LIBERTY FINANCIAL GROUP PTY LTD

and its Controlled Entities

ABN 59 125 611 574

GENERAL PURPOSE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The directors present their report together with the consolidated financial report of Liberty Financial Group Pty Ltd (the "Company") (formally Minerva Technology Pty Ltd) and its controlled entities (together the "Group"), for the year ended 30 June 2020 and the auditor's report thereon. The controlled entities of the Company include the other member of the stapled group being Liberty Financial Group Trust ("LFGT") (formally Minerva Financial Group Trust).

Directors

The directors of the Company at any time during or since the end of the financial year were:

Richard Longes (Chairman) (appointed 26 February 2020)
Peter Hawkins (appointed 26 February 2020)
Sherman Ma (appointed 26 February 2020)
Leona Murphy (appointed 26 February 2020)
Peter Riedel (resigned 26 February 2020)

All directors held office throughout the year ended 30 June 2020 unless stated otherwise.

Company secretary

Peter Riedel

Principal activities

The Group conducts activities and makes investments in the financial services industry including but not limited to specialty lending, finance and insurance brokering, receivables servicing, consumer insurance underwriting and funds management across Australia and New Zealand.

Results and review of operations

The consolidated profit after income tax amounted to $134,710,000 (2019: $89,030,000). The Group had financial assets under management of $11.7 billion (2019: $11.2 billion).

Dividends

The Company has not declared or paid a dividend since incorporation. The directors do not recommend a dividend and no dividends were declared or paid during the year.

Significant changes in the state of affairs

On 18 December 2019, the Company acquired control of Liberty Financial Pty Ltd and Minerva Funds Management Ltd from an entity under common control of the ultimate parent entity Quaker Partners LLC.

On 30 December 2019, the Company and Minerva Financial Group Trust, an entity under common control of the ultimate parent entity Quaker Partners LLC, entered into a stapling deed.

All of these internal reorganisation transactions occurred between entities under common control and all assets and liabilities were transferred at their book values in the accounts of the transferor.

The results and cash flows for the year ended 30 June 2020, including prior year comparatives, reflect a full year of trading for the Company and all of its controlled entities as if they were a consolidated group in both reporting periods. This is an allowable election under Australian Accounting Standards Board (AASB) guidance in order to improve the usability of the financial statements, reflecting the activity of the consolidated group as if the current structure had always been in place.

Events subsequent to balance date

The existence of COVID-19 was confirmed in early 2020 and in March 2020 was declared a pandemic by the World Health Organisation. This has resulted in significant volatility in global and domestic financial markets. Refer to note 6 for the sensitivity analysis of risks.

At the date of signing of the financial statements, there is still significant uncertainty on the likely duration and the ultimate impact COVID-19 will have on world economies. Given the high degree of estimation uncertainty, management cannot reasonably assess or quantify the potential short or longer term financial impact on the Company or the Group.

Events subsequent to balance date (cont.)

There has not arisen in the interval between the end of the annual reporting period and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Group, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group, in future financial years.

Likely developments

Information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of such information would likely result in unreasonable prejudice to the Group.

Environmental regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Indemnification of officers

Indemnification
The Company has agreed to indemnify the directors, company secretary and public officers of the Company and its subsidiaries against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as director of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums
The Group pays a premium each year in respect of a contract insuring the directors, company secretary and public officers of the Group against liabilities past, present and future. In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of the liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract. No such insurance cover has been provided for the benefit of any external auditor of the Group.

Non-audit services

During the year KPMG, the Group's auditor, has performed certain services in addition to their statutory duties. The Board has considered the non-audit services provided by the auditor during the year, and is satisfied that the provision of those non-audit services are compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001. Refer to note 7 for Auditor's remuneration.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 3 and forms part of the directors' report for the financial year ended 30 June 2020.

Rounding off

The Company and Group are of a kind referred to in ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191 dated 1 April 2016, and in accordance with that Rounding Instrument, amounts in the financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors:

Sherman Ma
Director

Dated at Melbourne on 21 October 2020.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Liberty Financial Group Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Liberty Financial Group Pty Ltd (formally Minerva Technology Pty Ltd) for the financial year ended 30 June 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Dean Waters

Partner

Melbourne

21 October 2020

LIBERTY FINANCIAL GROUP PTY LTD and its Controlled Entities
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Finance income	9	831,259	790,392
Share of net profit of equity accounted investees		-	580
Other income / management fee		21,054	20,461
Total operating income		852,313	811,433
Finance expense	10	(532,777)	(578,412)
Impairment loss on financial assets measured at amortised cost	10	(32,501)	(21,766)
Personnel expenses	11	(70,646)	(64,701)
Other expenses	12	(60,641)	(52,429)
Total operating expense		(696,565)	(717,309)
Profit before income tax		**155,748**	**94,125**
Income tax expense	13	(21,038)	(5,095)
Profit after tax		**134,710**	**89,030**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(1,291)	3,031
Net change in fair value of cash flow hedges	6(g)	(1,981)	(14,664)
Net change in fair value of financial assets at fair value through other comprehensive income		1,603	930
Related income tax		(481)	(279)
Total other comprehensive income		(2,150)	(10,982)
Total comprehensive income for the year		**132,560**	**78,048**
Profit attributable to:			
Equity holders of the stapled Group			
Attributable to Liberty Financial Group Pty Ltd		46,528	56,702
Attributable to LFGT		88,310	32,881
Non-controlling interests - other		(128)	(553)
Profit for the year		**134,710**	**89,030**
Total comprehensive income attributable to:			
Equity holders of the stapled Group			
Attributable to Liberty Financial Group Pty Ltd		45,494	58,380
Attributable to LFGT		87,194	20,221
Non-controlling interests - other		(128)	(553)
Total comprehensive income for the year		**132,560**	**78,048**
Earnings per share		**0.22**	**0.15**

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 8 to 48.

LIBERTY FINANCIAL GROUP PTY LTD and its Controlled Entities
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Attributable to equity holders of the stapled Group									
	Contributed equity	Cash flow hedge reserve	Foreign currency translation reserve	Revaluation reserve	Common control reserve	Retained profits	Non-controlling interests - LFGT	Total	Non-controlling interests - other	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2018	639,000	(1,637)	(3,131)	-	(136,020)	358,060	(1,644)	854,628	8,189	862,817
Adjustment on adoption of new accounting standards (net of tax)	-	-	-	-	-	(6,149)	-	(6,149)	-	(6,149)
Adjusted balance at 1 July 2018	639,000	(1,637)	(3,131)	-	(136,020)	351,911	(1,644)	848,479	8,189	856,668
Other comprehensive income for the year	-	(2,004)	3,031	651	-	-	(12,660)	(10,982)	-	(10,982)
Profit/(loss) for the year	-	-	-	-	-	56,702	32,881	89,583	(553)	89,030
Dividends paid	-	-	-	-	-	(259)	-	(259)	-	(259)
Distributions provided for or paid	-	-	-	-	-	-	(32,881)	(32,881)	-	(32,881)
Balance at 30 June 2019	639,000	(3,641)	(100)	651	(136,020)	408,354	(14,304)	893,940	7,636	901,576
Balance at 1 July 2019	639,000	(3,641)	(100)	651	(136,020)	408,354	(14,304)	893,940	7,636	901,576
Adjustment on adoption of new accounting standards (net of tax)	-	-	-	-	-	(1,593)	-	(1,593)	-	(1,593)
Adjusted balance at 1 July 2019	639,000	(3,641)	(100)	651	(136,020)	406,761	(14,304)	892,347	7,636	899,983
Other comprehensive income for the year	-	(865)	(1,291)	1,122	-	-	(1,116)	(2,150)	-	(2,150)
Issue of ordinary shares	80,000	-	-	-	-	-	-	80,000	-	80,000
Profit/(loss) for the year	-	-	-	-	-	46,528	88,310	134,838	(128)	134,710
Dividends paid	-	-	-	-	-	(703)	-	(703)	-	(703)
Distributions provided for or paid	-	-	-	-	-	-	(88,310)	(88,310)	-	(88,310)
Balance at 30 June 2020	719,000	(4,506)	(1,391)	1,773	(136,020)	452,586	(15,420)	1,016,022	7,508	1,023,530

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 8 to 48.

LIBERTY FINANCIAL GROUP PTY LTD and its Controlled Entities
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Assets			
Cash and cash equivalents	19	498,467	787,933
Trade receivables and other assets	15	447,254	602,781
Financial assets	14	11,658,874	11,223,396
Other investments	16	29,203	10,621
Derivative assets	6(g)	14,507	20,930
Property, plant and equipment	18	23,234	12,988
Intangible assets	20	299,937	44,982
Deferred tax assets	17	64,590	53,112
Total Assets		**13,036,066**	**12,756,743**
Liabilities			
Payables	21	113,523	103,712
Financing	22	11,792,107	11,686,352
Provisions	23	11,905	10,727
Lease liabilities		11,264	-
Derivative liabilities	6(g)	48,875	25,583
Deferred tax liabilities	17	34,862	28,793
Total Liabilities		**12,012,536**	**11,855,167**
Net Assets		**1,023,530**	**901,576**
Equity			
Contributed equity	24	719,000	639,000
Reserves		(140,144)	(139,110)
Retained profits		452,586	408,354
Non-controlling interests - LFGT		(15,420)	(14,304)
Total equity attributable to equity holders of the stapled Group		1,016,022	893,940
Non-controlling interests - other		7,508	7,636
Total Equity		**1,023,530**	**901,576**

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 8 to 48.

LIBERTY FINANCIAL GROUP PTY LTD and its Controlled Entities

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Interest income received		638,930	617,743
Interest expense paid		(352,746)	(397,611)
Fees and commissions received		181,967	160,269
Fees and commissions paid		(181,204)	(170,656)
Insurance premiums received		7,820	11,662
Cash paid to suppliers and employees		(100,441)	(116,974)
Net cash from operating activities	19(b)	194,326	104,433
Cash flows from investing activities			
Payments for businesses acquired/investments, net of cash acquired		(277,912)	1,070
Acquisition of property, plant and equipment		(4,085)	(3,256)
Proceeds from the sale of property, plant and equipment		(292)	809
Net increase in financial assets		(475,111)	(1,967,146)
Net cash used in investing activities		(757,400)	(1,968,523)
Cash flows from financing activities			
Proceeds from financing activities		1,322,656	2,653,128
Payments for financing activities		(1,084,707)	(414,829)
Payment of lease liabilities		(2,227)	272
Proceeds from related party loans		259,934	174,670
Payments to related party loans		(221,344)	(220,212)
Movement in cash reserves		(17,732)	(42,327)
Dividends paid		(703)	(259)
Net cash from financing activities		255,877	2,150,443
Net (decrease) / increase in cash held		(307,197)	286,353
Cash at the beginning of the year		704,092	417,739
Cash at the end of the year	19(a)	**396,895**	**704,092**

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 8 to 48.

1 REPORTING ENTITY

Liberty Financial Group Pty Ltd (the "Company") (formally Minerva Technology Pty Ltd) is a proprietary limited company domiciled in Australia. The address of the Company's registered office is Level 16, 535 Bourke Street, Melbourne, Victoria 3000.

2 BASIS OF PREPARATION

The financial statements as at and for the year ended 30 June 2020 have been prepared as a consolidation of the financial statements of the Company and its controlled entities (together referred to as the "Group"). The controlled entities of the Company include the other member of the stapled group being Liberty Financial Group Trust (formally Minerva Financial Group Trust). The equity securities of the Company and Liberty Financial Group Trust are stapled and cannot be sold separately.

AASB 3 *Business Combinations* and AASB 10 *Consolidated Financial Statements* require one of the stapled entities of a stapled group to be identified as the parent entity for the purpose of preparing a consolidated financial report. In accordance with this requirement, the Company has been identified as the parent entity of the consolidated group comprising Liberty Financial Group Pty Ltd and its controlled entities and Liberty Financial Group Trust and its controlled entities, together comprising the Group. The financial statements were authorised for issue by the Board of Directors on 21 October 2020.

The statement of financial position is presented on a liquidity basis.

Parent entity financial information
The financial information for the parent entity, Liberty Financial Group Pty Ltd, disclosed in Note 27 has been prepared on the same basis as the consolidated financial statements.

The Group is a for profit entity for the purpose of preparing these financial statements.

(a) Common control transaction

On 18 December 2019, the Company acquired control of Liberty Financial Pty Ltd and Minerva Funds Management Ltd from an entity under common control of the ultimate parent entity Quaker Partners LLC.

On 30 December 2019, the Company and Minerva Financial Group Trust, an entity under common control of the ultimate parent entity Quaker Partners LLC, entered into a stapling deed.

All of these internal reorganisation transactions occurred between entities under common control and all assets and liabilities were transferred at their book values in the accounts of the transferor.

The results and cash flows for the year ended 30 June 2020, including prior year comparatives, reflect a full 12 months of trading for the Company and all of its controlled entities as if they were a consolidated group in both reporting periods. This is an allowable election under Australian Accounting Standards Board (AASB) guidance in order to improve the usability of the financial statements, reflecting the activity of the consolidated group as if the current structure had always been in place.

Additionally, certain transactions required to enact the internal common control reorganisation are presented as if they had happened prior to the common control reorganisation, and are therefore included in the opening balance of the comparatives:

- On 18 December 2019, prior to entering into the stapling deed, MFGT redeemed 333,183,547 units from its parent entity, Vesta Funding BV, for $276,804,037 in exchange for its loan note receivable from Liberty Financial Group Pty Ltd. The loan note receivable of $276,804,037 has therefore been presented as if repaid before the comparative period, and the corresponding interest income has not been recognised.
- On 18 December 2019, prior to being acquired by Minerva Technology Pty Ltd, Liberty Financial Pty Ltd redeemed 105,850,000 of preference shares from Liberty Financial Group Pty Ltd for $105,850,000 in cash. Also on this date, Liberty Financial Pty Ltd declared and paid an $82,000,000 dividend to Liberty Financial Group Pty Ltd, and Vesta Funding BV subscribed for an additional 100,000,000 of ordinary shares in Minerva Technology Pty Ltd for cash of $100,000,000.
- On 20 August 2019, Liberty Financial Group Pty Ltd subscribed for 189,000,000 additional ordinary shares in Liberty Financial Pty Ltd for cash of $183,299,408 and an intercompany receivable balance of $5,700,592.

2 BASIS OF PREPARATION (cont.)

(b) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations *Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The Group has adopted AASB 16 Leases and AASB Interpretation 23 Uncertainty over income tax treatments from 1 July 2019. Under the transition methods chosen, comparative information is not restated. Changes to significant accounting policies are described in note 3.

(c) Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost except as otherwise stated.

(d) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

(e) Rounding Off

The Company and Group are of a kind referred to in ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191 dated 1 April 2016, and in accordance with that Rounding Instrument, amounts in the financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

(f) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(i) Judgements

Information about accounting treatments involving complex or subjective decisions or assessments are described in the following notes:

- Note 4 (g) – Insurance commission revenue and expense recognition
- Note 17 – Deferred tax assets and liabilities
- Note 20 – Goodwill
- Note 23 – Provisions
- Note 6 – Financial instruments including credit risk
- Note 5 – Fair value
- Note 30 – Capital commitments and contingent liabilities

In particular, management applies judgement in determining the approach to establishing the appropriate level of provisioning for its financial assets, both at the specific and collective levels. In addition, the Group applies a weighted average tenure of the portfolio to assess the average life of financial assets which impacts the amount and timing of financing income recognition. Both judgements are assessed on at least an annual basis. In relation to the weighted average tenure, the annual review ensures consistency of the average life applied under the effective interest yield calculation. The average life used for residential mortgages, commercial mortgages and auto receivables has remained unchanged during the year ended 30 June 2020.

The net present value of insurance commission and trail commission are calculated using a discounted cash flow methodology. There are a number of key assumptions used to determine the underlying cash flows including lapse rates, discount rate and projection period. The assumptions are determined based on experience and current and forecast economic factors.

2 BASIS OF PREPARATION (cont.)

(f) Use of estimates and judgements (cont.)

(i) Judgements (cont.)

LFI Group Pty Ltd, a consolidated entity, commenced underwriting insurance products on 1 December 2014. Management has applied its judgement to the materiality of this entity in the preparation of this financial report and determined that no additional disclosures are required. At 30 June 2020 the Group had premium revenue of $2,352,000 (2019: $1,886,000)

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 June 2020 is included in the following notes:

- Note 4 (i) and Note 6 – measurement of ECL allowance financial assets: key assumptions in determining the collective provisions.
- Note 4 (l) and Note 20 – impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts, including the recoverability of development costs.

(iii) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Management assesses the evidence obtained from third parties to support fair value calculations. When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible.

3 CHANGES IN ACCOUNTING POLICIES

Except for the changes below, the accounting policies set out in note 4, have been applied consistently to all periods presented in these consolidated financial statements.

(a) AASB 16 Leases

AASB 16 is mandatory for annual reporting periods commencing on or after 1 January 2019 and replaces AASB 117 Leases. In accordance with the transition options permitted under the standard, comparatives are not restated. The Group applied AASB 16 using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity at 1 July 2019.

At inception of a contract, the Group 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.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application. 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, the Group's incremental borrowing rate. The Group determines its weighted average incremental borrowing rate, which was 3.02% at 1 July 2019 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.

The Group presents right-of-use assets in property, plant, and equipment and lease liabilities in the statement of financial position.

3 CHANGES IN ACCOUNTING POLICIES (cont.)

(a) AASB 16 Leases (cont.)

Impact of transition to AASB 16
The following table summarises the impact, net of tax, of transition to AASB 16 on the opening balance of retained earnings.

	1 Jul 2019 $'000
Right-of-use assets - operating lease	11,674
Make-good	(635)
Lease liabilities	(12,632)
Retained earnings	(1,593)
Total operating lease commitments disclosed at 30 June 2019	4,977
Change in lease term	9,065
Finance liabilities recognised as at 30 June 2019	7,790
Recognition exemption for leases of low-value assets	(37)
Recognition exemption for leases with less than 12 months of lease term at transition	(51)
Other adjustments	(45)
Operating lease liabilities before discounting	21,699
Discounted using incremental borrowing rate	(2,989)
Finance lease obligations	(6,078)
Lease liabilities recognised under AASB 16 at 1 July 2019	12,632

(b) AASB Interpretation 23 Uncertainty over Income Tax Treatments

Interpretation 23 became effective to the Group at 1 July 2019. The new interpretation clarifies the accounting for uncertainties in income taxes in relation to the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates. The Group has adopted Interpretation 23 retrospectively. This has an immaterial impact on the Group.

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except as otherwise disclosed (see note 3).

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see note 4 (a) (ii)). 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.

The Group 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 the Group to the previous owners of the acquiree, and equity interests issued by the Group. 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 the Group incurs in connection with a business combination, such as finders fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

4 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(a) Basis of consolidation (cont.)

(i) Business combinations (cont.)

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. The Group 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 the Group. The Group 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 the Company's financial statements, investments in subsidiaries are carried at cost and subject to periodic impairment testing.

(iii) Special purpose entities

The Group has established a number of special purpose entities ("SPEs") for securitisation of financial assets. The SPEs are controlled by the Group 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 the Group consolidated financial statements. Refer to Note 31 for further details.

(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.

(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.

4 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(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 the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group 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. The Group 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

The Group 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. The Group 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.

The Group's approach to managing market risk, including interest rate risk, is discussed in Note 6 (e).

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.

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.

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, the Group 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
Ordinary shares are classified as equity. Incremental costs are directly attributable to 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 the Group in the management of its short-term commitments.

4 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(f) Cash and cash equivalents (cont.)

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 the Group acts as Trustee, in the event of liquidation losses as specified in the Trust Deeds.

(g) Insurance commission revenue and expense recognition

The Group’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. The Group 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 recognised at fair value or at cost when the Group becomes a party to the contract. Depending on the Group'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

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.

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 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.

4 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(i) Impairment (cont.)

Stage 1: 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 twelve months.

Stage 2: Lifetime ECL – Significant Increase in Credit Risk (SICR)

A financial asset moves from Stage 1 to Stage 2 when there is a SICR since initial recognition.

The Group 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.

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 the Group 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.

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. The Group 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 the Group 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.

Non-financial assets
The carrying amounts of the Group'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.

4 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(j) Investments

Corporate bonds are categorised as at fair value through profit or loss and are recognised when the Group 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.

(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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The depreciation and amortisation rates used for each class of assets are as follows:

Furniture, equipment and fittings	3 - 13 years
Computer equipment	3 - 7 years
Other fixed assets	3 years
Leasehold improvements	5 - 10 years
Leased motor vehicles	5 years
Land and buildings	10 - 40 years
Right-of-use assets	3 - 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 (10-15 years) from the date they are available for use.

Intellectual property acquired by the Group 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) Leases

At inception of a contract, the Group 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, the Group uses the definition of a lease in AASB 16 Leases.

This policy is applied to contracts entered into on or after 1 July 2019.

The Group 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.

4 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(m) Leases (cont.)

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, the Group's incremental borrowing rate. The Group 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.

The Group 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 the Group 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 the Group's balance sheet.

(n) Financing

Through its global financing arrangements, the Group issues asset-backed securities (securitisation notes). Pending the issue of securitisation notes, the Group has medium term finance facilities maturing within 1 and 2 years with financial institutions to enhance the funding of financial assets.

The Group’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 Ltd for Australia and Guardian Trust Ltd 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.

The Group 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 per note 4 (d).

(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, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(q) Employee benefits

(i) Long term service benefits

The Group’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 the Group’s obligations.

4 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(q) Employee benefits (cont.)

(ii) Incentive plan

A liability is recognised for incentives declared but not paid as at reporting date when the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) 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 the Group 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 (note 4 (i)). 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.

4 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(t) Income tax (cont.)

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 formed 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 the Group to a unitholder which is a non-controlled related party of the Group. 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 the Group 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 this financial report. The analysis of the transitional impact of the standards is expected to be completed prior to the implementation dates.

(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. The Group 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.

5 DETERMINATION OF FAIR VALUES

The Group's disclosures require determination of fair values for financial assets and liabilities. Management assesses the evidence obtained from third parties to support the conclusion that fair value valuations meet the requirements of AASB 13. When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Financial assets

The carrying amount of financial assets includes deferred fees and expenses accounted for using the effective interest method and are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest method net of provisions for impairment and income yet to mature.

Fair value is calculated based on the present value of future principal and interest cash flows discounted at the credit risk-adjusted rate of interest at the reporting date.

For financial assets designated at fair value through the statement of profit or loss and other comprehensive income, fair value is calculated using market observable data where possible.

(b) Derivatives

The fair value of interest rate and cross currency interest rate swaps are determined by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(c) Non derivative financial assets and liabilities

For receivables and payables with a remaining life of less than one year, the notional amount is deemed to approximate the fair value.

(d) Financing

The fair value of financing is approximated by their carrying amounts.

(e) Investments

Corporate bonds that back insurance liabilities are designated at fair value through profit or loss and are measured at fair value in the statement of financial position. Changes in fair value are recognised in the statement of profit or loss and other comprehensive income. Fair value for corporate bonds is calculated using market observable data where possible.

(f) Leases

The fair value of the lease liability and right of use asset is based on the lease term, lease payments and discount rate as required by AASB 16.

(g) Insurance commission and trail commission

Insurance commission and trail commission are initially recognised at fair value. The fair value of the estimated variable consideration is reassessed at each reporting period to take into account changes in circumstances impacting the new present value of forecast future cash flows. Changes in fair value are recognised in the statement of profit or loss and other comprehensive income.

5 DETERMINATION OF FAIR VALUES (cont.)

(h) Carrying amounts and fair values of the financial assets and financial liabilities

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities.

2020	Note	Carrying Amount					Fair Value
		Fair value through P&L	Fair value through OCI	Financial assets at amortised cost	Other financial liabilities	Total	
		$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value							
Other investments	16	28,375	-	828	-	29,203	29,203
Derivative assets		14,507	-	-	-	14,507	14,507
Insurance commission	15	88,596	-	-	-	88,596	88,596
Financial assets	14	-	28,506	-	-	28,506	28,506
Financial assets not measured at fair value							
Cash and cash equivalents	19	-	-	498,467	-	498,467	498,467
Trade receivables and other assets	15	-	-	358,658	-	358,658	358,658
Financial assets	14	-	-	11,630,368	-	11,630,368	11,707,421
Financial liabilities measured at fair value							
Derivative liabilities		(48,875)	-	-	-	(48,875)	(48,875)
Financing	22	(228,378)	-	-	-	(228,378)	(228,378)
Trail commission	21	(32,915)	-	-	-	(32,915)	(32,915)
Financial liabilities not measured at fair value							
Payables	21	-	-	-	(80,608)	(80,608)	(80,608)
Financing	22	-	-	-	(11,563,729)	(11,563,729)	(11,563,729)
		(178,690)	28,506	12,488,321	(11,644,337)	693,800	770,853

2019	Note	Carrying Amount					Fair Value
		Fair value through P&L	Fair value through OCI	Financial assets at amortised cost	Other financial liabilities	Total	
		$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value							
Other investments	16	10,621	-	-	-	10,621	10,621
Derivative assets		20,930	-	-	-	20,930	20,930
Insurance commission	15	76,459	-	-	-	76,459	76,459
Financial assets	14	-	36,930	-	-	36,930	36,930
Financial assets not measured at fair value							
Cash and cash equivalents	19	-	-	787,933	-	787,933	787,933
Trade receivables and other assets	15	-	-	526,322	-	526,322	526,322
Financial assets	14	-	-	11,186,466	-	11,186,466	11,353,581
Financial liabilities measured at fair value							
Derivative liabilities		(25,583)	-	-	-	(25,583)	(25,583)
Financing	22	(532,028)	-	-	-	(532,028)	(532,028)
Trail commission	21	(29,852)	-	-	-	(29,852)	(29,850)
Financial liabilities not measured at fair value							
Payables	21	-	-	-	(73,860)	(73,860)	(73,860)
Financing	22	-	-	-	(11,154,324)	(11,154,324)	(11,154,324)
		(479,453)	36,930	12,500,721	(11,228,184)	830,014	997,131

5 DETERMINATION OF FAIR VALUES (cont.)

(i) Fair value hierarchy

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value in an active market (Level 1)
The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

Fair value in an inactive or unquoted market (Level 2)
The fair value of interest rate and cross currency interest rate swaps are determined by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Unobservable inputs used in measuring fair value (Level 3)
Trail commissions are recognised as a contract asset measured at 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 fair value of financial assets and liabilities that are not traded in an active market is determined using various valuation techniques. If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire assessment.

The Group recognised transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(j) Fair value hierarchy – financial instruments measured at fair value

As at 30 June 2020	$'000 Level 1	$'000 Level 2	$'000 Level 3	Total
Financial assets measured at fair value				
Other investments – equity securities	21,150	-	-	**21,150**
Other investments – government and corporate bonds	7,225	-	-	**7,225**
Derivative assets	-	14,507	-	**14,507**
Insurance commission – contract assets	-	-	88,596	**88,596**
Financial assets	26,817	1,689	-	**28,506**
Financial liabilities measured at fair value				
Derivative liabilities	(48,875)	-	-	**(48,875)**
Financing	-	(228,378)	-	**(228,378)**
Trail commission – contract liabilities	-	-	(32,915)	**(32,915)**
	6,317	**(212,182)**	**(55,681)**	**(150,184)**

5 DETERMINATION OF FAIR VALUES (cont.)

(j) Fair Value Hierarchy – Financial Instruments Measured at fair value (cont.)

As at 30 June 2019	$'000 Level 1	$'000 Level 2	$'000 Level 3	Total
Financial assets measured at fair value				
Other investments – equity securities	3,387	-	-	**3,387**
Other investments – government and corporate bonds	7,234	-	-	**7,234**
Derivative assets	-	20,930	-	**20,930**
Insurance commission – contract assets	-	-	76,459	**76,459**
Financial assets	31,000	5,930	-	**36,930**
Financial liabilities measured at fair value				
Derivative liabilities	(25,583)	-	-	**(25,583)**
Financing	-	(532,028)	-	**(532,028)**
Trail commission – contract liabilities	-	-	(29,852)	**(29,852)**
	16,038	**(505,168)**	**46,607**	**(442,523)**

Transfers between level 1, level 2 and level 3
There were no transfers between level 1, level 2 and level 3 in 2020 (2019: nil).

Level 3 fair values
The fair value of insurance commission contract assets and liabilities are classified as Level 3 within the fair value hierarchy (2019: Level 3). The fair value of these contract assets and liabilities have been determined using the discounted cash flow valuation technique. Refer to note 4 (g).

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	2020 $'000	2019 $'000
Insurance commission – contract assets		
Opening balances	76,459	68,395
Movement	12,137	8,064
Closing balance	88,596	76,459
Trail commission – contract liabilities		
Opening balances	29,852	28,430
Movement	3,063	1,422
Closing balance	32,915	29,852

The effect of unobservable inputs on fair value measurement

Although the Group believes that its estimates of fair values are appropriate, the use of different methodologies or assumptions could lead to different measurement of fair value. For fair value measurements in Level 3, the most significant unobservable input relates to the discount rate applied. A movement in the discount rate of +1% (2019: +1%) would result in a decrease in net contract asset of $2,798,000 (2019: $2,346,000). A movement in the discount rate of -1% (2019: -1%) would result in an increase in net contract asset by $3,085,000 (2019: $2,587,000). This analysis assumes that all other variables, in particular lapse rates, remain constant.

6 FINANCIAL RISK MANAGEMENT

(a) Overview

The Group and Company have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Exposure to credit, liquidity and market risk arises in the normal course of the Group's business. This note presents information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout the financial report.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established a Risk, Audit and Compliance Committee (the "Committee") which is responsible for monitoring the emerging and changing risk profile of the Group. The Committee is responsible for reviewing the adequacy of internal systems, controls and procedures in relation to the risk management framework and the risks faced by the Company and the Group. The Committee is assisted in its oversight by the Risk department which coordinates, sets policy and monitors the Group's effectiveness in operational, credit risk, liquidity and market risk. The Chief Financial Officer reports regularly to the Committee and the Board. Risk management policies and systems are updated to reflect changes in market conditions and the Group's activities.

In response to COVID-19 the Group has further strengthened its financial risk management framework through more frequent board updates and enhanced stress testing, liquidity management and portfolio monitoring.

(b) Operational risk

Operational risk is the risk of impact on objectives resulting from inadequate or failed internal processes, people and systems or from external events including legal and reputation risk.

Operational risk is primarily monitored by the Committee supported by management which manages regulatory compliance, fraud prevention and detection, anti-money laundering and business continuity.

The Committee has primary responsibility for the oversight of financial reporting risk. The Risk department and Compliance Officers review risk management in order to assess and understand the Group's business and financial risks as well as the effectiveness of internal controls which may have a significant impact on the full financial statements.

(c) Credit risk

Credit risk is the risk of financial loss due to a customer or counterparty failing to meet their contractual obligations. Credit risk arises primarily from the Group's financial assets.

Financial assets
Management has a credit policy in place that ensures the loan portfolio is diversified across varying risk categories and locations. Management continually assesses the effectiveness of internal credit controls and policies to ensure reliability and integrity of asset management. The Group also obtains collateral and security arrangements as a means of mitigating the risk of financial loss from default and raises provisions for impairment where appropriate.

Investments
Investments in financial instruments in the investment portfolio are with counterparties with sound credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations. An Investment Committee meets on a regular basis to consider investment opportunities and overall performance of the investments.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Counterparty risk
The Group is exposed to counterparty credit risk by holding cash and cash equivalents and entering into derivatives with financial institutions. Their credit quality can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The Group holds cash and derivative contracts with counterparties rated AA and better.

6 FINANCIAL RISK MANAGEMENT (cont.)

(c) Credit risk (cont.)

Exposure

i. Loans by credit risk rating grades

CONSOLIDATED - $'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
30 June 2020				
Gross loans				
Prime	8,334,757	558,157	121,183	9,014,097
Non-prime	2,166,586	280,874	115,772	2,563,232
Unrated	134,817	-	-	134,817
Total	**10,636,160**	**839,031**	**236,955**	**11,712,146**

CONSOLIDATED - $'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
30 June 2019				
Gross loans				
Prime	8,487,625	78,929	29,692	8,596,246
Non-prime	2,348,498	105,421	83,987	2,537,906
Unrated	119,930	-	-	119,930
Total	**10,956,053**	**184,350**	**113,679**	**11,254,082**

Credit quality

The ageing of loans is shown below:

ii. Loans by credit quality

	2020 $'000	2019 $'000
Gross loans		
Neither past due or impaired	10,636,160	10,956,053
Past due but not impaired	839,031	184,350
Impaired	236,955	113,679
Total	**11,712,146**	**11,254,082**

6 FINANCIAL RISK MANAGEMENT (cont.)

(c) Credit risk (cont.)

Provision for Impairment loss

iii. Provision for impairment

CONSOLIDATED - $'000	12 month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
30 June 2019				
Balance at 30 June 2018 under AASB 139	13,081	-	27,516	40,597
Adjustment on adoption of AASB 9	631	1,738	6,410	8,779
Balance at 1 July 2018 under AASB 9	13,712	1,738	33,926	49,376
Net movement during the year	9,250	392	(2,568)	7,074
Closing balance at 30 June 2019	22,962	2,130	31,358	56,450
30 June 2020				
Opening balance at 1 July 2019	22,962	2,130	31,358	56,450
Net movement during the year	15,924	2,179	2,304	20,407
Closing balance at 30 June 2020	38,886	4,309	33,662	76,857

The following tables show the movement in the Group's impairment provisions and credit exposures by expected credit loss (ECL) stage for the year ended 30 June 2020.

CONSOLIDATED - $'000	12 month ECL		Lifetime ECL - not credit impaired		Lifetime ECL - credit impaired		Total	
30 June 2019	Gross exposure	Provisions	Gross exposure	Provisions	Gross exposure	Provisions	Gross exposure	Provisions
Balance at 30 June 2018 under AASB 139	-	13,081	-	-	-	27,516	-	40,597
Adjustment on adoption of AASB 9	-	631	-	1,738	-	6,410	-	8,779
Balance at 1 July 2018 under AASB 9	9,069,936	13,712	134,844	1,738	90,008	33,926	9,294,788	49,376
New loans originated	4,058,852	7,350	29,271	415	7,807	954	4,095,930	8,719
Transfers:								
Transfers to Stage 1	82,008	2,566	(56,418)	(718)	(25,590)	(1,848)	-	-
Transfers to Stage 2	(135,804)	(400)	140,694	899	(4,890)	(499)	-	-
Transfers to Stage 3	(56,243)	(184)	(21,660)	(369)	77,903	553	-	-
Loans repaid	(1,778,653)	(2,258)	(34,209)	(378)	(32,295)	(1,946)	(1,845,157)	(4,582)
Changes to modelling assumptions	(270,247)	2,298	(3,625)	732	11,206	1,577	(262,666)	4,607
Write-offs	(6,765)	(107)	(4,319)	(187)	(10,310)	(1,355)	(21,394)	(1,649)
Foreign exchange movement	(7,032)	(15)	(227)	(2)	(160)	(4)	(7,419)	(21)
Closing balance at 30 June 2019	**10,956,053**	**22,962**	**184,350**	**2,130**	**113,679**	**31,358**	**11,254,082**	**56,450**

The contractual amounts outstanding on financial assets that were written off during the year ended 30 June 2020 are still subject to enforcement activity.

6 FINANCIAL RISK MANAGEMENT (cont.)

(c) Credit risk (cont.)

Provision for Impairment loss (cont.)

iii. Provision for impairment (cont.)

CONSOLIDATED - $'000	12 month ECL		Lifetime ECL - not credit impaired		Lifetime ECL - credit impaired		Total	
30 June 2020	Gross exposure	Provisions	Gross exposure	Provisions	Gross exposure	Provisions	Gross exposure	Provisions
Opening balance at 1 July 2019	10,956,053	22,962	184,350	2,130	113,679	31,358	11,254,082	56,450
New loans originated	3,152,741	6,492	224,505	1,295	22,610	1,624	3,399,856	9,411
Transfers:								
Transfers to Stage 1	106,389	3,242	(78,260)	(913)	(28,129)	(2,329)	-	-
Transfers to Stage 2	(580,034)	(1,110)	589,983	1,876	(9,949)	(766)	-	-
Transfers to Stage 3	(149,770)	(368)	(31,940)	(369)	181,710	737	-	-
Loans repaid	(2,502,249)	(3,569)	(41,408)	(443)	(38,851)	(2,393)	(2,582,508)	(6,405)
Changes to modelling assumptions	(342,257)	11,366	(3,709)	865	6,342	6,836	(339,624)	19,067
Write-offs	(10,257)	(146)	(4,743)	(135)	(10,569)	(1,410)	(25,569)	(1,691)
Foreign exchange movement	5,545	17	252	3	112	5	5,909	25
Closing balance at 30 June 2020	**10,636,160**	**38,886**	**839,031**	**4,309**	**236,955**	**33,662**	**11,712,146**	**76,857**

Expected Credit Losses

ECL measurement uncertainties

Hardship Overlay

COVID-19 has provided an unpredictable market wide shock. The nature of the linear regression models may result in under-reactive changes.

Management have increased the expected credit loss provision by a COVID-19/multi- scenario overlay of $12,442,279, based upon the anticipated impact on customers having regard to the current economic outlook.

The tables below show the data that resulted in the additional provision being recognised.

To quantify the expected credit loss under severe economic events, the Group stressed both the staging mix and stressed the LGDs. Three scenarios were applied and weighted.

Changes to staging mix are designed to allow for expected increases in unemployment rates which will likely result in increases in arrears and probability of default. Changes to LGD are designed to allow for expected reductions in asset values, particularly house prices, which will likely result in lower levels of asset recovery. To maintain objectivity, management have applied a weighting to the likelihood of each scenario. The three scenarios applied are intended to generally reflect the combination of increased unemployment rates and lower asset prices, based on third party macroeconomic forecasts.

6 FINANCIAL RISK MANAGEMENT (cont.)

(c) Credit risk (cont.)

Provision for Impairment loss (cont.)

iii. Provision for impairment (cont.)

<table>
<tr><th>Scenario</th><th>Weighting</th><th>Expectation</th></tr>
<tr><td>Scenario One Upside

A 100% weighting to this scenario would result in a decrease to total ECL provision at the reporting date of $5,322,000</td><td>10%</td><td rowspan="3">A larger increase has been applied from stage 2 to 3, than from stage 1 to 2. This reflects the increase in the balance of stage 2 which has now begun to stabilise. It is therefore expected that an increase in unemployment will have a greater impact on increasing the stage 3 balance.

For LGD it is expected that reductions in asset values will have a greater impact on stage 3 balances than stage 2. This reflects the fact that loans in stage 3 are more likely to require asset realisation in the next 12 to 18 months and therefore likely to be more impacted by any reduction in asset values over this period.</td></tr>
<tr><td>Scenario Two Baseline

A 100% weighting to this scenario would result in a decrease to total ECL provision at the reporting date of $2,104,000</td><td>40%</td></tr>
<tr><td>Scenario Three Downside

A 100% weighting to this scenario would result in an increase to total ECL provision at the reporting date of $2,748,000</td><td>50%</td></tr>
</table>

The table below shows the forward-looking macro forecasts.

Macro Forecast	Unemployment	Unemployment Movement	HPI	HPI Movement %
Current	6.20%	-	143.5%	-
Upside - 2021	6.80%	9%	130.2%	10%
Baseline - 2021	7.80%	21%	121.9%	18%
Downside - 2021	9.20%	33%	100.5%	43%

The table below shows the change in staging between each scenario.

Stress to Staging	Scenario 1	Scenario 2	Scenario 3
Stage 1 -> 2	5%	5%	10%
Stage 2 -> 3	10%	15%	20%

The table below shows the stresses applied to each LGD between each scenario.

Stress to Staging	Scenario 1	Scenario 2	Scenario 3
Stages 1 & 2	2%	3%	4%
Stage 3	10%	15%	20%

Given the uncertainty surrounding the impact of COVID-19 on the metrics used by the Group's expected credit loss model, the additional provision is likely to differ from the actual credit loss that the Group may eventually experience. As the COVID-19 pandemic continues to evolve, along with how governments, business and customers respond, it could be expected to result in an adjustment to the expected credit loss provision within future financial periods.

6 FINANCIAL RISK MANAGEMENT (cont.)

(c) Credit risk (cont.)

Provision for Impairment loss (cont.)

iii. Provision for impairment (cont.)

The ECL allowance as a percentage of gross carrying amount is as follows:

30 June 2020 - $'000	**Current**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected loss rate	-	0.37%	0.51%	5.27%	**0.48%**
Gross carrying amount	-	10,636,160	839,031	236,955	**11,712,146**
Loss allowance	-	(38,886)	(4,310)	(12,482)	**(55,678)**

30 June 2019 - $'000	**Current**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected loss rate	-	0.21%	1.16%	6.96%	**0.29%**
Gross carrying amount	-	10,956,053	184,350	113,679	**11,254,082**
Loss allowance	-	(22,962)	(2,131)	(7,917)	**(33,010)**

Collateral

iv. Collateral held

	2020 $'000	**2019 $'000**
Maximum exposure		
Collateral classification:		
Secured (%)	99%	99%
Unsecured (%)	1%	1%
	100%	100%

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's Treasury function manages liquidity risk by maintaining adequate cash reserves, bank facilities and undrawn facilities by continuously monitoring cash flows and matching the maturity profiles of financial assets and liabilities. Details of available facilities are outlined in note 22.

The following are contractual maturities of financial assets and liabilities, including estimated repayments and excluding the impact of netting. The contractual maturity of most debt issues is 25-30 years. For derivative liabilities only, contractual cash flows are stated excluding credit margins. The following maturity analysis is compiled on the contractual maturity date.

6 FINANCIAL RISK MANAGEMENT (cont.)

(d) Liquidity risk (cont.)

2020	Note	Carrying amount	Contractual cash flows	<1 year	1-5 years	> 5 years
		$'000	$'000	$'000	$'000	$'000
Non-derivative financial assets						
Cash and cash equivalents	19	498,467	498,467	498,467	-	-
Trade receivables and other assets	15	358,658	358,658	358,658	-	-
Financial assets	14	11,658,874	20,121,495	1,197,419	3,655,230	15,268,846
Corporate bonds	16	7,225	7,243	7,243	-	-
Derivative financial assets						
Derivative assets		14,507	14,776	5,563	9,213	-
Total assets		12,537,731	21,000,639	2,067,350	3,664,443	15,268,846
Non-derivative financial liabilities						
Payables	21	80,608	80,608	65,397	15,211	-
Debt issues	22	9,093,512	13,966,382	422,326	1,351,938	12,192,118
Finance facilities	22	2,629,801	2,616,570	1,650,437	966,133	-
Deposits and unitholder liabilities	22	64,929	68,819	51,694	17,090	35
Lease liabilities		11,264	11,264	664	10,600	-
Loans from related parties	26	3,865	3,865	3,865	-	-
Derivative financial liabilities						
Derivative liabilities		48,875	50,301	18,670	31,612	19
Total liabilities		11,932,854	16,797,809	2,213,053	2,392,584	12,192,172

2019	Note	Carrying amount	Contractual cash flows	<1 year	1-5 years	> 5 years
		$'000	$'000	$'000	$'000	$'000
Non-derivative financial assets						
Cash and cash equivalents	19	787,933	787,933	787,933	-	-
Trade receivables and other assets	15	526,322	526,322	526,322	-	-
Financial assets	14	11,223,396	21,035,272	1,156,773	3,639,202	16,239,297
Corporate bonds	16	7,234	7,294	6,086	1,208	-
Derivative financial assets						
Derivative assets		20,930	19,835	4,554	15,281	-
Total assets		12,565,815	22,376,656	2,481,668	3,655,691	16,239,297
Non-derivative financial liabilities						
Payables	21	73,860	73,860	55,727	18,133	-
Debt issues	22	9,501,091	17,946,518	622,009	1,623,134	15,701,375
Finance facilities	22	1,995,610	2,051,359	1,541,924	488,240	21,195
Deposits and unitholder liabilities	22	79,257	87,103	60,380	26,723	-
Lease liabilities		859	900	511	389	-
Loans from related parties	26	109,535	109,535	109,535	-	-
Derivative financial liabilities						
Derivative liabilities		25,583	26,412	13,768	12,549	95
Total liabilities		11,785,795	20,295,687	2,403,854	2,169,168	15,722,665

6 FINANCIAL RISK MANAGEMENT (cont.)

(e) Market risk (cont.)

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The Group's activities expose it primarily to the risks of changing interest rates. The Group also has exposure to foreign exchange rate fluctuations. Derivative financial instruments are used by entities within the Group to hedge exposure to such fluctuations. The use of financial derivatives is governed by the terms and conditions of the relevant Trust Deeds belonging to the SPEs within the Group.

The Group uses interest rate derivatives to hedge against its fixed book exposures by swapping fixed to floating and cross currency interest rate swaps for its Euro denominated note exposures. The Group's determination of the economic relationship between the hedged item and the hedging instrument is based on the pay down profile of the fixed rate loans and the Euro and Yen denominated notes.

Interest rate risk
The Group is exposed to interest rate risk by borrowing funds at fixed and floating rates and lending at fixed and floating rates. Exposure to interest rate risk is minimised as the majority of any movement in borrowing rates is offset by variable rate loans. Interest rate swaps, denominated in Australian and New Zealand dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure in line with the Group's interest rate risk management strategy. The swaps mature in line with the maturity of the related loans.

At reporting date the interest rate profile of the Group's interest bearing financial instruments was as follows:

	2020 $'000	2019 $'000
Fixed rate instruments		
Cash and Cash equivalents	1,500	1,500
Financial assets	1,740,052	1,687,818
	1,741,552	1,689,318
Variable rate instruments		
Cash and cash equivalents	496,967	786,433
Financial assets	9,918,822	9,535,577
Borrowings	(11,792,107)	(11,686,352)
Net Derivatives	(34,368)	(4,653)
	(1,410,686)	(1,368,995)

Sensitivity analysis
The Group's exposure to interest rate risk is minimised as the Group actively manages its cost of funding and reprices its loan portfolio in response to changes in cost of funds within a short timeframe.

A change in market interest rates affects the value placed on future cash flows. A movement in the variable interest rate of 2%/-2% (2019: +1%/-1%) would result in an increase/decrease in profit of $244,000 (2019: $133,000). A movement in the fixed interest rate of 2%/-2% (2019: 1%/-1%) would result in a decrease/increase in profit of $119,000 (2019: $62,000).

Currency risk
The Group undertakes certain transactions denominated in foreign currency, hence exposures to exchange rate fluctuations arise. New Zealand denominated financial assets are funded by New Zealand denominated borrowings, thereby creating a natural hedge. In respect of other monetary assets and liabilities held in currencies other than the AUD, the Group elects not to enter into foreign exchange contracts to hedge the translation exposure, except for Euro and Yen denominated securitisation notes for which the Group has entered into cross currency interest rate swaps.

(f) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders and maintaining investor, creditor and market confidence.

The Group maintains a minimum level of capital in liquid form to support future operational initiatives, expected short-term cash outflows and unexpected asset impairment.

There have been no significant changes to the Group's capital management strategy.

6 FINANCIAL RISK MANAGEMENT (cont.)

(g) Derivative assets and liabilities

Hedge accounting
The Group's risk management strategy is to manage market risks within risk limits to minimise profit and capital volatility. The use of derivative instruments for hedging purposes gives rise to potential volatility in the income statement because of mismatches in the accounting treatment between derivative hedging instruments and the underlying exposures being hedged. The Group's objective is to reduce volatility in the Income Statement by applying hedge accounting.

The Group uses the hypothetical derivative method to assess hedge effectiveness and ineffectiveness for designated cash flow hedge relationships.

This method assumes that the hypothetical derivative valuations will mirror the fair values of the actual hedging instruments. The approach assumes that 100% of the derivative fair values are deemed effective (deferred to CFHR). For a hedge to be deemed effective, the change in fair values should be within 80% and 125% of each other. If the results fall outside this rage the hedge would be deemed ineffective and is recognised immediately through the Income Statement in line with hedge relationship policy.

Source of hedge ineffectiveness affecting hedge accounting are:

- Change in the credit risk of the hedging instrument; and
- Mismatches between the contractual terms of the hedged item and the hedging instrument.

No other sources of hedge ineffectiveness have arisen during the year.

The amounts relating to hedging instruments and hedge ineffectiveness are presented in the tables below. Refer to note 4 (d) for detail on the recognition of hedge ineffectiveness.

The average exchange rates were as follows: EUR: 1.6273 (2019: 1.6156); and JPY 0.0134 (2019: nil).

The average fixed interest rate was 4.5% (2019: 4.5%)

Cash flow hedges			**As at 30 June 2020 Carrying amount**		**During the year ended 30 June 2020**	
$'000	Nominal amount	Assets	Liabilities	Change in the value of the hedging instrument recognised in OCI	Hedging ineffectiveness recognised in PL	Amounts reclassified from hedging reserve to PL
Interest rate risk						
Interest rate swaps	1,346,724	-	(26,238)	(1,063)	-	-
Currency risk						
Cross currency interest rate swaps	1,001,502	11,085	(22,637)	(918)	-	-
	2,348,226	11,085	(48,875)	(1,981)	-	-

Fair value hedges			**As at 30 June 2020 Carrying amount**		**During the year ended 30 June 2020**	
$'000	Nominal amount	Assets	Liabilities	Change in the value of the hedged item recognised in PL	Change in the value of the hedging instrument recognised in PL	Hedging ineffectiveness recognised in PL
Interest rate risk						
Interest rate swaps	225,000	3,422	-	4,180	(3,656)	524
	225,000	3,422	-	4,180	(3,656)	524
Total hedges	**2,573,226**	**14,507**	**(48,875)**	**2,199**	**(3,656)**	**524**

6 FINANCIAL RISK MANAGEMENT (cont.)

(g) Derivative assets and liabilities (cont.)

Cash flow hedges		As at 30 June 2019 Carrying amount		During the year ended 30 June 2019		
$'000	Nominal amount	Assets	Liabilities	Change in the value of the hedging instrument recognised in OCI	Hedging ineffectiveness recognised in PL	Amounts reclassified from hedging reserve to PL
Interest rate risk						
Interest rate swaps	1,454,443	-	(24,714)	(15,055)	-	-
Currency risk						
Cross currency interest rate swaps	363,789	13,852	(869)	391	-	-
	1,818,232	13,852	(25,583)	(14,664)	-	-

Fair value hedges		As at 30 June 2019 Carrying amount		During the year ended 30 June 2019		
$'000	Nominal amount	Assets	Liabilities	Change in the value of the hedged item recognised in PL	Change in the value of the hedging instrument recognised in PL	Hedging ineffectiveness recognised in PL
Interest rate risk						
Interest rate swaps	525,000	7,078	-	(9,308)	8,417	(891)
	525,000	7,078	-	(9,308)	8,417	(891)
Total hedges	**2,343,232**	**20,930**	**(25,583)**	**(23,972)**	**8,417**	**(891)**

7 AUDITOR'S REMUNERATION

	2020 $	2019 $
Audit Services		
Auditor of the Group - KPMG		
Audit of the financial statements	1,341,281	1,023,950
Other regulatory services	143,639	113,840
	1,484,920	1,137,790
Other services		
Auditor of the Group – KPMG		
Advisory services	82,432	48,295
Other services	347,033	211,325
	429,465	259,620
Total auditor's remuneration	1,914,385	1,397,410

8 SEGMENT INFORMATION

(a) Description of Segments

The Group has identified three reportable segments:

- **Residential Finance**: The Residential Finance segment includes revenues and direct expenses associated with residential mortgage lending in Australia and New Zealand.
- **Secured Finance**: The Secured Finance segment includes revenues and direct expenses associated with motor vehicle, commercial and self-managed superannuation fund lending in Australia.
- **Financial Services**: The Financial Services segment includes revenues and direct expenses associated with the activities of Mike Pero Mortgages, Liberty Network Services, National Mortgage Brokers, Australian Life Insurance, LFI, Unsecured Personal Lending, Unsecured SME Lending, Liberty Financial Limited and Mike Pero Real Estate.
- **Corporate**: other statutory adjustments not directly attributable to segments for management decision making purposes and unallocated operating expenses.

The Group's business segments operate principally in Australia and New Zealand. A segment overview is presented below. During the year, $790 million of external revenue was generated within Australia (2019: $754 million) and $62 million of external revenue was generated within New Zealand (2019: $57 million). At 30 June 2020 there were $11,252 million non-current assets in Australia (2019: $10,602 million) and $253 million non-current assets in New Zealand (2019: $271 million).

Australia charges New Zealand a management fee. Sales between segments are carried out at arm's length and are eliminated on consolidation when they arise within the Group.

(b) Segment Overview

Segment Overview	Residential Finance $'000	Secure Finance $'000	Financial Services $'000	Corporate $'000	Total $'000
2020					
Interest income	381,475	216,355	18,695	32,271	648,796
Other finance income	35,028	28,328	118,333	774	182,463
Other operating income	-	-	20,774	280	21,054
Interest expense	(223,155)	(93,858)	(10,231)	(17,349)	(344,593)
Impairment expense	(12,309)	(15,464)	(4,728)	-	(32,501)
Other finance expenses	(43,169)	(25,853)	(92,300)	(26,862)	(188,184)
Net margin as reported by the Group	**137,870**	**109,508**	**50,543**	**(10,886)**	**287,035**
Operating expenses	(30,373)	(15,801)	(33,793)	(39,535)	(119,502)
Depreciation and amortisation	-	-	-	(11,785)	(11,785)
Tax expense	-	-	-	(21,038)	(21,038)
Profit from continuing operations	**107,497**	**93,707**	**16,750**	**(83,244)**	**134,710**
Segment Balance Sheet Information					
Total Segment Assets	8,539,193	3,225,578	296,584	974,711	13,036,066
Total Assets reported by the Group	**8,539,193**	**3,225,578**	**296,584**	**974,711**	**13,036,066**
Total Segment Liabilities	8,197,007	2,941,618	259,116	614,795	12,012,536
Total Liabilities reported by the Group	**8,197,007**	**2,941,618**	**259,116**	**614,795**	**12,012,536**

8 SEGMENT INFORMATION (cont.)

(b) Segment Overview

	Residential Finance $'000	Secure Finance $'000	Financial Services $'000	Corporate Overhead $'000	Total $'000
2019					
Interest income	418,720	174,976	10,368	25,351	629,415
Other finance income	36,856	25,013	98,677	431	160,977
Other operating income	-	-	19,930	1,111	21,041
Interest expense	(293,234)	(88,047)	(6,499)	(12,813)	(400,593)
Impairment expense	(8,357)	(12,182)	(1,227)	-	(21,766)
Other finance expenses	(46,322)	(22,841)	(82,452)	(26,203)	(177,818)
Net margin as reported by the Group	**107,663**	**76,919**	**38,797**	**(12,123)**	**211,256**
Operating expenses	(31,899)	(14,072)	(32,888)	(31,840)	(110,698)
Depreciation and amortisation	-	-	-	(6,432)	(6,432)
Tax expense	-	-	-	(5,095)	(5,095)
Profit from continuing operations	**75,764**	**62,847**	**5,909**	**(55,490)**	**89,030**
Segment Balance Sheet Information					
Total Segment Assets	8,887,780	2,722,314	178,314	968,335	12,756,743
Total Assets reported by the Group	**8,887,780**	**2,722,314**	**178,314**	**968,335**	**12,756,743**
Total Segment Liabilities	8,800,423	2,422,345	144,978	487,421	11,855,167
Total Liabilities reported by the Group	**8,800,423**	**2,422,345**	**144,978**	**487,421**	**11,855,167**

9 FINANCE INCOME

	2020 $'000	2019 $'000
Interest income on financial assets measured at amortised cost	647,123	627,623
Interest income on financial assets measured at fair value	1,673	1,792
Effective yield fee income on financial assets measured at amortised cost	40,950	42,761
Net foreign exchange gain	-	450
Lending fee income	33,395	24,478
Commission income	107,622	93,288
Unrealised gain on assets and liabilities	496	-
	831,259	790,392

10 FINANCE EXPENSE

	2020 $'000	2019 $'000
Interest expense on financial liabilities measured at amortised cost	332,484	396,530
Net interest expense on interest rate swaps including break and restructuring costs	11,739	4,064
Effective yield costs on financial liabilities measured at amortised cost	16,219	16,286
Interest on lease liabilities	370	-
Net foreign exchange loss	22	-
Impairment loss on financial assets measured at amortised cost	32,501	21,766
Lending costs	19,517	19,142
Commission expense	152,426	141,509
Unrealised loss on assets and liabilities	-	881
	565,278	600,178

11 PERSONNEL EXPENSES

	Note	2020 $'000	2019 $'000
Wages, salaries and on-costs		58,221	52,332
Superannuation	23	4,676	4,383
Long service leave		818	497
Annual leave		3,810	3,720
Other personnel expenses		3,121	3,769
		70,646	64,701

12 OTHER EXPENSES

	Note	2020 $'000	2019 $'000
Occupancy expenses		2,988	5,227
Loan establishment and management		13,888	14,392
Technology, communications and marketing		11,236	11,740
Depreciation	18	5,052	2,525
Amortisation and impairment	20	6,733	3,907
Other operating expenses and professional fees		20,744	14,638
		60,641	52,429

13 INCOME TAX EXPENSE

	2020 $'000	2019 $'000
Recognised in the statement of profit or loss and other comprehensive income		
Current year	26,115	20,750
	26,115	20,750
Deferred tax expense		
Origination and reversal of temporary differences	(5,894)	157
Tax losses	755	(1,767)
Tax cost base reset due to acquisition	-	(14,045)
Prior year adjustments	62	-
Income tax expense	21,038	5,095
Recognised in other comprehensive income		
Unrealised gain on fair value of financial assets at FVOCI	481	279
Total income tax expense	21,519	5,374

Reconciliation between tax expense and profit

	2020 $'000	2019 $'000
Profit before income tax	155,748	94,125
Income tax using domestic corporation tax rate of 30% (2019: 30%)	46,724	28,237
Decrease in income tax expense due to: International differential in tax rate	(156)	(176)
Non-deductible expenses	537	2,564
Non-assessable income	(25,832)	(10,648)
Fees transferred	(297)	(837)
Tax cost base reset due to acquisition	-	(14,045)
Prior year adjustments	62	-
Income tax expense on profit	21,038	5,095

14 FINANCIAL ASSETS

(a) Financial assets comprises:

	2020 $'000	2019 $'000
Gross financial assets	11,712,146	11,254,082
Net financial assets	11,735,731	11,279,846
Less:		
Specific provision for financial asset impairment	(21,179)	(23,440)
Collective provision for financial asset impairment	(55,678)	(33,010)
	11,658,874	11,223,396

Net financial assets include unamortised effective yield fees and other adjustments.

(b) Contractual maturity analysis

	2020 $'000	2019 $'000
Not longer than 12 months	563,608	495,951
Longer than 12 months and less than 5 years	1,402,940	1,101,210
Greater than 5 years	9,692,326	9,626,235
	11,658,874	11,223,396

(c) Geographic concentration of financial assets

	2020 $'000	2019 $'000
New South Wales/ACT	3,668,312	3,719,526
Victoria/Tasmania	4,284,816	3,972,201
Queensland	2,067,053	1,971,744
Western Australia	942,101	877,316
South Australia/Northern Territory	452,693	419,648
New Zealand	243,899	262,961
	11,658,874	11,223,396

15 TRADE RECEIVABLES AND OTHER ASSETS

	Note	2020 $'000	2019 $'000
Loans to related parties	26	325,871	493,893
Insurance commission		88,596	76,459
Other assets		21,673	21,874
Other loans		11,114	10,555
		447,254	602,781

Current trade receivables and other assets are $371,583,000 (2019: $537,465,000) and non-current are $75,671,000 (2019: $65,316,000) for the Group. Loans to related parties are unsecured.

16 OTHER INVESTMENTS

	2020 $'000	2019 $'000
Corporate bonds	7,225	7,234
Other investments	21,978	3,387
	29,203	10,621

Current other investments are $28,375,000 (2019: $6,018,000) and non-current other investments are $828,000 (2019: $4,603,000) for the Group.

17 DEFERRED TAX ASSETS AND LIABILITIES

	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Recognised deferred tax assets and liabilities						
Property, plant and equipment	(4,046)	(1,073)	1,874	-	(2,172)	(1,073)
Employee benefits	(4,019)	(3,689)	148	-	(3,871)	(3,689)
Provisions	(25,108)	(19,240)	-	-	(25,108)	(19,240)
Capitalised costs	(1,682)	(742)	-	-	(1,682)	(742)
Acquisition costs	-	-	12,408	14,463	12,408	14,463
Effective yield adjustment	(12,769)	(13,323)	15,676	13,693	2,907	370
Other items	(11,410)	(8,921)	4,756	637	(6,654)	(8,284)
Tax losses	(5,556)	(6,124)	-	-	(5,556)	(6,124)
Deferred tax (assets)/liabilities	(64,590)	(53,112)	34,862	28,793	(29,728)	(24,319)

	Balance 1-Jul-19	Transfer	Recognised in income	Recognised in equity	Balance 30-Jun-20
	$'000	$'000	$'000	$'000	$'000
Movement in temporary differences during the year					
Property, plant and equipment	(1,073)	-	(1,099)	-	(2,172)
Employee benefits	(3,689)	-	(182)	-	(3,871)
Provisions	(19,240)	-	(5,868)	-	(25,108)
Capitalised costs	(742)	-	(940)	-	(1,682)
Acquisition costs	14,463	-	(2,055)	-	12,408
Effective yield adjustment	370	-	2,537	-	2,907
Other items	(8,284)	17	1,962	(349)	(6,654)
Tax losses	(6,124)	-	568	-	(5,556)
Deferred tax (assets)/liabilities	(24,319)	17	(5,077)	(349)	(29,728)

18 PROPERTY, PLANT AND EQUIPMENT

	Furniture, equip. and fittings	Computer equip.	Other fixed assets	Leasehold improve-ments	Leased motor vehicles	Land and buildings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
Balance at 1 July 2018	828	4,366	342	4,863	1,438	7,584	19,421
Acquisitions	102	1,154	61	268	991	256	2,832
Acquisitions through business combinations	83	274	-	60	7	-	424
Disposals	(40)	(275)	(118)	-	(776)	-	(1,209)
Foreign exchange movements	5	14	2	30	5	-	56
Balance at 30 June 2019	978	5,533	287	5,221	1,665	7,840	21,524
Balance at 1 July 2019	978	5,533	287	5,221	1,665	7,840	21,524
Acquisitions	142	1,901	58	1,294	597	93	4,085
Disposals	(70)	(2)	(85)	(72)	(506)	-	(735)
Recognition of right-of-use asset on initial application of AASB 16	-	113	-	-	-	11,561	11,674
Foreign exchange movements	(3)	(20)	(1)	(18)	(3)	12	(33)
Balance at 30 June 2020	1,047	7,525	259	6,425	1,753	19,506	36,515
Depreciation							
Balance at 1 July 2018	436	2,731	246	2,358	438	614	6,823
Depreciation charge for the year	265	1,255	59	289	311	346	2,525
Disposals	(39)	(269)	(118)	-	(414)	-	(840)
Foreign exchange movements	-	2	1	23	2	-	28
Balance at 30 June 2019	662	3,719	188	2,670	337	960	8,536
Balance at 1 July 2019	662	3,719	188	2,670	337	960	8,536
Depreciation charge for the year	143	1,535	51	303	321	370	2,723
Disposals	(22)	(1)	(85)	(9)	(158)	-	(275)
Depreciation of right-of-use asset	-	58	-	-	-	2,271	2,329
Foreign exchange movements	(1)	(16)	(1)	(15)	(1)	2	(32)
Balance at 30 June 2020	782	5,295	153	2,949	499	3,603	13,281
Carrying amounts							
At 1 July 2018	392	1,635	96	2,505	1,000	6,970	12,598
At 30 June 2019	316	1,814	99	2,551	1,328	6,880	12,988
At 1 July 2019	316	1,814	99	2,551	1,328	6,880	12,988
At 30 June 2020	265	2,230	106	3,476	1,254	15,903	23,234

19 CASH AND CASH EQUIVALENTS

All cash reserves are maintained in accordance with the legal requirements of relevant securitisation Trust Deeds and are available to meet certain shortfalls in respect of losses and liquidity.

In addition to cash reserves, the Group held liquidity facilities of $11,788,000 (2019: $4,012,000) with third parties. These liquidity facilities are available to meet liquidity shortfalls from time to time. To date, no reserves available to the Group have ever been utilised for the abovementioned purposes.

	2020 $'000	2019 $'000
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalent at bank	498,467	787,933
Less: cash reserves	(101,572)	(83,841)
Available cash	396,895	704,092
(b) Reconciliation of cash flows from operating activities		
Profit after tax	134,710	89,030
Adjustments for:		
Depreciation	5,052	2,525
Amortisation and impairment of intangible assets	6,733	3,922
Other non cash items within the statement of profit or loss and other comprehensive income	118	(44)
Expenses in relation to related parties	9,746	405
Net change in financial assets and liabilities designated at fair value through profit or loss	(496)	881
Impairment loss on financial assets measured at amortised cost	32,501	21,766
Impairment of other investment	2,617	-
Foreign exchange movement	22	(450)
	56,293	29,005
Profit before changes in working capital and provisions	191,003	118,035
Increase in trade receivables and other assets	(7,887)	(15,032)
Increase in interest and other payables	10,031	402
Increase in provisions	1,179	1,028
	3,323	(13,602)
Net cash from operating activities	194,326	104,433

20 INTANGIBLE ASSETS

	Note	Goodwill $'000	Brand Name $'000	Develop-ment costs $'000	Intellectual property $'000	Total $'000
(a) Carrying value						
30 June 2019						
Cost and carrying value						
Balance at 1 July 2018		34,893	1,766	5,157	-	41,816
Acquisitions through business combinations	29	6,525	-	-	-	6,525
Additions/(disposals)		749	(369)	(240)	-	140
Impairment		(3,142)	-	-	-	(3,142)
Amortisation		-	(143)	(622)	-	(765)
Foreign exchange movements		352	56	-	-	408
Balance at 30 June 2019		39,377	1,310	4,295	-	44,982

20 INTANGIBLE ASSETS (cont.)

(a) Carrying value (cont.)

	Note	Goodwill $'000	Brand Name $'000	Develop-ment costs $'000	Intellectual property $'000	Total $'000
30 June 2020						
Cost and carrying value						
Balance at 1 July 2019		39,377	1,310	4,295	-	44,982
Acquisitions of intellectual property from a related party		-	-	-	261,467	261,467
Additions/(disposals)		343	-	97	-	440
Impairment		-	-	-	-	-
Amortisation		-	(144)	(706)	(5,883)	(6,733)
Foreign exchange movements		(192)	(27)	-	-	(219)
Balance at 30 June 2020		39,528	1,139	3,686	255,584	299,937

(b) Impairment testing for cash generating units containing goodwill

Cash Generating units	2020 $'000	2019 $'000
ALI	14,223	14,223
nMB	10,095	10,095
MoneyPlace	6,541	6,541
MPMH	1,671	1,709
MPRE	6,998	6,809
	39,528	39,377

The carrying amount of goodwill of each CGU is tested for impairment at each statutory reporting date and whenever there is an indicator that the asset may be impaired. If an asset is impaired, it is written down to its recoverable amount. The recoverable amount is based on a value in use calculation using cash flow projections based on the Board approved three-year plan. The cash flow projections are derived from running a number of budget scenarios to arrive at the single most likely view over the next three years, which is incorporated in the value in use model. Cash flows for a further two-year period were extrapolated using declining growth rates and the long-term terminal growth was determined at 1.5% - 2.9%, which does not exceed the long-term average for the sectors and economies in which the CGUs operate.

As a result of the COVID-19 pandemic, assessing recoverable amounts as at the reporting date involves uncertainties around the underlying assumptions given the constantly changing nature and early stage of the situation. The length of time it will take the measures implemented by the Australian government to manage the effects of the COVID-19 pandemic on the broader economy and the global and domestic markets is still unknown. The key assumptions used in determining value in use are:

20 INTANGIBLE ASSETS (cont.)

(b) Impairment testing for cash generating units containing goodwill

Assumption	How Determined
Forecasted revenue and expenses	Forecast revenues and expenses beyond the three year financial year forecast period have been extrapolated using long-term terminal growth rates as follows: – ALI – 2% (2019: 2%) – nMB – 3% (2019: 3%) – MoneyPlace – 3% (2019: 3%) – MPRE – 2% (2019: 2%) – MPMH – 2% (2019: 2%)
Long term growth rate	The above long-term growth rate for each of the CGUs does not exceed the long-term average growth rate for the sector/industry in which the CGU operates.
Discount rate	The pre-tax discount rate used reflects the CGU's pre-tax nominal weighted average cost of capital (WACC) as follows: – ALI – 7% (2019: 7%) – nMB – 10% (2019: 10%) – MoneyPlace – 15% (2019: 15%) – MPRE – 10% (2019: 10%) – MPMH – 14% (2019: 14%)

Sensitivity conclusion

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amounts of all CGUs to exceed their respective recoverable amounts.

21 PAYABLES

	Note	2020 $'000	2019 $'000
Interest payable		12,621	21,144
Trail commission		32,915	29,852
Contingent consideration		19,631	19,851
Payables and accruals		48,356	32,865
		113,523	103,712

Current payables are $67,336,000 (2019: $60,118,000) and non-current are $46,187,000 (2019: $43,594,000).

22 FINANCING

	Note	2020 $'000	2019 $'000
Debt issues		9,093,512	9,501,091
Finance facilities		2,629,801	1,995,610
Deposits and unitholder liabilities		64,929	79,257
Finance leases		-	859
Loans from related parties	26	3,865	109,535
		11,792,107	11,686,352

Debt issuances

The Group utilises a variety of flexible funding programmes to issue independently rated debt securities to investors. Security for these debt issues is a combination of fixed and floating charges over the financial assets of the relevant trust.

22 FINANCING (cont.)

Debt issuances (cont.)

The Group has issued unsecured debt of $875,000,000 (2019: $725,000,000) which is due to mature between 2021 and 2024 and is recorded at fair value.

Debt issues include transactions between related parties in the normal course of business and on an arm's length basis. All transactions between Group entities are eliminated on consolidation.

Finance facilities

The consolidated entity has access to the following lines of credit:

	2020 $'000	2019 $'000
Total facilities available	5,123,409	5,072,573
Facilities utilised at balance date	2,629,801	1,995,610
Facilities not used at balance date	2,493,608	3,076,963

The Group's financing facilities comprise wholesale and commercial paper facilities. These facilities are provided by a range of institutions with whom the Group has long-standing relationships. The security for advances under these arrangements is a combination of fixed and floating charges over assets of the Group.

Bank guarantees

Bank guarantees totalling $1,484,000 (2019: $1,456,000) have been provided by the Group in relation to credit card facilities, lease on premises and other matters. These guarantees are secured by the assets of the Group.

23 PROVISIONS

Liability for annual leave and bonus	8,147	7,606
Liability for long service leave	3,453	2,806
Employee entitlements	11,600	10,412
Other provisions	305	315
	11,905	10,727
Discount rate	2.27%	2.47%

Superannuation plans

The Group contributes to a complying superannuation fund nominated by the employees and approved by the Group. The fund is a defined contribution fund. Details of contributions to these plans during the year and contributions payable at reporting date are as follows:

Employer superannuation contributions	4,676	4,383

Employee entitlements

Opening balance	10,412	9,431
Provisions made during the year	8,490	8,238
Provisions used during the year	(7,302)	(7,257)
Closing balance	11,600	10,412

Other provisions

Opening balance	315	268
Provisions made during the year	300	437
Provisions used during the year	(310)	(390)
Closing balance	305	315

24 CAPITAL AND RESERVES

Contributed equity

	2020 $	2019 $
CONSOLIDATED		
In issue at 1 July	639,000,100	639,000,100
Issued for cash 16 June 2020	80,000,000	-
In issue at 30 June 719,000,100 ordinary shares, fully paid (2019: 639,000,100)	719,000,100	639,000,100
LFGT		
100 units, fully paid (2019: 100)	100	100

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

In the event of winding up, the Company's ordinary shareholders are fully entitled to any proceeds of liquidation.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the following events:

(a) Translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.
(b) Long term intercompany loan revaluation taken to the foreign exchange reserve at balance sheet date.

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedges over the variability of cash flows arising from floating rate debt and cross currency cash flows.

Revaluation reserve

The revaluation reserve comprises the cumulative net change in fair value on assets measured at fair value through other comprehensive income.

Common control reserve

The difference between the purchase consideration and the net assets acquired on the restructure under common control, which took place on 18 December 2019, were accounted for in equity and transferred to a common control reserve.

Dividends

The Company has not declared or paid a dividend since incorporation. The directors do not recommend a dividend and no dividends were declared or paid during the year.

The dividends paid of $703,000 (2019: $259,000) disclosed in the Statement of Changes in Equity relate to a subsidiary that is accounted for under the anticipated acquisition method with dividends paid to a third party. The interests of the non-controlling shareholder are derecognised when the Group's liability relating to the purchase of its shares is recognised.

25 LEASES

The Group leases office space throughout Australia and New Zealand. Previously, these leases were classified as operating leases under AASB 117 (refer to note 25 (d) below). None of the leases include contingent rentals.

The Group also has finance lease liabilities that are secured by the leased assets, which were previously classified as finance leases under AASB 117 (refer to note 25 (d) below).

25 LEASES (cont.)

Information about the Group's leases are as follows:

(a) Right-of-use assets

	Land and buildings	Production equipment	Total
	$'000	$'000	$'000
Balance at 1 July 2019	11,561	113	11,674
Depreciation charge for the year	(2,271)	(58)	(2,329)
Foreign exchange movements	9	-	9
Balance at 30 June 2020	9,299	55	9,354

(b) Amounts recognised in profit or loss

	$'000
2020	
Leases under AASB 16	
Depreciation of right-of-use asset	2,329
Interest on lease liabilities	409
Expense of short-term leases	15
2019	
Leases under AASB 117	
Lease expense	3,961

(c) Amounts recognised in statement of cash flows

	2020
	$'000
Total cash outflows for leases under AASB 16	2,227

(d) AASB 117 disclosures

At 30 June 2019 the Group's finance lease liabilities were secured by the leased assets with a carrying value of $1,110,000. In the event of default, the assets revert to the lessor.

Future minimum lease payments	2019
	$'000
Finance lease commitments payable:	
Within one year	511
One year or later and no later than five years	389
	900

During the year ended 30 June 2019, the Group has recognised $3,961,000 as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases.

	2019
	$'000
Within one year	2,643
One year or later and no later than five years	2,334
	4,977

26 RELATED PARTIES

The following table provides the particulars in relation to controlled entities of the Group, for which the ultimate parent entity is Hestia Holdings BV. The immediate parent entity of the company is Vesta Funding BV.

(a) Particulars in relation to controlled entities of Liberty Financial Group Pty Ltd and Liberty Financial Group Trust:

	Ownership interest	
	2020 %	2019 %
Entity name		
A.L.I. Group Pty Ltd	-	-
ALI Corporate Pty Ltd	-	-
ALI Equity Pty Ltd	-	-
Assured Credit Management Pty Ltd	100	100
Australian Life Insurance Administration Pty Ltd	-	-
Australian Life Insurance Distribution Pty Ltd	-	-
Australian Life Insurance Pty Ltd	-	-
Hero Trust	-	-
LFI Group Pty Ltd	-	-
Liberty Charlotte Trust	100	100
Liberty Credit Enhancement Company NZ Limited	100	100
Liberty Credit Enhancement Company Pty Ltd	100	100
Liberty Fiduciary Limited	100	100
Liberty Financial Limited	100	100
Liberty Financial Pty Ltd	100	100
Liberty Funding Pty Ltd	100	100
Liberty High Yield Fund	100	100
Liberty Network Services Pty Ltd	100	100
Liberty NZ Warehouse Trust No.1	100	100
Liberty PRIME Series 2017-1 Trust	100	100
Liberty Reps Funding Trust	100	100
Liberty Scarborough Trust	100	100
Liberty Series 2016-1 SME Trust	100	100
Liberty Series 2016-2 Trust	100	100
Liberty Series 2016-3 Trust	100	100
Liberty Series 2017-1 Auto Trust	100	100
Liberty Series 2017-1 SME Trust	100	100
Liberty Series 2017-1 Trust	100	100
Liberty Series 2017-2 Trust	100	100
Liberty Series 2017-3 Trust	100	100
Liberty Series 2017-4 Trust	100	100
Liberty Series 2018-1 Auto Trust	100	100
Liberty Series 2018-1 SME Trust	100	100
Liberty Series 2018-1 Trust	100	100
Liberty Series 2018-2 Trust	100	100
Liberty Series 2018-3 Trust	100	100
Liberty Series 2018-4 Trust	100	100
Liberty Series 2019-1 SME Trust	100	100
Liberty Series 2019-1 Trust	100	100
Liberty Series 2019-2 Trust	100	100
Liberty Series 2020-1 Auto Trust	100	100
Liberty Series 2020-1 Trust	100	100
Liberty Series 2020-2 Trust	100	100
Liberty Sirius Trust	100	100
Liberty Term Investment Fund	72	62
Liberty Warehouse Trust 2012-1	100	100
Liberty Warehouse Trust No.1	100	100
Liberty Wholesale Trust 2018-1	100	100
Liberty/CS Warehouse Trust 2011-1	100	100
LoanNET Pty Ltd	100	100
Mike Pero (New Zealand) Limited	100	100
Mike Pero Group Limited	100	100
Mike Pero Insurances Limited	100	100

26 RELATED PARTIES (cont.)

(a) Particulars in relation to controlled entities of Liberty Financial Group Pty Ltd and Liberty Financial Group Trust (cont.):

	Ownership interest	
	2020	**2019**
	%	**%**
Entity name		
Mike Pero Mortgages Limited	100	100
Mike Pero Property Management Limited	100	100
Minerva Fiduciary Pty Ltd	100	100
Minerva Funding Pty Ltd	100	100
Minerva Funds Management Limited	100	100
Minerva Holding Trust	100	100
Money Place AFSL Limited	80	80
Money Place Assets Pty Ltd	80	80
Money Place Australia Pty Ltd	80	80
Money Place Holdings Pty Ltd	80	80
MoneyPlace Lending Platform	19	17
MoneyPlace Pty Ltd	80	80
Mosaic Financial Services Pty Ltd	100	100
MPMH Limited	100	100
MPRE Limited	88	76
National Mortgage Brokers (WA) Pty Ltd	100	100
National Mortgage Brokers Pty Ltd	100	100
Priceware Pty Ltd	50	50
Secure Credit Pty Ltd	100	100
Secure Funding Limited	100	100
Secure Funding Pty Ltd	100	100

LFI Group Pty Ltd (LFI)
LFI's principal place of business is Australia. LFI received approval from APRA for a general insurance license on 20 February 2014. LFI is consolidated into the Group financial statements on the basis that the Group exercises power over the entity and is subject to variability of returns in accordance with relevant accounting standards.

Hero Trust and Priceware Pty Ltd
On 30 June 2016, the Group acquired equity in Priceware Pty Ltd which has an interest in Hero Trust. Hero Trust and Priceware Pty Ltd are consolidated into the Group financial statements on the basis that the Group exercises power over the entities and is subject to variability of returns in accordance with relevant accounting standards.

ALI Corporate Pty Ltd
On 15 November 2017, the Group acquired preference shares in ALI Corporate Pty Ltd. ALI Corporate Pty Ltd and its subsidiaries are consolidated into the Group financial statements on the basis that the Group exercises power over the entities and is subject to variability of returns in accordance with relevant accounting standards.

(b) Transactions with related parties

	2020	**2019**
	$	**$**
Statement of profit or loss and other comprehensive income items arising from related party transactions		
Distribution paid/payable to related parties of the Group	(88,309,661)	(32,880,721)
Interest income from related parties of the Group	11,693,718	5,869,058
Technology fee income	-	4,081,708
Assets and liabilities arising from related party transactions		
Aggregate loans to related parties:		
Controlling entities	316,471,955	94,084,208
Other related parties	9,399,491	399,808,712
	325,871,446	493,892,920

26 RELATED PARTIES (cont.)

(b) Transactions with related parties (cont.)

	2020 $	2019 $
Assets and liabilities arising from related party transactions (cont.)		
Aggregate loans from related parties:		
Controlling entities	441,270	28,024,985
Other related parties	3,423,602	81,510,279
	3,864,872	109,535,264

The movement in other related parties reflects the Group's acquisition of Intellectual Property from a related party for $261,467,000.

27 Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2020 the parent entity of the Group was Liberty Financial Group Pty Ltd (formally Minerva Technology Pty Ltd). Refer to note 2 (a) for the common control transactions.

(a) Summary of financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2020 $	2019 $
Result of parent entity		
Profit for the period	1,558,382	-
Other comprehensive income	-	-
Total Comprehensive income for the period	1,558,382	-
Financial position of parent entity at year end		
Current assets	1,000	-
Total Assets	1,154,969,122	788,017
Current liabilities	(9,031,856)	-
Total Liabilities	(434,419,943)	(797,221)
Shareholders' equity		
Issued capital	719,000,100	100
Reserves	1,549,079	(9,304)
Total Equity	720,549,179	(9,204)

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2020 (2019: nil).

28 KEY MANAGEMENT PERSONNEL

(a) Directors

The following persons were Directors of Liberty Financial Group Pty Ltd during the financial year:

Richard Longes	Non-Executive Director and Chair
Peter Hawkins	Non-Executive Director
Sherman Ma	Executive Director
Leona Murphy	Non-Executive Director
Peter Riedel	Executive Director (from 1 July 2019 to 26 February 2020)

(b) Other Key Management Personnel

The following persons were key management personnel in the current year and also had authority and responsibility for planning, directing and controlling activities of the Group during the financial year:

Sherman Ma	Executive Director
James Boyle	Chief Executive Officer
Peter Riedel	Chief Financial Officer

(c) Key management personnel compensation

The key management personnel compensation included in personnel expenses (refer note 11) is as follows:

	2020 $	2019 $
Short-term employee benefits	8,072,089	8,220,379
	8,072,089	8,220,379

Key management personnel compensation consists of short term remuneration paid to relevant executives, executive directors and non-executive directors.

Loans to key management personnel

Included in other loans in note 15 are aggregate loans made to key management personnel are as follows:

	2020 $	2019 $
Loans to key management personnel	5,002,320	4,681,706

Loans totalling nil (2019: nil) were made to key management personnel during the year by the Group. Repayments of nil (2019: nil) were made during the year to the Group. These loans attract interest at market rates and on termination of employment are repayable on demand. Of the loans to key management personnel, security of $4,062,000 (2019: $3,811,000) is held by the Group.

29 BUSINESS COMBINATION

On 25 September 2018 the Company acquired an additional 26% equity interest in MPRE Limited which was previously equity accounted for using the equity method. This entity is now controlled and consolidated into the Group's financial statements, as the Group now has a 76% equity interest in MPRE Limited, which increased to 88% on 14 February 2020.

(d) Summary of purchase consideration, the net assets and liabilities acquired and goodwill are as follows:

	2019 $'000
Purchase consideration	
Cash paid	3,435
Fair value of pre-existing interest	3,250
Contingent consideration	3,435
Total purchase consideration	10,120
Less fair value of net identifiable assets acquired (note 29 (c))	(3,595)
Goodwill on acquisition	6,525

(e) Detail of the purchase consideration is as follows:

Outflow of cash to acquire subsidiary	
Net of cash acquired:	
Cash consideration	3,435
Less:	
Cash acquired	(6,510)
Inflow of cash	(3,075)

(f) Fair value of net identifiable assets acquired:

Cash and cash equivalents	6,510
Trade receivables and other assets	4,335
Property, plant and equipment	424
Payables	(7,696)
Deferred tax asset	109
Income tax liability	(87)
Net identifiable assets acquired	3,595

The above assets and liabilities are all considered to be carried at their fair value.

29 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There are no capital commitments as at 30 June 2020 (2019: nil). Contingent liabilities exist in relation to claims and/or possible claims against the Group which have not yet been resolved. 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 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. The Group does not consider that the outcome of any current known or potential claim or proceedings, either individually or in aggregate, is likely to materially affect its operations or financial position.

31 SPECIAL PURPOSE VEHICLES

The Group enters into transactions in the normal course of business that transfers financial assets to special purpose vehicles. The special purpose vehicles are consolidated as the Group is exposed or has rights to variable returns and has the ability to affect its return through its power over the special purpose vehicles.

The Group may serve as a servicer, manager, liquidity provider, purchaser of notes and/or purchaser of residual interest and capital units with respect to these special purpose vehicles.

The table below presents assets securitised and the underlying borrowings as a result of the securitisations.

	2020 $	2019 $
Receivables	16,731,495	20,438,259
Customer loans	8,275,041,476	8,798,809,704
Cash held by securitisation vehicles	232,737,442	232,133,902
Total	8,524,510,413	9,051,381,865
Borrowings related to receivables and customer loans	8,482,673,097	8,998,872,100

32 EVENTS SUBSEQUENT TO BALANCE DATE

The existence of COVID-19 was confirmed in early 2020 and in March 2020 was declared a pandemic by the World Health Organisation. This has resulted in significant volatility in global and domestic financial markets. Refer to note 6 for the sensitivity analysis of risks.

At the date of signing of the financial statements, there is still significant uncertainty on the likely duration and the ultimate impact COVID-19 will have on world economies. Given the high degree of estimation uncertainty, management cannot reasonably assess or quantify the potential short or longer term financial impact on the Company or the Group.

There has not arisen in the interval between the end of the annual reporting period and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Group, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group, in future financial years.

LIBERTY FINANCIAL GROUP PTY LTD and its Controlled Entities
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2020

In the opinion of the directors of Liberty Financial Group Pty Ltd (the "Group"):

(a) the financial statements and notes, set out on pages 4 to 48 are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance, for the financial year ended 30 June 2020; and

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

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors draw attention to note 2 (b) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Sherman Ma
Director

Dated at Melbourne on 21 October 2020.

Principal Registered Office
Liberty Financial Group Pty Ltd
Level 16, 535 Bourke Street
Melbourne VIC 3000
Telephone: (03) 8635 8888
Facsimile: (03) 8635 9999

Other information
Liberty Financial Group Pty Ltd, incorporated and domiciled in Australia, is a proprietary limited company.

Independent Auditor's Report

To the members of Liberty Financial Group Pty Ltd

Opinion

We have audited the ***Financial Report*** of Liberty Financial Group Pty Ltd (formally Minerva Technology Pty Ltd) (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated Statement of financial position as at 30 June 2020;
- Consolidated Statement of profit or loss and other comprehensive income, Consolidated Statement of changes in equity, and Consolidated Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Liberty Financial Group Pty Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other

Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Dean Waters
Partner
Melbourne
21 October 2020