loans
Liberty Series 2018-2	A$300 million	A$129,153,124.46	February 2050	Earlier of 30% and July 2021	Floating	Residential housing loans
Liberty Series 2018-3	A$750 million	A$393,953,616.50	October 2050	Earlier of 20% and October 2022	Floating	Residential housing loans
Liberty Series 2018-4	A$550 million	A$338,361,629.75	October 2050	Earlier of 20% and November 2022	Floating	Residential housing loans
Liberty Series 2019-1	A$700 million	A$445,358,720.10	March 2051	Earlier of 30% and April 2022	Floating	Residential housing loans
Liberty Series 2019-2	A$1,400 million	A$957,806,206.67	June 2051	Earlier of 20% and June 2023	Floating	Residential housing loans
Liberty Series 2020-1	A$500 million	A$441,111,064.81	February 2052	Earlier of 20% and May 2024	Floating	Residential housing loans
Liberty Series 2020-2	A$800 million	A$714,541,215.73	December 2051	Earlier of 20% and June 2023	Floating	Residential housing loans
Liberty Series 2020-3	A$1,300 million	A$13,000,000,000 (as at 2 November 2020)	December 2051	Earlier of 20% and October 2024	Floating	Residential housing loans
Liberty PRIME Series 2017-1	A$350 million	A$120,215,363.39	January 2049	Earlier of 20% and February 2021	Floating	Residential housing loans
Liberty Series 2017-1 Auto	A$300 million	A$80,091,319.44	December 2026	Earlier of 10% and December 2021	Floating	Auto loans
Liberty Series 2018-1 Auto	A$250 million	A$129,845,877.05	March 2026	Earlier of 10% and December 2022	Floating	Auto loans

11 Material Agreements and Arrangements

Funding Vehicle	Principal Outstanding (initial issue – A$ equivalent where applicable)	Principal Outstanding (31 October 2020 – A$ equivalent where applicable)	Legal Final Maturity	Call Option Date	Interest rate	Receivables type
Liberty Series 2020-1 Auto	A$300 million	A$235,660,514.52	July 2027	Earlier of 10% and February 2024	Floating	Auto loans
Liberty Series 2017-1 SME	A$500 million	A$288,717,890.40	July 2049	Earlier of 20% and September 2021	Floating	Commercial and residential housing loans
Liberty Series 2018-1 SME	A$450 million	A$334,915,203.91	July 2050	Earlier of 20% and July 2022	Floating	Commercial and residential housing loans
Liberty Series 2019-1 SME	A$550 million	A$484,440,984.80	October 2051	Earlier of 20% and October 2023	Floating	Commercial and residential housing loans
Liberty Series 2020-1 SME	A$600 million	A$591,683,040.60	September 2052	Earlier of 20% and September 2024	Floating	Commercial and residential housing loans

11.1.3. Description of commercial paper program

11.1.3.1. Overview

Liberty has an established program under which commercial paper denominated in Australian dollars may be issued by the relevant Funding Vehicle from time to time ("Commercial Paper Program").

Details of the material terms of the Commercial Paper Program are summarised below.

Commercial Paper Program	
Status	• Commercial paper issued will constitute limited recourse, secured and unsubordinated obligations of the Funding Vehicle.
Maturities	• Commercial paper will be issued with a tenor of not less than two days and not more than 364 days. Commercial paper may be issued in one or more tranches having one or more issued dates.
Limit	• The Commercial Paper Program is subject to a limit of A$300 million. • As at 28 September 2020, no commercial paper is outstanding.
Use of proceeds	• Proceeds from the issue of commercial paper will be used by the Funding Vehicle to repay other maturing commercial paper.
Liquidity support	• The Commercial Paper Program is supported by liquidity facilities provided by a major Australian trading bank. These facilities are available to be drawn (subject to conditions) in limited circumstances, including where the Funding Vehicle is unable to issue further commercial paper (to fund the redemption of maturing commercial paper) due to factors such as market disturbances.

11.1.4. Description of Medium Term Note Program

11.1.4.1. Overview

In March 2015, Liberty established a medium term note program under which medium term notes, denominated in Australian dollars, may be issued by Liberty Financial Pty Ltd from time to time in the Australian domestic capital market ("MTN Program").

Details of the material terms of the MTN Program are summarised below.

MTN Program	
Status and Ranking	• All notes issued by Liberty Financial Pty Ltd under the MTN Program constitute direct, unconditional, unsubordinated and unsecured obligations of Liberty Financial Pty Ltd. • Notes may be issued in a series and each series may comprise one or more tranches having one or more issue dates and on conditions that are otherwise identical. • As amongst themselves, the notes of each series will rank pari passu and rateably without preference or priority with all other present and future direct, unconditional, unsubordinated and unsecured obligations of Liberty Financial Pty Ltd, except as such obligations are mandatorily preferred by law.
Term	• The term of the MTN Program continues until terminated by Liberty Financial Pty Ltd giving 30 days' notice to the arrangers and the dealers appointed to the MTN Program.
Limit and Maturity	• There is no limit on the aggregate principal amount of notes which may be issued by Liberty Financial Pty Ltd under the MTN Program. • Liberty Financial Pty Ltd has issued the following outstanding notes under the MTN Program with an aggregate outstanding principal amount as at 31 October 2020 of A$875,000,000: – A$150,000,000 issued on 9 April 2018 with a maturity date of 9 April 2021; – A$75,000,000 issued on 4 May 2018 with a maturity date of 9 April 2021 (consolidated in a single series with the notes issued on 9 April 2018); – A$200,000,000 issued on 7 March 2019 with a maturity date of 7 March 2022; – A$200,000,000 issued on 6 September 2019 with a maturity date of 6 March 2023; and – $250,000,000 issued on 26 February 2020 with a maturity date of 26 February 2024.
Redemption	• The outstanding principal amount of each note must be redeemed in full by Liberty Financial Pty Ltd on its maturity date unless the note has been previously redeemed, purchased or cancelled. • Notes may be redeemed by Liberty Financial Pty Ltd prior to the maturity date, including if there has been a change in the taxation treatment of the notes requiring Liberty Financial Pty Ltd to pay an additional amount in respect of a note or if interest payable in respect of a note ceases to be deductible to Liberty Financial Pty Ltd.
Interest Rates	• Interest on the notes may be at a fixed, floating or other variable rate and may vary during the tenor of the relevant series and will be payable in accordance with the terms specified in the applicable pricing supplement relating to such notes.

11 Material Agreements and Arrangements

11.1.5. Description of Cash Advance Facility

11.1.5.1. Summary

Liberty Financial Limited has in place a Cash Advance Facility with one of New Zealand's largest banks. The Cash Advance Facility has a facility limit of NZ$1 million and a maturity date of November 2020. It is available to fund eligible receivables and other low risk investments.

11.2. Underwriting Agreement

The Offerors and the Lead Manager have entered into an underwriting agreement dated 26 November 2020 ("Underwriting Agreement") pursuant to which the Lead Manager agrees to arrange and manage the Offer and to underwrite subscriptions for and the sale of the number of Securities under the:

- Broker Firm Offer;
- Priority Offer; and
- Institutional Offer,

for which valid applications are not received, at the Offer Price.

For the purpose of this Section, **Offer Documents** means the documents issued or published by or on behalf of the Liberty Group and with their prior approval in respect of the Offer and in a form approved by the Lead Manager including:

- the pathfinder version of this Offer Document and any document which supplements or replaces the pathfinder version of this Offer Document (including any addendum to it);
- this Offer Document, any Application Form and any supplementary or replacement offer document;
- any cover email sent by or on behalf of the Offerors, including an appropriate cautionary legend, to eligible Institutional Investors in Australia and other agreed foreign jurisdictions with a link to or attaching the pathfinder version of the Offer Document in connection with the Institutional Offer and bookbuild; and
- any investor presentation, roadshow presentation or marketing presentation and/or ASX announcement used in connection with the Institutional Offer or the Broker Firm Offer (including any addendum to those presentations and any draft of such documents used for roadshow purposes prior to the Offer Document Date).

11.2.1.1. Fees, Costs and Expenses

The Offerors have agreed to pay the Lead Manager an underwriting fee of $5.5 million and a management fee of $1.6 million, payable by the Offerors on the date of settlement of the Offer. The Lead Manager has agreed to pay, on behalf of the Offerors, any fees or commissions due to the Co-Lead Managers, co-managers or brokers appointed by the Lead Manager.

In addition, an incentive fee of up to $1.6 million may also be payable to the Lead Manager at the absolute discretion of the Offerors.

The Offerors must also pay or reimburse the Lead Manager for certain other agreed reasonable costs, charges and expenses incurred by the Lead Manager in relation to or incidental to the Offer. All such amounts are payable on the date of settlement of the Offer, unless the Underwriting Agreement is terminated in which case such amounts must be paid as soon as reasonably practicable after termination (and in any case within 30 days after termination).

11.2.1.2. Representations, Warranties and Undertakings

The Underwriting Agreement contains customary representations, warranties and undertakings provided by the Offerors to the Lead Manager including, but not limited to, matters such as the conduct of the Offerors, powers and authorisations, information provided by the Offerors, Financial Information, disclosure in any offer document and other public information, the conduct of the Offer and compliance with laws, compliance with the Corporations Act, ASX Listing Rules and other legally binding requirements and anti-money laundering and bribery.

The Offerors also provide additional representations and warranties in connection with matters including, but not limited to, their licences, closing certificates, the Securities, encumbrances, the accounts, future matters, material contracts, litigation, non-disposal of Escrowed Securities, tax, insurance, authorisations, and internal accounting controls.

The Offerors' undertakings include that they will not, during the period following the date of the Underwriting Agreement until 90 days after the Securities have been issued under the Offer:

- Issue, or agree to issue, or indicate in any way that it may or will issue, or agree to issue, any Securities or other securities that are convertible or exchangeable into equity, or that represent the right to receive equity, in Liberty Group or certain other arrangements without the prior written consent of the Lead Manager subject to certain limited exceptions, including an issue of securities pursuant to an employee securities or option plan as described in the Offer Document;
- Alter the capital structure of the Liberty Group or amend the Company's or the Trust's constitution, except with the prior written consent of the Lead Manager; or
- Dispose of any material part of the Liberty Group's business or property, except with the prior written consent of the Lead Manager.

11.2.1.3. Indemnity

Subject to certain exceptions, the Offerors on a joint and several basis indemnify the Lead Manager and its representatives from and against certain losses and liabilities incurred directly or indirectly as a result of or in connection with the Offer.

11.2.1.4. Termination Events Not Limited to Materiality

The Lead Manager may terminate the Underwriting Agreement at any time after the date of the Underwriting Agreement until 4.00pm on the date of settlement of the Offer (without any cost or liability by notice to the Offerors), if any of the following events occur:

- **Disclosures:** a statement in any of the Offer Documents or the information released to the public is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from an Offer Document;
- **New circumstances:** there occurs a new circumstance that arises after this Offer Document is lodged that would have been required to be included in this Offer Document if it had arisen before this Offer Document was lodged;
- **Supplementary disclosure document:** the Offerors:
  - lodges a supplementary or replacement disclosure document with ASIC in a form that has not been approved by the Lead Manager; or
  - issue or, in the reasonable opinion of the Lead Manager, are required to issue, a supplementary or replacement disclosure document to comply with sections 719 or 1014A of the Corporations Act;
- **Market fall:** the S&P/ASX 200 Index falls to a level that is 90% or less of the level as at the close of trading on the date of the Underwriting Agreement and is at or below that level at the close of trading:
  - For two consecutive business days during any time after the date of the Underwriting Agreement; or
  - On the business day immediately prior to the date of settlement of the Offer;
- **Forecast Financial Information:**
  - There are not, or there ceases to be, reasonable grounds, for any statement or estimate in any Offer Document which relates to a future matter; or
  - Any statement or estimate in the Offer Documents which relates to a future matter is unlikely to be met in the projected timeframe (including in each case financial forecasts);
- **Fraud:** the Offerors or Liberty or any of their respective directors or officers (as those terms are defined in the Corporations Act) engage, or have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity, whether or not in connection with the Offer;

11 Material Agreements and Arrangements

- **Listing and quotation:** approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to:
  - The Liberty Group's admission to the Official List of the ASX on or before the Listing approval date as set out in the Underwriting Agreement; or
  - The quotation of all of the Securities on the ASX or for the Securities, to be traded through CHESS on or before the quotation date as set out in the Underwriting Agreement;

  or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- **Notifications:** any of the following notifications are made:
  - ASIC issues an order (including an interim order) under section 739 or 1020E of the Corporations Act;
  - ASIC holds a hearing under section 739(2) or 1020E(2) of the Corporations Act;
  - an application is made by ASIC for an order under Part 9.5 in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Offer or an Offer Document;
  - any person (other than the Lead Manager) who has previously consented to the inclusion of its name in any Offer Document withdraws that consent; or
  - any person (other than the Lead Manager) gives a notice under section 730 of the Corporations Act in relation to the Offer Document;
- **Mutual recognition:** the Offerors fails to comply with the requirements of the NZ Financial Markets Law to be made under the Mutual Recognition Regime;
- **Certificate:** the Offerors do not provide a closing certificate as and when required by the Underwriting Agreement;
- **Withdrawal:** the Liberty Group withdraws an Offer Document or the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- **Insolvency events:** any member of Liberty becomes insolvent or there is an act or omission which is likely to result in a member of Liberty becoming insolvent;
- **Timetable:** an event specified in the timetable up to and including the date of settlement of the Offer is delayed by more than two business days;
- **Unable to transfer Securities:** the Offerors are prevented from transferring Securities within the time required by the timetable for the Offer, the Offer Documents, the ASX Listing Rules, applicable laws, an order of a court of competent jurisdiction or a governmental authority;
- **Change to the Liberty Group:** the Liberty Group:
  - alters the issued capital of the Liberty Group or another member of Liberty, other than as disclosed in the Offer Document; or
  - disposes or attempts to dispose of a substantial part of the business or property of the Liberty Group or another member of Liberty,

  without the prior written consent of the Lead Manager;
- **Regulatory approvals:** a regulatory body withdraws or revokes any regulatory approvals required for the Offerors to perform their obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Offer Documents;
- **Force majeure:** there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any governmental agency which makes it illegal for the Lead Manager to satisfy an obligation under this document, or to market, promote or settle the Offer;
- **Change in management:** any of the Chief Executive Officer or Chief Financial Officer vacates their office or there is a change to the Board of the Liberty Group other than as disclosed in the Offer Document;
- **Sale Deed Poll:** the Sale Deed Poll is, materially varied, terminated, rescinded, materially breached or failed to be complied with or the offer contained in the Sale Deed Poll is withdrawn by the Vesta;

- **Prosecution:** any of the following occur:
  - a Director or proposed Director named in this Offer Document of the Liberty Group is charged with an indictable offence;
  - any governmental agency commences any public action against the Offerors or any of their Directors in their capacity as a Director of the Offerors, or announces that it intends to take action; or
  - any Director or proposed Director named in this Offer Document of the Liberty Group is disqualified from managing a corporation under Part 2D.6 of the Corporations Act;
- **Constitution:** the Offerors vary any term of their constitutions without the prior written consent of the Lead Manager other than as disclosed in this Offer Document; or
- **Legal proceedings:** other than to the extent disclosed in this Offer Document, any regulatory body commences an enquiry or public action against a member of Liberty which relates to the Offer Documents or the Offer.

11.2.1.5. Termination Events Limited to Materiality

The Lead Manager may terminate the Underwriting Agreement at any time after the date of the Underwriting Agreement until 4.00pm on the date of settlement of the Offer (without any cost or liability by notice to the Offerors), if any of the following events occur and the Lead Manager has reasonable grounds to believe the event: (i) has or is likely to have a materially adverse effect on the settlement or marketing of the Offer or on the ability of the Lead Manager to market or settle the Offer or on the likely price at which the Securities will trade on the ASX or the willingness of investors to subscribe for or acquire the Securities; or (ii) will, or is likely to, give rise to a liability of the Lead Manager under, or give rise to, or result in, a contravention by the Lead Manager or its affiliates or the Lead Manager or its affiliates being involved in a contravention of, any applicable law:

- **Escrow Deeds:** any Escrow Deed is withdrawn, varied, terminated, rescinded, altered, amended or breached or failed to be complied with (other than termination in accordance with its terms);
- **NZ notifications:** any New Zealand regulatory body having jurisdiction in respect of the Offer issues an order prohibiting the Offerors from making the Offer under the Mutual Recognition Regime or the NZFMA exercises any power under Part 8 of the NZ FMCA in a manner which is materially adverse in relation to the Offer;
- **Material contracts:** any of the obligations of the relevant parties under any of the contracts that are material to the business of Liberty or any of the material contracts are not capable of being performed in accordance with their terms (in the reasonable opinion of the Lead Manager) or all or any part of any such contracts:
  - is amended or varied without the consent of the Lead Manager;
  - is terminated;
  - is breached;
  - ceases to have effect, otherwise than in accordance with its terms; or
  - Is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and effect, or its performance is or becomes illegal;
- **Regulatory approvals:** a regulatory body amends any regulatory approvals required for the Offerors to perform their obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Offer Documents;
- **Legal proceedings:** other than to the extent disclosed in this Offer Document, any of the following occurs:
  - the commencement of legal proceedings against the Liberty Group, any other member of Liberty or against any Director of the Liberty Group or any other member of Liberty in that capacity; or
  - any regulatory body commences any enquiry or public action against a member of Liberty (Other than an enquiry or public action which relates to the this Offer Document or the Offer);

11 Material Agreements and Arrangements

- **Disclosures in due diligence report:** the due diligence reports or verification materials or any other information supplied by or on behalf of the Offerors to the Lead Manager in relation to Liberty or the Offer is (or is likely to), or becomes (or becomes likely to be), misleading or deceptive, including by way of omission;
- **Adverse change:** any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Liberty Group and Liberty (insofar as the position in relation to an entity in Liberty affects the overall position of the Liberty Group), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Liberty Group or Liberty from those respectively disclosed in any Offer Document or the public information;
- **Change of law:** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia, a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement) any of which does or is likely to prohibit or regulate the Offer, capital issues or stock markets or affect the taxation treatment of the Securities as contemplated in the Offer Documents;
- **Breach of laws:** there is a contravention by the Offerors or any other member of Liberty of the Corporations Act, the *Competition and Consumer Act 2010* (Cth), the *Australian Securities and Investments Commission Act 2001* (Cth) (or any regulations under those acts), its constitution or any of the ASX Listing Rules or any other applicable legislation or regulation;
- **Compliance with law:** any of the Offer Documents or any aspect of the Offer does not comply with the Corporations Act or NZ Acts or any other applicable law or regulation;
- **Representations and warranties:** a representation, warranty, undertaking or obligation contained in the Underwriting Agreement on the part of the Offerors is breached, becomes not true or correct or is not performed;
- **Breach:** the Offerors breach any provision under the Underwriting Agreement;
- **Information supplied:** any information supplied (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of a member of Liberty to the Lead Manager in respect of the Offer or Liberty is, or is found to be, misleading or deceptive, or likely to mislead or deceive (including by omission);
- **Hostilities:** hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, Singapore, the United Kingdom, the People's Republic of China, Hong Kong, any member states of the European Union or the United States or a major terrorist act is perpetrated on any of those countries or a state of emergency is declared by any of those countries (other than as already declared prior to the date of the Underwriting Agreement) or a major escalation occurs in relation to a previously declared state of emergency by any of those countries;
- **Certificate incorrect:** a statement in any closing certificate is false, misleading, inaccurate or untrue or incorrect;
- **Disruption in financial markets:** any of the following occur:
  - A general moratorium on commercial banking activities in Australia, the People's Republic of China, Singapore, Hong Kong, the United Kingdom, the United States or a Member State of the European Union is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
  - Any adverse effect on the financial markets in Australia, the People's Republic of China, Singapore, Hong Kong, the United Kingdom, the United States or a Member State of the European Union, or in foreign exchange rates or any development involving a prospective change or break-up in political, financial or economic conditions in any of those countries; or
  - Trading in all securities quoted or listed on the ASX, the New York Stock Exchange, the London Stock Exchange or the Hong Kong Stock Exchange is suspended or limited in a material respect for one day (or a substantial part of one day) on which that exchange is open for trading;

- **Commercial impracticability:** there is an event, occurrence or non-occurrence after the execution of the Underwriting Agreement which makes it commercially impracticable for the Lead Manager to satisfy a material obligation under the Underwriting Agreement, or to market, promote or settle the offer of Securities, or that causes the Lead Manager to delay satisfying a material obligation under the Underwriting Agreement, including, without limitation:
  - any acts, statute, order, rule, regulation, directive or request of any government agency, orders of any courts, lockdowns, lock-outs, forced closures, restrictions on mobility, or interruptions or restrictions in transportation which has this impact; or
  - any acts of God or other natural forces, civil unrest or other civil disturbance, currency restriction, embargo, action or inaction by a government agency, or any other event similar to those enumerated above.

11.3. Service Agreement

The Manager and the Responsible Entity entered into a Service Agreement on 15 July 2020 and will continue for a period of 20 years unless it is terminated earlier by either party.

Pursuant to the terms of the Service Agreement, the Manager has been appointed as a manager to provide management services to the Responsible Entity and its controlled entities to enable the Responsible Entity to carry out its activities in a manner consistent with the provisions of the constitution of the Trust and the Stapling Deed.

The Manager's activities under the Service Agreement are subject to the Responsible Entity Board's supervision.

The Responsible Entity is required to pay the Manager a monthly fee which is calculated in accordance with a formula that is based on the value of the RE Assets each month. See Section 10 for further details.

Each party is required to provide standard indemnities to the other.

The Responsible Entity is entitled to terminate the Service Agreement with immediate effect if the Manager becomes insolvent, does not or ceases to hold the authorities required to carry out its obligations under the Management Agreement or commits a material breach of the Service Agreement (and if the breach is capable of remedy, fails to remedy it).

The Manager may terminate the Service Agreement with immediate effect:

- in the same circumstances as the Responsible Entity; or
- if any person (and its associates) acquires 100% of the issued capital of the Responsible Entity.

The Manager may also terminate the Service Agreement if the Shares cease to be stapled to the Units and the Manager has provided the Responsible Entity with 90 days written notice of its intention to terminate the Service Agreement.

11.4. Summary of Rights and Liabilities Attaching to Securities (Stapling Deed and Constitutions)

11.4.1. Stapling Arrangements

11.4.1.1. General

The Company and the Responsible Entity (in its capacity as responsible entity for the Trust) are parties to the Stapling Deed.

The Constitutions and the Stapling Deed set out the terms and conditions on which each Share and Unit are stapled to each other and the obligations of the Company and the Responsible Entity (as responsible entity of the Trust) in respect of the Securities.

11.4.1.2. Constitutions

The Stapling Deed requires each Liberty Group Member to perform and comply with the duties and obligations set out in their respective Constitutions at all times.

11 Material Agreements and Arrangements

11.4.1.3. Precedence of constitutions

If there is any inconsistency between the obligations of a Liberty Group Member under the Stapling Deed and the relevant Constitutions, the provisions of the Constitutions apply to the extent of the inconsistency.

11.4.1.4. Shares and Units to trade together

Shares and Units may only be dealt with together until they are unstapled. Each Liberty Group Member may not do anything or refrain from doing anything that may result in the Security no longer being stapled. The Securities may only be unstapled if the unstapling of the Securities has been approved by a resolution passed by the members of each Liberty Group Member with a majority of no less than 75%, in accordance with the relevant Constitutions, and the parties have arranged for any necessary funding to enable them to operate independently from each other.

11.4.1.5. Obligations of each Liberty Group Member

Each Liberty Group Member must not offer any of its securities for subscription or sale, nor issue or sell any of its Securities, nor consolidate, sub-divide, cancel, buy-back or redeem any of its securities unless a corresponding and same action is taken with respect to the securities of the other Liberty Group Member in an equal number.

11.4.1.6. Security Holders

Each Liberty Group Member may, subject to the Corporations Act, have regard to the Security Holders as a whole and not only to the interests of their security holders.

Additionally, each Liberty Group Member will co-operate where necessary or desirable, to have member meetings concurrently or consecutively.

11.4.2. Stapling Provisions

11.4.2.1. Overview of stapling provisions

Under each Constitution, the Securities are treated as one security. While stapling applies, the number of securities on issue for a Liberty Group Member must equal the securities on issue for the other Liberty Group Member.

As such, each Liberty Group Member must not issue, consolidate or divide, redeem or buy-back and cancel a security that is part of the Security unless the same action occurs in respect of the other securities that together form the Security.

The Liberty Group may, subject to the Corporations Act and the ASX Listing Rules, cause the stapling of any other security or securities to the Security.

A stapling provision under the Constitutions may only be amended by a resolution passed by no less than 75% of the members of each Liberty Group Member.

11.4.2.2. Transfer of Securities

While stapling applies, a transfer of a security forming part of the Security will only be accepted if the transfer relates to or is accompanied by a transfer or a copy of a transfer of the other security forming part of the Security, in favour of the same transferee. The Company Board must refuse to register a transfer of Shares if the Unit is not to be transferred, or is not capable of being transferred, simultaneously. The RE Board must refuse to register a transfer of the Units if the relevant Share is not to be transferred, or is not capable of being transferred, simultaneously.

11.4.2.3. Reinvestment of Securities

While stapling applies, no reinvestment by members holding a Share may occur unless at the time the member acquires Share in the Company, an identical number of Units in the Trust, when issued or acquired, are stapled to those Shares, and vice versa.

11.4.2.4. Obligations while the stapling provisions apply

The Directors must ensure that the Securities that are stapled together are dealt with in a manner consistent with the Constitutions and must not do anything that would result in a Security no longer remaining stapled.

Each Liberty Group Member is empowered to do all things that it considers necessary to give effect to the stapling.

While the stapling provisions apply, the Directors may have regard to the interests of the members of the Liberty Group as a whole and not only to their relevant Security Holder.

11.4.2.5. Cessation of stapling provisions

The Directors of one Liberty Group Member can determine that the stapling provisions cease to apply, provided that at the same time the other Liberty Group Member also suspends the equivalent stapling provisions in accordance with its Constitution and each Liberty Group Member passes a resolution with a majority of no less than 75% of its members.

11.4.3. General

The Securities sold under this Offer Document will rank equally with the issued fully paid ordinary Securities. The rights attaching to the Shares and the Units (as applicable) are:

- set out in the respective Constitution; and
- in certain circumstances, regulated by the Corporations Act, ASX Listing Rules, ASX Settlement Rules and the general law.

A summary of the significant rights attaching to the Securities and a description of other material provisions of each Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Security Holders. The summary assumes that the Liberty Group is admitted to the Official List of the ASX.

11.4.4. Company Constitution

The Company's Constitution sets out the terms of the Shares which bind the Company and the holders of the Shares.

A general summary of the some of the important features and rights attaching to the Shares and other key provisions of the Company's Constitution are set out below. This summary is not intended to be exhaustive and is qualified by the terms of the Company's Constitution, the Corporations Act and the ASX Listing Rules.

11.4.4.1. Voting at a General Meeting

Subject to any rights or restrictions for the time being attached to any class of Shares, whether by the terms of their issue, the Company's Constitution, the Corporations Act or the ASX Listing Rules, at a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney or whom the Company Directors have determined can notify the Company of their vote in accordance with the Company's Constitution has one vote on a show of hands and, on a poll, one vote for each Share held (or a fraction of a vote for each partly paid share).

11.4.4.2. Meetings of Shareholders

Each Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Company's Constitution, Corporations Act or ASX Listing Rules.

11.4.4.3. Dividends

The Company Board may from time to time resolve to pay dividends to Shareholders and fix the amount of the dividend, the time for determining entitlements to the dividend and the timing and method of payment.

11 Material Agreements and Arrangements

11.4.4.4. Issue of Further Shares

Subject to the Corporations Act, ASX Listing Rules and ASX Settlement Rules and any rights and restrictions attached to a class of shares, the Company Board may, on behalf of the Company, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that, the Company Board decides, subject to the provisions of the Stapling Deed, if applicable.

11.4.4.5. Variation of Class Rights

At the Offer Document Date, the Company's only class of shares on issue is ordinary shares. Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled:

- with the written consent of the holders of at least 75% of the issued shares of the affected class; or
- by a special resolution passed at a separate meeting of the holders of the issued shares of the affected class.

11.4.4.6. Transfer of Shares

Subject to the Company's Constitution and to any restrictions attached to a Shareholder's Shares, Shares may be transferred by a proper transfer effected in accordance with the ASX Settlement Rules, by a written instrument of transfer which complies with the Company's Constitution or by any other method permitted by the Corporations Act, ASX Listing Rules or ASX Settlement Rules.

The Board may refuse to register a transfer of Shares or ask ASX Settlement Pty Limited (ACN 008 504 532) to apply a holding lock in a number of situations including:

- if the registration of the transfer would create a new holding of an unmarketable parcel;
- where the transfer is not in registrable form; and
- if the Corporations Act, the ASX Listing Rules or the ASX Operating Rules forbid registration or permit the refusal of registration,

but only if that refusal would not contravene the ASX Listing Rules or the ASX Settlement Rules.

11.4.4.7. Preference Shares

The Company may issue preference shares, including preference shares which are, or which at the option of the Company or holder may be, liable to be redeemed or converted into ordinary shares. The rights attaching to the preference shares are those set out in the Company's Constitution unless other rights have been approved by special resolution of the Company.

11.4.4.8. Unmarketable Parcels

Subject to the Corporations Act, ASX Listing Rules and ASX Settlement Rules, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares, unless such Shareholder gives written notice to the Company that it wishes to retain its Shares.

11.4.4.9. Share Buy-Backs

Subject to the Corporations Act, ASX Listing Rules and ASX Settlement Rules, the Company may buy back Shares in itself.

11.4.4.10. Dividend Reinvestment Plans

The Company's Constitution contains a provision allowing Directors to implement a dividend reinvestment plan.

11.4.4.11. Appointment and Removal of Company Directors

Under the Company's Constitution, the minimum number of Company Directors that may comprise the Company Board is three. Company Directors are elected by ordinary resolution of the Company.

Retirement will occur on a rotational basis so that no Company Director (excluding any Managing Director) holds office without re-election:

- beyond the third annual general meeting following the meeting at which the Company Director was last elected or re-elected; or
- for no more than three years,

whichever is longer.

11.4.4.12. Powers and Duties of Company Directors

The business and affairs of the Company are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Company's Constitution) may exercise all powers and do all things that are within the Company's power, provided that such powers are not required by law or by the Company Constitution to be exercised by the Company in a general meeting.

11.4.4.13. Voting of Company Directors

Questions arising at a meeting of the Company Board will be decided by a majority of votes of the Company Directors present and entitled to vote on the resolution. In the case of an equality of votes on a resolution, the Chair of the meeting will have a second or casting vote, unless there are only two Company Directors present who are able to vote on the question at issue.

11.4.4.14. Remuneration of Company Directors

The Company's Constitution provides that Non-Executive Directors are entitled to such remuneration which must not exceed in aggregate the maximum amount determined by the Shareholders at a general meeting. Until a different amount is determined, the maximum amount will be $1,000,000 per annum.

11.4.4.15. Winding Up

Subject to the Company's Constitution, the Stapling Deed, the Corporations Act, the ASX Listing Rules and any preferential rights or restrictions attaching to any class or classes of shares in the Company, if the Company is wound up, any surplus assets of the Company remaining after payments of debts must be divided amongst shareholders in proportion to the amount paid up on shares held by them.

11.4.4.16. Indemnities

The Company, to the extent permitted by the Corporations Act, indemnifies each Company Director against any liability incurred by that person as an officer of the Company or as an officer of another company at the request of the Company, unless the liability arises out of conduct involving a lack of good faith.

The Company, subject to the Corporations Act and the Company's Constitution, may pay premiums on a contract insuring a Company Director against any liability incurred by that person as an officer of the Company or as an officer of another company at the request of the Company.

11.4.5. Trust Constitution

The Trust's Constitution sets out the terms of the Units which bind the Responsible Entity (in its capacity as the responsible entity of the Trust) and the Unitholders.

A general summary of the some of the important features and rights attaching to the Units and other key provisions of the Trust's Constitution are set out below. This summary is not intended to be exhaustive and is qualified by the terms of the Trust's Constitution, the Corporations Act, the ASX Listing Rules and the general law.

11.4.5.1. Voting at a General Meeting

Subject to any rights or restrictions for the time being attached to any class of Units, whether by the terms of their issue, the Trust's Constitution, the Corporations Act or the ASX Listing Rules, at a general meeting of the Trust, each Unitholder (and each proxy, attorney or representative), has one vote on a show of hands and, on a poll, one vote for each one dollar of the value of the Units held (or one vote for each one dollar of the value of the partly paid Units held by the Unitholder).

11 Material Agreements and Arrangements

11.4.5.2. General Meetings

The Responsible Entity may convene and arrange to hold a general meeting of the Trust at any time and must do so if required under the Corporations Act or the ASX Listing Rules. Each Unitholder is entitled to receive notice of, and to attend and vote at, general meetings and to receive all notices, accounts and other documents required to be sent to Unitholders under the Trust's Constitution, Corporations Act or ASX Listing Rules.

11.4.5.3. Terms of Units

The beneficial interest in the assets of the Trust is divided into Units, which carry all rights, and are subject to all obligations, of Unitholders under the Trust's Constitution. Each Unit confers on its holder an equal undivided interest in the assets of the Trust as a whole, subject to the liabilities of the Trust. It does not confer on a Unitholder an interest in any particular asset of the Trust.

11.4.5.4. Issues of Units

Subject to the Corporations Act, ASX Listing Rules and ASX Settlement Rules and any rights and restrictions attached to a class of units, the Responsible Entity may consolidate, divide, issue or create Units, or grant options over or otherwise dispose of unissued units to any person on the terms, with the rights, and at the times that, the Responsible Entity decides.

11.4.5.5. Transfers of Units

Subject to the Trust's Constitution and ASX Settlement Rules and to any restrictions attached to a Unitholder's Units, Units may be transferred by the holder submitting a transfer form in a form approved by the Responsible Entity and if necessary presented for registration duly stamped, and accompanied by evidence reasonably required by the Responsible Entity to verify the right of the transferor to make the transfer.

The Responsible Entity must refuse to register a transfer of Units if:

- the ASX Listing Rules or provisions of the Trust's Constitution require the Responsible Entity to do so; or
- the transfer is in breach of the ASX Listing Rules or an Escrow Deed; or
- the transfer does not also include a corresponding transfer of the Shares to which the Units are stapled.

11.4.5.6. Distributions

The Responsible Entity must calculate the distributable income and each Unitholder's distribution entitlement for each distribution period, in accordance with the Trust Constitution.

11.4.5.7. Powers of Responsible Entity

Subject to the Trust Constitution and the Corporations Act, the Responsible Entity has within and outside of Australia all the powers in respect of the Trust that is possible under the law to confer on a trustee and as though the Responsible Entity were an individual who is the absolute owner of the assets and acting in its personal capacity.

The Responsible Entity may authorise any person to act as its agent or delegate, including, but not limited to, holding any assets of the Trust and to perform any act or exercise any discretion within the Responsible Entity's powers.

11.4.5.8. Responsible Entity's fees and expenses

The Responsible Entity is entitled to a management fee of up to 1.5% per annum of the value of the assets of the Trust calculated in accordance with the Trust's Constitution in relation to the performance of its obligations as responsible entity of the Trust. The Responsible Entity can, in its absolute and unfettered discretion, choose to waive, reduce, refund or defer any amounts to which it would otherwise be entitled under the Trust's Constitution.

The Responsible Entity is also entitled to be paid or reimbursed from the assets of the Trust for costs and expenses in connection with all aspects of performing the role of responsible entity. The Responsible Entity may decide not to seek reimbursement of all costs and expenses.

The Responsible Entity is entitled to be indemnified out of the Trust's assets for the types of costs and expenses listed in the Constitution and any other expenses incurred in the proper performance of its duties in relation to the Trust.

11.4.5.9. Responsible Entity limitation of liability and indemnity

If the Responsible Entity acts in good faith and without gross negligence, the Responsible Entity is not liable in contract, tort or otherwise to Unitholders for any loss suffered in any way relating to the Trust except to the extent imposed by the Corporations Act. The liability of the Responsible Entity to any person other than a Unitholder in respect of the Trust is limited to the Responsible Entity's ability to be indemnified from the assets of the Trust, subject to the Corporations Act.

11.4.5.10. Liability of Unitholders

Subject to the Trust Constitution, the liability of a Unitholder is limited to the amount (if any) unpaid on the Units.

11.4.5.11. Termination

The Trust continues until terminated by the Responsible Entity or the Unitholders in accordance with the Trust's Constitution or as required by law.

If the Trust is wound up, the Responsible Entity must realise the assets of the Trust and following payment of the amounts referred to in the Trust Constitution and subject to any special rights or restrictions attaching to any class of Units, distribute the net proceeds of realisation amongst the Unitholders in proportion to the amount paid up on Units held by them.

No Units may be issued or redeemed after the 80th anniversary of the day before the Trust commenced unless that issue or redemption would not offend the rule against perpetuities or any other rule of law or equity.

11.4.5.12. Small holdings

Subject to the Corporations Act, ASX Listing Rules and ASX Settlement Rules, the Responsible Entity may (on one occasion in a 12-month period) sell or redeem any Units which constitute less than a marketable parcel by following the procedures set out in the Trust's Constitution, unless such Unitholder gives written notice to the Responsible Entity that it wishes to retain its Units.

11.4.5.13. Withdrawals

Units may not be redeemed while the Trust is listed except by way of an on-market or off-market buy-back or withdrawal offer.

11.4.5.14. Amendment

The Trust Constitution may be amended only by a special resolution passed by the Unitholders or by the Responsible Entity in accordance with the Corporations Act. A stapling provision under the Constitution may only be amended by a resolution passed by no less than 75% of the members of each Liberty Group Member.

11.5. Voluntary Escrow Arrangements

The Escrowed Security Holders have agreed to enter into voluntary escrow arrangements pursuant to an escrow deed with the Liberty Group ("Escrow Deed") which prevents them from disposing of their respective Escrowed Securities for the applicable escrow period.

11.5.1. Escrowed Securities

The number of Escrowed Securities held by each Escrowed Security Holder are as follows:

Security Holder	Number of Escrowed Securities
Founder Group[1]	234,939,520
Executive Managers	7,173,880

1. As at the Offer Document, Sherman Ma has an economic interest in 147,869,089 Escrowed Securities by virtue of his interest in Vesta. See Section 6 for more further details.

11 Material Agreements and Arrangements

11.5.2. Escrow Period

Subject to Section 11.5.4 the escrow period applicable to each Escrowed Security Holder's Escrowed Securities ("Escrow Period") is for the period commencing from Listing until 4.15 pm on the date that Liberty's audited results for the year ended 30 June 2021 are released to the ASX.

11.5.3. Restrictions Under the Escrow Deed

Under the Escrow Deed, the restriction on "disposing" is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest in the Escrowed Securities, encumbering or granting a security interest over the Escrowed Securities doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Escrowed Securities or agreeing to do any of those things, except in the case of the Founder Group which may encumber its Securities to a value of no more than 25% of its holding at the time of the Listing.

However, Escrowed Security Holders (other than the Founder Group) whose Securities remain subject to escrow may dispose of any of their Escrowed Securities to the extent the disposal is:

- required by an order of a court of competent jurisdiction; or
- a transfer by the personal representative of the Escrowed Security Holders to whom the Escrowed Securities have been bequeathed; or
- to the Escrowed Security Holder's spouse or a company or entity under the full and effective control of the Escrowed Security Holder, where the transferee also enters into an escrow arrangement with the Liberty Group on substantially the same terms.

11.5.4. Early Release

There are limited circumstances in which the Escrowed Securities may be released before the end of the relevant Escrow Period, namely:

- to enable the Escrowed Security Holder to accept an offer under a takeover bid in relation to its Escrowed Securities, if holders of at least half of all Securities, including the Escrowed Securities of the Escrowed Security Holders, have accepted the takeover bid;
- to enable the Escrowed Securities to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act. However, the escrow obligations will continue to apply to the Escrowed Securities if the merger does not take effect; or
- to enable the Escrowed Security Holders to participate in an equal access buy-back or equal return of capital or other similar pro rata reorganisation. However, the escrow obligations will continue to apply to any Escrowed Securities that are not bought back or cancelled as part of the reorganisation.

11.6. LFI Service Agreement

The LFI Service Agreement is an agreement between LFI and Liberty Financial Pty Ltd under which LFI appoints Liberty Financial Pty Ltd to provide support services as an independent contractor, in order to enable LFI to operate its insurance business. Under the LFI Service Agreement, the services are provided for a 5-year term (and this automatically renews for further terms unless terminated) and will include:

- **Governance and secretarial services:** including meeting coordination, policy development and engagement of insurance brokers;
- **Compliance services:** including maintenance of designated persons reporting, establishment and compliance with Compliance Plan and Compliance Framework;
- **Management services:** including the maintenance of risk managements systems, investment management systems and an adequate business continuity plan;
- **Accounting services:** including the implementation and maintenance of accounting policies and procedures, maintenance of detailed accounting records and preparation of monthly management accounts, business plans, budgets, audited financial statements and reports, ensuring compliance with tax and financial reporting obligations and the requirements of APRA and other regulatory bodies;

- **Business operations:** including development and maintenance of human resources policies; provision of training to staff and sales representatives; development and implementation of an annual marketing plan; and provision of product development support;
- **Customer management:** including provision of customer service and administration services in accordance with documented policies and maintaining tracking and reporting systems; and
- **Information technology:** including the provision of technology infrastructure helpdesk services; maintenance of system and application availability; provision of disaster recovery infrastructure and testing.

11.7. Share Transfer Agreement – LFI

The Company has entered into a sale and purchase agreement to acquire LFI from Hestia Holdings BV for $8.5 million. The acquisition of LFI under that agreement is conditional upon APRA providing consent for LFI to be transferred to the Company.

Until this agreement is completed and the shares in LFI are transferred to the Company, Liberty Financial Pty Ltd will continue to provide the services under the LFI Service Agreement (as described in Section 11.6) to LFI.

11.8. Share Transfer Agreement – Priceware

As at the Offer Document Date, Liberty Financial Pty Ltd owns 50% of Priceware. Liberty Financial Pty Ltd has entered into a sale and purchase agreement to acquire the remaining 50% share interest which it does not hold in Priceware from the existing holders for $1.5 million. The acquisition of Priceware under that agreement is conditional upon Liberty Financial Pty Ltd obtaining approval from FIRB to acquire the shares.

As at the Offer Document Date, the *Foreign Acquisitions and Takeovers Amendment (Threshold Test) Regulations* 2020 (Cth) gave effect to temporary amendments to the *Foreign Acquisitions and Takeovers Regulation 2015* (Cth) to prescribe nil monetary value thresholds for Australian share acquisitions by foreign persons, which Liberty Financial Pty Ltd is by virtue of its ultimate ownership by the Founder Group.

11.9. Option to Acquire Minority Interest – ALI Corporate

Liberty Financial Pty Ltd owns 60% of ALI and is party to a Subscription and Shareholders Agreement dated November 2017 ("ALI Agreement") in relation to an investment in the share capital of ALI Corporate. Under the ALI Agreement, Liberty Financial Pty Ltd has an option to acquire all of the interest in ALI Corporate that it does not hold ("ALI Minority Interest"). Liberty Financial Pty Ltd may exercise the option to acquire the ALI Minority Interest at any time any time after Listing and before the November 2022.

The consideration for the ALI Minority Interest is determined by reference to the value of ALI and its Subsidiaries at the time the acquisition of the ALI Minority Interest occurs. As at the Offer Document Date, a provision of $15.2 million has been included in Liberty's FY20 balance sheet as an estimate of the consideration of the ALI Minority Interest.

As at the Offer Document Date, Liberty currently intends to acquire the ALI Minority Interest after Listing and the consideration for the acquisition of the ALI Minority Interest is expected to be satisfied either in cash or by the issue of Securities to the holder of the ALI Minority Interest.

11 Material Agreements and Arrangements

11.10. Option To Acquire Minority Interest – MoneyPlace

Liberty Financial Pty Ltd owns 80.5% of Money Place Holdings Pty Ltd and is party to a Shareholders' Deed dated 12 January 2018 ("MoneyPlace Agreement") with a number of key managers of MoneyPlace ("MoneyPlace Managers"). Under the MoneyPlace Agreement:

- the MoneyPlace Managers have granted Liberty Financial Pty Ltd an option to purchase all of the ordinary shares in MoneyPlace held by the MoneyPlace Managers ("MoneyPlace Minority Interest"); and
- Liberty Financial Pty Ltd has granted the MoneyPlace Managers an option to sell the MoneyPlace Minority Interests to Liberty Financial Pty Ltd, on any date after 12 January 2021.

Further, under the MoneyPlace Agreement, Liberty may require a transfer of the MoneyPlace Minority Interests from the MoneyPlace Managers upon Listing.

The aggregate consideration for the MoneyPlace Minority Interest is the market value of the MoneyPlace Minority Interest or other such amount as agreed between Liberty Financial Pty Ltd and the MoneyPlace Managers. As at the Offer Document Date, a provision of $2.8 million has been included in Liberty's FY20 balance sheet as an estimate of the consideration of the MoneyPlace Minority Interest.

As at the Offer Document Date, Liberty currently intends to acquire the MoneyPlace Minority Interest and the consideration for the acquisition of the MoneyPlace Interest is expected to be satisfied either in cash or by the issue of Securities as agreed between Liberty Financial Pty Ltd and the MoneyPlace Managers.

11.11. Security Holder Loan and Set-off Arrangements

The Company and the Trust granted related party loans to the aggregate amount of $415 million to Vesta ("Related Party Loans"), pursuant to:

- a promissory note from Vesta in favour of the Company to the amount of $275 million, which is repayable by 30 September 2025; and
- a promissory note from Vesta in favour of the Trust to the amount of $140 million, which is repayable by 5 August 2022.

The Related Party Loans are unsecured, interest-bearing loans and interest accrues on the Related Party Loans on a daily basis and compounded semi-annually on the outstanding balance of the Related Party Loans at the 180-day BBSW plus 2.5% per annum ("Interest Rate").

Additionally, under MFG Debt Acknowledgment Letter, the Liberty Group may pay the MFG Debt to the ATO on behalf of MFG under the conditions set out in Section 5.2.7.1. The effective date of the MFG Debt will be the date on which the Liberty Group pays the ATO any MFG Debt on behalf of MFG ("MFG Effective Date"). The MFG Debt and the accrued interest is repayable by the date which is five years from the date on the MFG Effective Date.

Under the MFG Debt Acknowledgment Letter, MFG has agreed to novate and, Vesta has agreed to assume, the MFG Debt, with effect from the MFG Effective Date.

The MFG Debt is unsecured, interest-bearing loans and interest accrues on the MFG Debt on a daily basis and is compounded semi-annually on the outstanding balance of the MFG Debt at the Interest Rate.

Further, under the Set-Off Agreement, the Hestia Related Entities have agreed to set-off any amounts owing to them presently or in the future by the Liberty Group Parties. As such, the Liberty Group Parties are able to offset amounts owed to them by the Hestia Related Entities against any amounts owing to the Hestia Related Entities by the Liberty Group Parties (e.g. dividend and distributions payable by the Liberty Group to Vesta).

This will include the repayment of the principal and interest on the Related Party Loans and the MFG Debt, which Vesta has agreed will be offset against any future dividends or distributions otherwise payable by the Liberty Group to Vesta until such time as the Related Party Loans and the MFG Debt have been effectively repaid.

11.12. Moula Financing Arrangements

The Founder Group has a minority interest of 26.5% in Moula. Liberty Financial Pty Ltd provides debt financing to Moula as manager to the Moula Warehouse Trust No. 1 ("Warehouse Trust") for the acquisition of certain receivables utilised by the Warehouse Trust. The debt financing is provided through the subscription of loan notes by Liberty Financial Pty Ltd as trustee for the Moula Warehouse Trust No. 1 Security Trust ("Security Trustee") pursuant to the Issue Supplement – Moula Warehouse Trust No. 1 dated 12 October 2015 and a series of loan note subscription agreements ("Moula Financing Agreements").

The financing provided by the Security Trustee is interest bearing at market rates and on arm's length commercial terms. As at the Offer Document Date, the maximum financing commitment provided by Liberty Financial Pty Ltd under this arrangement is $200 million.

Under the Moula Financing Agreements, the Security Trustee has recourse as a senior financier with priority of repayment over other secured creditors to recover outstanding amounts owing by Moula in the event of a default in respect of the Warehouse Trust. Events of default include non-payment of principal and interest amounts owing to Liberty Financial Pty Ltd when due, material non-compliance of the terms of the underlying financing transaction documents, material breach of warranties and representations and the insolvency of Moula, the Warehouse Trust or its trustee. Further, the Security Trustee has broad rights to suspend the funding to Moula under the Moula Financing Agreements, including due to prolonged arrears owing, the insolvency or change of control of Moula, the Warehouse Trust or its trustee, or failure to meet certain quantitative performance metrics.

Additional Information

12

12.1. Registration and Details of Liberty Entities

12.1.1. Registration of Liberty Group Members

The Company was registered in Victoria, Australia on 25 May 2007 as a proprietary company limited by shares. On 21 November 2020, it was converted to a public company limited by shares. As at the Offer Document Date, the Company has 303.6 million Shares on issue (each fully paid).

The Trust is a fixed unit trust which was constituted by deed poll on 31 May 2007. As at the Offer Document Date, the Trust has 303.6 million Units on issue. The trustee and the responsible entity of the Trust is the Responsible Entity. The Trust was registered as a managed investment scheme as at 12 October 2020.

SaleCo was incorporated in Victoria, Australia on 16 November 2020 as a public company limited by shares. Peter Riedel is the sole shareholder of SaleCo. The Directors of SaleCo are James Boyle, Peter Riedel and Matthew Ryan.

12.2. Role of SaleCo

SaleCo has been established to facilitate the sale of some of the Securities held by Vesta.

As at the Offer Document Date, Vesta has executed a deed poll ("Sale Deed Poll") in favour of SaleCo under which Vesta has agreed to sell to SaleCo some of its Securities free from encumbrances and third-party rights. The total number of Securities which Vesta has offered to sell is 53.4 million.

The Securities that SaleCo will acquire from Vesta will be transferred to Successful Applicants under the Offer at the Offer Price. The aggregate price payable by SaleCo to Vesta for these Securities is the Offer Price multiplied by the number of Securities that SaleCo acquires from Vesta.

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the Underwriting Agreement, the Sale Agreement and the deed of indemnity described below.

Pursuant to a deed of indemnity between the Company, the Responsible Entity as responsible entity for the Trust and SaleCo, each of the Company and the Trust has agreed to indemnify SaleCo, its officers and sole shareholder for any loss or liability that SaleCo may incur as a consequence of the Offer.

12.3. ASX and ASIC

12.3.1. ASX Waiver and Confirmation

In order to conduct the Offer, the Company and the Trust have sought the following confirmations and waivers of the ASX Listing Rules:

- confirmation that the stapled structure and operations of the Liberty Group are appropriate for a listed entity for the purposes of ASX Listing Rule 1.1 (condition 1);
- confirmation under ASX Listing Rule 2.1 (condition 1) and Listing Rule 6.1 that the terms of the Securities are appropriate and equitable;
- confirmation that disclosure by one entity on behalf of the Liberty Group satisfies the obligation of each entity on a matter for the purposes of Listing Rule 3.1;
- waiver of ASX Listing Rule 6.24, clause 1 of Appendix 6A to the extent necessary so that the Liberty Group does not need to advise the ASX of the amount of a dividend or distribution on the date the record date is announced on the condition that the Liberty Group advises the ASX of an estimated dividend or distribution rate on that date and the actual rate is advised to the ASX as soon as it becomes known;
- customary stapling relief in relation to ASX Listing Rules 1.1 (conditions 8 and 9), 2.1 (condition 2), 6.24 and 8.10;
- confirmation that the Liberty Group, as at the time of admission to the Official List of ASX, will have no restricted securities on issue; and
- a waiver of Listing Rule 10.14 to the extent necessary to permit the Company to grant Security Rights to a Director (or an associate of a Director) pursuant to the EIP, and the issue of Securities to a Director (or an associate of a Director) upon the exercise of such Security Rights, without shareholder approval.

12.3.2. ASIC Exemptions, Modifications and Relief

In order to conduct the Offer, the Company and the Trust have sought the following relief and modifications from ASIC:

12 Additional Information

- customary stapling relief modifying Part 5C.2 and 5C.7 of the Corporations Act to allow the Securities to be treated as a single stapled economic entity;
- modification to sections 601FC(1)(c) and 601FD(1)(c) of the Corporations Act to allow the Responsible Entity and its officers to consider the interests of Unitholders as holders of Securities, not just in their capacity as Unitholders of the Trust;
- modification to sections 708(13) and 1012D(3) of the Corporations Act to permit the Company, the Responsible Entity and the Trust to apply dividends and distributions made to the Security Holders who are participants in a distribution reinvestment plan to acquire Securities;
- modification to section 1017E of the Corporations Act to allow the Company and the Trust to use a single bank account for application monies received for the Securities; and
- relief to effectively extend the benefit of ASIC Class Order 14/1000 so that Liberty is not required to issue disclosure documentation in connection with the issue or grant of Security Rights under the EIP described in Section 6.4 and to relieve Liberty from the operation of the licensing, advertising, securities hawking and management investment scheme provisions of the Corporations Act for the offers of such securities in accordance with ASIC's conditions.

12.4. Consents to be Named and Inclusion of Statement and Disclaimers of Responsibility

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Offer Document, other than the reference to its name in the form and context in which it is named and a statement or report included in this Offer Document with its consent as specified below. Written consents to the issue of this Offer Document have been given and, at the time of lodgement of this Offer Document with ASIC, had not been withdrawn by the following parties:

- Credit Suisse (Australia) Limited has given, and has not withdrawn prior to the lodgement of this Offer Document with ASIC, its written consent to be named in this Offer Document as the Lead Manager to the Offer in the form and context in which it is named;
- Shaw and Partners has given, and has not withdrawn prior to the lodgement of this Offer Document with ASIC, its written consent to be named in this Offer Document as a Co-Lead Manager to the Offer in the form and context in which it is named;
- E&P Corporate Advisory has given, and has not withdrawn prior to the lodgement of this Offer Document with ASIC, its written consent to be named in this Offer Document as a Co-Lead Manager to the Offer in the form and context in which it is named;
- PricewaterhouseCoopers has given, and has not withdrawn prior to the lodgement of this Offer Document with ASIC, its written consent to be named in this Offer Document as Australian and New Zealand legal adviser and taxation adviser in relation to the Offer in the form and context in which it is named;
- KPMG Transaction Services has given, and has not withdrawn prior to the lodgement of this Offer Document with ASIC, its written consent to be named in this Offer Document as Investigating Accountant in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Offer Document of its Investigating Accountant's Report and the statements specifically attributed to it in the text of, or by a footnote in, this Offer Document, in the form and context in which it is included (and all other references to the Investigating Accountant's Report and those statements) in this Offer Document;
- KPMG (ABN 51 194 660 183) has given, and has not withdrawn prior to the lodgement of this Offer Document with ASIC, its written consent to be named in this Offer Document as the auditor in the form and context in which it is named; and
- Link Market Services Limited has given, and has not withdrawn prior to the lodgement of this Offer Document with ASIC, its written consent to be named in this Offer Document as the Registry in the form and context in which it is named. Link Market Services Limited has had no involvement in the preparation of any part of this Offer Document other than being named as Registry.

In addition, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72 this Offer Document may include or be accompanied by certain statements fairly representing a statement by an official person, or from a public official document or a published book, journal or comparable publication.

No entity or person referred to in this Section has made any statement that is included in this Offer Document or any statement on which a statement made in this Offer Document is based, except as stated above. Each of the persons and entities referred to in this Section has not authorised or caused the issue of this Offer Document and does not make any offer of Securities.

12.5. Social, Labour, Ethical and Environmental Considerations

Liberty does not take into account labour standards or environmental, social or ethical considerations when selecting, retaining or realising an investment. However, these considerations may be taken into account if they materially affect the value of the investment, although no specific methodology is applied.

12.6. Reporting and Disclosure Obligations

On Listing, the Securities will be quoted ED securities (short for "enhanced disclosure securities") and the Company and the Trust will be "disclosing entities" for the purposes of the Corporations Act. As such, the Liberty Group will be subject to regular reporting and disclosure obligations. These obligations require the Liberty Group to notify ASX of information and specified events and matters as they arise. In particular, if either the Company or the Responsible Entity as responsible entity for the Trust is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Securities, it must immediately tell the ASX that information for release to the market. The Liberty Group will also be required to prepare and lodge with ASIC both yearly and half-yearly financial statements accompanied by a Directors' declaration and report, and an audit review report. Copies of documents lodged with ASIC may be obtained from, or inspected at, an office of ASIC.

You also have the right to obtain a copy of each annual report, half yearly report and any continuous disclosure notice from Liberty free of charge by contacting Liberty at www.lfgroup.com.au. This website will also provide up-to-date information on the Liberty Group including current Security prices, access to half year and annual reports.

12.7. Selling Restrictions

12.7.1. International Offer Restrictions

This Offer Document does not constitute an offer of new Securities in any jurisdiction in which it would be unlawful. In particular, this Offer Document may not be distributed to any person, and the Securities may not be offered or sold, in any country outside Australia or New Zealand except to the extent permitted below.

12.7.2. Hong Kong

WARNING: This Offer Document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this Offer Document or any documents issued in connection with it. Accordingly, the Securities have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO). The offer of Securities is a private offer to professional investors, does not constitute and this document does not contain an offer or invitation to the public (a) to enter into an agreement to acquire, dispose, purchase, subscribe for or underwrite securities or debentures; (b) to enter into or offer to enter into a regulated investment agreement; or (c) to acquire an interest in or participate in, or offer to acquire an interest in or participate in, a collective investment scheme under the Companies Ordinance or the SFO.

No advertisement, invitation or document relating to the Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person who receives Securities may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

12 Additional Information

The contents of this Offer Document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this Offer Document, you should obtain independent professional advice.

12.7.3. Singapore

Consent has not been obtained for the circulation of this document as a public offer within the Republic of Singapore under the Securities and Futures Act (Chap 289) of Singapore ("the **SFA**"). This Offer Document and any other materials relating to the Securities have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore ("MAS"). Furthermore, the Trust has not been authorised or recognised by the MAS pursuant to Subdivision (2) Division 2 of Part XIII of the SFA. Accordingly, this Offer Document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Securities, may not be issued, circulated or distributed, nor may the Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in both Subdivision (4) Division 1, and Subdivision (4) Division 2 of Part XIII of the SFA, or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an "institutional investor" (as defined in the SFA) or (ii) a "relevant person" (as defined in, and satisfying the requirements of both section 275(2) and section 305(5) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Securities being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Securities. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly. By accepting this document, the recipient hereof represents and warrants that he is entitled to receive it in accordance with the on-sale restrictions and agrees to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of law.

12.7.4. United States

This Offer Document may not be released or distributed in the United States, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

This Offer Document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Securities have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States, or to or for the account or benefit of any person in the United States, except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable United States state securities laws.

Each Applicant in the Broker Firm Offer and the Priority Offer, and each person to whom the Institutional Offer is made under this Offer Document, will be taken to have represented, warranted and agreed to as follows:

- it understands that the Securities have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States, or to or for the account or benefit of any person in the United States, except in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable United States state securities laws;
- it is not in the United States or acting for the account or benefit of any person in the United States;
- it has not sent and will not send the Offer Document or any other material relating to the Offer to any person in the United States or any person acting for the account or benefit of any person in the United States; and
- it will not offer or sell the Securities in the United States, or to or for the account or benefit of any person in the United States, or in any other jurisdiction outside Australia or New Zealand except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Securities are offered and sold.

12.8. Complaints

If you have a complaint regarding your investment in the Liberty Group, you can write to the Compliance Officer at:

Liberty Group
Level 16, 535 Bourke Street
Melbourne VIC 3000

The Compliance Officer will acknowledge your complaint immediately, investigate it and report back to you within 45 days.

If you are dissatisfied with the response or the complaint is not resolved within 45 days, you may raise the matter directly with the Australian Financial Complaints Authority ("AFCA"). The AFCA's contact details are:

Australian Financial Complaints Authority Limited
GPO Box 3
Melbourne VIC 3001
Telephone: 1800 931 678

The dispute resolution process described in this Offer Document is only available in Australia and is not available in New Zealand.

12.9. Governing Law

This Offer Document and the contracts that arise from the acceptance of the Applications and bids under this Offer Document are governed by the laws applicable in Victoria, Australia and each Applicant and bidder under this Offer Document submits to the exclusive jurisdiction of the courts of Victoria, Australia.

12.10. Statement of Directors

The issue of this Offer Document has been authorised by each Company Director and each RE Director. Each Director has consented to lodgement of this Offer Document with ASIC and the issue of this Offer Document and has not withdrawn that consent.

Corporate Structure

A

The following table sets out each Subsidiary of Liberty and, in each case, its place of incorporation and the nature of its business. Unless otherwise stated, each Subsidiary is wholly owned by a Liberty Entity.

Company name	Place of incorporation	Nature of Subsidiary's business
LFI Group Pty Ltd (ACN 138 903 581)[1]	Australia	General insurance company
Liberty Financial Pty Ltd (ACN 077 248 983)	Australia	Main operating company
Minerva Funds Management Limited (ACN 119 873 282)	Australia	Holding company
Minerva Funding Pty Ltd (ACN 150 500 271)	Australia	Dormant holding company
Secure Funding Pty Ltd (ACN 081 982 872)	Australia	Lender of record and trustee company
Secure Credit Pty Ltd (ACN 124 171 768)	Australia	Performs risk and capital market services
Liberty Credit Enhancement Company Pty Ltd (ACN 107 301 646)	Australia	Provides credit enhancement for asset and mortgage backed securities
Liberty Network Services Pty. Ltd. (ACN 151 158 628)	Australia	Mortgage aggregator
LoanNet Pty Ltd (ACN 077 898 027)	Australia	Holds asset backed securities
Liberty Fiduciary Ltd (ACN 119 884 623)	Australia	Responsible Entity to the Trust
Liberty Funding Pty Ltd (ACN 128 856 422)	Australia	Issues asset and mortgage backed securities
Money Place Holdings Pty Ltd (ACN 600 948 614)[2]	Australia	Holding company
ALI Corporate Pty Ltd (ACN 621 303 348)[3]	Australia	Holding company
National Mortgage Brokers Pty Ltd (ACN 093 874 376)	Australia	Mortgage aggregator

1. LFI will be transferred by Hestia Holdings BV to the Company in accordance with the LFI Share Transfer Agreement, as described in Section 11.7.
2. Liberty Financial Pty Ltd holds 80.1% of the issued capital of Money Place Holdings Pty Ltd.
3. Liberty Financial Pty Ltd holds 60% of the issued capital of ALI Corporate Pty Ltd.

Appendix A Corporate Structure

Company name	Place of incorporation	Nature of Subsidiary's business
Assured Credit Management Pty Ltd (ACN 096 859 782)	Australia	Servicer of loan receivables
Minerva Fiduciary Pty Ltd (ACN 637 593 849)	Australia	Trustee company
Money Place AFSL Ltd (ACN 601 061 438)	Australia	AFSL and ACL holder
ALI Equity Pty Ltd (ACN 621 374 650)	Australia	Intermediary holding company
National Mortgage Brokers (WA) Pty Ltd (ACN 56 105 269 663)	Australia	Dormant company
Mike Pero Pty. Ltd. (ACN 616 426 496)	Australia	Dormant company
Mike Pero Australia Pty. Ltd. (ACN 616 426 405)	Australia	Dormant company
Mike Pero Group Limited (NZBN 942 904 098 0478)	New Zealand	NZ holding company
Priceware Pty. Ltd.[4] (ACN 105 331 459)	Australia	Investment company
Money Place Assets Pty Ltd (ACN 601 045 578)	Australia	Operating company
A.L.I. Group Pty Ltd (ACN 101 330 036)	Australia	Operating company
Mosaic Financial Services Pty Ltd (ACN 115 082 561)	Australia	Dormant company
Mike Pero Insurances Limited (NZBN 942 903 704 4497)	New Zealand	Operating company
Mike Pero Mortgages Limited (NZBN 942 903 550 9967)	New Zealand	Operating company
Mike Pero (New Zealand) Limited (NZBN 942 903 839 9671)	New Zealand	Mortgage aggregator
Mike Pero Real Estate Limited (NZBN 942 903 143 7936)	New Zealand	Real estate business

4. The remaining 50% interest in Priceware not held by the Liberty Group will be transferred by the existing shareholders to Liberty Financial Pty Ltd in accordance with the Share Transfer Agreement – Priceware, as described in Section 11.8.

Company name	Place of incorporation	Nature of Subsidiary's business
Money Place Australia Pty Ltd (ACN 169 627 338)	Australia	Operating company
Australian Life Insurance Pty Ltd (ACN 104 956 087)	Australia	Dormant company
Liberty Credit Enhancement Company (NZ) Limited (NZBN 942 903 571 2589)	New Zealand	Provides credit enhancement for mortgage backed securities
MPRE Limited (NZBN 942 903 140 0718)	New Zealand	Holding company
Australian Life Insurance Distribution Pty Ltd (ACN 103 157 811)	Australia	Operating company
Secure Funding Limited (NZBN 942 903 674 2172)	New Zealand	Lender of record and main operating company
Liberty Financial Limited (NZBN 942 903 856 4741)	New Zealand	Raises secured deposits from the public
MPMH Limited (NZBN 942 903 402 5826)	New Zealand	Holding company
MoneyPlace Pty Ltd (ACN 606 547 559)	Australia	Operating company
Australian Life Insurance Administration Pty Ltd (ACN 103 157 768)	Australia	Operating company
Liberty Funding Limited (NZBN 942 903 446 8043)[5]	New Zealand	Trustee company

5. Secure Funding Limited holds 16.67% of the issued capital of Liberty Funding Limited.

Significant Accounting Policies

B

The principal accounting policies adopted in the presentation of the Financial Information are set out below. The preparation of the Financial Information requires estimates, judgments, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. Revisions to estimates are recognised in the period in which the estimate is revised and any future period affected.

The significant accounting policies below apply estimates, judgments and assumptions which could materially affect the financial results or financial position reported in future periods:

(a) Basis of Consolidation

(i) Business Combinations

Liberty accounts for business combinations using the acquisition method when control is transferred to Liberty. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any gain on a bargain purchase is recognised in the statement of profit or loss and other comprehensive income immediately.

Liberty measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by Liberty to the previous owners of the acquiree, and equity interests issued by Liberty. Consideration transferred also includes the fair value of any contingent consideration and share based payments awards of the acquiree that are replaced mandatorily in the business combination. Contingent consideration is measured as the present value of expected future payments, discounted using a risk-adjusted interest rate.

Transaction costs that Liberty incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

A business combination that occurs between entities under common control is exempt from the typical requirements of AASB 3 to record the acquired assets and liabilities at fair value and measure goodwill based on the difference between the net assets and liabilities acquired and the consideration transferred. Liberty elected to record the common control transaction based on the carrying amount in the transferor's records on the date of the transaction and any difference between the consideration transferred and the equity acquired is taken to equity as a common control reserve.

(ii) Subsidiaries

Subsidiaries are entities controlled by Liberty. Liberty controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date on which control ceases.

In Liberty's financial statements, investments in subsidiaries are carried at cost and subject to periodic impairment testing.

(iii) Special Purpose Entities

Liberty has established a number of special purpose entities ("SPEs") for securitisation of financial assets. The SPEs are controlled by Liberty as they were established under terms that impose strict limitations on the decision-making powers of the SPEs management relating to the SPEs operations and net assets. The results of the SPEs are included as part of Liberty's consolidated financial statements.

(iv) Transactions Eliminated on Consolidation

Intra-group balances, transactions and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(v) Non-Controlling Interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Appendix B Significant Accounting Policies

(b) Foreign Currency

(i) Foreign Currency Transactions

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognised in the statement of profit or loss and other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates prevailing at the dates the fair value was determined.

(ii) Foreign Currency Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly as a separate component within equity in the foreign currency translation reserve ("FCTR").

(iii) Net Investment in Foreign Operations

Unrealised foreign currency differences arising on the investment and related party balances in a foreign operation are recognised in other comprehensive income ("OCI") and are presented within equity in the FCTR. When an investment is disposed of or a related party loan is repaid the relevant amount in the FCTR is transferred to the statement of profit or loss and other comprehensive income as a realised gain or loss.

(c) Non-Derivative Financial Instruments

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, investments in equity and debt securities, payables and financing.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the statement of profit or loss and other comprehensive income, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment loss.

A financial instrument is recognised if Liberty becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if Liberty's contractual rights to the cash flows from the financial assets expire or if Liberty transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Cash and cash equivalents comprise cash balances and term deposits. Liberty does not have an overdraft facility other than an overnight overdraft facility which is repayable the following day. The bank overnight overdraft facility is included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(d) Derivative Financial Instruments

Liberty is exposed to changes in interest rates and foreign exchange rates from its activities and uses interest rate swaps and cross currency interest rate swaps to hedge the rate risks. Liberty is required to hedge its interest rate and foreign exchange rate exposures under the terms and conditions of its borrowing facilities and relevant Trust Deeds. Derivative financial instruments are not held for trading.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in the statement of profit or loss and other comprehensive income when incurred. Subsequent to initial recognition, derivatives are measured at fair value.

(i) Cash Flow Hedges

Changes in the value of the derivative hedging instruments designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the statement of profit or loss and other comprehensive income.

(ii) Fair Value Hedges

Gains or losses from remeasuring the hedging instruments designated as a fair value hedge are recognised in the statement of profit or loss and other comprehensive income.

On entering into a hedging relationship, Liberty formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows. The hedges are assessed on an ongoing basis to determine if they have been highly effective throughout the financial reporting periods for which they are designated.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a financial asset the amount recognised in equity is transferred to the statement of profit or loss and other comprehensive income in the same period that the hedged item affects the statement of profit or loss and other comprehensive income.

(e) Share Capital

Ordinary shares are classified as equity. Incremental costs are directly attributable to the issue of ordinary shares.

(f) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by Liberty in the management of its short-term commitments.

The cash collection accounts are used to hold all payments received within the various Trusts during a payment period. All amounts are transferred into these accounts in accordance with the Trust Deeds.

The cash reserve is maintained and utilised to cover shortfall payments of the Trusts to which Liberty acts as Trustee, in the event of liquidation losses as specified in the Trust Deeds.

(g) Insurance Commission Revenue and Expense Recognition

Liberty's performance obligations under the contract with the insurer are satisfied at the time that the insurance policy is sold. On each policy sold, both upfront and trail commissions are recognised. Upfront commissions are recognised at the fixed transaction price, net of an allowance for clawbacks. Trail commissions are recognised as a contract asset as the net present value of future trail commissions, based on the commission rate in the contract, expected length of time that the policy will remain in force, and discount factor applied. The estimated variable consideration is reassessed at each reporting period to take into consideration changes in circumstances impacting the net present value of forecast future trail commissions during the period. Trail commissions are recognised in revenue when the trail commissions become due from the insurer due to the passage of time. Liberty incurs incremental costs to obtain the contract, represented by the commissions owed to referring brokers. These incremental costs are recognised in line with the related revenue.

(h) Financial Assets

Financial assets, comprising residential mortgages, commercial mortgages, auto receivables, hire purchase contracts, equipment finance, personal loans and any facilities in Australia and New Zealand, are initially

Appendix B Significant Accounting Policies

recognised at fair value or at cost when Liberty becomes a party to the contract. Depending on Liberty's business model for managing, and the contractual cash flow characteristics of the financial assets, they are subsequently measured at either amortised cost using the effective interest method where they meet the definition of solely payments of principal and interest, or at fair value through the statement of profit or loss and other comprehensive income. All mortgage assets are secured by registered mortgages. Auto receivables, hire purchase contracts and equipment loans are secured by a registered interest on the vehicle or equipment. Any facility is secured by an interest in the assets of the relevant entity.

A financial asset is assessed annually to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

(i) Impairment

(i) Individual Assessment – Financial Assets

Specific provisions relate to loans that are currently known to be impaired, based on objective evidence as a result of one or more events that have occurred after the initial recognition of the asset, otherwise known as a loss event. For loans where a loss event has occurred, the provisioning process involves detailed review and analysis of individual loans. These loans are assessed for impairment based on security value, loan balance outstanding and other factors deemed relevant to collectability by management. Provisions are raised where objective evidence of impairment exists and the negative impact on estimated future cash flows of the asset can be reliably estimated.

(ii) Collective Assessment - Financial Assets

The AASB 9 ECL impairment model applies to all financial assets, except for those which are fair value through profit or loss ("FVPL"), and equity securities designated as at fair value through other comprehensive income ("FVOCI"), which are not subject to impairment assessment.

Under AASB 9, loss allowances are measured on either of the following bases:

- ***12-month expected credit loss ("ECLs"): these are ECLs that result from possible default events within the 12 months after the reporting date; and***
- ***Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.***

Stage 1: 12-month ECLs – Not Significantly Increased Credit Risk

Where there has been no significant increase in the risk of default since origination, reserves reflect the portion of the lifetime ECL from expected defaults in the following 1 month.

Stage 2: Lifetime ECLs – Significant Increase in Credit Risk ("SICR")

A financial asset moves from Stage 1 to Stage 2 when there is a SICR since initial recognition.

Liberty applies a combination of quantitative and qualitative factors to assess whether a SICR has occurred. These include:

- forbearance status including provision of repayment variation;
- relevant behavioural attributes exhibited during life of the asset;
- relevant application attributes such as employment type, employment tenure and disposable income that indicate higher risk of default; and
- transferring assets more than 30 days past due into Stage 2.

SICR, which requires judgement, is used to determine whether an exposure's credit risk has increased significantly and requires higher probability of default factors. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, being the difference between the cash flows due to the Company in accordance with the contract and the cash flows the Company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

Stage 3: Lifetime ECL – Credit Impaired

A financial asset is considered to be in default after 90 days past due. For financial assets in default a provision is recognised equivalent to lifetime ECL.

(iii) Write-Off

Loans are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when Liberty determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

(iv) Macroeconomic scenarios

The assessment of credit risk, and the estimation of ECL, will be unbiased and probability weighted, and incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable information about future events and economic conditions at the report date. Liberty has established a process whereby forward-looking macroeconomic scenarios and probability weightings are developed for ECL calculation purposes. The final probability weighted ECL amount will be calculated from a Central estimate, Best Case and a Worst Case scenario.

At each reporting date, Liberty assesses whether financial assets carried at amortised cost are impaired. A financial asset is impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

(v) Non-Financial Assets

The carrying amounts of Liberty's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use the recoverable amount is estimated at each reporting date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the statement of profit or loss and other comprehensive income.

(j) Investments

Corporate bonds are categorised as at fair value through profit or loss and are recognised when Liberty becomes a party to the contract. Corporate bonds are initially and subsequently recognised at fair value using the quoted market price for the bonds at reporting date, or if a quoted market price is not available, the fair value is calculated using the applicable market rate of interest for bonds of a similar maturity and credit rating.

Other investments are categorised as fair value through other comprehensive income.

Appendix B Significant Accounting Policies

(k) Property, Plant and Equipment

(i) Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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

(ii) Depreciation

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The depreciation and amortisation rates used for each class of assets are as follows:

Furniture, equipment and fittings	3 to 13 years
Computer equipment	3 to 7 years
Other fixed assets	3 years
Leasehold improvements	5 to 10 years
Leased motor vehicles	5 years
Land and buildings	10 to 40 years
Rights-of-use assets	3 to 10 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(l) Intangibles

Goodwill, brand name and development costs are measured at cost less accumulated impairment losses. Brand name and development costs are amortised on a straight-line basis in the statement of profit or loss and other comprehensive income over their estimated useful life (10 to 15 years) from the date they are available for use.

Intellectual property acquired by Liberty is measured at cost less accumulated amortisation and any accumulated impairment losses. Intellectual property is amortised on a straight-line basis in the statement of profit or loss and other comprehensive income over the estimated finite life (20 years) from the date available for use.

(m) Leased Assets

At inception of a contract, Liberty assesses whether a contract is, or contains, a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, Liberty uses the definition of a lease in AASB 16 Leases.

This policy is applied to contracts entered into on or after 1 July 2019.

Liberty recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of make-good costs.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Liberty's incremental borrowing rate. Liberty determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Liberty presents right-of-use assets in property, plant, and equipment and lease liabilities in the statement of financial position.

Prior to the adoption of AASB 16 on 1 July 2019, leases in which Liberty assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition the leased asset was measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset was accounted for in accordance with the accounting policy applicable to that asset. Other leases were classified as operating leases and the leased assets were not recognised on Liberty's balance sheet.

(n) Financing

Through its global financing arrangements, Liberty issues asset-backed securities ("securitisation notes"). Pending the issue of securitisation notes, Liberty has medium term finance facilities maturing within 1 and 2 years with financial institutions to enhance the funding of financial assets.

Liberty's structured finance vehicles issue securitisation notes in the form of inscribed stock which is multi-tranched, secured, asset-backed floating rate securities, maturing up to 25-30 years. The Custodian of the facilities is Perpetual Trustee Company Limited for Australia and Guardian Trust Limited for New Zealand assets.

Debt issues payable and drawings under finance facilities are recognised when issued.

Financing facilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, apart from foreign currency denominated loans, they are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss and other comprehensive income over the life of the loans on an effective yield basis.

Liberty has issued and intends to continue issuing unsecured debt. The unsecured debt is recognised when issued and measured initially and subsequently at fair value. Movements in the fair value are recognised in the statement of profit or loss and other comprehensive income, which is offset by movements in related fair value hedging instruments.

(o) Deposits and Unitholder Liabilities

Deposits and unitholder liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, deposits and unitholder liabilities are stated at amortised cost with any difference between cost and repayment value being recognised in the statement of profit or loss and other comprehensive income over the life of the loans on an effective yield basis.

(p) Provisions

A provision is recognised if, as a result of a past event, Liberty has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(q) Employee Benefits

(i) Long Term Service Benefits

Liberty's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its fair value. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating to the terms of Liberty's obligations.

Appendix B Significant Accounting Policies

(ii) Incentive Plan

A liability is recognised for incentives declared but not paid as at reporting date when Liberty has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Short-Term Benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date representing present obligations resulting from employees' services provided to the reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that Liberty expects to pay as at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(iv) Defined Contribution Superannuation Funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the statement of profit or loss and other comprehensive income as incurred.

(r) Fees and Commissions

Fees and commissions income and expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate. Fees or commissions income and expenses which are not integral to the effective interest rate on a financial asset or financial liability are recognised in accordance with AASB 15 Revenue from Contracts with Customers. When fees or commissions relate to specific transactions or events, they are recognised as the related services are performed. When they are charged for services provided over a period, they are recognised as performance obligations are satisfied.

(s) Finance Income and Expenses

Finance income comprises interest income on financial assets and funds invested, dividend income, changes in the fair value of financial liabilities at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in the statement of profit or loss and other comprehensive income. Interest income is recognised as it accrues in the statement of profit or loss and other comprehensive income, using the effective interest method. The accrual of fee and interest income is suspended at the time at which the financial asset has a specific provision raised. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

Finance expenses comprise interest expense on financing, borrowing costs, foreign currency losses, changes in the fair value of financial assets held at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in the statement of profit or loss and other comprehensive income on an accruals basis.

Interest payments in respect of financial instruments classified as liabilities are included in interest expense. Where interest rates are hedged or swapped and are designated in a hedging relationship, the borrowing costs are recognised net of any effect of the hedge or swap.

(t) Income Tax

Income tax expense comprises current and deferred tax. Income tax is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any known or likely adjustments to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(u) Tax Consolidation

On 18 December 2019, the Company and its wholly-owned Australian resident entities are part of a tax consolidated group. Prior to this restructuring, an existing tax group comprising of these entities was dissolved and a clean exit payment was calculated allowing the entities to enter a new tax arrangement with the Company. As a consequence, all members of the tax consolidated group are taxed as a single entity. The Company is the head entity.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the "separate taxpayer within group" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are recognised by the Company as amounts payable/(receivable) to/(from) other entities in the tax consolidated group in conjunction with any funding arrangement amounts. Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

The members of the tax consolidated group have entered into a tax funding arrangement which sets out the funding obligations of the members of the tax consolidated group with respect to tax amounts. The tax funding arrangements require payments within the tax consolidated group where inter-entity receivables/(payables) are at call.

The members of the tax consolidated group have also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should there be a default on any tax payment obligations. No amounts have been recognised in the financial statements in respect to this agreement, as payment of any default amounts under the tax sharing agreements is considered remote.

(v) Distribution

In accordance with the relevant Trust Constitution, the Trustee distributes income from a subsidiary trust of Liberty to a unitholder which is a non-controlled related party of Liberty. These distributions have been treated as distributions to a non-controlling interest.

(w) New Standards and Interpretations not yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact Liberty and Company in the period of initial application. They are available for early adoption at 30 June 2020, but have not been applied in preparing the financial report. The analysis of the transitional impact of the standards is expected to be completed prior to the implementation date.

(i) AASB 17 Insurance Contracts

AASB 17 introduces a new general measurement model for accounting for insurance contracts, with the application of a simplified approach (similar to AASB 1023) permitted in certain circumstances. Liberty will undertake an impact assessment of the new standard.

AASB 17 is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted.

At the date of signing of the financial statements the impact of adoption is not known or reasonably estimable.

Glossary

C

Term	Definition
ALI Agreement	Has the meaning given to that term in Section 11.9
ALI Minority Interest	Has the meaning given to that term in Section 11.9
AASB	Australian Accounting Standards Board
ABS	Asset Backed Securities
ACL	Australian Credit Licence
ADI	Has the meaning given to that term in Section 2.1
AEDT	Australian Eastern Daylight Savings Time
Affiliate	has the meaning given to that term in Rule 501(b) of the U.S. Securities Act and means in respect of any person, any other person that directly or indirectly through one or more intermediaries controls or is controlled by, or is under common control with, the person specified, where "control" (including the terms "controlling", "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise)
AFSL	Australian Financial Services Licence
AMIT	Has the meaning given to that term in Section 9.2.2
Applicant	A person who submits an Application
Application	An application to subscribe for Securities offered under this Offer Document
Application Form	The application form attached to or accompanying this Offer Document (including the electronic form provided by an online application facility)
Application Monies	The amount accompanying an Application Form submitted by an Applicant
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ACN 008 624 691) or the Australian Securities Exchange that it operates, as the context requires
ASX Listing Rules	The listing rules of the ASX
ASX Recommendations	The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition)
ASX Settlement Operating Rules	The operating rules of ASX Settlement Pty Limited (ACN 008 504 532) and, to the extent that they are applicable, the operating rules of each of ASX and ASX Clear Pty Limited (ACN 001 314 503)
ATO	Australian Taxation Office or the Commissioner of Taxation, as the context requires

Appendix C Glossary

Term	Definition
Australian Accounting Standards or AAS	Australian Accounting Standards and other authoritative pronouncements issued by the AASB
Australian ADI	Authorised Deposit-taking Institutions authorised under the *Banking Act 1959* (Cth)
Australian Eligible Employee	Australian permanent full-time and part-time employees of Liberty that were employed by a Liberty Entity at 5.00 pm (AEDT) on Thursday, 26 November 2020 and who remain employed (and have not given, or been given, a notice to terminate employment with Liberty) at Completion of the Offer.
Basis	Spread between the RBA cash rate and the 30-day BBSW rate
BBSW	Australian Bank Bill Swap Reference Rate (Bid) administered by ASX Benchmarks Pty Limited (or any other person which takes over the administration of that rate)
BDD	Bad and doubtful debts
Board	Company Board and RE Board
Board Charter	Has the meaning given to that term in Section 6.7.3
Broker	A broker selected by the Lead Manager and the Liberty Group, including an ASX participating organisation, to act as a broker to the Offer
Broker Firm Offer	The offer of Securities under this Offer Document to investors with a registered address in Australia and New Zealand, and who are not in the United States, who have received a firm allocation from their Broker, as detailed in Section 7.4
Business	The business conducted by Liberty
CAGR	Compound annual growth rate
Cash Advance Facility	The Facility described in Section 11.1.5.1
CCI	Consumer Credit Insurance
CCL	Schedule 1 of the *National Consumer Credit Protection Act 2009* (Cth)
CGT	Capital gains tax
CHESS	Clearing House Electronic Sub-register System operated in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules
Closing Date	The date on which the Offer is expected to close, being Friday, 11 December 2020 in respect of the Broker Firm Offer, the Priority Offer and the Employee Gift Offer. This date may be varied without prior notice
Co-Lead Managers	Shaw and Partners and E&P Corporate Advisory
Commercial Paper Facility	The Facility described in Section 3.6.4.4

Term	Definition
Commercial Paper Program	Has the meaning given to that term in Section 11.1.3
Company	Liberty Financial Group Limited (ACN 125 611 574)
Company Board	The board of Company Directors
Company Directors	The directors of the Company
Completion or Completion of the Offer	The Completion of the Offer, being the date on which Securities are transferred to successful Applicants in accordance with the terms of the Offer
Constitutions	The constitutions of the Company and the Trust
Corporate Debt Facility	Has the meaning given to that term in Section 3.6.4.1
Corporate Debt Facility Financier	Has the meaning give to that term in Section 11.1.1
Corporations Act	*Corporations Act 2001* (Cth)
Custom Loan	Has the meaning given to that term in Section 2.2.1
Deed	Has the meaning given to that term in Section 6.4.3
Directors	Company Directors and the RE Directors
Directors' Remuneration	Has the meaning given in Section 6.4.1
Disposal Period	Has the meaning given to that term in Section 7.6.4
DRP	Dividend reinvestment plan as summarised in Section 6.5
Eligible Employees	Both Australian Eligible Employees and NZ Eligible Employees
Employee Security Holder	Has the meaning given to that term in Section 7.6.4
Employee Gift Offer	The offer made under this Offer Document under which Eligible Employees who have received an offer from Liberty may acquire $1,000 worth of Securities (rounded down to the nearest number of whole Securities based on the Offer Price), as described in Section 7.6
Employee Security Holder	Has the meaning given to that term in Section 7.6.4
Escrow Deeds	Has the meaning given to that term in Section 11.5
Escrow Period	Has the meaning given to that term in Section 11.5.2
Escrowed Securities	Securities which are subject to the voluntary escrow arrangements, as described in Section 11.5

Appendix C Glossary

Term	Definition
Escrowed Security Holders	Holders of Escrowed Securities
E&P Corporate Advisory	E&P Corporate Advisory Pty Limited (ACN 137 980 520)
Executive Managers	Each of James Boyle, Sherman Ma and Peter Riedel, and where applicable, their respective associated entities
Exposure Period	The period specified in section 727(3) of the Corporations Act, being a minimum period of seven days after the Offer Document Date, during which an Application must not be accepted. ASIC may extend this period to no more than 14 days after the Offer Document Date
Facility	The Wholesale Facility and/or the Corporate Debt Facility
Financial Information	Has the meaning given to that term in Section 4.1
FIRB	The Australian Foreign Investment Review Board
Forecast Financial Information	Has the meaning given to that term in Section 4.1
Forecast Period	The financial year ending 30 June 2021
Founder Group	The founding shareholders who established Liberty in 1997, being Sherman Ma, Laurence Moh (deceased), and Gregory and Christine Parseghian. Michael Moh, the son of the late Laurence Moh, represents the Estate of Laurence Moh in relation to matters relevant to the Liberty Group.
Funding Vehicle	Has the meaning given to that term in Section 11.1.2.1
FY18	The financial year ended 30 June 2018
FY19	The financial year ended 30 June 2019
FY20	The financial year ended 30 June 2020
GAP	Guaranteed Asset Protection
GDP	Gross Domestic Product
GAV	The gross asset value of Liberty
GST	Has the meaning given to that term in *A New Tax System (Goods and Services Tax) Act 1999* (Cth)
Hestia Related Entities	Hestia Holdings BV, BEAT Services Pty Ltd, Vesta Financial BV, Vesta and MFG, and *Hestia Related Entity* means any one of them
Historical Financial Information	Has the meaning given to that term in Section 4.1
IFRS	International Financial Reporting Standards

Term	Definition
Institutional Investors	An investor who has been invited to participate in the Institutional Offer and is: • A person in Australia who is a "professional investor" or "sophisticated investor" within the meaning of sections 708(8) or 708(11) of the Corporations Act or a wholesale client within the meaning of section 761G of the Corporations Act; or • An institutional investor in certain other jurisdictions, as agreed between the Liberty Group and the Lead Manager to whom offers of Securities may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any government agency (except one with which the Liberty Group is willing in its discretion to comply), and provided that in each case such investors are not in the United States
Institutional Offer	The invitation to Institutional Investors under this Offer Document to acquire Securities as described in Section 7.3
Interest Rate	Has the meaning given to that term in Section 11.11
Introducers	An individual or firm such as a mortgage broker who sources and refers potential customers
Investigating Accountant	KPMG Transaction Services
Investigating Accountant's Report	The report by the Investigating Accountant as set out in Section 8
ITAA 1936	*Income Tax Assessment Act 1936* (Cth)
KPMG	KPMG (ABN 51 194 660 183)
KPMG Transaction Services	KPMG Financial Advisory Services (Australia) Pty Ltd (ACN 007 363 215)
Lead Manager	Credit Suisse (Australia) Limited (ACN 007 016 300)
LFI	LFI Group Pty Ltd (ACN 138 903 581)
LFL	Liberty Financial Limited (NZBN 9429038564741)
Liberty	Liberty Group and its Subsidiaries, and *Liberty Entity* means any one of them
Liberty Financial Pty Ltd	Liberty Financial Pty Ltd (ACN 077 248 983)
Liberty Group	The stapled entity comprised of the Company and the Trust, and *Liberty Group Member* means any one of them
Liberty Group Parties	The Company, the Trust, Liberty Financial Pty Ltd, Minerva Funds Management Limited and LFI
Listing	Admission of the Liberty Group to the Official List of the ASX
Listing Date	Date of Listing of Liberty Group

Appendix C Glossary

Term	Definition
LMI	Has the meaning given to that term in Section 2.2.1
LNS	Liberty Network Services Pty. Ltd. (ACN 151 158 628)
LVR	Loan to value ratio
Management	Management of Liberty
Manager	Liberty Financial Pty Ltd
MFG	Minerva Financial Group Pty Ltd (ACN 124 171 759), the former Australian holding company of Liberty
MFG Debt	Has the meaning given to that term in Section 5.2.7.1
MFG Debt Acknowledgement Letter	The acknowledgment letter regarding the arrangement between the Liberty Group, MFG and Vesta dated 19 October 2020
MFG Effective Date	Has the meaning given to that term in Section 11.11
MIS	Managed investment schemes
MIT	Managed investment trust
MoneyPlace	Money Place Holdings Pty Ltd
MoneyPlace Agreement	Has the meaning given to that term in Section 11.10
MoneyPlace Managers	Has the meaning given to that term in Section 11.10
Moody's	Moody's Investor Services
Moula	Moula Money Pty. Ltd. (ACN 164 875 325)
Moula Financing Agreements	Has the meaning given to that term in Section 11.12
MPM	Mike Pero Mortgages Limited
MTN	Has the meaning given to that term in Section 3.6.4.1
Mutual Recognition Regime	Mutual recognition regime established under the NZ Financial Markets Law for financial products offered in New Zealand by an Australian offeror
NBDT	New Zealand non-bank deposit-takers
NCCP Act	*National Credit Protection Act 2009* (Cth)
NPATA	Net profit after tax excluding amortisation pertaining to intangibles on a tax effected basis
NII	Net Interest Income

Term	Definition
NIM	Net Interest Margin
Non-ADIs	Financial institutions which are not ADIs
Non-Executive Director	A member of the Company Board or the RE Board who does not form part of Senior Management
NZ Eligible Employees	Permanent full-time and part-time Employees of Liberty with a registered address in New Zealand that were employed by a Liberty Entity at 5.00 pm (AEDT) on Thursday, 26 November 2020 and who remain employed (and have not given, or been given, a notice to terminate employment with Liberty) at Completion of the Offer.
NZ Financial Markets Law	The NZ FMCA and the NZ Financial Markets Conduct Regulations
NZ Financial Markets Conduct Regulations	*Financial Markets Conduct Regulations 2014* (New Zealand)
NZ FMCA	*Financial Markets Conduct Act 2013* (New Zealand)
NZFMA	Financial Market Authority of New Zealand
Offer	The Institutional Offer, Broker Firm Offer, Priority Offer and Employee Gift Offer
Offer Document	This offer document, being both a prospectus for the purpose of Chapter 6D of the Corporations Act and a product disclosure statement for the purpose of Part 7.9 of the Corporations Act, (including the electronic form of this offer document), and any supplementary or replacement offer document in relation to this document
Offer Document Date	The date on which a copy of this Offer Document was lodged with ASIC, being Thursday, 26 November 2020
Offer Period	The period from 9.00am (AEDT) Friday, 4 December 2020 to 5.00pm (AEDT) Friday, 11 December 2020
Offer Price	$6.00 per Security
Offerors	the Company, the Responsible Entity in its capacity as the responsible entity of the Trust and SaleCo
Official List	The official list of entities that the ASX has admitted to and not removed from Listing
Priceware	Priceware Pty Ltd (ACN 105 331 459)
Prime Loan	Has the meaning given to that term in Section 2.2.1
Priority Offer	The offer of Securities under this Offer Document to investors who have received a personalised invitation to purchase Securities in the Offer, as described in Section 7.5
Pro Forma Forecast Cash Flows	Has the meaning given to that term in Section 4.1

Appendix C Glossary

Term	Definition
Pro Forma Forecast Financial Information	Pro Forma Forecast Income Statement and Pro Forma Forecast Cash Flow
Pro Forma Forecast Income Statements	Has the meaning given to that term in Section 4.1
Pro Forma Historical Balance Sheet	Has the meaning given to that term in Section 4.1
Pro Forma Historical Cash Flows	Has the meaning given to that term in Section 4.1
Pro Forma Historical Financial Information	Has the meaning given to that term in Section 4.1
Pro Forma Historical Income Statements	Has the meaning given to that term in Section 4.1
RBNZ	Reserve Bank of New Zealand
RE Board	The board of directors of the Responsible Entity
RE Directors	The directors of the Responsible Entity
Registry	Link Market Services Limited
Related Party Loans	Has the meaning given to that term in Section 11.11
Responsible Entity	Liberty Fiduciary Ltd (ACN 119 884 623) (AFSL 303137)
Retail Offer	The retail component of the Offer, as described in Section 7.1.2.
RITC	Reduced input tax credits
S&P	Standard & Poor’s
Sale Deed Poll	Has the meaning given to that term in Section 12.2
SaleCo	Liberty SaleCo Limited (ACN 645 932 789)
Secure Funding	Secure Funding Pty Ltd (ACN 081 982 872)
Securities	A Share and a Unit stapled together pursuant to the Constitutions and the Stapling Deed
Security Holder	A registered holder of Securities
Security Right	The options and performance rights referred to in Section 6.4.4
Security Trustee	Has the meaning given to that term in Section 11.12
Senior Management or Senior Managers	Includes all members of management profiled in Section 6.3

Term	Definition
Senior Unsecured Program	Has the meaning given to that term in Section 11.1.4.1
Set-Off Agreement	The Letter of Set-Off and Acknowledgment between the Hestia Related Entities and the Liberty Group Parties dated 11 August 2020
Settlement	Settlement in respect of the Securities the subject of the Offer
Shares	A fully paid ordinary share in the capital of the Company
Shareholders	The holders of Shares
Shaw and Partners	Shaw and Partners Limited (ACN 003 221 583)
SME	Small and medium enterprises
SMSF	Self-managed super fund
Stapling Deed	The stapling deed entered into between the Company and the Responsible Entity (in its capacity as responsible entity of the Trust) dated on or around Thursday, 26 November 2020, a summary of which is set out in Section 11.4.1.
Statutory Forecast Financial Information	Statutory Forecast Income Statement and Statutory Forecast Cash Flow
Statutory Forecast Income Statement	Has the meaning given to that term in Section 4.1
Statutory Forecast Cash Flows	Has the meaning given to that term in Section 4.1
Statutory Historical Balance Sheet	Has the meaning given to that term in Section 4.1
Statutory Historical Cash Flows	Has the meaning given to that term in Section 4.1
Statutory Historical Financial Information	Has the meaning given to that term in Section 4.1
Statutory Historical Income Statements	Has the meaning given to that term in Section 4.1
Subsidiaries	The subsidiary companies and trusts within Liberty, being the companies and trusts listed in Appendix A: Corporate Structure.
Successful Applicant	An Applicant or Institutional Investor who is transferred Securities under the Offer.
Term Funding	The funding arrangements described in Section 11.1.4.1
Term Securitisation	The funding arrangements described in Section 11.1.2.3
Trust	Liberty Financial Group Trust (ARSN 644 813 847)

Appendix C Glossary

Term	Definition
Underwriting Agreement	The agreement between the Lead Manager and the Offerors, as described in Section 11.2
Unit	A fully paid unit in the Trust
Unitholders	The registered holder of Units
US Securities Act	United States Securities Act of 1933 (as amended)
Vesta	Vesta Funding BV, being the immediate holding company of Liberty Group, which is controlled by the Founder Group. Vesta will hold approximately 77.4% of the Securities in Liberty Group on the Listing Date.
Warehouse Trust	Has the meaning given to that term in Section 11.12
Wholesale Facility	Has the meaning given to that term in Section 3.6.4.3
Wholesale Funding	The funding arrangements described in Section 11.1.2.5
Wholesale Securitisation	The funding arrangements described in Section 11.1.2.2
VEI	Vehicle Equity Insurance

Corporate Directory

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Melbourne VIC 3000

Liberty Financial Group Trust
Level 16, 535 Bourke Street
Melbourne VIC 3000

Group Contact Details
Liberty Group
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Melbourne VIC 3000

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Level 31 Gateway, 1 Macquarie Place
Sydney NSW 2000

Co-Lead Managers
Shaw and Partners Limited
Level 7, Chifley Tower, 2 Chifley Square
Sydney NSW 2000

E&P Corporate Advisory Pty Limited
Mayfair Building, 171 Collins Street
Melbourne VIC 3000

Australian and New Zealand Legal and Tax Advisers
PricewaterhouseCoopers
2 Riverside Quay
Southbank VIC 3006

Directors of Company
Richard Longes
Peter Hawkins
Leona Murphy
James Boyle
Sherman Ma

Directors of Responsible Entity
Richard Longes
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Leona Murphy
Sherman Ma

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