ASX ANNOUNCEMENT

Liberty

28 February 2022
Markets Announcement Office
ASX Limited

LIBERTY GROUP APPENDIX 4D AND FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

In accordance with ASX Listing Rule 4.2A and the *Corporations Act 2001* (Cth), Liberty Group (ASX:LFG) encloses Appendix 4D and the financial report for the half year ended 31 December 2021.

The following associated documents will be provided separately for lodgement:

1. Media Release; and
2. Investor presentation for the half year ended 31 December 2021.

Authorised for disclosure by the Board.

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About the Liberty Group

Liberty Group is a leading diversified finance company in Australia and New Zealand. Its businesses include residential and commercial mortgages, motor vehicle finance, personal loans, business loans, broking services, general insurance and investments. Since 1997, Liberty has raised more than $36 billion in global capital markets and helped more than 600,000 customers get financial.

LIBERTY GROUP[1]

APPENDIX 4D
For the half-year ended 31 December 2021

Results for announcement to the market

(All comparisons to half-year ended 31 December 2020)	$m	Up/down	Movement %
Revenue from ordinary activities	440.6	up	1.7%
Profit after tax from ordinary activities attributable to members	116.4	up	40.3%
Net profit after tax attributable to members	116.4	up	40.3%

Reconciliation of statutory net profit after tax to underlying net profit after tax and amortisation	31 December 2021 $m	31 December 2020 $m
Statutory net profit after tax	116.4	83.0
Amortisation of IP	5.9	5.9
Statutory net profit after tax and amortisation	122.3	88.9
IPO-related adjustments		
Personnel expenses	-	20.1
Costs of the offer	-	12.4
Total adjustments	-	32.5
Tax effect of adjustments	-	(3.7)
Underlying net profit after tax and amortisation	122.3	117.7

Distribution information	Amount per stapled security (cents)
Interim 2022 distribution per stapled security	21.0
Record date for determining entitlement to interim distribution	30 November 2021
Payment date of interim distribution	15 December 2021

The Liberty Group Distribution Reinvestment Plan does not apply to the FY22 interim distribution.

Dividend information

No interim 2022 dividend was declared or paid during the half-year ended 31 December 2021.

Net tangible assets per stapled security	31 December 2021 $	31 December 2020 $
Net tangible assets per stapled security	2.69	2.36

Additional information

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 31 December 2021.

This report is based on the consolidated financial statements for the half-year ended 31 December 2021 which has been reviewed by KPMG.

1 Liberty Group is a stapled entity comprising Liberty Financial Group Limited ABN 59 125 611 574 and Liberty Financial Group Trust ARSN 644 813 847 (Trust) and their respective controlled entities.

LIBERTY GROUP

INTERIM REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

The information contained in the interim report for the half-year ended 31 December should be read in conjunction with the Liberty Group's 2021 Annual Report.

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LIBERTY GROUP
DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

The directors present their report together with the consolidated financial report of Liberty Financial Group Limited (the "Company") and the Liberty Financial Group Trust ("LFGT") and their respective controlled entities (together the "Liberty Group"), for the period ended 31 December 2021 and the auditor's report thereon. Liberty Fiduciary Ltd is the responsible entity of LFGT ("RE").

Liberty Group is formed as a stapled entity, a combination of a share in the Company and a unit in LFGT. The ASX ticker code is LFG.

Directors

The directors of the Liberty Group at any time during or since the end of the financial period were:

Independent
Richard Longes (Chair)
Peter Hawkins
Leona Murphy

Executive
James Boyle
Sherman Ma

All directors held office throughout the six months ended 31 December 2021 unless stated otherwise.

Company secretary

Peter Riedel

Principal activities

The Liberty 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, real estate and funds management across Australia and New Zealand. There have been no significant changes in the nature of the Liberty Group's activities during the financial period ended 31 December 2021.

Results and review of operations

The consolidated profit after income tax for the six months to 31 December 2021 was $116,450,000 (six months to 31 December 2020: $83,003,000). The Liberty Group had financial assets under management as at 31 December 2021 of $12.5 billion (30 June 2021: $12.2 billion).

Total income increased from $433.1 million in 1H21 to $440.6 million in 1H22 as a result of the following:

- Interest income decreased by $2.3 million (0.7%) from $314.0 million to $311.7 million due to:
  - an increase in average financial assets of 4.4%, from $11.9 billion to $12.4 billion; which was more than offset by
  - a reduction in average interest income yield from 5.25% to 4.99% due to a reduction in average interest rates across the portfolio.

- Fee, commission and other income increased by $9.8 million (8.2%) from $119.2 million to $129.0 million mainly due to:
  - an increase in commission income of $12.1 million due to higher loan originations; partly offset by
  - a reduction in other income due non-recurring profit on business combinations of $1.0 million in 1H21.

Results and review of operations (cont.)

Total expenses decreased by $32.4 million (9.5%) from $339.4 million in 1H21 to $307.0 million in 1H22 as a result of the following:

- Interest expense decreased by $14.5 million (11.1%) from $130.2 million to $115.7 million due to:
  - an increase in average borrowings of 1.3%, from $12.3 billion to $12.4 billion, in line with the increase in average financial assets; which was more than offset by
  - a reduction in the weighted average cost of borrowing from 2.18% to 1.85% due to reductions in the average 1-month BBSW rate (6bps) and the average margin paid on debt issues (27bps).

- Fee and commission expenses increased by $9.8 million (9.2%) from $106.3 million to $116.1 million in line with the with the increase in originations.

- Impairment of financial assets decreased from a $0.3 million recovery in 1H21 to a $1.7 million recovery in 1H22 due to:
  - a reduction in the Collective Provision for expected losses of $1.4 million in 1H21 compared to a reduction of $1.4 million in 1H22;
  - net realised losses in 1H21 of $5.4 million, against which existing provisions of $11.1 million were released, compared to net realised losses in 1H22 of $13.2 million, against which existing specific provisions of $17.3 million were released; and
  - an increase in specific provisions on the continuing portfolio in 1H21 of $6.9 million, compared to $3.8 million in 1H22.

- Personnel expenses decreased by $14.3 million (25.3%) from $56.7 million to $42.4 million due to:
  - one-off personnel expenses in relation to the IPO of $20.1 million in 1H21; offset by
  - higher on-going share-based payment expenses of $1.5 million in 1H22; and
  - higher wages, salaries and on-costs of $4.0 million in 1H22, largely due to an increase in FTE staff from 454 to 501 to support continued business growth.

- Other expenses decreased by $11.7 million (25.1%), from $46.6 million to $34.9 million mainly due to:
  - one-off expenses in relation to the IPO of $12.4 million in 1H21.

Profit after tax increased by $33.5 million (40.3%) from $83.0 million in 1H21 to $116.5 million in 1H22 due to the reasons indicated above. Profit after tax in 1H21 included one-off IPO related expenses of $32.5 million ($28.8 million net of tax).

The Liberty Group originated $2.8 billion in new financial assets in 1H22 resulting in an increase compared to 30 June 2021 of $223.9m in total financial assets to $12.5 billion. New financial asset origination was financed by the issuance of three new securitisation vehicles totalling $2.5 billion.

In 1H22 the Liberty Group's total assets of $13.9 billion was 12.7 times total equity of $1.1 billion, compared to 13.4 times in 1H21.

COVID-19 Response

The existence of COVID-19 was confirmed in early 2020 and in March 2020 was declared a pandemic by the World Health Organisation. This has resulted in significant volatility in global and domestic financial markets. The onset of the Omicron variant in December 2021 will cause further public health and economic challenges globally and domestically. As a finance business, the Liberty Group is exposed to the pandemic because it relies on financial markets to source its funds and the Liberty Group's customers rely on the economy to provide jobs and income to meet their financial obligations. The Liberty Group continually monitors the unfolding situation in order to keep its team safe, attract new customers, serve existing customers and continue to grow profit.

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

Dividends and distributions

The Company did not declare or pay a dividend during the period ended 31 December 2021 (30 June 2021: $57,670,000).

LFGT paid a distribution of $63,756,000 on 15 December 2021 (30 June 2021: $140,493,000).

MPRE did not pay a dividend to the previous non-controlling interest during the period ended 31 December 2021 (30 June 2021: $259,000).

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 Liberty Group that occurred during the financial period under review.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 5 and forms part of the directors’ report for the half-year ended 31 December 2021.

Rounding off

The Liberty Group is 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 condensed interim financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors:

Richard Longes
Chair

Dated at Melbourne on 25 February 2022.

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

To the Directors of Liberty Financial Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Liberty Financial Group Limited for the half-year ended 31 December 2021 there have been:

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

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

KPMG

KPMG

Dean Waters
Partner

Melbourne

25 February 2022

LIBERTY GROUP
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	Six months to 31 December 2021 $'000	Six months to 31 December 2020 $'000
Interest income on financial assets measured at amortised cost		310,854	313,199
Interest income on financial assets measured fair value		806	757
Other finance income	7	121,029	108,150
Other income		7,928	11,029
Total operating income		440,617	433,135
Finance expense	8	(231,831)	(236,441)
Recoveries on financial assets measured at amortised cost		1,685	260
Personnel expenses	9	(42,356)	(56,701)
Other expenses	10	(34,851)	(46,550)
Total operating expense		(307,353)	(339,432)
Profit before income tax		**133,264**	**93,703**
Income tax expense	11	(16,814)	(10,700)
Profit after tax		**116,450**	**83,003**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Net change in fair value of financial assets at fair value through other comprehensive income		(1,461)	15,567
		(1,461)	15,567
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		367	151
Net change in fair value of cash flow hedges		8,767	2,662
Related income tax		438	(4,670)
		9,572	(1,857)
Total comprehensive income for the period		**124,561**	**96,713**
Profit attributable to:			
Equity holders of the Liberty Group			
Attributable to Liberty Financial Group Limited		53,141	16,811
Attributable to LFGT		63,467	66,427
Non-controlling interests - other		(158)	(235)
Profit for the period		**116,450**	**83,003**
Total comprehensive income attributable to:			
Equity holders of the Liberty Group			
Attributable to Liberty Financial Group Limited		53,922	25,876
Attributable to LFGT		70,797	71,072
Non-controlling interests - other		(158)	(235)
Total comprehensive income for the period		**124,561**	**96,713**
Earnings per stapled security		**0.38**	**0.27**
Diluted earnings per stapled security		**0.37**	**0.26**

The Condensed Interim 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 10 to 38.

LIBERTY GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Attributable to equity holders of the Liberty Group										
	Contributed equity $'000	**Share-based payment reserve**	**Cash flow hedge reserve $'000**	**Foreign currency translation reserve $'000**	**Revaluation reserve $'000**	**Common control reserve $'000**	**Retained profits $'000**	**Non-controlling interests - LFGT $'000**	**Total $'000**	**Non-controlling interests - other $'000**	**Total equity $'000**
Balance at 1 July 2020	719,000	-	(4,506)	(1,391)	1,773	(136,020)	452,586	(15,420)	1,016,022	7,508	1,023,530
Equity-settled share-based payment	-	13,515	-	-	-	-	-	-	13,515	-	13,515
Other comprehensive income for the period	-	-	(1,983)	151	10,897	-	-	4,645	13,710	-	13,710
Profit/(loss) for the period	-	-	-	-	-	-	16,811	66,427	83,238	(235)	83,003
Distributions provided for or paid	-	-	-	-	-	-	-	(66,386)	(66,386)	-	(66,386)
Dividends paid - note 20	-	-	-	-	-	-	(57,929)	-	(57,929)	-	(57,929)
Balance at 31 December 2020	**719,000**	**13,515**	**(6,489)**	**(1,240)**	**12,670**	**(136,020)**	**411,468**	**(10,734)**	**1,002,170**	**7,273**	**1,009,443**
Balance at 1 July 2021	719,000	13,515	(4,031)	(1,849)	14,240	(136,020)	440,608	(5,804)	1,039,659	(1,432)	1,038,227
Modification of share-based payments from equity-settled to cash-settled	-	(541)	-	-	-	-	-	-	(541)	-	(541)
Settlement of equity-settled share-based payments	-	(324)	-	-	-	-	-	-	(324)	-	(324)
Other comprehensive income for the period	-	-	1,437	367	(1,023)	-	-	7,330	8,111	-	8,111
Profit/(loss) for the period	-	-	-	-	-	-	53,141	63,467	116,608	(158)	116,450
Distributions provided for or paid	-	-	-	-	-	-	-	(63,756)	(63,756)	-	(63,756)
Dividends paid - note 20	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2021	**719,000**	**12,650**	**(2,594)**	**(1,482)**	**13,217**	**(136,020)**	**493,749**	**1,237**	**1,099,757**	**(1,590)**	**1,098,167**

The Condensed Interim Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 10 to 38.

LIBERTY GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	31 December 2021 $'000	30 June 2021 $'000
Assets			
Cash and cash equivalents	16	670,353	499,218
Restricted cash	16	98,658	104,651
Trade receivables and other assets	13	281,767	291,158
Financial assets	14	12,463,319	12,239,391
Other investments	15	59,576	49,152
Derivative assets		4,816	5,198
Property, plant and equipment		20,575	21,950
Intangible assets	17	282,871	288,987
Deferred tax assets		61,834	67,462
Total Assets		**13,943,769**	**13,567,167**
Liabilities			
Payables	18	112,394	138,403
Financing	19	12,598,873	12,235,935
Provisions		11,591	12,525
Lease liabilities		8,059	9,185
Derivative liabilities		63,580	85,345
Deferred tax liabilities		51,105	47,547
Total Liabilities		**12,845,602**	**12,528,940**
Net Assets		**1,098,167**	**1,038,227**
Equity			
Contributed equity	20	719,000	719,000
Reserves		(114,229)	(114,145)
Retained profits		493,749	440,608
Non-controlling interests - LFGT		1,237	(5,804)
Total equity attributable to equity holders of the Liberty Group		1,099,757	1,039,659
Non-controlling interests - other		(1,590)	(1,432)
Total Equity		**1,098,167**	**1,038,227**

The Condensed Interim Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 10 to 38.

LIBERTY GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	Six months to 31 December 2021 $'000	Six months to 31 December 2020 $'000
Cash flows from operating activities			
Interest income received		308,169	306,630
Interest expense paid		(117,203)	(130,302)
Fees and commissions received		121,029	108,060
Fees and commissions paid		(112,167)	(102,862)
Insurance premiums received		122	1,259
Cash paid to suppliers and employees		(81,448)	(79,712)
Net increase in financial assets		(219,884)	(311,980)
Net proceeds from financing		355,516	530,889
Income taxes paid		(38,982)	(16,827)
Net cash from operating activities		215,152	305,155
Cash flows from investing activities			
Payments for businesses acquired/investments, net of cash acquired		(12,221)	(2,081)
Acquisition of property, plant and equipment		(1,177)	(2,895)
Proceeds from the sale of property, plant and equipment		6	153
Net cash used in investing activities		(13,392)	(4,823)
Cash flows from financing activities			
Payment of lease liabilities		(1,126)	(962)
Proceeds from related party loans		45,070	102,306
Payments to related party loans		(609)	(4,938)
Dividends and distribution paid		(79,953)	(124,315)
Net cash used in financing activities		(36,618)	(27,909)
Net increase in cash held		165,142	272,423
Cash at the beginning of the period		603,869	498,467
Cash at the end of the period	16	**769,011**	**770,890**

The Condensed Interim Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 10 to 38.

1 REPORTING ENTITY

The Liberty Group comprises Liberty Financial Group Limited (the "Company") and the Liberty Financial Group Trust ("LFGT") and their respective controlled entities (together the "Liberty Group"). Liberty Fiduciary Ltd is the responsible entity of LFGT ("RE"). The address of Liberty Group's registered office is Level 16, 535 Bourke Street, Melbourne, Victoria 3000.

Liberty Group is formed as a stapled entity, a combination of a share in the Company and a unit in LFGT. The ASX ticker code is LFG.

2 BASIS OF PREPARATION

The financial statements as at and for the period ended 31 December 2021 have been prepared as a consolidation of the financial statements of the Liberty Group. The equity securities of the Company and the units of Liberty Financial Group Trust are stapled and cannot be sold separately.

AASB 3 Business Combinations and AASB 10 Consolidated Financial Statements require one of the stapled entities of a stapled group to be identified as the parent entity for the purpose of preparing a condensed interim financial report. In accordance with this requirement, the Company has been identified as the parent entity of the consolidated group comprising Liberty Financial Group Limited and its controlled entities and Liberty Financial Group Trust and its controlled entities, together comprising the Liberty Group. The condensed interim financial statements were authorised for issue by the Directors of the Liberty Group on 25 February 2022.

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

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

(a) Statement of compliance

The interim financial statements are general purpose financial statements which have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001,* and with IAS 34 *Interim Financial Reporting.* The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

They do not include all of the information required for a complete set of annual financial statements and should be read in conjunction with the 2021 Annual Report. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Liberty Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2021.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) 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.

(e) Use of estimates and judgements

The preparation of condensed interim 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.

2 BASIS OF PREPARATION (cont.)

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

(i) Judgements

Accounting treatments involving complex or subjective decisions or assessments relate to the following:

- Provision for losses in relation to financial assets
- Fair value estimates (refer to note 4)
- Financial instruments including credit risk (refer to note 5)
- Recoverability of deferred tax assets and liabilities
- Impairment assessment of intangible assets
- Capital commitments and contingent liabilities (refer to note 22)

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 Liberty 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 period ended 31 December 2021.

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. At 31 December 2021 LFI had premium revenue of $1,180,000 (31 December 2020: $1,237,000) and contributed a loss before tax of $212,000 to the Liberty Group (31 December 2020: $66,000).

The Liberty Group assesses its intangible assets for impairment at least annually by comparing the carrying value of the assets with their recoverable value. The key assumptions in calculating the recoverable value of the intangible assets are the asset's future cash flows, the terminal value of the cash flows and discount rate. The assumptions are determined based on experience and current and forecast economic factors.

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the period ending 31 December 2021 is included in the following notes:

- Note 5 – measurement of provision for impairment of financial assets: key assumptions in determining the collective provisions.
- Note 17 – impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts.

(iii) Measurement of fair values

A number of the Liberty 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 Liberty Group uses market observable data as far as possible.

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Liberty Group's consolidated financial statements as at and for the year ended 30 June 2021. The changes in the accounting policies are also expected to be reflected in the Liberty Group's consolidated financial statements as at and for the year ending 30 June 2022.

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

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (cont.)

(a) Interest rate benchmark reform

Background

In the prior year the Liberty Group adopted AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform (AASB 2019-3). These amendments modify specific hedge accounting requirements and allow the Liberty Group to apply certain exceptions in respect of hedge relationships that are impacted by market wide interest rate benchmark reform. The interest rate benchmark reform aims to discontinue Interbank Offered Rates (IBORs) and replace these interest rate benchmarks with alternate Risk Free Rates (RFRs).

In the current year, the Liberty Group adopted AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 (AASB 2020-8). These amendments are mandatory for annual reporting periods beginning on or after 1 January 2021. Phase 2 amendments enable the Liberty Group to reflect the effects of transitioning IBORs to RFRs without giving rise to accounting impacts that would not provide useful information to users of financial statements.

Risks arising from the interest rate benchmark reform

The Liberty Group has performed an assessment of exposures linked to JPY LIBOR. At 31 December 2021, the Liberty Group has both debt instruments and hedging Cross Currency Interest Rate Swaps (CCIRS) directly linked to JPY LIBOR. Post 31 December 2021 all JPY LIBOR linked instruments will transition to an alternate RFR namely, Tokyo Overnight Average Rate (TONA).

The Liberty Group has designated the CCIRS derivative hedging instruments in hedge accounting relationships against the cash flow exposure of the Liberty Group's JPY variable rate debt (Notes) associated with JPY LIBOR benchmark interest rate risks.

The valuation of some CCIRS hedging instruments are based on JPY LIBOR swap rates, which will be impacted upon JPY LIBOR discontinuation. The Liberty Group is working closely with its swap counterparties to understand the impact that the transition might have on the availability and liquidity in forward interest rate curves and any impact on the valuation of the CCIRS. Despite the progress made on understanding the impacts of the IBOR transition, this has not resulted in any changes to risk management practices.

Impact of IBOR reform on the Liberty Group's cash flow hedges.

As at 31 December 2021 the Liberty Group has performed a review of its IBOR exposures and has identified the following IBOR exposures subject to reform.

Notional in AUD	**Notional in CCY**	**Hedging Instruments (prior to transition)**	**Hedged item**	**Transition progress**
415,738,978	JPY 30,148,014,509	Receive JPY LIBOR (plus Margin), pay AUD BBSW (plus Margin) combined with JPY and AUD principal exchanges at settlement dates.	JPY principal and JPY LIBOR (plus Margin) coupon payments on the Notes over the life of the instrument.	The overall economics of the Notes and the hedging transactions will be modified as part of the transition process. This will be concluded through negotiation with counterparties to the deals and the change in JPY LIBOR to TONA reference rates will be effected in the underlying hedge relationships. At 31 December 2021 no hedging instruments or related hedged items have transitioned to alternative benchmark rates.

Management have performed an assessment and believe the impact of the IBOR Reform to be negligible to other assets held at fair value, including right-of-use lease assets.

4 DETERMINATION OF FAIR VALUES

The Liberty 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 Liberty 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 amortise.

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

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

(b) Derivatives

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

(c) Non derivative financial assets and liabilities

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

(d) Financing

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

(e) Investments

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

(f) Leases

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

4 DETERMINATION OF FAIR VALUES (cont.)

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

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

CONSOLIDATED 31 December 2021	Note	Carrying Amount				Fair Value
		Fair value through profit or loss	Fair value through OCI	Financial assets/ (financial liabilities) at amortised cost	Total	
		$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets measured at fair value						
Other investments	15	7,377	51,371	-	58,748	58,748
Derivative assets		4,816	-	-	4,816	4,816
Financial assets	14	-	32,083	-	32,083	32,083
Financial assets not measured at fair value						
Other investments	15	-	-	828	828	828
Cash and cash equivalents	16	-	-	769,011	769,011	769,011
Trade receivables and other assets	13	-	-	176,575	176,575	176,575
Financial assets	14	-	-	12,431,236	12,431,236	12,581,611
Financial liabilities measured at fair value						
Derivative liabilities		(63,580)	-	-	(63,580)	(63,580)
Financial liabilities not measured at fair value						
Payables	18	-	-	(109,595)	(109,595)	(109,595)
Financing	19	-	-	(12,598,873)	(12,598,873)	(12,598,873)
		(51,387)	83,454	669,182	701,249	851,624

CONSOLIDATED 30 June 2021	Note	Carrying Amount				Fair Value
		Fair value through profit or loss	Fair value through OCI	Financial assets/ (financial liabilities) at amortised cost	Total	
		$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets measured at fair value						
Other investments	15	13,101	35,223	-	48,324	48,324
Derivative assets		5,198	-	-	5,198	5,198
Financial assets	14	-	32,193	-	32,193	32,193
Financial assets not measured at fair value						
Other investments	15	-	-	828	828	828
Cash and cash equivalents	16	-	-	603,869	603,869	603,869
Trade receivables and other assets	13	-	-	192,261	192,261	192,261
Financial assets	14	-	-	12,207,198	12,207,198	12,320,748
Financial liabilities measured at fair value						
Derivative liabilities		(85,345)	-	-	(85,345)	(85,345)
Financial liabilities not measured at fair value						
Payables	18	-	-	(102,421)	(102,421)	(102,421)
Financing	19	-	-	(12,235,935)	(12,235,935)	(12,235,935)
		(67,046)	67,416	665,800	666,170	779,720

4 DETERMINATION OF FAIR VALUES (cont.)

(h) Fair value hierarchy

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

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

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

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

Unobservable inputs used in measuring fair value (Level 3)
There are no financial instruments measured using Level 3 inputs.

The fair value of financial assets and liabilities that are not traded in an active market is determined using various valuation techniques. If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire assessment.

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

(i) Fair value hierarchy - financial instruments measured at fair value

As at 31 December 2021	**$'000 Level 1**	**$'000 Level 2**	**$'000 Level 3**	**Total**
Financial assets measured at fair value				
Other investments - equity securities	33,371	18,000	-	51,371
Other investments - government and corporate bonds	7,377	-	-	7,377
Derivative assets	-	4,816	-	4,816
Financial assets	26,268	5,815	-	32,083
Financial liabilities measured at fair value				
Derivative liabilities	-	(63,580)	-	(63,580)
	67,016	(34,949)	-	32,067

As at 30 June 2021	**$'000 Level 1**	**$'000 Level 2**	**$'000 Level 3**	**Total**
Financial assets measured at fair value				
Other investments - equity securities	35,223	5,660	-	40,883
Other investments - government and corporate bonds	7,441	-	-	7,441
Derivative assets	-	5,198	-	5,198
Financial assets	26,768	5,425	-	32,193
Financial liabilities measured at fair value				
Derivative liabilities	-	(85,345)	-	(85,345)
	69,432	(69,062)	-	370

Transfers between level 1, level 2 and level 3
There were no transfers between level 1, level 2 and level 3 in the period ended 31 December 2021 (June 2021: nil).

5 FINANCIAL RISK MANAGEMENT

(a) Overview

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

- Credit risk
- Liquidity risk
- Market risk

5 FINANCIAL RISK MANAGEMENT (cont.)

(a) Overview (cont.)

Exposure to credit, liquidity and market risk arises in the normal course of the Liberty Group's business. This note presents information about the Liberty 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 Liberty 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 Liberty Group. The Committee is assisted in its oversight by the Risk department which coordinates, sets policy and monitors the Liberty 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 Liberty Group's activities.

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

(b) Operational risk

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

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

The Committee has primary responsibility for the oversight of financial reporting risk. The Risk department and Compliance Officers review risk management in order to assess and understand the Liberty 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 Liberty 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 Liberty Group also obtains collateral and security arrangements as a means of mitigating the risk of financial loss from default and raises provisions for impairment where appropriate.

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

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

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

5 FINANCIAL RISK MANAGEMENT (cont.)

(c) Credit risk (cont.)

Exposure

(i) Loans by credit risk rating grades

CONSOLIDATED - $'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
31 December 2021				
Gross loans				
Prime	8,889,605	146,016	61,231	9,096,852
Non-prime	3,053,837	121,890	113,175	3,288,902
Unrated	101,060	-	-	101,060
Total	12,044,502	267,906	174,406	12,486,814

CONSOLIDATED - $'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
30 June 2021				
Gross loans				
Prime	8,819,540	114,774	94,962	9,029,276
Non-prime	2,870,231	135,734	148,382	3,154,347
Unrated	97,193	-	-	97,193
Total	11,786,964	250,508	243,344	12,280,816

Credit quality

The ageing of loans is shown below:

(ii) Loans by credit quality

	31 December 2021 $'000	30 June 2021 $'000
Gross loans		
Neither past due or impaired	12,044,502	11,786,964
Past due but not impaired	267,906	250,508
Impaired	174,406	243,344
Total	12,486,814	12,280,816

Provision for impairment loss

(iii) Provision for impairment

CONSOLIDATED - $'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
30 June 2021				
Opening balance at 1 July 2020	38,886	4,309	33,662	76,857
Net movement during the year	3,518	1,123	(6,190)	(1,549)
Closing balance at 30 June 2021	42,404	5,432	27,472	75,308
31 December 2021				
Opening balance at 1 July 2021	42,404	5,432	27,472	75,308
Net movement during the period	(2)	383	(10,443)	(10,062)
Closing balance at 31 December 2021	42,402	5,815	17,029	65,246

5 FINANCIAL RISK MANAGEMENT (cont.)

(c) Credit risk (cont.)

Provision for Impairment loss (cont.)

(iii) Provision for impairment (cont.)

The following tables show the movement in the Liberty Group's impairment provisions and credit exposures by expected credit loss (ECL) stage for the period ended 31 December 2021.

CONSOLIDATED - $000	12 month ECL		Lifetime ECL - not credit impaired		Lifetime ECL - credit impaired		Total	
30 June 2021	**Gross exposure**	**Provisions**	**Gross exposure**	**Provisions**	**Gross exposure**	**Provisions**	**Gross exposure**	**Provisions**
Opening balance at 1 July 2020	10,579,122	38,886	844,858	4,309	288,167	33,662	11,712,147	76,857
New loans originated	3,864,898	4,012	22,722	1,106	7,467	914	3,895,087	6,032
Transfers:								
Transfers to Stage 1	673,091	7,017	(576,578)	(2,518)	(96,513)	(4,499)	-	-
Transfers to Stage 2	(150,814)	(723)	176,628	2,327	(25,814)	(1,604)	-	-
Transfers to Stage 3	(71,746)	(247)	(65,429)	(509)	137,175	756	-	-
Loans repaid	(2,391,422)	(3,793)	(145,621)	(741)	(58,472)	(3,056)	(2,595,515)	(7,590)
Other (a)	(710,371)	(2,677)	(2,661)	1,572	14,608	1,873	(698,424)	768
Write-offs	(6,554)	(73)	(3,543)	(117)	(23,339)	(575)	(33,436)	(765)
Foreign exchange movement	760	2	132	3	64	1	956	6
Closing balance at 30 June 2021	**11,786,964**	**42,404**	**250,508**	**5,432**	**243,343**	**27,472**	**12,280,815**	**75,308**

CONSOLIDATED - $000	12 month ECL		Lifetime ECL - not credit impaired		Lifetime ECL - credit impaired		Total	
31 December 2021	**Gross exposure**	**Provisions**	**Gross exposure**	**Provisions**	**Gross exposure**	**Provisions**	**Gross exposure**	**Provisions**
Opening balance at 1 July 2021	11,786,964	42,404	250,508	5,432	243,343	27,472	12,280,815	75,308
New loans originated	2,758,488	2,186	7,704	230	665	55	2,766,857	2,471
Transfers:								
Transfers to Stage 1	187,305	1,371	(108,997)	(780)	(78,308)	(591)	-	-
Transfers to Stage 2	(181,467)	(3,307)	192,623	3,690	(11,156)	(383)	-	-
Transfers to Stage 3	(21,616)	(746)	(40,702)	(1,392)	62,318	2,138	-	-
Loans repaid	(2,038,569)	(1,391)	(29,694)	(1,298)	(31,307)	339	(2,099,570)	(2,350)
Other (a)	(442,193)	1,924	(2,201)	35	7,312	(11,241)	(437,082)	(9,282)
Write-offs	(2,104)	(38)	(1,224)	(101)	(18,336)	(759)	(21,664)	(898)
Foreign exchange movement	(2,306)	(1)	(111)	(1)	(125)	(1)	(2,542)	(3)
Closing balance at 31 December 2021	**12,044,502**	**42,402**	**267,906**	**5,815**	**174,406**	**17,029**	**12,486,814**	**65,246**

(a) Other movement in gross exposure is largely driven by reductions in loan balances that remain in existence at balance date due to repayments during the period.

5 FINANCIAL RISK MANAGEMENT (cont.)

(c) Credit risk (cont.)

Provision for Impairment loss (cont.)

(iii) Provision for impairment (cont.)

Expected Credit Losses

ECL measurement uncertainties

New Model Overlay

A new model to generate ECL was developed during 2021. The new model is designed to be more accurate and easier to update. The new model generates a probability of default for each individual loan based on the loan's application data and recent loan repayment behaviour.

The introduction of a new model implies a degree of uncertainty with respect to its sensitivity to changing historical data as well as the possible presence of biases which are difficult to anticipate. The model figures generated by the new model have been increased by 20% (June 2021: 15%) to reflect this uncertainty. This overlay will be reduced once the predictions of the model have been monitored for a sufficient amount of time to increase confidence in its reliability.

Security Value Overlays

The new model produces lower outputs for the Australian commercial (AU COM) and New Zealand residential (NZ RES) portfolios, as a result of strong security values and many loans having low outstanding balances. The model does, however, demonstrate a high level of sensitivity to changing security values. To address this sensitivity, different security value changes have been modelled and weighted to generate the final ECL figures for AU COM and NZ RES. Accounting for this sensitivity will be integrated into the underlying model in future as additional security value forecasts become available.

COVID-19 Overlay

COVID-19 has provided an unpredictable market wide shock. The ECL model may, as a result, produce under-reactive changes (this was the case for the previous, linear model, and remains the case for the new ECL model, both of which rely on historical data which does not reflect circumstances similar to the current pandemic situation).

Management have increased the expected credit loss provision by a COVID-19/multi-scenario overlay of $9,505,146 (30 June 2021: $11,678,550), based upon the anticipated impact on customers having regard to the current economic outlook. The calculation of the overlay has remained consistent. The tables below show the macro-economic scenarios that resulted in the additional provision being recognised.

To quantify the expected credit loss under severe economic events, the Liberty Group stressed both the staging mix and the probability of default (and probability of loss recovery given default). Three scenarios were applied and weighted.

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

5 FINANCIAL RISK MANAGEMENT (cont.)

(c) Credit risk (cont.)

Provision for Impairment loss (cont.)

(iii) Provision for impairment (cont.)

COVID-19 Overlay (cont.)

31 December 2021

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

A 100% weighting to this scenario would result in a decrease to total ECL provision at the reporting date of $3,940,000 (30 June 2021: $5,601,000)</td><td>30%</td><td>An equal adjustment has been applied from stage 1 to 2 and from stage 2 to 3, as it is expected that an increase in unemployment will have roughly the same impact on both the stage 2 and stage 3 balance.</td></tr>
<tr><td>Scenario Two - Baseline

A 100% weighting to this scenario would result in a decrease to total ECL provision at the reporting date of $297,000 (30 June 2021: $381,000)</td><td>30%</td><td rowspan="2">Stress has been applied to probability of default and probability (given default) of loss recovery, to more directly capture the impact of unemployment increases. Stresses relating to reduced security values have been captured via (a) distinct macroeconomic scenarios applied to HPI and (b) additional security value overlays applied to the AU COM and NZ RES asset classes.</td></tr>
<tr><td>Scenario Three - Downside

A 100% weighting to this scenario would result in an increase to total ECL provision at the reporting date of $3,177,000 (30 June 2021: $4,486,000)</td><td>40%</td></tr>
</table>

30 June 2021

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

A 100% weighting to this scenario would result in a decrease to total ECL provision at the reporting date of $5,601,000 (2020: $5,322,000)</td><td>30%</td><td>An equal adjustment has been applied from stage 1 to 2 and from stage 2 to 3, as it is expected that an increase in unemployment will have roughly the same impact on both the stage 2 and stage 3 balance.</td></tr>
<tr><td>Scenario Two - Baseline

A 100% weighting to this scenario would result in a decrease to total ECL provision at the reporting date of $381,000 (2020: $2,104,000)</td><td>30%</td><td rowspan="2">Instead of stressing LGD, as in FY20, stress has been applied to probability of default and probability (given default) of loss recovery, to more directly capture the impact of unemployment increases. Stresses relating to reduced security values have been captured via (a) distinct macroeconomic scenarios applied to HPI and (b) additional security value overlays applied to the AU COM and NZ RES asset classes.</td></tr>
<tr><td>Scenario Three - Downside

A 100% weighting to this scenario would result in an increase to total ECL provision at the reporting date of $4,486,000 (2020: $2,748,000)</td><td>40%</td></tr>
</table>

5 FINANCIAL RISK MANAGEMENT (cont.)

(c) Credit risk (cont.)

Provision for Impairment loss (cont.)

(iii) Provision for impairment (cont.)

COVID-19 Overlay (cont.)

The table below shows the forward-looking macro forecasts at 31 December 2021.

Macro Forecast	Unemployment %	Cash rate %	HPI*	GDP Growth %
Current	5.1%	0.10%	180.5	1.1%
Upside - 2022	4.3%	0.25%	181.2	4.0%
Baseline - 2022	4.7%	0.18%	171.8	3.2%
Downside - 2022	7.0%	0.10%	133.4	1.4%

*HPI - House Price Index

The table below shows the forward-looking macro forecasts at 30 June 2021.

Macro Forecast	Unemployment %	Cash rate %	HPI*	GDP Growth %
Current	5.5%	0.10%	148.7	-1.1%
Upside - 2022	4.5%	0.25%	149.5	5.1%
Baseline - 2022	4.7%	0.10%	142.8	3.2%
Downside - 2022	7.1%	0.10%	118.9	0.5%

The table below shows the change in staging between each scenario in the period ended 31 December 2021.

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

The table below shows the stresses applied to PD and LR across all stages to each scenario in the period ended 31 December 2021.

Stress PD and LR	Scenario 1	Scenario 2	Scenario 3
Stages 1 and 2 PD	10%	15%	20%
All stages LR	10%	15%	20%

5 FINANCIAL RISK MANAGEMENT

(c) Credit risk (cont.)

Provision for Impairment loss (cont.)

(iii) Provision for impairment

COVID-19 Overlay (cont.)

The table below shows the change in staging between each scenario in the year ended 30 June 2021.

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

The table below shows the stresses applied to each LDG between each scenario in the year ended 30 June 2021.

Stress PD and LR	Scenario 1	Scenario 2	Scenario 3
Stage 1 & 2 PD	5%	10%	15%
All stages LR	5%	10%	15%

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

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

31 December 2021	**Current**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected loss rate	-	0.35%	2.17%	2.68%	**0.42%**
Gross carrying amount	-	12,044,502	267,906	174,406	**12,486,814**
Loss allowance	-	(42,402)	(5,815)	(4,667)	**(52,884)**

30 June 2021	**Current**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected loss rate	-	0.36%	2.17%	2.65%	**0.44%**
Gross carrying amount	-	11,786,964	250,508	243,344	**12,280,816**
Loss allowance	-	(42,404)	(5,432)	(6,438)	**(54,274)**

Collateral

(iv) Collateral held

Maximum exposure	**31 December 2021 $'000**	**30 June 2021 $'000**
Collateral classification:		
Secured (%)	98%	98%
Unsecured (%)	2%	2%
	100%	100%

(d) Liquidity risk

Liquidity risk is the risk that the Liberty Group will not be able to meet its financial obligations as they fall due. The Liberty 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 19.

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.

5 FINANCIAL RISK MANAGEMENT (cont.)

(d) Liquidity risk (cont.)

31 December 2021	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	16	769,011	769,011	769,011	-	-
Trade receivables and other assets	13	176,575	176,575	176,575	-	-
Financial assets	14	12,463,319	20,989,572	1,155,729	3,886,102	15,947,741
Corporate bonds	15	7,377	7,490	6,238	1,252	-
Derivative financial assets						
Derivative assets		4,816	8,758	1,438	6,994	326
Total assets		13,421,098	21,951,406	2,108,991	3,894,348	15,948,067
Non-derivative financial liabilities						
Payables	18	75,037	72,238	72,238	-	-
Debt issues	19	8,709,751	12,587,745	348,197	1,389,394	10,850,154
Finance facilities	19	3,807,103	3,821,303	2,231,836	1,589,467	-
Deposits and unitholder liabilities	19	72,157	77,161	66,121	11,040	-
Lease liabilities		8,059	8,059	2,659	5,400	-
Loans from related parties	21	9,862	9,862	9,862	-	-
Derivative financial liabilities						
Derivative liabilities		63,580	65,423	35,107	30,316	-
Total liabilities		12,745,549	16,641,791	2,766,020	3,025,617	10,850,154

30 June 2021	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	16	603,869	603,869	603,869	-	-
Trade receivables and other assets	13	192,261	192,261	192,261	-	-
Financial assets	14	12,239,391	20,795,120	1,171,810	3,865,602	15,757,708
Corporate bonds	15	7,441	7,548	3,433	4,115	-
Derivative financial assets						
Derivative assets		5,198	4,970	3,687	1,123	160
Total assets		13,048,160	21,603,768	1,975,060	3,870,840	15,757,868
Non-derivative financial liabilities						
Payables	18	102,421	102,421	83,010	19,411	-
Debt issues	19	9,589,241	14,206,779	377,751	1,505,242	12,323,786
Finance facilities	19	2,565,604	2,606,458	2,225,869	380,589	-
Deposits and unitholder liabilities	19	71,291	73,858	60,476	13,382	-
Lease liabilities		9,185	9,185	2,608	6,577	-
Loans from related parties	21	9,799	9,799	9,799	-	-
Derivative financial liabilities						
Derivative liabilities		85,345	86,883	19,526	67,171	186
Total liabilities		12,432,886	17,095,383	2,779,039	1,992,372	12,323,972

5 FINANCIAL RISK MANAGEMENT (cont.)

(e) Market risk

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

The Liberty Group’s activities expose it primarily to the risks of changing interest rates. The Liberty Group also has exposure to foreign exchange rate fluctuations. Derivative financial instruments are used by entities within the Liberty 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 Liberty Group.

The Liberty 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 Liberty 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.

Interest rate risk

The Liberty 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 Liberty Group’s interest rate risk management strategy. The swaps mature in line with the maturity of the related loans.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as ‘IBOR reform’). The Liberty Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Liberty Group has adopted AASB 2019-3 Amendments to Australian Accounting Standards - Interest rate benchmark reform, as permitted by the Standard, on 1 October 2019. See note 3 (a) for more information.

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

	31 December 2021 $'000	30 June 2021 $'000
Fixed rate instruments		
Cash and cash equivalents	1,500	1,500
Financial assets	1,227,275	1,230,811
Financing	(953,523)	(1,199,566)
	275,252	32,745
Variable rate instruments		
Cash and cash equivalents	767,511	602,369
Financial assets	11,236,044	11,008,580
Financing	(11,645,350)	(11,036,369)
Net Derivatives	(58,764)	(80,147)
	299,441	494,433

Sensitivity analysis

The Liberty Group’s exposure to interest rate risk is minimised as the Liberty Group actively manages its cost of funding and reprices its loan portfolio in response to changes in cost of funds within a short timeframe. The below analysis reflects the impact of changes in interest rates on profit or loss, as a result of the Liberty Group's fixed rate deposits held in its various funds, which are invested in variable rate assets; and the movement in derivative contract valuation repricing in equity.

	31 December 2021		30 June 2021	
	$'000	$'000	$'000	$'000
Impact of movement in interest rates	Profit or Loss	Equity	Profit or loss	Equity
+2% increase in interest rates	(461)	(22,464)	(407)	(25,885)
-2% increase in interest rates	461	22,464	407	25,885

Price risk

The Liberty Group holds certain investments in equity securities for long term strategic purposes. These investments are designated as at FVOCI and are revalued with reference to either the quoted ASX security price, or the unquoted unit price, at balance date.

Sensitivity analysis

All of the Liberty Group's listed equity securities are listed on the Australian Securities Exchange (ASX). For such investments classified as FVOCI, an increase/decrease of +2%/-2% (June 2021: +2%/-2%) in the ASX 200 average would have increased/decreased equity by $1,200,000 (June 2021: $1,247,000).

5 FINANCIAL RISK MANAGEMENT (cont.)

(e) Market risk (cont.)

Currency risk
The Liberty 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, for which the exposures are immaterial, the Liberty Group elects not to enter into foreign exchange contracts to hedge the translation exposure, except for Euro and Yen denominated securitisation notes for which the Liberty Group has entered into cross currency interest rate swaps. The foreign exchange translation on the Euro and Yen denominated securitisation notes is perfectly hedged by the foreign exchange hedging effect from the cross currency interest rate swaps, therefore there is no currency risk exposure.

(f) Capital management

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

The Liberty 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 Liberty Group's capital management strategy.

(g) Derivative assets and liabilities

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

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

This method assumes that the terms of the hypothetical derivative will mirror the terms of the actual hedging instruments. For a hedge to be deemed effective, the change in fair values should be within 80% and 125% of each other. If the results fall outside this range the hedge would be deemed ineffective and is recognised immediately through profit or loss in line with hedge accounting policy.

Source of hedge ineffectiveness affecting hedge accounting are:

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

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

The amounts relating to hedging instruments and hedge ineffectiveness are presented in the tables below.

The average exchange rates were as follows: EUR: 1.6117 (June 2021: 1.5462); and JPY: 0.0138 (June 2021: 0.0138).

The average fixed interest rate was 4.6% (June 2021: 4.3%).

Cash flow hedges	**As at 31 December 2021**			**During the period ended 31 December 2021**				
	Nominal amount - maturity			**Carrying amount**				
$'000	1-6 months	7 -12 months	More than one year	Assets	Liabilities	Change in the value of the hedging instrument recognised in OCI	Hedging ineffectiveness recognised in profit or loss	Amounts reclassified from hedging reserve to profit or loss
Interest rate risk								
Interest rate swaps	17,454	28,582	835,329	4,816	(2,895)	8,579	-	-
Currency risk								
Cross currency interest rate swaps	245,840	25,570	200,638	-	(60,685)	9,053	-	(8,865)
	263,294	54,152	1,035,967	4,816	(63,580)	17,632	-	(8,865)

5 FINANCIAL RISK MANAGEMENT (cont.)

(g) Derivative assets and liabilities (cont.)

Cash flow hedges	**As at 30 June 2021**					**During the year ended 30 June 2021**		
	Nominal amount - maturity			**Carrying amount**				
$'000	1-6 months	7 -12 months	More than one year	Assets	Liabilities	Change in the value of the hedging instrument recognised in OCI	Hedging ineffectiveness recognised in profit or loss	Amounts reclassified from hedging reserve to profit or loss
Interest rate risk								
Interest rate swaps	6,264	38,536	939,464	547	(10,875)	11,142	-	-
Currency risk								
Cross currency interest rate swaps	74,558	318,821	289,022	4,651	(74,470)	(57,780)	-	56,645
	80,822	357,357	1,228,486	5,198	(85,345)	(46,638)	-	56,645

Fair value hedges	**As at 30 June 2021**					**During the year ended 30 June 2021**		
	Nominal amount - maturity			**Carrying amount**				
$'000	1 - 6 months	7 - 12 months	More than one year	Assets	Liabilities	Change in the value of the hedged item recognised in profit or loss	Change in the value of the hedging instrument recognised in profit or loss	Hedging ineffectiveness recognised in profit or loss
Interest rate risk								
Interest rate swaps	-	-	-	-	-	3,524	(3,422)	102
	-	-	-	-	-	3,524	(3,422)	102
Total hedges	**80,822**	**357,357**	**1,228,486**	**5,198**	**(85,345)**	**(43,114)**	**(3,422)**	**56,747**

6 SEGMENT INFORMATION

(a) Description of Segments

The Liberty Group has identified three operating segments:
- **Residential Finance**: The Residential Finance segment includes revenues and direct expenses associated with residential mortgage lending in Australia and New Zealand.
- **Secured Finance:** The Secured Finance segment includes revenues and direct expenses associated with motor vehicle, commercial and self-managed superannuation fund lending in Australia**.**
- **Financial Services:** The Financial Services segment includes revenues and direct expenses associated with the activities of Mike Pero Mortgages, Liberty Network Services, National Mortgage Brokers, Australian Life Insurance, LFI, Unsecured Lending, Liberty Financial Limited and Mike Pero Real Estate.
- **Corporate:** administration expenses and interest income and expense not directly related to operating segments.

The Liberty Group's segments operate principally in Australia and New Zealand. A segment overview is presented below. During the half-year 31 December 2021, $407 million of external revenue was generated within Australia (31 December 2020: $397 million) and $34 million of external revenue was generated within New Zealand (31 December 2020: $37 million). At 31 December 2021 there were $12,343 million non-current assets in Australia (June 2021: $12,088 million) and $261 million non-current assets in New Zealand (June 2021: $236 million).

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

6 SEGMENT INFORMATION (cont.)

(b) Segment Overview

Segment Overview	Residential Finance $'000	Secured Finance $'000	Financial Services $'000	Corporate $'000	Total $'000
31 December 2021					
Interest income	173,575	113,898	17,824	6,363	311,660
Other finance income	15,478	16,269	89,282	-	121,029
Other operating income	-	-	6,954	974	7,928
Interest expense	(72,021)	(32,832)	(4,085)	(6,792)	(115,730)
Recoveries/(impairment expense)	3,677	1,117	(3,109)	-	1,685
Other finance expenses	(19,919)	(12,342)	(72,102)	(11,738)	(116,101)
Net margin as reported by the Liberty Group	**100,790**	**86,110**	**34,764**	**(11,193)**	**210,471**
Operating expenses	(11,494)	(5,189)	(18,478)	(33,190)	(68,351)
Depreciation and amortisation	-	-	-	(8,856)	(8,856)
Tax expense	-	-	-	(16,814)	(16,814)
Profit from continuing operations	**89,296**	**80,921**	**16,286**	**(70,053)**	**116,450**
31 December 2021 Segment Balance Sheet Information					
Total Segment Assets	8,858,848	3,689,509	527,329	868,083	13,943,769
Total Assets reported by the Liberty Group	**8,858,848**	**3,689,509**	**527,329**	**868,083**	**13,943,769**
Total Segment Liabilities	8,492,861	3,175,333	417,523	759,885	12,845,602
Total Liabilities reported by the Liberty Group	**8,492,861**	**3,175,333**	**417,523**	**759,885**	**12,845,602**

Segment Overview	Residential Finance $'000	Secured Finance $'000	Financial Services $'000	Corporate $'000	Total $'000
31 December 2020					
Interest income	176,177	112,223	12,061	13,495	313,956
Other finance income	17,178	14,631	75,598	743	108,150
Other operating income	-	-	10,298	731	11,029
Interest expense	(82,769)	(35,747)	(5,407)	(6,232)	(130,155)
Impairment expense	(2)	1	261	-	260
Other finance expenses	(19,736)	(12,898)	(61,437)	(12,215)	(106,286)
Net margin as reported by the Liberty Group	**90,848**	**78,210**	**31,374**	**(3,478)**	**196,954**
Operating expenses	(14,371)	(6,794)	(18,251)	(61,206)	(100,622)
Depreciation and amortisation	-	-	-	(2,629)	(2,629)
Tax expense	-	-	-	(10,700)	(10,700)
Profit from continuing operations	**76,477**	**71,416**	**13,123**	**(78,013)**	**83,003**
30 June 2021 Segment Balance Sheet Information					
Total Segment Assets	8,793,049	3,414,610	485,837	873,671	13,567,167
Total Assets reported by the Liberty Group	**8,793,049**	**3,414,610**	**485,837**	**873,671**	**13,567,167**
Total Segment Liabilities	8,504,387	2,794,513	347,536	882,504	12,528,940
Total Liabilities reported by the Liberty Group	**8,504,387**	**2,794,513**	**347,536**	**882,504**	**12,528,940**

	Six months to 31 December 2021 $'000	Six months to 31 December 2020 $'000
7 OTHER FINANCE INCOME		
Effective yield fee income on financial assets measured at amortised cost	20,585	20,682
Net foreign exchange gain	-	21
Lending fee income	17,676	16,730
Commission income	82,768	70,648
Unrealised gain on assets and liabilities	-	69
	121,029	108,150

Effective yield fee income on financial assets measured at amortised cost is considered part of interest income. Lending fee income and commission income is recognised in accordance with AASB 15 *Revenue from Contracts with Customers.*

	Six months to 31 December 2021 $'000	Six months to 31 December 2020 $'000
8 FINANCE EXPENSE		
Interest expense on financial liabilities measured at amortised cost	110,003	122,572
Net interest expense on interest rate swaps including break and restructuring costs	5,727	7,583
Effective yield costs on financial liabilities measured at amortised cost	7,757	7,076
Net foreign exchange loss	212	-
Lending costs	8,287	7,955
Commission expense	99,843	91,255
Unrealised loss on assets and liabilities	2	-
	231,831	236,441
9 PERSONNEL EXPENSE		
Wages, salaries and on-costs	33,509	36,506
Share-based payment expense	2,241	13,907
Superannuation	2,776	2,394
Long service leave	231	229
Annual leave	1,931	1,982
Other personnel expenses	1,668	1,683
	42,356	56,701
10 OTHER EXPENSES		
Occupancy expenses	1,868	1,719
Loan establishment and management	7,637	6,688
Technology, communications and marketing	6,817	7,121
Depreciation	2,544	2,629
Amortisation and impairment	6,312	6,307
Costs relating to IPO	-	12,362
Other operating expenses and professional fees	9,673	9,724
	34,851	46,550
11 INCOME TAX EXPENSE		
Recognised in profit or loss		
Current period	10,933	13,523
Deferred tax expense		
Origination and reversal of temporary differences	5,975	(3,282)
Tax losses	(327)	468
Prior year unders/(overs)	233	(9)
Income tax expense	16,814	10,700
Recognised in other comprehensive income		
Unrealised gain on fair value of financial assets at FVOCI	(439)	4,669
	16,375	15,369

11 INCOME TAX EXPENSE (cont.)

Reconciliation between tax expense and profit

	Six months to 31 December 2021 $'000	Six months to 31 December 2020 $'000
Profit before income tax	133,264	93,703
Income tax using domestic corporation tax rate of 30% (2020: 30%)	39,979	28,111
Net movement in income tax due to:		
International differential in tax rate	219	(74)
Non-deductible expenses	749	2,412
Non-assessable income	(24,224)	(19,399)
Fees transferred	(142)	(341)
Prior year unders/(overs)	233	(9)
Income tax expense on profit	16,814	10,700

12 SHARE-BASED PAYMENT ARRANGEMENT

(a) Description of share-based payment arrangements

During the period the Liberty Group board exercised its discretion to allow employees the choice to cash-settle their medium term incentive deferred equity awards, which were granted on 10 December 2020 as equity-settled awards, and vested on 10 December 2021. As a result, the accounting treatment of all medium term incentive deferred equity awards has been modified from equity-settled to cash-settled from 22 December 2021.

As at 31 December 2021, the Liberty Group made the following share-based payment arrangements.

(i) Medium Term Incentive Plan (cash settled)

On 22 December 2021 and 24 December 2021 the Liberty Group granted medium term incentive deferred equity awards to employees under the Company's Equity Incentive Plan. This award represents the two-thirds deferred equity portion of the medium term incentive for the financial year ended 30 June 2021. In total 790,040 awards were granted with a total value at grant date of $3,950,200. Each award represents a right to receive one stapled security in the capital of the Liberty Group at no cost. The Liberty Group has the discretion to make a cash payment of equivalent value instead of issuing the stapled securities. The remaining one-third totalling $1,975,100 was paid to employees in cash in December 2021.

The awards will vest as follows:
- 50% of the Awards will vest on 1 December 2022, subject to the relevant employee remaining continuously employed by a member of the Liberty Group from the grant date until that time; and
- 50% of the Awards will vest on 1 December 2023, subject to the relevant employee remaining continuously employed by a member of the Liberty Group from the grant date until that time.

The fair value of the medium term incentive plan was determined using the Black-Scholes model.

Details of awards granted to key management personnel are as follows:

Grant date/employees entitled	Number of awards	Vesting conditions	Contractual life of awards
Awards granted to key management personnel on 22 December 2021	159,600	Refer to vesting conditions of the Medium Term Incentive Plan. The Plan is unchanged from the prior period.	2 years
Awards granted to key management personnel on 24 December 2021	106,400		

The fair value of the amount payable to employees in respect of medium term incentive equity awards, which are accounted for as cash-settled share based payments, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date based on the fair value of the medium term incentive deferred equity awards. Any changes in the liability are recognised in profit or loss.

12 SHARE-BASED PAYMENT ARRANGEMENT (cont.)

(a) Description of share-based payment arrangements (cont.)

As at 30 June 2021, the Liberty Group made the following share-based payment arrangements.

(ii) Medium Term Incentive Plan (equity settled)

On 10 December 2020 the Liberty Group offered to employees a medium term incentive deferred equity award under the Company's Equity Incentive Plan. This award represents the two-thirds deferred equity portion of the medium term incentive for the financial year ended 30 June 2020. In total 414,260 awards were granted with a total value at grant date 10 December 2020 of $2,295,000. Each award represents a right to receive one stapled security in the capital of the Liberty Group at no cost. The Liberty Group has the discretion to make a cash payment of equivalent value instead of issuing the stapled securities. The remaining one-third totalling $1,147,500 was paid to employees in cash in December 2020.

The awards will vest as follows:
- 50% of the Awards will vest on the first anniversary of the Grant Date, subject to the relevant employee remaining continuously employed by a member of the Liberty Group from the grant date until that time;
- 50% of the Awards will vest on the second anniversary of the Grant Date, subject to the relevant employee remaining continuously employed by a member of the Liberty Group from the grant date until that time.

The fair value of the medium term incentive plan was determined using the Black-Scholes model.

Details of awards granted to key management personnel are as follows:

Grant date/employees entitled	Number of awards	Vesting conditions	Contractual life of awards
Awards granted to key management personnel on 10 December 2020	129,964	Refer to vesting conditions of the Medium Term Incentive Plan	2 years

(iii) Liberty Group Employee Gift Offer (equity settled)

On 15 December 2020 the Liberty Group made an employee gift offer to each eligible employee of 166 stapled securities in the capital of the Liberty Group, which at grant date equated to a value of $996. In total 65,404 stapled securities were granted with a total value at Grant Date of $392,424. The stapled securities have vested to the employees and are currently held in trust on their behalf for a period of 3 years from grant date 15 December 2020. The employees are not able to dispose of the stapled securities whilst they are held in trust.

The fair value of the employee gift offer was determined using the Black-Scholes model.

(iv) IPO Bonus Security Rights (equity settled)

On 15 December 2020, the Liberty Group offered IPO Bonus Security Rights, a discretionary one-time issue, to eligible staff members. In total 14,195,947 IPO Bonus Security Rights were issued, with a total value of $12,750,000 at grant date. Each IPO Bonus Security Right provides a right to subscribe for one stapled security in the capital of the Liberty Group, at a price of $6.00 (the "exercise price"), at any point in time for a period of 15 years after Grant Date 15 December 2020 (the "exercise date"). The Liberty Group has the discretion to make a cash payment representing the difference between the exercise price and the value of the stapled securities at the exercise date instead of issuing the stapled securities.

The IPO Bonus Security Rights have the following restrictions:

- One-third of any Securities resulting from an exercise of the rights will be subject to a disposal restriction ending on the third anniversary of the Liberty Group's IPO;
- One-third of any Securities resulting from an exercise of the rights will be subject to a disposal restriction ending on the fourth anniversary of the Liberty Group's IPO; and
- One-third of any Securities resulting from an exercise of the rights will be subject to a disposal restriction ending on the fifth anniversary of the Liberty Group's IPO.

12 SHARE-BASED PAYMENT ARRANGEMENT (cont.)

(a) Description of share-based payment arrangements (cont.)

(iv) IPO Bonus Security Rights (equity settled) (cont.)

The fair value of the IPO bonus security rights was determined using the Black-Scholes model.

Details of rights granted to key management personnel are as follows:

Grant date/employees entitled	Number of rights	Vesting conditions	Contractual life of rights
Rights granted to key management personnel on 15 December 2020	1,336,154	Refer to vesting restrictions of the IPO Bonus Security Rights	15 years

(b) One-off Service fee

A one-off fee was paid to each Non-Executive Director for services provided by them in connection with the IPO. In total 60,000 securities were issued to the Non-Executive Directors with a total value of $360,000.

(c) Measurement of grant date fair values

As at 31 December 2021

	Medium Term Incentive Plan	
	Tranche 1 (see (a)(i))*	Tranche 2 (see (a)(i))*
Fair value at grant date	$5.20	$4.80
Security price at grant date	$5.66	$5.66
Exercise price	-	-
Expected volatility (Weighted average volatility)	32.50%	32.50%
Option life (expected weighted average life)	1 year	2 years
Expected distributions	8.00%	8.00%
Risk-free interest rate (based on government bonds)	0.68%	0.68%

*The terms of Tranche 1 and Tranche 2 of the Medium Term Incentive granted during the period ended 31 December 2021 are the same for Key Management Personnel and all other employees including senior managers.

As at 30 June 2021

	Medium Term Incentive Plan			
	Tranche 1 (see (a)(ii))*	Tranche 2 (see (a)(ii))*	Liberty Group Employee Gift Offer (see (a)(iii))	IPO Bonus Security Rights (see (a)(iv))**
Fair value at grant date	$5.69	$5.39	$6.00	$0.90
Security price at grant date	$6.00	$6.00	$6.00	$6.00
Exercise price	-	-	n/a	$6.00
Expected volatility (Weighted average volatility)	35.00%	35.00%	n/a	35.00%
Option life (expected weighted average life)	1 year	2 years	n/a	7.5 years
Expected distributions	5.50%	5.50%	n/a	5.50%
Risk-free interest rate (based on government bonds)	0.08%	0.08%	n/a	0.53%

*The terms of Tranche 1 and Tranche 2 of the Medium Term Incentive granted during the year ended 30 June 2021 are the same for Key Management Personnel and all other employees including senior managers.

**The terms of the IPO Bonus Security Rights granted during the year ended 30 June 2021 are the same for Key Management Personnel and all other employees including senior managers.

13 TRADE RECEIVABLES AND OTHER ASSETS

	Note	31 December 2021 $'000	30 June 2021 $'000
Loans to related parties	21	115,349	157,212
Insurance commission		105,192	98,897
Other assets		58,355	31,786
Other loans		2,871	3,263
		281,767	291,158

Current trade receivables and other assets are $192,219,000 (June 2021: $206,822,000) and non-current are $89,548,000 (June 2021: $84,336,000). Loans to related parties are unsecured.

14 FINANCIAL ASSETS

(a) Financial assets comprises:

	31 December 2021 $'000	30 June 2021 $'000
Gross financial assets	12,486,814	12,280,816
Net financial assets	12,528,565	12,314,699
Less:		
Specific provision for financial asset impairment	(12,362)	(21,034)
Collective provision for financial asset impairment	(52,884)	(54,274)
	12,463,319	12,239,391

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

(b) Contractual maturity analysis

	31 December 2021 $'000	30 June 2021 $'000
Not longer than 12 months	258,488	316,455
Longer than 12 months and less than 5 years	1,648,320	1,586,812
Greater than 5 years	10,556,511	10,336,124
	12,463,319	12,239,391

(c) Geographic concentration of financial assets

	31 December 2021 $'000	30 June 2021 $'000
New South Wales/ACT	3,825,191	3,810,744
Victoria/Tasmania	4,589,523	4,456,241
Queensland	2,273,565	2,225,416
Western Australia	1,001,775	1,020,604
South Australia/Northern Territory	517,366	496,594
New Zealand	255,899	229,792
	12,463,319	12,239,391

15 OTHER INVESTMENTS

	31 December 2021 $'000	30 June 2021 $'000
Corporate bonds	7,377	7,441
Other equity investments	52,199	41,711
	59,576	49,152

Current other investments are $6,160,000 (June 2021: $3,243,000) and non-current other investments are $53,416,000 (June 2021: $45,909,000) for the Liberty Group. Other equity investments are included within non-current other investments.

16 CASH AND CASH EQUIVALENTS

Restricted cash is cash reserves, maintained in accordance with the legal requirements of relevant securitisation Trust Deeds and available to meet certain shortfalls in respect of losses and liquidity. This cash is not available as free cash for the operations of the Liberty Group.

In addition to cash reserves, the Liberty Group held liquidity facilities at 31 December 2021 of $9,602,000 (June 2021: $5,352,000) with third parties. These liquidity facilities are available to meet liquidity shortfalls from time to time. To date, no reserves available to the Liberty Group have ever been utilised for the abovementioned purposes.

	31 December 2021 $'000	30 June 2021 $'000
Reconciliation of cash and cash equivalents		
Cash and cash equivalents at bank	670,353	499,218
Restricted cash	98,658	104,651
Total as disclosed in the statement of cash flows	769,011	603,869

17 INTANGIBLE ASSETS

(a) Carrying value	Goodwill $'000	Brand Name $'000	Development costs $'000	Intellectual property $'000	Total $'000
30 June 2021					
Cost and carrying value					
Balance at 1 July 2020	39,528	1,139	3,686	255,584	299,937
Additions/(disposals)	-	-	126	1,533	1,659
Amortisation	-	(143)	(559)	(11,869)	(12,571)
Foreign exchange movements	(34)	(4)	-	-	(38)
Balance at 30 June 2021	39,494	992	3,253	245,248	288,987

	Goodwill $'000	Brand Name $'000	Development costs $'000	Intellectual property $'000	Total $'000
31 December 2021					
Cost and carrying value					
Balance at 1 July 2021	39,494	992	3,253	245,248	288,987
Additions/(disposals)	-	-	90	-	90
Amortisation	-	(73)	(322)	(5,918)	(6,313)
Foreign exchange movements	95	12	-	-	107
Balance at 31 December 2021	39,589	931	3,021	239,330	282,871

(b) Impairment testing for cash generating units containing goodwill

Cash generating units	31 December 2021 $'000	30 June 2021 $'000
ALI	14,223	14,223
nMB	10,095	10,095
MoneyPlace	6,541	6,541
MPMH	1,683	1,665
MPRE	7,047	6,970
	39,589	39,494

The carrying amount of goodwill of each CGU is tested for impairment annually at each statutory reporting date and whenever there is an indicator that the asset may be impaired. If an asset is impaired, it is written down to its recoverable amount. The recoverable amount is based on a value in use calculation using cash flow projections based on the Board approved three-year plan. The cash flow projections are derived from running a number of budget scenarios to arrive at the single most likely view over the next three years, which is incorporated in the value in use model.

18 PAYABLES

	31 December 2021 $'000	30 June 2021 $'000
Distribution payable	563	16,760
Share-based payment liability	2,799	-
Interest payable	8,906	10,379
Trail commission	37,357	35,982
Contingent consideration	20,011	19,411
Payables and accruals	42,758	55,871
	112,394	138,403

Current payables are $81,012,000 (June 2021: $88,513,000) and non-current are $31,382,000 (June 2021: $49,890,000).

19 FINANCING

	31 December 2021 $'000	30 June 2021 $'000
Debt issues	8,709,751	9,589,241
Finance facilities	3,807,103	2,565,604
Deposits and unitholder liabilities	72,157	71,291
Loans from related parties	9,862	9,799
	12,598,873	12,235,935

Current financing are $2,335,241,000 (June 2021: $1,905,367,000) and non-current are $10,263,632,000 (June 2021: $10,330,568,000).

Debt issuances

The Liberty 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 Liberty Group has issued unsecured debt of $1,050,000,000 (June 2021: $1,050,000,000) which is due to mature between 2022 and 2026 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 Liberty Group entities are eliminated on consolidation.

Finance facilities

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

	31 December 2021 $'000	30 June 2021 $'000
Total facilities available	6,589,568	5,816,514
Facilities utilised at balance date	3,807,103	2,565,604
Facilities not used at balance date	2,782,465	3,250,910

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

Bank guarantees

Bank guarantees totalling $1,580,000 (June 2021: $1,376,000) have been provided by the Liberty Group in relation to credit card facilities, lease on premises and other matters. These guarantees are secured by the assets of the Liberty Group.

20 CAPITAL AND RESERVES

(a) Capital

Contributed equity

	31 December 2021 $	30 June 2021 $
303,600,000 stapled securities, fully paid	719,000,100	719,000,100

The holders of stapled securities are entitled to receive dividends and/or distributions as declared from time to time and are entitled to one vote per stapled security at meetings of the Company.

The Company does not have par value in respect of its stapled securities.

In the event of winding up, the stapled security holders are fully entitled to any proceeds of liquidation.

(b) Dividends and distributions

31 December 2021 Distribution information	Cents per stapled security	Total amount ($'000)	Date of payment
Interim 2022 distribution per stapled security	21.0	63,756	15 December 2021
Total		63,756	

No interim dividend was declared or paid during the period ending 31 December 2021.

20 CAPITAL AND RESERVES (cont.)

(b) Dividends and distributions (cont.)

30 June 2021 Distribution information	Cents per stapled security	Total amount ($'000)	Date of payment
Interim 2021 distribution per stapled security	21.9	66,386	10 December 2020
Final 2021 distribution per stapled security	24.4	74,107	31 August 2021
Total		140,493	

30 June 2021 Dividend information	Cents per stapled security	Total amount ($'000)	Date of payment	Franked/ unfranked
Interim 2021 dividend per stapled security	19.0	57,670	10 December 2020	100%
Final 2021 dividend per stapled security	-	-	-	
Total		57,670		

Dividends declared or paid during the year or after 30 June 2021 were franked with franking credits (13%) and exempting credits (87%).

MPRE paid a dividend to the previous non-controlling interest of $259,000 during the year ended 30 June 2021 (2020: $703,000). The Liberty Group now owns 100% of the equity in MPRE.

Dividend franking account

The amount of Australian franking credits available at the 30% tax rate to the Liberty Group for subsequent years is $11.4 million.

This is calculated from the franking account at year end adjusted for franking credits that will arise from the payment of income tax on profits for the current reporting period.

(c) Reserves

Translation reserve

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

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

Cash flow hedge reserve

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

Revaluation reserve

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

Common control reserve

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

Share-based payment reserve

Share-based payment reserve comprises of the Medium Term Incentive Plan and the IPO Bonus Security Rights.

21 RELATED PARTIES

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

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

	Ownership interest	
	31 December 2021	30 June 2021
	%	%
Entity name		
A.L.I. Group Pty Ltd	60	60
ALI Corporate Pty Ltd	60	60
ALI Equity Pty Ltd	60	60
Assured Credit Management Pty Ltd	100	100
Australian Life Insurance Administration Pty Ltd	60	60
Australian Life Insurance Distribution Pty Ltd	60	60
Australian Life Insurance Pty Ltd	60	60
Hero Trust	-	-
LFI Group Pty Ltd	100	100
Liberty Charlotte Trust	100	100
Liberty Credit Enhancement Company NZ Limited	100	100
Liberty Credit Enhancement Company Pty Ltd	100	100
Liberty Fiduciary Limited	100	100
Liberty Financial Limited	100	100
Liberty Financial Pty Ltd	100	100
Liberty Funding Pty Ltd	100	100
Liberty High Yield Fund	100	100
Liberty Network Services Pty Ltd	100	100
Liberty NZ Warehouse Trust No.1	100	100
Liberty PRIME Series 2021-1 Trust	100	100
Liberty PRIME Series 2021-2 Trust	100	-
Liberty Reps Funding Trust	100	100
Liberty Scarborough Trust	100	100
Liberty Series 2017-1 Auto Trust	100	100
Liberty Series 2017-1 SME Trust	-	100
Liberty Series 2017-2 Trust	-	100
Liberty Series 2017-3 Trust	-	100
Liberty Series 2017-4 Trust	-	100
Liberty Series 2018-1 Auto Trust	100	100
Liberty Series 2018-1 SME Trust	100	100
Liberty Series 2018-1 Trust	100	100
Liberty Series 2018-2 Trust	-	100
Liberty Series 2018-3 Trust	100	100
Liberty Series 2018-4 Trust	100	100
Liberty Series 2019-1 SME Trust	100	100
Liberty Series 2019-1 Trust	100	100
Liberty Series 2019-2 Trust	100	100
Liberty Series 2020-1 Auto Trust	100	100
Liberty Series 2020-1 Trust	100	100
Liberty Series 2020-2 Trust	100	100
Liberty Series 2020-3 Trust	100	100
Liberty Series 2020-4 Trust	100	100
Liberty Series 2021-1 SME Trust	100	-
Liberty Series 2021-1 Trust	100	100
Liberty Sirius Trust	100	100
Liberty Term Investment Fund	72	73
Liberty Warehouse Trust 2012-1	100	100
Liberty Warehouse Trust No.1	100	100
Liberty Wholesale Series 2021-1 Trust	100	-
Liberty Wholesale Series 2021-2 Trust	100	-
Liberty Wholesale Trust 2018-1	100	100
Liberty/CS Warehouse Trust 2011-1	100	100
LoanNET Pty Ltd	100	100
Mike Pero (New Zealand) Limited	100	100
Mike Pero Group Limited	100	100
Mike Pero Insurances Limited	100	100
Mike Pero Mortgages Limited	100	100
Mike Pero Real Estate Limited	100	100

21 RELATED PARTIES (cont.)

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

	Ownership interest	
	31 December 2021	**30 June 2021**
	%	**%**
Entity name		
Minerva Fiduciary Pty Ltd	100	100
Minerva Funding Pty Ltd	100	100
Minerva Funds Management Limited	100	100
Minerva Holding Trust	100	100
Money Place AFSL Limited	100	100
Money Place Assets Pty Ltd	100	100
Money Place Australia Pty Ltd	100	100
Money Place Holdings Pty Ltd	100	100
MoneyPlace Lending Platform	15	18
MoneyPlace Pty Ltd	100	100
Mosaic Financial Services Pty Ltd	100	100
MPMH Limited	100	100
MPRE Limited	100	100
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

ALI Corporate Pty Ltd
On 15 November 2017, the Liberty Group acquired preference shares in ALI Corporate Pty Ltd. In November 2020, all preference shares were converted to ordinary shares, resulting in the Liberty Group owning 60% of the equity in ALI Corporate Pty Ltd and its subsidiaries.

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

MoneyPlace Holdings Pty Ltd
On 16 June 2021, the Liberty Group acquired an additional 20% of shares in MoneyPlace Holdings Pty Ltd, resulting in 100% ownership of MoneyPlace Holdings Pty Ltd and its subsidiaries.

(b) Transactions with related parties

	Six months to 31 December 2021	**Six months to 31 December 2020**
	$	**$**
Statement of profit or loss and other comprehensive income items arising from related party transactions		
Distribution paid/payable to related parties of the Liberty Group	(49,337,299)	(63,059,774)
Interest income from related parties of the Liberty Group	2,093,181	5,984,159

	31 December 2021	**30 June 2021**
	$	**$**
Assets and liabilities arising from related party transactions		
Aggregate loans to related parties:		
Controlling entities	115,121,259	157,004,157
Other related parties	227,654	207,757
	115,348,913	157,211,914
Aggregate loans from related parties:		
Controlling entities	430,306	450,140
Other related parties	9,431,599	9,349,104
	9,861,905	9,799,244

21 RELATED PARTIES (cont.)

(c) Acquisition of non-controlling interests

In February 2021 the Liberty Group acquired 100% of equity in LFI Group Pty Ltd, which was previously accounted for as a non-controlling interest. The carrying amount of LFI Group Pty Ltd's net assets on the date of acquisition was $8,399,000.

	2021 $'000
Carrying amount of NCI acquired ($8,399,000 x 100%)	8,399
Consideration paid to NCI	(8,500)
Change in equity attributable to owners of the Liberty Group	(101)

22 CAPITAL COMMITMENTS AND CONTINGENCIES

There are no capital commitments as at 31 December 2021 (30 June 2021: nil). Contingent liabilities exist in relation to claims and/or possible claims against the Liberty Group which have not yet been resolved. An assessment of the likely outcome and potential loss to the Liberty Group has been made in respect of the identified claims, on a claim by claim basis, and specific provision has been made where it is considered probable that an outflow of economic benefits will occur and the amount can be reliably estimated. The Liberty 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.

23 EVENTS SUBSEQUENT TO BALANCE DATE

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

LIBERTY GROUP
DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

In the opinion of the directors of the Liberty Group:

(a) the consolidated financial statements and notes, set out on pages 6 to 38 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Liberty Group's financial position as at 31 December 2021 and of its performance for the half-year ended 31 December 2021; and

(ii) complying with the Australian Accounting Standard AASB *134 Interim Financial Reporting* and the *Corporations Regulations 2001* ; and

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

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

Signed in accordance with a resolution of the directors:

Richard Longes
Chair

Dated at Melbourne on 25 February 2022.

LIBERTY GROUP
CORPORATE DIRECTORY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Principal Registered Office

Liberty Group

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Stock Listing
Liberty Group is listed on the Australian Securities Exchange (ASX Code: LFG)

Independent Auditor's Review Report

To the stapled security holders of Liberty Financial Group

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Liberty Financial Group (the Stapled Group).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of the Stapled Group does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Stapled Group's*** financial position as at 31 December 2021 and of its performance for the Interim Period ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** of the Group comprises:

- Consolidated statement of financial position as at 31 December 2021;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the half-year ended 31 December 2021;
- Notes 1 to 23 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Stapled Group*** comprises Liberty Financial Group Limited and its controlled entities at the half year's end or from time to time during the half-year and Liberty Financial Group Trust and the entities it controlled at the half year's end or from time to time during the half-year.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Stapled Group and Liberty Financial Group Limited and Liberty Fiduciary Ltd (the Responsible Entity) in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Liberty Financial Group Limited are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001; and*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG	
KPMG	Dean Waters
	Partner
	Melbourne
	25 February 2022