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29 February 2024

Market Announcements Office ASX Limited Exchange Centre 20 Bridge Street SYDNEY NSW 2000

Dear Sir/Madam

AUSTRALIAN FINANCE GROUP LTD ANNOUNCES 1H FY24 RESULTS

Please refer to the following information in relation to Australian Finance Group Ltd's (ASX: AFG) half year results for the six months ended 31 December 2023.

Part 1: Appendix 4D and half year 2024 financial report.

Part 2: Appendix 3A.1: notification of dividend.

Part 3: 1H FY24 results market release.

Part 4: 1H FY24 results investor presentation.

David Bailey, Chief Executive Officer and Luca Pietropiccolo, Chief Financial Officer, will give a presentation to analysts and investors via a conference call at 11:00am (AEDT) today.

Authorised for disclosure by:

Michelle Palethorpe

Madelle

Company Secretary



Australian Finance Group Limited

ABN 11 066 385 822

Half-year Report and Appendix 4D

for the half-year ended 31 December 2023

Australian Finance Group Limited Half-year Report and Appendix 4D For the half-year ended 31 December 2023

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This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by Australian Finance Group Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Australian Finance Group Limited Appendix 4D For the half-year ended 31 December 2023

Half-year Report for the Period ending 31 December 2023

Reporting period is the half-year ended 31 December 2023 with the previous corresponding period to 31 December 2022.

Results for announcement to the market

	31 December 2023 \$'000	31 December 2022 \$'000	Increase / (Decrease) \$'000	% change
Revenue from operating activities	561,112	525,156	35,956	6.8%
NPAT from continuing operations attributable to equity holders of the Company	14,460	21,895	(7,435)	(34.0%)
NPATA from continuing operations ¹	15,641	23,076	(7,435)	(32.2%)
Underlying NPATA from continuing operations ²	17,878	25,585	(7,707)	(30.1%)

Net tangible asset backing per ordinary security				
("NTA") (Cents)	(393.1)	(394.4)	(1.3)	(0.3%)
Net tangible asset backing per ordinary security				
("NTA") including trail book contract asset (Cents) ³	36.8	40.4	(3.6)	(8.9%)

¹ NPATA is derived as net profit after tax and before amortisation of acquired intangibles. See reconciliation in Non-IFRS information section within the Directors' Report for further information.

³ In line with ASIC guidance NTA is shown without the inclusion of the trail book asset (contract asset) and right of use asset but including the associated trail commission payable. However, given the significant value of the trail book and its interrelationship with the trail book liability, NTA including the trail book asset has also been calculated and disclosed for both the current period to 31 December 2023 and the prior period to 31 December 2022.

Dividends	Amount per security	Franked Amount per security	
Interim dividend	4.0 cents	100%	
Previous corresponding period interim dividend	6.6 cents	100%	
Record date for determining entitlements to the interim dividend	8 March 2024		
Date the interim dividend is payable	25 March 2024		

Further results commentary and other significant information needed by an investor to make an informed assessment of our results are included in the accompanying half-year report.

This report is based on the consolidated half-year report which has been subject to a review by an independent auditor, Ernst & Young.

² Underlying NPATA from continuing operations is derived as net profit after tax and amortisation of acquired intangibles before changes in the carrying value of trailing commissions contract asset and payables and deferred tax adjustments due to a change in the tax treatment of the put/call option revaluation.

Australian Finance Group Limited Directors' report For the half-year ended 31 December 2023

The Directors submit the consolidated financial report of Australian Finance Group Limited ('the Company'), and its controlled entities ('the Group'), for the half-year ended 31 December 2023 and the auditor's report thereon.

Directors

The names of the Directors of the Company at any time during or since the end of the half-year are set out below. Directors were in office for the entire period, unless otherwise stated:

Name

Mr Brett McKeon Ms Jane Muirsmith

Mr Malcolm Watkins Mr Greg Medcraft

Mr Craig Carter Ms Annette King

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

Financial results

For the half-year ended 31 December 2023 the Group recorded a net profit after tax attributable to equity holders of \$14.5M recording a decrease of 34% or \$7.4M over the same period in 2022

Review and results of operations

The Group has navigated a challenging first half with its Distribution segment delivering earnings growth of 7% or \$1.8m underpinned by the strength of its strategic investments. The Manufacturing segment saw a decline in earnings of \$10.0m as competition intensified with the fight for market share driven by the major banks as their structural funding advantage peaked. Operating costs were well controlled reducing by 2%. Across the second quarter positive momentum built across the Group's diversified portfolio delivering good momentum into the second half of the 2024 financial year.

Underlying NPATA from continuing operations was down 30.1% when compared to the prior comparative period at \$17.9M (2022: \$25.6M).

The Group's Distribution segment, its higher return on capital business, saw an increase in its earnings of \$1.8m to \$26.8M. The higher earnings were the outcome of the Group's diversification of its earnings through its investments in Fintelligence and Broker Engine, which combined saw gross profit increase by \$1.8M to \$10.7m, while gross profit from its broker services increased by 9% to \$6.7M.

Settlements from the Group's residential business was flat at \$28.2B, although growth was reported in the second quarter. When compared to the second half of the 2023 financial year, the residential business was up \$3.2B or 13%. Commercial settlements increased \$0.4B to \$2.4B (2022: \$2.0B) and commercial loan book increasing \$1.7B to \$12.8B (2022: \$11.1B), while leasing and asset finance settlements increased to \$1.6B a \$0.4B increase or 28% due to the continued growth of AFG's Fintelligence business.

The Group's Manufacturing segment experienced a period of comparatively lower settlements through the first five months of the half, with AFG Securities (**AFGS**) settlements down 45.4% to \$582M (2022: \$1.1B). Lower settlements and higher run-off caused by an intense period of competition resulted in the AFGS loan book reducing 17% to \$4.1B (2022: \$4.9B) and AFGS net interest income decreasing by \$10.8M or 39.6% to \$16.5M (2022: \$27.3M) as funding costs reached their peak.

Facing a similar operating environment Thinktank, a commercial and residential lender, which AFG owns 32% saw its profit reduce significantly as its cost of funds increased affecting its net interest margin and settlements which decreased year on year. AFG's portion of Thinktank's profit for the December 2023 half was down \$2.2M to \$1.3M (2022: \$3.5M).

Combined, the Group's Manufacturing segment reported a profit before tax of \$8.6M a decrease of \$10.0M (2022: \$18.6M).

Australian Finance Group Limited Directors' report For the half-year ended 31 December 2023

Review and results of operations (continued)

Operating administration costs were lower despite a \$1.6M investment in set-up costs primarily relating to projects. Overall, operating administration costs were \$1.2M lower primarily due to \$0.8M in cost savings due to a smaller RMBS transaction than that completed in the prior year as well as lower people costs.

Income tax is higher mainly due to the change in tax treatment of the put/call option and share based payment reserve \$0.8M resulting in an effective tax rate of 32%.

During the six months to 31 December 2023, the group purchased the remaining 30% in BrokerEngine bringing the groups ownership in BrokerEngine to 100%. The Group also exercised the option to acquire an additional 8.33% interest in Fintelligence and bring the groups ownership percentage to 83.33% as at the end of the half year reporting period 31 December 2023. Combined the investment in increasing AFG's ownership for Fintelligence and BrokerEngine was \$10.2M.

Progress was made across each of the Group's three strategic pillars: 'Grow our broker network'; 'Leverage our distribution delivering higher margin'; and 'Provide market leading technology'. As a part of this progress the Group invested \$10.3M in advancing its technology for the six months to 31 December 2023.

Net cash flows from operating activities decreased 42% to \$14.3M (2022: \$24.7M). This was predominately due to the decrease in net interest income and higher income taxes paid. At balance date, cash, liquid assets and other high performing investments totalled \$236.4M (2022: \$246.8M).

In October 2023, AFG issued a \$750M RMBS transaction, this latest transaction (AFG 2023-1), was upsized from \$500M to \$750M demonstrating the strength of the program & support from both domestic & international investors.

The Directors are satisfied that the Group will continue as a going concern.

Non - IFRS financial information

The carrying value of our residential, commercial and AFGHL white label trail books are influenced amongst other things by the runoff and discount rates that are applied to these valuations. Excluding the non-cash entries to recognise the change in the net present value of the future trailing commission receivable and payable and the net change in the fair value of the put/call liability for Fintelligence and the deferred tax adjustment on put/call revaluation. The assessment of the trail loan book requires the use of assumptions which are determined by management, using a variety of inputs including external actuarial analysis of historical information, by reference to market observable inputs.

The following table reconciles the unaudited underlying earnings to the reported profit after tax for the period in accordance with Australian Accounting Standards:

Underlying NPATA from continuing operations

Change in the carrying value of trailing commissions contract asset and payables in the calculation of profit after tax

Deferred tax adjustment on put/call revaluation

Net change in fair value of put/call liability of Fintelligence

NPATA from continuing operations

31 December 2023			31 Decem	ber 2022
Operating	Profit		Operating	Profit
income	After Tax		income	After Tax
\$'000	\$'000		\$'000	\$'000
541,887	17,878		504,391	25,585
19,225	(1,383)		20,765	(1,709)
-	(854)		-	-
-	-			(800)
561,112	15,641		525,156	23,076

Australian Finance Group Limited Directors' report For the half-year ended 31 December 2023

Non – IFRS financial information (continued)

The following table reconciles NPATA to the reported profit after tax for the period in accordance with Australian Accounting Standards:

·	31 December 2023 \$'000	31 December 2022 \$'000
NPAT from continuing operations attributable to equity holders of the Company	14,460	21,895
Amortisation of intangibles acquired	1,181	1,181
NPATA from continuing operations	15,641	23,076
Change in the carrying value of trailing commissions contract asset and payables	1,383	1,709
Deferred tax adjustment on put/call revaluation	854	-
Net change in fair value of Fintelligence put/call liability	-	800
Underlying NPATA from continuing operations	17,878	25,585

The impact of the change in the present value of the contract asset (31 December 2023 \$1,158M and 30 June 2023 \$1,139M) and trailing commission payable (31 December 2023 \$1,064M and 30 June 2023 \$1,043M) on the profit after tax have been shown net as this illustrates the results excluding the movement in the trail book.

Auditor's independence declaration

The auditor's independence declaration is included on page 24 of the half-year report.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) and where noted (\$'000) under the option available to the Company under ASIC Corporations Instrument 2016/191. The Company is an entity to which the class order applies.

This report is signed in accordance with a resolution of the Directors.

On behalf of the Directors

Miller

Greg Medcraft Chairman

Dated at Sydney this 28 February, 2024

Australian Finance Group Limited Consolidated Statement of Profit or Loss and Other Comprehensive Income For the half-year ended 31 December 2023

In thousands of AUD			
	Note	31 December 2023	31 December 2022
Commission and other income	4 (i)	421,869	405,354
Securitisation interest income		139,243	119,802
Operating income		561,112	525,156
Commission and other cost of sales		(385,416)	(370,628)
Securitisation interest expense		(122,788)	(92,551)
Gross profit		52,908	61,977
Other income		11,358	11,535
Administration expenses		(4,584)	(5,782)
Other expenses	4 (ii)	(40,600)	(40,095)
Results from operating activities		19,082	27,635
Finance income		4,124	2,442
Finance expense		(1,889)	(1,552)
Net change in fair value of financial assets and liabilities at			
fair value through profit or loss	11	-	(800)
Share of profit of an associate		1,305	3,509
Net finance and investing income		3,540	3,599
Profit before tax from continuing operations		22,622	31,234
Income tax expense		(7,291)	(8,587)
Profit for the period		15,331	22,647
Profit attributable to:			
Equity holders of the Company		14,460	21,895
Non-controlling interests		871	752
		15,331	22,647
Total comprehensive income for the period attributable to:			
Equity holders of the Company		14,460	21,895
Non controlling interests		871	752
· ·		15,331	22,647
Farnings per chara			
Earnings per share Basic earnings per share (cents per share)		5.34	8.10
Diluted earnings per share (cents per share)		5.26	7.98
Shakea sarriingo por sharo (sonto por sharo)		0.20	7.50

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the financial statements.

Australian Finance Group Limited Consolidated Statement of Financial Position For the half-year ended 31 December 2023

In thousands of AUD Assets	Note	31 December 2023	30 June 2023
Cash unrestricted	4 (iii)	65,910	60,031
Cash restricted	4 (iii)	144,732	162,211
Trade and other receivables	. ()	12,899	15,099
Current tax receivable		3,324	-
Contract assets		1,158,708	1,139,483
Loans and advances		4,118,955	4,487,966
Investment in associates	8	38,785	37,480
Property, plant and equipment	Ü	735	704
Right of use assets		5,474	6,499
Deferred tax asset		5,474	148
Intangible assets	9	42,171	34,166
Goodwill	10	61,080	61,080
Total assets	.0	5,652,773	6,004,867
Liabilities			
Trade and other payables		1,165,543	1,145,223
Interest-bearing liabilities		4,229,123	4,590,914
Non interest-bearing liabilities	11	11,753	22,000
Employee benefits		6,346	6,391
Current tax payable		- 0,010	3,188
Provisions		1,557	1,850
Contract liabilities		3,407	5,715
Lease liabilities		5,996	7,037
Deferred tax liability		26,089	22,777
Total liabilities		5,449,814	5,805,095
Net assets		202,959	199,772
Equity			
Share capital		102 125	102 125
Share-based payment reserve		102,125	102,125 7,278
Retained earnings		7,554	
Other capital reserves		93,223	89,867
Equity reserve		(29)	(29)
Total equity attributable to equity holders of the Company		(18,200)	(20,180)
Non-controlling interest		184,673	179,061
Equity		18,286	20,711
Lyuny		202,959	199,772

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

Australian Finance Group Limited Consolidated Statement of Changes in Equity For the half-year ended 31 December 2023

In thousands of AUD	Share capital	Foreign currency translation reserve	Share- based payment reserve	Equity reserve	Retained earnings	Total	Non- controlling interest	Total equity
Balance at 1 July 2023	102,125	(29)	7,278	(20,180)	89,867	179,061	20,711	199,772
Total comprehensive income for the								
period								
Profit			_		14,460	14,460	871	15,331
Total comprehensive income for the period	-	-	-	-	14,460	14,460	871	15,331
Transactions with owners, recorded								
directly in equity								
Dividends to equity holders	-	-	-	-	(11,104)	(11,104)	(1,316)	(12,420)
Share-based payment transactions	-	-	276	-	-	276	-	276
Acquisition of non-controlling interest	-	-	-	1,980	-	1,980	(1,980)	-
Total transactions with owners	-	-	276	1,980	(11,104)	(8,848)	(3,296)	(12,144)
Balance at 31 December 2023	102,125	(29)	7,554	(18,200)	93,223	184,673	18,286	202,959
Balance at 1 July 2022	102,125	(29)	6,067	(20,180)	96,337	184,320	21,115	205,435
Total comprehensive income for the								
period								
Profit	_	-	-	-	21,895	21,895	752	22,647
Total comprehensive income for the period	-	-	-	-	21,895	21,895	752	22,647
Transactions with owners, recorded								
directly in equity								
Dividends to equity holders	-	-	-	-	(27,546)	(27,546)	-	(27,546)
Share-based payment transactions	-	-	1,137	-	-	1,137	-	1,137
Total transactions with owners	-	-	1,137	-	(27,546)	(26,409)	-	(26,409)
Balance at 31 December 2022	102,125	(29)	7,204	(20,180)	90,686	179,806	21,867	201,673

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

Australian Finance Group Limited Consolidated Statement of Cash Flows For the half-year ended 31 December 2023

In thousands of AUD	Note	31 December 2023	31 December 2022
Cash flows from operating activities			
Cash receipts from customers		412,015	389,034
Cash paid to suppliers and employees		(401,169)	(384,043)
Interest received		139,243	119,802
Interest paid		(124,611)	(93,957)
Income taxes paid		(11,213)	(6,111)
Net cash generated by operating activities		14,265	24,725
Cash flows from/(used in) investing activities			
Net interest received		4,126	2,442
Acquisition of property, plant and equipment		(269)	(170)
Purchase of intangible assets		(10,296)	(1,086)
Purchase of additional interest in subsidiaries		(10,247)	(924)
Broker loans and advances		1,017	465
Net loans and advances from/(to) borrowers		365,517	(139,603)
Net cash from/(used in) investing activities		349,848	(138,876)
Cash flows (used in)/from financing activities			
Repayments of warehouse facility		(3,416,391)	(1,529,274)
Proceeds from warehouse facility		3,131,833	1,507,420
Repayments to securitised funding facilities		(782,015)	(717,428)
Proceeds from securitised funding facilities		699,662	891,500
Repayments of debt facility		(2,625)	(5,652)
Proceeds from debt facility		7,500	-
Payment of principal proportion of lease liability		(1,256)	(1,225)
Dividends paid to equity holders of the parent		(11,104)	(27,546)
Dividends paid to non-controlling interests		(1,317)	<u> </u>
Net cash (used in)/from financing activities		(375,713)	117,795
Net (decrease)/increase in cash and cash equivalents		(11,600)	3,644
Cash and cash equivalents at the beginning of the period		222,242	268,585
Cash and cash equivalents at the end of the period	4 (iii)	210,642	272,229
·	-, (111)	210,042	212,223

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

1. Reporting entity

The consolidated financial statements for the half-year ended 31 December 2023 comprise Australian Finance Group Limited (the 'Company'), which is a for profit entity and a company domiciled in Australia and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates and jointly controlled entities. The Group's principal activities in the course of the reporting period were mortgage origination and lending. The Company's principal place of business is 100 Havelock Street, West Perth, Western Australia.

2. Basis of preparation and significant accounting policies

(a) Statement of compliance

The half-year report is an interim financial report which has been prepared in accordance with AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

(b) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except for the following material items:

- Payables relating to trailing commission are initially measured at fair value and subsequently at amortised cost;
- Contract assets relating to trailing commission are measured using expected value method; and
- Financial instruments at fair value through profit or loss are measured at fair value.

All amounts are presented in Australian dollars ("AUD"), unless otherwise noted.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000's) unless otherwise stated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2023 annual financial report for the financial year ended 30 June 2023, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(c) Significant accounting policies

(i) Adoption of new and revised Accounting Standards

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2024, but do not have an impact on the interim condensed consolidated financial statements of the Group.

2. Basis of preparation and significant accounting policies (continued)

(c) Significant accounting policies (continued)

(ii) Accounting Standards and Interpretations issued but not yet effective

(iii) Affected Standards and Interpretations	Effective date	Application date for Group
AASB 17 Insurance Contracts	1 January 2023	1 July 2024
AASB 2020-1 Amendments to Australian Accounting Standards ("AAS") – Classification of Liabilities as Current or non-current	1 January 2023	1 July 2024
AASB 2021-2 Amendments to AASs –Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	1 July 2024
AASB 2021-5 Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	1 July 2024
AASB 2021-6 Amendments to AASs – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards	1 January 2023	1 July 2024
AASB 2022-1 Amendments to AASs - Initial Application of AASB 17 and AASB 9 – Comparative Information	1 January 2023	1 July 2024
AASB 2022-6 Amendments to AASs – Non-current Liabilities with Covenants	1 January 2023	1 July 2024
AASB 2022-7 Editorial Corrections to AASs and Repeal of Superseded and Redundant Standards	1 January 2023	1 July 2024
AASB 2022-8 Amendments to AASs – Insurance Contracts: Consequential Amendments	1 January 2023	1 July 2024
AASB 2023-2 Amendments to AASB 112 – International Tax Reform Pillar Two Model Rules	23 May 2023	1 July 2024
AASB 2023-1 Amendments to AASs – Amendments to AASB 107 and AASB 7 – Disclosures of Supplier Finance Arrangements	1 January 2024	1 July 2025
AASB 2022-5 Amendments to AASs – Lease Liability in a Sale and Leaseback	1 January 2024	1 July 2025
AASB 2022-10 Amendments to AASs – Fair Value Measurement of non-financial assts of not-for-profit Public Sector Entities	1 January 2024	1 July 2025
AASB 2014-10 Amendments to AASs – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture	1 January 2025	1 July 2026
AASB 2022-9 Amendments to AASs – Insurance Contracts in the Public Sector	1 July 2026	1 July 2026
AASB 2023-5 Amendments to Australian Accounting Standards – Lack of Exchangeability	1 January 2025	1 July 2026

3. Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports about business activities in which the Group is engaged and that are regularly received by the chief operating decision maker, the Board of Directors, in order to allocate resources to the segment and to assess its performance.

Previously the Group's identifiable segments were Aggregation, AFG Home Loans (AFGHL's) and Other. During the current period, the Group has revised the reportable segments based on the nature of the products and services, the type of customers for those products and services, and the similarity of their economic characteristics, including risk profiles. These changes have no impact on the Group's consolidated financial results.

3. Segment information (continued)

The revised segments are Distribution, Manufacturing and Central. These segments better reflect the way in which the Board of Directors manages and assesses the business and its' performance.

In revising the segments, the following notable changes were made during the period:

- The Distribution segment includes the core aggregation services and associated activities. This segment also includes White Label commissions on the basis that the Group is not exposed to credit risk on these products.
- The Manufacturing segment includes AFG Securities mortgages, being the securitised loans issued by AFG Securities Pty Ltd, that are distributed through the Group's broker network.
- Shared service operating expenditure that was previously held in Aggregation have been recognised in Central to the extent that it is not directly attributable to either the Distribution or Manufacturing segments. Segment results that are reported to the Board of Directors include items directly attributable to the relevant segment as well as those that can be allocated on a reasonable basis and where the Board of Directors' do not consider this information on a segment basis.
- Intersegment revenue and expenses are included in the segment results for Distributions and Manufacturing.
 Eliminations are made in Central to reflect the Group position and predominately relate to the elimination of broker fees and commissions paid from the Manufacturing business to the Distributions business.

The prior period segment information presented below for 31 December 2022 has been restated to reflect the revised segments.

The following summary describes the operations in each of the Group's reportable segments:

Distribution

The distribution segment refers to the core aggregation services through AFG and Fintelligence in which these entities act as a mortgage broker that provides its contracted brokers with administrative and infrastructure support as well as access to a panel of lenders. The Group receives fees and two types of commission payments on loans originated through its network, as described below:

Upfront commissions or one-off commissions on settled loans – Upfront commissions are received from lenders as a percentage of the total amount borrowed. Once a loan settles, the Group receives a one-off payment linked to the total amount borrowed as an upfront commission, a large portion of which is then paid by to the originating broker.

Trail commissions on the loan book – Trail commissions are received from lenders over the life of the loan (if it is in good order and not in default), as a percentage of the particular loan's outstanding balance. The trail book represents the aggregate of mortgages outstanding that have been originated by AFG brokers and are generating trail income.

This segment also includes White Label AFG Home Loans Commissions.

Manufacturing

The manufacturing segment refers to AFG Securities mortgages (Securitised loans issued by AFG Securities Pty Ltd) that are distributed through the Group's broker network. The segment earns fees for services and net interest margin on its securitisation programme. The manufacturing segment also includes AFG's 31.99% investment in Thinktank (commercial and residential).

3. Segment information (continued)

Central

Central costs include various centralised functions which provide services to both the Distribution and Manufacturing segments, including, but not limited to, information technology, finance and human resources. Segment results that are reported to the Board of Directors include items directly attributable to the relevant segment as well as those that can be allocated on a reasonable basis, with the remaining costs included in Central

Central also includes intercompany transactions between Distribution and Manufacturing Segments and predominately relate to the elimination of broker fees and commissions paid from the Manufacturing business to the Distributions business.

Information regarding the results of each reportable segment is included in the segment note.

Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Board of Directors.

Half-year ended 31 December 2023	Distribution	Manufacturing	Central	Total
In thousands of AUD				
Income				
Operating Income	428,160	141,629	(8,677)	561,112
Other income	11,248	110	-	11,358
Finance income	1,151	2,973	-	4,124
Share of profit of an associate	5	1,300	-	1,305
Total segment income	440,564	146,012	(8,677)	577,899
Timing of revenue recognition				
At a point in time	389,503	4,488	(8,677)	385,314
Over time	51,061	141,524	· · · · · · · · · · · · · · · · · · ·	192,585
Results				
Segment results	26,756	8,607	(12,741)	22,622
Income tax expense				(7,291)
Net profit after tax				15,331
Assets and Liabilities				
Total segment assets	4 0 40 000	4 000 450	0.000	F 050 770
· ·	1,343,328	4,303,156	6,289	5,652,773
Total segment liabilities	1,244,142	4,200,064	5,608	5,449,814
Other segment information				
Depreciation and amortisation	(2,428)	(27)	(1,097)	(3,552)

3. Segment information (continued)

RESTATED Half-year ended 31 December 2022	Distribution	Manufacturing	Central	Total
Income				
	440 550	400.040	(40.040)	F0F 4F0
Operating income	416,558	122,246	(13,648)	525,156
Other income	11,407	128	-	11,535
Finance income	758	1,684	-	2,442
Share of profit of an associate	(5)	3,514	-	3,509
Total segment income	428,718	127,572	(13,648)	542,642
Timing of revenue recognition				
At a point in time	377,657	3,318	(13,648)	367,327
Overtime	51,061	124,254	-	174,315
Results				
Segment results	24,969	18,607	(12,342)	31,234
Income tax expense				(8,587)
Net profit after tax				22,647
Assets and Liabilities				
Total segment assets	1,351,253	5,173,723	5,385	6,530,361
Total segment liabilities	1,248,232	5,072,739	7,717	6,328,688
Other segment information				
Depreciation and amortisation	(2,308)	(22)	(1,054)	(3,384)

4. Results for the period

(i)) R	e	v	е	n	u	е

In thousands of AUD	31 December 2023	31 December 2022
III (IIOUSanos of AOD		
Commission and other income		
At a point in time		
Commissions	375,705	358,485
Securitisation transaction fees	1,631	1,644
Over time		
Interest on commission income receivable	40,575	41,868
Subscription income	2,245	1,482
Mortgage management services	120	183
Securitisation transaction fees	675	682
Other income	918	1,010
	421,869	405,354

(ii) Expenses

In thousands of AUD	31 December 2023	31 December 2022
Other expenses		
Advertising and promotion	(3,901)	(4,807)
Consultancy and professional fees	(3,479)	(2,939)
Information technology	(5,057)	(4,015)
Occupancy costs	(268)	(222)
Employee costs	(24,343)	(24,728)
Depreciation and amortisation	(3,552)	(3,384)
	(40,600)	(40,095)

(iii) Cash and cash equivalents

In thousands of AUD	31 December 2023	30 June 2023
Cash at bank	64,660	58,781
Short term deposits	1,250	1,250
Unrestricted cash	65,910	60,031
Cash collections accounts ¹	138,003	148,943
Restricted cash ²	6,729	13,268
Restricted cash	144,732	162,211
Cash and cash equivalents	210,642	222,242
Cash and cash equivalents in the Statement of Cash		· · · · · · · · · · · · · · · · · · ·
Flows	210,642	222,242

¹⁾ Discloses amounts held in the special purpose securitised trusts and series on behalf of the warehouse funder and the

Discloses cash collateralised standby letter of credit, liquidity reserve account and cash provided in trust by the warehouse providers to fund pending settlements.

5. Dividends

	Note	Half-year ended 31 December 2023		Half-yea 31 Decem	
		Cents per share	Total \$'000	Cents per share	Total \$'000
Unrecognised amounts Interim dividend - fully franked	13	4.0	10,831	6.6	17,837

6. Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report. During the half year there were no changes in the key management personnel remuneration structure.

7. Financial instruments

Accounting classifications and fair values

Fair value hierarchy

The different levels have been defined as follows:

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

Fair value of financial assets and liabilities that are not measured at fair value (but fair value disclosures are required)

The table below reflects the fair value of the trail commission payable, non-current loans and advances and non-current securitised funding facilities. The carrying amount of all the other financial assets and liabilities recognised in the Statement of Financial Position approximate their fair value due to their short-term nature or on account of being measured at fair value through Profit or Loss.

	31 December 2023		30 June 2023	
In thousands of AUD	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets Non-current loans and advances	2,396,737	2,146,954	2,795,087	2,508,023
Financial liabilities Future Trailing commission payable ¹ Non-current securitised funding facilities	1,064,534 1,977,454	1,056,490 1,765,753	1,043,332 1,967,867	1,034,331 1,762,058
Non-current debt facility	44,250	44,250	39,375	33,744

¹ Note a 5% discount rate is applied to the Fair value calculations. Run off rate and pay out percentage remain consistent with the carrying value calculation assumptions.

7. Financial instruments (continued)

Loans and advances

The fair values of loans and advances are estimated using a discounted cash flow analysis, based on current lending rates for similar types of lending arrangements ranging from 5.5% to 10.9% (2022: 4.2% to 9.6%).

For the purpose of fair value disclosure under AASB 13 Fair Value Measurement, the loans and advances would be categorised as a level 3 asset where the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Future Trailing commission payable

Trailing commissions are received from lenders on settled loans over the life of the loan based on the loan book balance outstanding if the respective loans are in good order and not in default. The Group is entitled to the trailing commissions without having to perform further services. The Group also makes trailing commission payments to Members when trailing commission is received from lenders. Trail commissions are actuarially assessed on future cashflow based on a number of assumptions including estimated loan life, discount rate, payout ratio and income rate.

The trail commission assets and liabilities at 31 December 2023 relate to the Residential, Commercial and the AFGHL white label loan books.

The movement in the future trail commission balances for the period are mostly attributable to the growth of the respective trail books over the financial year as opposed to any significant changes in the assumptions applied.

The fair value of trailing commission contract asset from lenders and the corresponding payable to members is determined by using a discounted cash flow valuation. These calculations require the use of assumptions which are determined by management, reviewed by external actuaries, by reference to market observable inputs. The valuation is classified as level 3 in the fair value measurement hierarchy.

The key assumptions underlying the carrying value calculations of trailing commission receivable and the corresponding payable to members at the reporting date is summarised in the following table:

	31 December 2023	30 June 2023
Average loan life	Between 3.5 and 4.4 years	Between 3.6 and 4.5 years
Discount rate per annum	Between 4% and 13.5%	Between 4% and 13.5%
Percentage paid to brokers	Between 85% and 95.7%	Between 85% and 95.5%

Securitised funding facilities

The fair values of securitised funding facilities are estimated using discounted cash flow analysis, based on current borrowing rates for similar types of borrowing arrangements ranging from 5.3% to 6.3%.

For the purposes of fair value disclosure under AASB 13 Fair Value Measurement, the subordinated notes would be categorised as a level 3 liability where the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Debt Facility

The fair values of the debt facility is estimated using quoted market prices or dealer quotes for similar instruments.

For the purposes of fair value disclosure under AASB 13 Fair Value Measurement, the NAB debt facility would be categorised as a level 2 liability. There is no impact of remeasurement on the profit or loss during the current period.

8. Investment in associates

In thousands of AUD

Non-current	31 December 2023	30 June 2023
Thinktank		
Cost of investment ¹	12,629	12,629
Share of post-acquisition profit	22,796	21,491
Dividends received	(515)	(515)
Purchase additional shares	725	725
	35,635	34,330
MAB		
Cost of investment ¹	3,700	3,700
Share of post-acquisition loss	(550)	(550)
	3,150	3,150
	38,785	37,480

¹Includes transaction costs

Associates are all entities over which the Group has significant influence but not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. These investments have been clarified as investments in an associate due to the Group's significant involvement in the financial and operating policy decisions including Board representation.

Thinktank Investment

AFG holds a 31.99% investment in Thinktank Group Pty Ltd ("Thinktank"). Principal place of business, Sydney NSW Australia. In connection with the investment AFG distributes a white label Commercial Property product through its network of brokers. The investment in Thinktank allows AFG to participate further in commercial property lending - both directly through the white label opportunity and indirectly through AFG's shareholding to generate further earnings for AFG.

MAB Broker Services Pty Ltd Investment

AFG holds a 48.05% investment in MAB Broker Services Pty Ltd ("MAB"). Principal place of business, Sydney NSW Australia.

9. Intangibles

In thousands of AUD	\$'000
Balance at 1 July 2023 Additions Amortisation Balance at 31 Dec 2023	34,166 10,296 (2,291) 42,171
Balance at 31 Dec 2022 Acquisitions Additions Amortisation Balance at 30 Jun 2023	30,847 890 4,780 (2,351) 34,166

10. Goodwill

In thousands of AUD	\$'000
Balance at 1 July 2023 Acquisitions	61,080
Balance at 31 Dec 2023	61,080
Balance at 31 Dec 2022 Acquisitions	61,080
Balance at 30 Jun 2023	61,080

The Group performs its annual impairment test in June and when circumstances indicate that the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculation using 5-year financial forecasts. The key assumptions used to determine the recoverable amount for the cash generating unit was disclosed in the annual consolidated financial statements for the year ended 30 June 2023.

As at 31 December 2023, no impairment indicator exists that require an assessment for impairment of the cash generating unit with goodwill.

11. Non-interest-bearing liabilities

In thousands of AUD		31 December 2023	30 June 2023
Put/Call liability Fintelligence	(i)	11,753	19,000
Put/Call liability BrokerEngine	(ii)	-	3,000
		11,753	22,000

(i) On 22 December 2021, the Group acquired a 75% stake in leading asset finance aggregator, National Finance Alliance Pty Ltd, trading as Fintelligence. AFG had an exclusive call option to acquire the remaining 25% interest in Fintelligence over the next two and a half years with value linked to Fintelligence achieving agreed milestones. The minority shareholders also have a similar put option to require AFG to purchase the remaining 25% interest in Fintelligence on the same terms as the call option.

The put and call option to acquire the remaining 25% of the business is exercisable evenly across FY23, FY24 and FY25 and is subject to a valuation matrix based on profitability and broker numbers. The exercise of the FY23 and FY24 options can be deferred until FY24 and FY25 or all until FY25 at the election of the minority shareholders. The put and call option cannot be deferred beyond FY25. The Group has recognised a liability in relation to this option against an equity reserve. The exercise price and the timing for the exercise of the put/call options is variable until FY25 and could result in a subsequent revision to the put/call liability recognised. Any changes to the fair value of the liability will be subsequently measured at fair value through profit or loss.

On 30 September 2023, the Group exercised the FY23 option and acquired an additional 8.33% holding in Fintelligence bringing the Groups current holdings as of 31 December 2023 to 83.33%.

The fair value of the remaining 16.67% liability was assessed at 31 December 2023. The forecasted cash flows were updated with the latest forecast and the discount rate was reassessed and risk adjusted where necessary. As a result of this assessment the Put/Call Liability for Fintelligence is now held at \$11.8M.

(ii) On 12 January 2022, the Group completed the acquisition of a 70% stake in leading mortgage broker software business, BrokerEngine. The acquisition supports AFG and BrokerEngine's shared mission to build technology solutions to drive business growth and enhance customer outcomes in the Australian mortgage industry. BrokerEngine is a highly successful mortgage broker workflow platform used by brokers across the industry, including many AFG brokers. As part of the transaction, AFG had an option to increase its stake to 100%, subject to performance hurdles.

The put and call option to acquire the remaining 30% of the business was exercisable in FY24 (two years after completion of the transaction). On 31 August 2023, the Group agreed on a variation and payment agreement, which resulted in AFG agreeing to buyout the remaining 30% shareholding in BrokerEngine early. As a result, the Group made a cash payment of \$3.0M and increased its ownership to 100% in BrokerEngine. The put/call option for BrokerEngine is no longer required at 31 December 2023.

12. Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects in the income and share data used in the basic and dilutive EPS computations:

In thousands of AUD	31 December 2023	31 December 2022
Profit attributable to ordinary equity holders of the Company	14,460	21,895
	Thousands	Thousands
Weighted average number of ordinary shares for basic EPS (thousands)	270,769	270,258
Effect of dilution:		
Performance rights	4,138	4,067
Weighted average number of ordinary shares adjusted for the effect of dilution	274,907	274,325

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

13. Subsequent events

On 28 February 2024, the Directors recommended the payment of an interim dividend of 4.0 cents fully franked based on tax paid at 30%. The interim dividends have a record date of 8 March 2024 and a payment date of 25 March 2024. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 31 December 2023 is \$10,831k. The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2023.

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Australian Finance Group Limited Directors' Declaration For the half-year ended 31 December 2023

In accordance with a resolution of the Directors of Australian Finance Group Limited (the Company), I state that:

In the opinion of the Directors:

- (a) the interim financial statements and notes of the Company and its subsidiaries (collectively the Group) are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Milanto

Greg Medcraft Chairman

Dated at Sydney this 28 February 2024



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Auditor's Independence Declaration to the Directors of Australian Finance Group Limited

As lead auditor for the review of the half-year financial report of Australian Finance Group Limited for the half-year ended 31 December 2023, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Australian Finance Group Limited and the entities it controlled during the financial period.

Ernst & Young

Fiona Drummond Partner 28 February 2024



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Independent auditor's review report to the members of Australian Finance Group Limited

Conclusion

We have reviewed the accompanying half-year financial report of Australian Finance Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the 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 on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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 (ASRE 2410). Our responsibilities are further described in the Auditor's responsibilities for the review of the half-year financial report section of our report. We are independent of the Group 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 the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year 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 half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Ernst & Young

Fiona Drummond Partner Perth

28 February 2024