LIBERTY FINANCIAL GROUP PTY LTD

and its Controlled Entities

ABN 43 124 171 759

GENERAL PURPOSE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

LIBERTY FINANCIAL GROUP PTY LTD and its Controlled Entities
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2019

The directors present their report together with the consolidated financial report of Liberty Financial Group Pty Ltd (the "Company") and its controlled entities (together the "Group"), for the year ended 30 June 2019 and the auditor's report thereon.

Directors

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

Richard Longes (Chairman)
Peter Hawkins
Sherman Ma
Leona Murphy

All directors held office throughout the year ended 30 June 2019 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 $56,345,000 (2018: $39,984,000). The Group had financial assets under management of $11.2 billion (2018: $9.3 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

In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

Events subsequent to balance date

On 20 August 2019 the Company issued 189,000,000 ordinary shares with a nominal value of $189,000,000. The shares carry the same rights as the existing ordinary shares.

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 2019.

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 20 August 2019.

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 for the financial year ended 30 June 2019 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

BW Szentirmay

Partner

Melbourne

20 August 2019

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 2019

	Note	2019 $'000	2018 $'000
Finance income	8	794,793	612,909
Share of net profit of equity accounted investees	15	580	-
Other income		20,456	11,079
Total operating income		815,829	623,988
Finance expense	9	(615,914)	(465,204)
Personnel expenses	10	(64,701)	(53,393)
Royalty expense	29	(18,000)	(16,000)
Other expenses	11	(56,030)	(38,505)
Total operating expense		(754,645)	(573,102)
Profit before income tax		**61,184**	**50,886**
Income tax expense	12	(4,839)	(10,902)
Profit after tax		**56,345**	**39,984**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		2,465	(1,252)
Net change in fair value of cash flow hedges		(14,664)	(1,365)
Net change in fair value of financial assets at fair value through other comprehensive income		930	-
Related income tax		(279)	-
Total other comprehensive income		(11,548)	(2,617)
Total comprehensive income for the year		**44,797**	**37,367**
Profit attributable to:			
Owners of the Group		24,017	22,659
Non-controlling interests		32,328	17,325
Profit for the year		**56,345**	**39,984**
Total comprehensive income attributable to:			
Owners of the Group		25,129	19,915
Non-controlling interests		19,668	17,452
Total comprehensive income for the year		**44,797**	**37,367**

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 36.

LIBERTY FINANCIAL GROUP PTY LTD and its Controlled Entities
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Contributed equity $'000	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Revaluation reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2017	86,565	(955)	(1,744)	-	12,599	96,465	17,136	113,601
Other comprehensive income for the year	-	(1,492)	(1,252)	-	-	(2,744)	127	(2,617)
Issue of preference shares	100,000	-	-	-	-	100,000	-	100,000
Profit for the year	-	-	-	-	22,659	22,659	17,325	39,984
Distributions provided for or paid	-	-	-	-	-	-	(17,893)	(17,893)
Balance at 30 June 2018	186,565	(2,447)	(2,996)	-	35,258	216,380	16,695	233,075
Balance at 1 July 2018	186,565	(2,447)	(2,996)	-	35,258	216,380	16,695	233,075
Adjustment on adoption of new accounting standards (net of tax)	-	-	-	-	(6,149)	(6,149)	-	(6,149)
Adjusted balance at 1 July 2018	186,565	(2,447)	(2,996)	-	29,109	210,231	16,695	226,926
Other comprehensive income for the year	-	(2,004)	2,465	651	-	1,112	(12,660)	(11,548)
Profit for the year	-	-	-	-	24,017	24,017	32,328	56,345
Dividends paid	-	-	-	-	(259)	(259)	-	(259)
Distributions provided for or paid	-	-	-	-	-	-	(32,881)	(32,881)
Balance at 30 June 2019	186,565	(4,451)	(531)	651	52,867	235,101	3,482	238,583

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 36.

LIBERTY FINANCIAL GROUP PTY LTD and its Controlled Entities
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 $'000	2018 $'000
Assets			
Cash and cash equivalents	19	679,858	351,445
Trade receivables and other assets	14	283,640	253,649
Financial assets	13	11,223,396	9,281,991
Equity accounted investments	15	-	4,450
Other investments	16	14,062	12,724
Deferred tax assets	17	54,469	46,358
Property, plant and equipment	18	12,988	12,598
Intangible assets	20	44,982	41,816
Derivative assets		20,930	16,862
Total Assets		**12,334,325**	**10,021,893**
Liabilities			
Payables	21	105,303	87,855
Financing	22	11,917,469	9,640,635
Deferred tax liabilities	17	36,660	43,350
Provisions	23	10,727	9,699
Derivative liabilities		25,583	7,279
Total Liabilities		**12,095,742**	**9,788,818**
Net Assets		**238,583**	**233,075**
Equity			
Contributed equity	24	186,565	186,565
Reserves		(4,331)	(5,443)
Retained profits		52,867	35,258
Total equity attributable to equity holders of the Group		235,101	216,380
Non-controlling interests		3,482	16,695
Total Equity		**238,583**	**233,075**

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 36.

LIBERTY FINANCIAL GROUP PTY LTD and its Controlled Entities
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Interest income received		617,742	483,079
Interest expense paid		(397,611)	(290,280)
Fees and commissions received		160,266	115,242
Fees and commissions paid		(170,656)	(126,345)
Insurance premiums received		11,662	3,382
Cash paid to suppliers and employees		(120,552)	(90,079)
Income taxes paid		(4,000)	-
Net cash from operating activities	19(b)	96,851	94,999
Cash flows from investing activities			
Receipts/(payments) for businesses acquired/investments, net of cash acquired		1,070	(26,207)
Net payments for property, plant and equipment		(2,447)	(2,676)
Net increase in financial assets		(1,967,146)	(2,337,211)
Net cash used in investing activities		(1,968,523)	(2,366,094)
Cash flows from financing activities			
Net proceeds from financing		2,238,572	2,362,455
Net movements in related party loans		(38,228)	4,336
Net movement in cash reserves		(42,327)	(1,408)
Dividends paid		(259)	-
Net cash from financing activities		2,157,758	2,365,383
Net increase in cash held		286,086	94,288
Cash at the beginning of the year		309,931	215,643
Cash at the end of the year	19(a)	**596,017**	**309,931**

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 36.

1 REPORTING ENTITY

Liberty Financial Group Pty Ltd (the "Company") 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. The consolidated financial statements of the Company as at and for the year ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities.

2 BASIS OF PREPARATION

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

(a) Statement of compliance

The Group complies with AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-02 Amendments to Australian Standards arising from Reduced Disclosure Requirements to prepare Tier 2 general purpose financial statements. The consolidated financial statements of the Group are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

The Group has adopted AASB 9 and AASB 15 from 1 July 2018. Under the transition methods chosen, comparative information is not restated. Changes to significant accounting policies are described in note 3.

Certain comparative amounts have been re-presented to conform to the current year's presentation to enhance comparability.

The consolidated financial statements were approved by the Board of Directors on 20 August 2019.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) 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 and trail commission
- Note 13 – Financial assets
- Note 17 – Deferred tax assets and liabilities
- Note 20 – Intangible assets
- Note 23 – Provisions
- Note 27 – Financial instruments
- Note 28 – Fair value
- Note 32 – Contingent liabilities

2 BASIS OF PREPARATION (cont.)

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

(i) Judgements (cont.)

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 2019.

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.

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.

(ii) 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 9 Financial Instruments

AASB 9 is mandatory for annual reporting periods commencing on or after 1 January 2018 and replaces AASB 139 Financial Instruments: Recognition and Measurement. In accordance with the transition requirements, comparatives are not restated.

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. They are subsequently measured at either amortised cost or fair value depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Under AASB 9, the loans and receivables and available-for-sale classification categories were removed, and new classification categories, amortised cost and fair value through other comprehensive income (FVOCI), were introduced. Financial assets of the Group previously classified as loans and receivables are now classified as amortised cost. Financial assets of the Group previously classified as available-for-sale are now classified as either amortised cost or FVOCI, depending on the objective of the business model pertaining to those financial assets.

The effect of adopting AASB 9 on the carrying amount of the Group's financial assets disclosed in note 28, previously classified as loans and receivables and now classified as amortised cost, relates solely to the impact of the new expected credit loss (ECL) impairment requirements. The carrying value of these financial assets as at 1 July 2018 were $9,243,212,000 for the Group (30 June 2018: $9,251,991,000). All other financial assets of the Group have the same carrying amount under AASB 9 as at 1 July 2018 as they did under AASB 139 as at 30 June 2018.

The transition to AASB 9 has had no impact on the measurement of any of the Group's financial assets other than in relation to the measurement of impairment which is detailed in note 4 (i).

Financial liabilities
The classification of the Group's financial liabilities remains unchanged under AASB 9. Financial liabilities continue to be subsequently measured at either amortised cost or fair value through profit or loss (FVPL).

3 CHANGES IN ACCOUNTING POLICIES (cont.)

(a) AASB 9 Financial Instruments (cont.)

Impairment of financial assets
AASB 9 introduced an ECL impairment model that replaced the incurred loss model and applies to all financial assets, except for those which are FVPL, and equity securities designated as at FVOCI, which are not subject to impairment assessment. See note 4 (i) for further information.

Hedge accounting
AASB 9 allows entities to continue with hedge accounting under AASB 139. The Group has continued to apply hedge accounting under AASB 139. AASB 7 Financial Instruments: Disclosures was revised in line with the introduction of AASB 9 and requires additional financial statement disclosures for hedges. This is the only impact to the Group's financial statements as at and for the period ended 30 June 2019. See notes 6 (g) and (h) for further information.

Impact of transition to AASB 9
The following table summarises the impact, net of tax, of transition to AASB 9 on the opening balance of retained earnings.

Retained earnings	**$'000**
Recognition of expected credit losses under AASB 9	(8,779)
Related tax	2,630
Impact at 1 July 2018	(6,149)

(b) AASB 15 Revenue from Contracts with Customers

AASB 15 is mandatory for annual reporting periods commencing on or after 1 January 2018, and establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces previous revenue recognition guidance in AASB 118 Revenue. The Group has assessed all revenue streams that fall within the scope of the standard, and determined that transition impacts are immaterial. The Group has adopted AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised at 1 July 2018. The adoption of AASB 15 has had no material impact on the Group's opening balance of retained earnings at 1 July 2018.

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.

(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.

4 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(a) Basis of consolidation (cont.)

(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.

(iv) Interests in equity-accounted investees

The Group's interest in equity-accounted investees comprised of interests in a joint venture. Following the purchase of additional equity during the year to 30 June 2019 this is now a controlled entity and therefore consolidated into the Group's financial statements.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. An associate is an entity over which the Group has significant influence.

Interests in joint ventures and associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

(v) 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.

(vi) 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.

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.

Preference share capital
Preference share capital is classified as equity as it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon declaration by the directors.

4 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(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.

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

Individual assessment - financial assets
Specific provisions relate to loans that are currently known to be impaired, based on objective evidence as a result of one or more events that have occurred after the initial recognition of the asset, otherwise known as a loss event. For loans where a loss event has occurred, the provisioning process involves detailed review and analysis of individual loans. These loans are assessed for impairment based on security value, loan balance outstanding and other factors deemed relevant to collectability by management. Provisions are raised where objective evidence of impairment exists and the negative impact on estimated future cash flows of the asset can be reliably estimated.

Collective assessment - financial assets
The AASB 9 ECL impairment model applies to all financial assets, except for those which are FVPL, and equity securities designated as at FVOCI, which are not subject to impairment assessment.

4 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(i) Impairment (cont.)

Collective assessment - financial assets (cont.)
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.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs the Company includes financial assets after 30 days past due and considers reasonable and supportable information, with an emphasis on historical statistical data. A financial asset is considered to be in default after 90 days past due.

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.

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.

(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.

4 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(k) Property, plant and equipment (cont.)

(ii) Depreciation

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment.

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

Furniture, equipment and fittings	3 - 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

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. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to all assets, including goodwill that forms part of the carrying amount of the equity accounted investee. Except for goodwill, intangible assets of the Group 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.

(m) Leased assets

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is 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 is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are 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.

4 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(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.

(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. 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.

4 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(t) Lease expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of profit or loss and other comprehensive income as an integral part of the total lease expense, over the term of the lease.

(ii) Motor finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(u) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any known or likely adjustments to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(v) Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax consolidated group. 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.

4 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(v) Tax consolidation (cont.)

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.

(w) 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.

(x) 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 in the period of initial application. They are available for early adoption at 30 June 2019, but have not been applied in preparing this financial report. The Group has prepared its analysis of the transitional impact of the respective standards, including input from auditors and advisors. Where relevant the estimated impact of the adoption of these standards on the Group's equity as at 1 July 2019 is outlined below, otherwise the analysis is expected to be completed prior to the respective implementation dates.

(i) AASB 16 Leases

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. AASB 16 requires enhanced disclosures for both lessees and lessors to improve information disclosed about an entity's exposure to leases. The Group has performed an initial assessment of the impact of applying the new standard and determined it will increase property, plant and equipment assets by $10,403,000 and liabilities by $12,354,000 at 1 July 2019.

The estimated adjustment to the opening balance of the Group's equity at 1 July 2019 is a decrease to retained earnings (net of tax) of $1,366,000.

Transition
AASB 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. The classification and measurements requirements of AASB 16 will be applied retrospectively upon initial application of AASB 16 by adjusting the Group's consolidated statement of financial position at 1 July 2019. There is no requirement to restate comparative periods.

(ii) 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 2022, with early adoption permitted.

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 and is disclosed in note 28.

5 DETERMINATION OF FAIR VALUES (cont.)

(a) Financial assets (cont.)

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

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

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) 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.

6 FINANCIAL RISK MANAGEMENT

(a) Overview

The Group has 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.

Quantitative information on risk exposure is outlined in note 27.

6 FINANCIAL RISK MANAGEMENT (cont.)

(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.

(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.

(e) Market risk

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 SPE's 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 rates loans and the Euro denominated notes.

6 FINANCIAL RISK MANAGEMENT (cont.)

(e) Market risk (cont.)

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 30 June 2019 the Group had interest rate swaps with a notional contract amount of $2,343,232,000 (2018: $1,759,837,000).

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 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.

(g) Derivative assets and liabilities designated as cash flow hedges

The amounts relating to items designated as cash flow hedging instruments and hedge ineffectiveness as at and for the year ended 30 June 2019 are presented in the table below. In accordance with the requirements of AASB 7, prior year comparative information is not presented.

	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	-	-

(h) Derivative assets and liabilities designated as fair value hedges

The amounts relating to items designated as fair value hedging instruments and hedge ineffectiveness as at and for the year ended 30 June 2019 are presented in the table below. In accordance with the requirements of AASB 7, prior year comparative information is not presented.

	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)

7 AUDITOR'S REMUNERATION

	Note	2019 $'000	2018 $'000
Audit Services			
Auditor of the Group - KPMG			
Audit of the financial statements		1,203	955
Other regulatory services		114	109
		1,317	1,064
Other services			
Auditor of the Group - KPMG			
Advisory services		217	500
Taxation services		48	16
Other services		105	71
		370	587

8 FINANCE INCOME

	Note	2019 $'000	2018 $'000
Interest income on financial assets measured at amortised cost		631,999	496,958
Interest income on financial assets measured at fair value		1,817	299
Effective yield fee income on financial assets measured at amortised cost		42,761	39,816
Net foreign exchange gain		450	197
Lending fee income		24,478	19,308
Commission income		93,288	56,118
Unrealised gain on assets and liabilities		-	213
		794,793	612,909

Lending fee income and commission income is earned in accordance with AASB 15 Revenue.

9 FINANCE EXPENSE

	Note	2019 $'000	2018 $'000
Interest expense on financial liabilities measured at amortised cost		396,555	295,959
Net interest expense on interest rate swaps including break and restructuring costs		4,064	3,447
Effective yield costs on financial liabilities measured at amortised cost		16,286	15,620
Impairment loss on financial assets measured at amortised cost		21,766	19,682
Interest expense on loan and promissory notes		15,711	14,834
Lending costs		19,142	19,034
Commission expense		141,509	96,628
Unrealised loss on assets and liabilities		881	-
		615,914	465,204

10 PERSONNEL EXPENSES

	Note	2019 $'000	2018 $'000
Wages, salaries and on-costs		52,332	42,824
Superannuation	23	4,383	3,663
Long service leave		497	575
Annual leave		3,720	3,324
Other personnel expenses		3,769	3,007
		64,701	53,393

11 OTHER EXPENSES

	Note	2019 $'000	2018 $'000
Occupancy expenses		5,227	3,701
Loan establishment and management		14,392	11,837
Technology, communications and marketing		11,740	6,743
Depreciation	18	2,525	2,279
Amortisation and impairment	20	3,907	415
Other operating expenses		18,239	13,530
		56,030	38,505

12 INCOME TAX EXPENSE

	Note	2019 $'000	2018 $'000
Recognised in the statement of profit or loss and other comprehensive income			
Current year		6,381	9,830
Under provision for prior periods		9,627	-
		16,008	9,830
Deferred tax expense			
Origination and reversal of temporary differences		4,641	1,290
Tax losses		(1,765)	(218)
Tax cost base reset due to acquisition		(14,045)	-
Income tax expense		4,839	10,902
Recognised in other comprehensive income			
Unrealised gain on fair value of financial assets at FVOCI		279	-
Total income tax expense		5,118	10,902
Reconciliation between tax expense and profit			
Profit before income tax		61,184	50,886
Income tax using domestic corporation tax rate of 30% (2018: 30%)		18,355	15,266
Decrease in income tax expense due to:			
International differential in tax rate		(176)	(51)
Non-deductible expenses		2,564	2,635
Non-assessable income		(10,649)	(5,368)
Fees transferred		(837)	(1,580)
Tax cost base reset due to acquisition		(14,045)	-
Under provision for prior periods		9,627	-
Income tax expense on profit		4,839	10,902

13 FINANCIAL ASSETS

(a) Financial assets comprises:

	2019 $'000	2018 $'000
Financial assets	11,279,846	9,322,588
Less:		
Specific provision for financial asset impairment	(23,440)	(27,516)
Collective provision for financial asset impairment	(33,010)	(13,081)
	11,223,396	9,281,991

Financial assets include unamortised effective yield fees.

(b) Contractual maturity analysis

	2019 $'000	2018 $'000
Not longer than 12 months	495,951	436,041
Longer than 12 months and less than 5 years	1,101,210	981,063
Greater than 5 years	9,626,235	7,864,887
	11,223,396	9,281,991

(c) Geographic concentration of financial assets

	2019 $'000	2018 $'000
New South Wales/ACT	3,719,526	3,092,579
Victoria/Tasmania	3,972,201	3,156,631
Queensland	1,971,744	1,715,566
Western Australia	877,316	775,325
South Australia/Northern Territory	419,648	361,482
New Zealand	262,961	180,408
	11,223,396	9,281,991

13 FINANCIAL ASSETS (cont.)

(d) Provisions for impairment

	Note	2019 $'000	2018 $'000
Opening balance		40,597	30,985
Impact of transition to AASB 9 expected credit loss model for impairment		8,779	-
Provisions made during the year		25,306	22,099
Provisions used during the year		(18,232)	(12,487)
Closing balance		56,450	40,597

The opening balance of the provisions for impairment is as measured under AASB 139. Following the adoption of AASB 9, the balances are disclosed by stage. Under the transition method chosen, comparative information is not required.

	12 month ECL $'000	Lifetime ECL - not credit impaired $'000	Lifetime ECL - credit impaired $'000	Total $'000
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

14 TRADE RECEIVABLES AND OTHER ASSETS

	Note	2019 $'000	2018 $'000
Loans to related parties	29	175,083	159,326
Insurance commission		76,459	68,758
Other assets		21,543	15,522
Other loans		10,555	10,043
		283,640	253,649

Current trade receivables and other assets are $218,324,000 (2018: $195,102,000) and non-current are $65,316,000 (2018: $58,547,000) for the Group. Loans to related parties are unsecured.

15 EQUITY ACCOUNTED INVESTMENTS

	2019 $'000	2018 $'000
Opening balance	4,450	4,519
Share of profits recognised during the year	580	-
Profit on business combination achieved in stages	1,452	-
Dividend received	(3,321)	-
Translation movements	87	-
Transfer to controlled entity	(3,248)	(69)
Closing balance	-	4,450

The Group purchased additional equity in an entity previously equity accounted for. This entity is now controlled and therefore consolidated into the Group's financial statements.

16 OTHER INVESTMENTS

	2019 $'000	2018 $'000
Corporate bonds	7,234	6,048
Other investments	6,828	6,676
	14,062	12,724

Current other investments are $6,018,000 (2018: $6,048,000) and non-current other investments are $8,044,000 (2018: $6,676,000) for the Group.

17 DEFERRED TAX ASSETS AND LIABILITIES

	Assets		Liabilities		Net	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Recognised deferred tax assets and liabilities						
Property, plant and equipment	(1,073)	(1,009)	-	-	(1,073)	(1,009)
Employee benefits	(3,689)	(2,740)	-	-	(3,689)	(2,740)
Provisions	(19,240)	(14,353)	-	-	(19,240)	(14,353)
Capitalised costs	(1,371)	(1,294)	-	-	(1,371)	(1,294)
Acquisition costs	-	-	14,463	14,290	14,463	14,290
Effective yield adjustment	(13,323)	(12,552)	13,693	12,154	370	(398)
Other items	(8,922)	(1,688)	8,504	2,861	(418)	1,173
Tax cost base reset due to acquisition	-	-	-	14,045	-	14,045
Tax losses	(6,851)	(12,722)	-	-	(6,851)	(12,722)
Deferred tax (assets)/liabilities	(54,469)	(46,358)	36,660	43,350	(17,809)	(3,008)

	Balance 1-Jul-18 $'000	Transfer $'000	Recognised in income $'000	Recognised in equity $'000	Balance 30-Jun-19 $'000
Movement in temporary differences during the year					
Property, plant and equipment	(1,009)	-	(64)	-	(1,073)
Employee benefits	(2,740)	-	(949)	-	(3,689)
Provisions	(14,353)	(2,630)	(2,257)	-	(19,240)
Capitalised costs	(1,294)	-	(77)	-	(1,371)
Acquisition costs	14,290	-	173	-	14,463
Effective yield adjustment	(398)	-	768	-	370
Other items	1,173	(170)	5,011	(6,432)	(418)
Tax cost base reset due to acquisition	14,045	-	(14,045)	-	-
Tax losses	(12,722)	5,600	271	-	(6,851)
Deferred tax (assets)/liabilities	(3,008)	2,800	(11,169)	(6,432)	(17,809)

18 PROPERTY, PLANT AND EQUIPMENT

	Furniture, equip. and fittings $'000	Computer equip. $'000	Other fixed assets $'000	Leasehold improve-ments $'000	Leased motor vehicles $'000	Land and buildings $'000	Total $'000
Cost							
Balance at 1 July 2017	623	3,058	295	4,420	1,161	7,196	16,753
Acquisitions	119	1,230	48	459	610	388	2,854
Acquisitions through business combinations	87	84	-	11	-	-	182
Disposals	-	(5)	-	-	(330)	-	(335)
Foreign exchange movements	(1)	(1)	(1)	(27)	(3)	-	(33)
Balance at 30 June 2018	828	4,366	342	4,863	1,438	7,584	19,421
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
Depreciation							
Balance at 1 July 2017	227	1,615	193	2,071	321	283	4,710
Depreciation charge for the year	209	1,122	54	309	254	331	2,279
Disposals	-	(5)	-	-	(136)	-	(141)
Foreign exchange movements	-	(1)	(1)	(22)	(1)	-	(25)
Balance at 30 June 2018	436	2,731	246	2,358	438	614	6,823
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
Carrying amounts							
At 1 July 2017	396	1,443	102	2,349	840	6,913	12,043
At 30 June 2018	392	1,635	96	2,505	1,000	6,970	12,598
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

19 CASH AND CASH EQUIVALENTS

	2019 $'000	2018 $'000

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 $4,012,000 (2018: $18,328,000) 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.

(a) Reconciliation of cash and cash equivalents

	2019 $'000	2018 $'000
Cash and cash equivalents at bank	679,858	351,445
Less: cash reserves	(83,841)	(41,514)
Available cash	596,017	309,931

(b) Reconciliation of cash flows from operating activities

	2019 $'000	2018 $'000
Profit after tax	56,345	39,984
Adjustments for:		
Depreciation	2,525	2,279
Amortisation and impairment of intangible assets	3,922	415
Other non cash items within the statement of profit or loss and other comprehensive income	(44)	23
Expenses in relation to related parties	29,480	32,762
Net change in financial assets and liabilities designated at fair value through profit or loss	881	(213)
Impairment loss on financial assets measured at amortised cost	21,766	19,683
Foreign exchange movement	(450)	(197)
	58,080	54,752
Profit before changes in working capital and provisions	114,425	94,736
Increase in trade receivables and other assets	(24,290)	(16,261)
Increase in interest and other payables	5,688	12,247
Increase in provisions	1,028	4,277
	(17,574)	263
Net cash from operating activities	96,851	94,999

20 INTANGIBLE ASSETS

	Note	Goodwill $'000	Brand Name $'000	Develop-ment costs $'000	Total $'000
30 June 2018					
Cost and carrying value					
Balance at 1 July 2017		4,846	1,595	-	6,441
Acquisitions through business combinations		30,110	369	5,401	35,880
Additions		-	-	31	31
Amortisation		-	(140)	(275)	(415)
Foreign exchange movements		(63)	(58)	-	(121)
Balance at 30 June 2018		34,893	1,766	5,157	41,816

20 INTANGIBLE ASSETS (cont.)

	Note	Goodwill $'000	Brand Name $'000	Develop-ment costs $'000	Total $'000
30 June 2019					
Cost and carrying value					
Balance at 1 July 2018		34,893	1,766	5,157	41,816
Acquisitions through business combinations	31	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

21 PAYABLES

	Note	2019 $'000	2018 $'000
Interest payable		21,144	18,136
Trail commission		29,852	28,368
Contingent consideration		19,851	16,233
Payables and accruals		34,456	25,118
		105,303	87,855

Current payables are $61,709,000 (2018: $47,537,000) and non-current are $43,594,000 (2018: $40,318,000).

22 FINANCING

	Note	2019 $'000	2018 $'000
Debt issues		9,501,091	7,134,497
Finance facilities		1,995,610	2,124,687
Deposits and unitholder liabilities		79,257	71,642
Finance lease liability		859	587
Note issued to related entity	29	285,408	271,309
Loans from related parties	29	55,244	37,913
		11,917,469	9,640,635

Debt issues

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.

The Group has issued unsecured debt of $725,000,000 (2018: $425,000,000) which is due to mature between 2020 and 2022 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:

Total facilities available	5,072,573	4,264,353
Facilities utilised at balance date	1,995,610	2,124,687
Facilities not used at balance date	3,076,963	2,139,666

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.

22 FINANCING (cont.)

Bank guarantees

Bank guarantees totalling $1,456,000 (2018: $1,152,000) 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.

Note issued to related entity

The Company issued a loan note to a related party with a face value of $285,408,000 (2018: $271,309,000). Interest is payable at the rate of the applicable BBSW rate plus 4.05% (2018: 3.71%) per annum. Interest is compounded quarterly and will be payable on redemption. Accrued interest on the loan note for the year ended 30 June 2019 was $15,711,000 (2018: $15,033,000).

23 PROVISIONS

	2019 $'000	2018 $'000
Liability for annual leave and bonus	7,606	6,886
Liability for long service leave	2,806	2,545
Employee entitlements	10,412	9,431
Other provisions	315	268
	10,727	9,699
Discount rate	2.47%	3.03%

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	4,383	3,663

Employee entitlements

Opening balance	9,431	5,325
Provisions made during the year	8,238	7,949
Provisions used during the year	(7,257)	(3,843)
Closing balance	10,412	9,431

Other provisions

Opening balance	268	97
Provisions made during the year	437	297
Provisions used during the year	(390)	(126)
Closing balance	315	268

24 CAPITAL AND RESERVES

Contributed equity

Contributed capital	36,565	36,565
Ordinary shares, fully paid	50,000	50,000
Participating redeemable preference shares, fully paid	100,000	100,000
	186,565	186,565

The number of ordinary shares on issue is 50,000,100 at 30 June 2019 (2018: 50,000,100). There are 10,000 redeemable preference shares on issue at 30 June 2019 (2018: 10,000).

24 CAPITAL AND RESERVES (cont.)

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. Preference shares carry the same rights to dividends as those available to ordinary shareholders but they do not carry the right to vote. All shares rank equally with regard to the Company's residual assets, except that preference shareholders participate only to the extent of the face value of the shares adjusted for any dividends in arrears.

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.

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 $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.

25 FINANCE LEASES

The Group's finance lease liabilities are secured by the leased assets with a carrying value of $1,110,000 (2018: $697,000). In the event of default, the assets revert to the lessor.

Future minimum lease payments	**2019 $'000**	**2018 $'000**
Finance lease commitments payable:		
Within one year	511	261
One year or later and no later than five years	389	355
	900	616

26 OPERATING LEASES

The Group leases office space throughout Australia and New Zealand. None of the leases include contingent rentals.

During the year ended 30 June 2019, the Group has recognised $3,961,000 (2018: $2,657,000) as an expense in the statement of profit or loss and other comprehensive income in respect of operating leases.

Within one year	2,643	1,917
One year or later and no later than five years	2,334	2,711
	4,977	4,628

27 FINANCIAL INSTRUMENTS

Liquidity risk

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.

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	679,858	679,858	679,858	-	-
Trade receivables and other assets	14	207,181	207,181	207,181	-	-
Financial assets	13	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		12,138,599	21,949,440	2,054,452	3,655,691	16,239,297
Non-derivative financial liabilities						
Payables	21	75,451	75,451	57,318	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	-
Finance lease liability	25	859	900	511	389	-
Loan note	22	285,408	302,423	302,423	-	-
Loans from related parties	29	55,244	55,244	55,244	-	-
Derivative financial liabilities						
Derivative liabilities		25,583	26,412	13,768	12,549	95
Total liabilities		12,018,503	20,545,410	2,653,577	2,169,168	15,722,665

2018	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	351,445	351,445	351,445	-	-
Trade receivables and other assets	14	253,649	295,641	195,102	34,599	65,940
Financial assets	13	9,281,991	17,603,653	882,462	2,938,108	13,783,083
Corporate bonds	16	6,048	6,130	6,130	-	-
Derivative financial assets						
Derivative assets		16,862	15,164	699	14,354	111
Total assets		9,909,995	18,272,033	1,435,838	2,987,061	13,849,134
Non-derivative financial liabilities						
Payables	21	87,855	105,414	47,538	30,388	27,488
Debt issues	22	7,134,497	14,969,652	286,184	1,511,173	13,172,295
Finance facilities	22	2,124,687	2,233,298	615,478	1,595,475	22,345
Deposits and unitholder liabilities	22	71,642	80,153	45,717	34,436	-
Finance lease liability	25	587	616	261	355	-
Loan note	22	271,309	287,190	287,190	-	-
Loans from related parties	29	37,913	37,913	37,913	-	-
Derivative financial liabilities						
Derivative liabilities		7,279	8,076	6,352	1,727	(3)
Total liabilities		9,735,769	17,722,312	1,326,633	3,173,554	13,222,125

28 FAIR VALUE

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities. The basis for determining fair value is discussed in note 5. The Group has adopted AASB 9 at 1 July 2018. Financial assets not measured at fair value previously classified as loans and receivables are now classified as subsequently measured at amortised cost. Financial assets not measured at fair value previously classified as available-for-sale are now classified as subsequently measured at amortised cost. Financial assets measured at fair value previously classified as available-for-sale are now classified as FVOCI. Under the transition method chosen, comparative information is not restated.

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	14,062	-	-	-	14,062	14,062
Derivative assets		20,930	-	-	-	20,930	20,930
Insurance commission	14	76,459	-	-	-	76,459	76,459
Financial assets	13	-	36,930	-	-	36,930	36,930
Financial assets not measured at fair value							
Cash and cash equivalents	19	-	-	679,858	-	679,858	679,858
Trade receivables and other assets	14	-	-	207,181	-	207,181	207,181
Financial assets	13	-	-	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)	(29,852)
Financial liabilities not measured at fair value							
Payables	21	-	-	-	(75,451)	(75,451)	(75,451)
Financing	22	-	-	-	(11,385,441)	(11,385,441)	(11,385,441)
		(476,012)	36,930	12,073,505	(11,460,892)	173,531	340,646

2018	Note	Carrying Amount					Fair Value
		Fair value through P&L	Loans and receivables	Available-for-sale	Other financial liabilities	Total	
		$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value							
Other investments	16	6,048	-	-	-	6,048	6,048
Derivative assets		16,862	-	-	-	16,862	16,862
Insurance commission	14	68,758	-	-	-	68,758	68,758
Financial assets	13	-	-	30,000	-	30,000	30,000
Financial assets not measured at fair value							
Cash and cash equivalents	19	-	351,445	-	-	351,445	351,445
Trade receivables and other assets	14	-	184,891	-	-	184,891	184,891
Financial assets	13	-	9,251,991	-	-	9,251,991	9,437,677
Other investments	16	-	-	6,676	-	6,676	6,676
Financial liabilities measured at fair value							
Derivative liabilities		(7,279)	-	-	-	(7,279)	(7,279)
Financing	22	(419,667)	-	-	-	(419,667)	(419,667)
Trail commission	21	(28,368)	-	-	-	(28,368)	(28,368)
Financial liabilities not measured at fair value							
Payables	21	-	-	-	(59,487)	(59,487)	(59,487)
Financing	22	-	-	-	(9,220,968)	(9,220,968)	(9,220,968)
		(363,646)	9,788,327	36,676	(9,280,455)	180,902	366,588

29 RELATED PARTIES

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

Particulars in relation to controlled entities:

	Ownership interest	
	2019	**2018**
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*	-	-
Liberty Credit Enhancement Company NZ Limited	100	100
Liberty Credit Enhancement Company Pty Ltd	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 2016-1 Trust*	-	-
Liberty PRIME Series 2017-1 Trust*	-	-
Liberty Reps Funding Trust*	-	-
Liberty Scarborough Trust*	-	100
Liberty Series 2014-2 Trust*	-	-
Liberty Series 2015-1 Auto Trust*	-	-
Liberty Series 2015-1 SME Trust*	-	-
Liberty Series 2015-1 Trust*	-	-
Liberty Series 2016-1 SME Trust*	-	-
Liberty Series 2016-1 Trust*	-	-
Liberty Series 2016-2 Trust*	-	-
Liberty Series 2016-3 Trust*	-	-
Liberty Series 2017-1 Auto Trust*	-	-
Liberty Series 2017-1 SME Trust*	-	-
Liberty Series 2017-1 Trust*	-	-
Liberty Series 2017-2 Trust*	-	-
Liberty Series 2017-3 Trust*	-	-
Liberty Series 2017-4 Trust*	-	-
Liberty Series 2018-1 Auto Trust*	-	-
Liberty Series 2018-1 SME Trust*	-	-
Liberty Series 2018-1 Trust*	-	-
Liberty Series 2018-2 Trust*	-	-
Liberty Series 2018-3 Trust*	-	-
Liberty Series 2018-4 Trust*	-	-
Liberty Series 2019-1 Trust*	-	-
Liberty Series 2019-2 Trust*	-	-
Liberty Sirius Trust*	-	-
Liberty Term Investment Fund	62	58
Liberty Warehouse Trust 2012-1*	-	-
Liberty Warehouse Trust No.1*	-	-
Liberty Wholesale Trust 2018-1*	-	-
Liberty/CS Warehouse Trust 2011-1*	-	-
LoanNET Pty Ltd	100	100
Mike Pero (New Zealand) Limited	100	100
Mike Pero Group Limited	100	100
Mike Pero Insurances Limited	100	100
Mike Pero Mortgages Limited	100	100
Mike Pero Property Management Limited	76	50

29 RELATED PARTIES (cont.)

	Ownership interest	
	2019	2018
	%	%
Entity name (cont.)		
Minerva Funding Pty Ltd	100	100
Minerva Holding Trust	-	-
Minerva Technology Pty Ltd	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	17	11
MoneyPlace Pty Ltd	80	80
Mosaic Financial Services Pty Ltd	100	100
MPMH Limited	100	100
MPRE Limited	76	50
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

*Special Purpose Entities**

Certain entities in the Group are controlled by the Company without having an ownership interest. Management has determined that these entities are consolidated by the Group 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.

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.

Minerva Holding Trust (MHT)

During the year ended 30 June 2019, a distribution of $32,880,721 (2018: $17,893,306) was paid by MHT. MHT 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.

	2019	2018
	$	$
Statement of profit or loss and other comprehensive income items arising from related party transactions		
Distribution paid/payable to related parties of the Group	(32,880,721)	(17,893,306)
Interest income from related parties of the Group	10,270,378	8,972,415
Interest expense to related parties of the Group	(15,711,041)	(15,032,519)
Royalty expense	(18,000,000)	(16,000,000)
Technology fee income	4,081,708	4,399,100

29 RELATED PARTIES (cont.)

Assets and liabilities arising from related party transactions

	2019 $	2018 $
Aggregate loans to related parties:		
Controlling entities	167,805,883	157,161,611
Other related parties	7,277,027	2,164,249
	175,082,910	159,325,860
Aggregate loans from related parties:		
Controlling entities	22,119,192	10,000,900
Other related parties	33,124,357	27,912,244
	55,243,549	37,913,144
Notes issued to related entity:		
Loan note	285,408,017	271,309,311
	340,651,566	309,222,455

30 KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel compensation

The key management personnel compensation included in personnel expenses (refer note 10) is as follows:

	2019 $	2018 $
Employee and director benefits	8,220,379	7,269,013

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

Loans to key management personnel

Included in other loans in note 14 are aggregate loans made to key management personnel are as follows:

	2019 $	2018 $
Loans to key management personnel	4,681,706	4,443,103

Loans totalling nil (2018: nil) were made to key management personnel during the year by the Group. Repayments of nil (2018: 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 $3,811,000 (2018: $3,572,000) is held by the Group.

31 BUSINESS COMBINATION

On 25 September 2018 the Company acquired an additional 26% equity interest in MPRE Limited which was previously equity accounted for. 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.

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

	$'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 31 (c))	(3,595)
Goodwill on acquisition	6,525

31 BUSINESS COMBINATION (cont.)

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

	$'000
Outflow of cash to acquire subsidiary	
Net of cash acquired:	
Cash consideration	3,435
Less:	
Cash acquired	(6,510)
Outflow of cash	(3,075)

(c) Fair value of net identifiable assets acquired:

	$'000
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.

32 PARENT ENTITY DISCLOSURES

	Company	
	2019 $'000	2018 $'000
Results of the parent entity		
Loss for the year	(33,258)	(22,675)
Total comprehensive loss for the year attributable to owners of the Company	(33,258)	(22,675)
Financial position of the parent entity as at the end of the financial year		
Current assets	251	281
Total assets	582,560	426,751
Current liabilities	(285,408)	(272,109)
Total liabilities	(712,141)	(523,075)
Total equity of the parent entity comprising of:		
Share capital	186,565	186,565
Accumulated losses	(316,146)	(282,889)
Total equity	(129,581)	(96,324)

The above information has been prepared on the basis the parent is a going concern. Although the parent entity incurred a significant loss for the financial year it is supported by significant cash flow and profit generated by its subsidiaries.

In addition the Company has received written confirmation from the holder of the loan note confirming the amount will not be due and payable within 12 months from the date of signing these accounts.

Parent entity capital commitments for acquisition of property, plant and equipment
The parent entity does not have any capital commitments to acquire property, plant and equipment as at 30 June 2019 (2018: nil).

Parent entity guarantees in respect of its subsidiaries
The parent entity does not have any guarantees in respect of its subsidiaries at 30 June 2019 (2018: nil).

33 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There are no capital commitments as at 30 June 2019 (2018: 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 benefiits 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.

34 EVENTS SUBSEQUENT TO BALANCE DATE

On 20 August 2019 the Company issued 189,000,000 ordinary shares with a nominal value of $189,000,000. The shares carry the same rights as the existing ordinary shares.

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 2019

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 36 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 2019 and of its performance, for the financial year ended 30 June 2019; and

   (ii) complying with the Australian Accounting Standards - Reduced Disclosure Regime and the Corporations Regulations 2001; and

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

Signed in accordance with a resolution of the directors:

Sherman Ma
Director

Dated at Melbourne on 20 August 2019.

LIBERTY FINANCIAL GROUP PTY LTD and its Controlled Entities
DIRECTORY
FOR THE YEAR ENDED 30 JUNE 2019

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.

KPMG

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 (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 2019 and of its performance for the year ended on that date; and
- complying with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- The consolidated statement of financial position as at 30 June 2019;
- The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- The 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* (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 of the Company are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards - Reduced Disclosure Requirements* 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 Company'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 Company 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

BW Szentirmay
Partner

Melbourne
20 August 2019