4/100 Havelock Street
West Perth WA 6005

PO Box 710
West Perth WA 6872

30 August 2024

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

Dear Sir/Madam

AUSTRALIAN FINANCE GROUP LTD ANNOUNCES FY24 RESULTS and 2024 ANNUAL GENERAL MEETING DATE

Please refer to the following information in relation to Australian Finance Group Ltd's (ASX: AFG) results for the year ended 30 June 2024.

Part 1:	Appendix 4E and 2024 Annual Report
Part 2:	FY24 Dividend Payment
Part 3:	FY24 Results – Investor Presentation
Part 4:	FY24 Market Release
Part 5:	FY24 Appendix 4G and Corporate Governance Statement

Annual General Meeting

In accordance with ASX Listing Rule 3.13.1, Australian Finance Group Ltd advises that its Annual General Meeting will be held in Perth, Western Australia on Friday, 18 October 2024.

Investor Briefing

David Bailey, Chief Executive Officer, and Luca Pietropiccolo, Chief Financial Officer, will give a presentation to analysts and investors via a conference call at 10:00am AEST today. To participate in the call, please pre-register using the following link: https://s1.c-conf.com/diamondpass/10040601-abzh3u.html.

Pre-registered participants will receive a calendar invite including a phone number to join the conference call, and a unique code which is to be quoted when dialing into the call.

Authorised for disclosure by:

Michelle Palethorpe
Company Secretary

CONTACT DETAILS

Alison Clarke, AFG Head of Corporate Communications — Mob 0402 781 367
David Bailey, CEO — Tel (08) 9420 7888

Appendix 4E
(ASX Listing Rules 4.3A)

Report for the year ended 30 June 2024

Reporting period is the year ended 30 June 2024 with the previous corresponding period the year ended 30 June 2023.

Results for announcement to the market

	30 June 2024 $'000	30 June 2023 $'000	Increase / (Decrease) $'000	% Change
Revenue from operating activities	1,075,277	1,002,836	72,441	7.2%
Net profit after tax (NPAT) from continuing operations attributable to equity holders of the Company	28,975	37,312	(8,337)	(22.3%)
Net profit for the period after tax and before amorti-sation (NPATA)[1]	31,337	39,674	(8,337)	(21.0%)
Underlying NPATA from continuing operations[2]	36,101	48,313	(12,212)	(25.3%)
Net tangible assets backing per ordinary security (NTA) (cents)	(389.0)	(385.7)	(3.3)	0.9%
Net tangible asset backing per ordinary security (NTA) including trail book contract asset (cents)[3]	31.7	38.6	(6.9)	(17.9%)

1. NPATA is derived as net profit after tax and before amortisation of acquired intangible assets. See reconciliation in non-IFRS information section for further information.
2. Underlying NPATA is non-IFRS financial information. Refer to non-IFRS information section for further information.
3. In line with ASIC guidance NTA is shown without the inclusion of the trail book asset (contract 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, a more accurate representation would be to include the trail book asset. Therefore, NTA including the trail book asset has also been calculated and disclosed for both the current period to 30 June 2024 and the prior period to 30 June 2023.

Dividends

On 30 August 2024, the Company declared a fully franked final dividend of 4.0 cents per share with respect to the year ending 30 June 2024.

Record date for determining entitlements to the dividend	5:00 pm (WST) 10 September 2024
Date the final dividend is payable	11 October 2024

The Company paid an interim dividend during the year of 4.0 cents per share:

Record date	Payment date	Type	Cents per share	Total amount	% Franked
8 March 2024	25 March 2024	Interim	4.0	$10,831k	100%

Financial results

Statutory net profit after tax for the period attributable to equity holders was $28,975k (2023: $37,312k). Underlying NPATA results from continuing operations excluding significant was $36,101k for the period (2023: $48,313k).

Non – IFRS financial information

The financial measure NPATA and underlying profit after tax provides useful information to investors. This financial information, in addition to financial data prepared in accordance with IFRS, provides a more transparent understanding of the business' performance. NPATA reflects adjustments for the amortisation of intangibles acquired as part of the acquisition of National Finance Alliance Pty Ltd (Fintelligence) and Mortgage Brokers Software Pty Ltd (BrokerEngine). The following table reconciles NPATA to the reported profit after tax for the period in accordance with Australian Accounting Standards:

In thousands of AUD	30 June 2024	30 June 2023
Net profit after tax for the period attributable to equity holders	28,975	37,312
Amortisation of acquired intangible assets	2,362	2,362
NPATA	31,337	39,674

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 net present value of the future trailing commission contract asset and payable and the fair value adjustment on the option for BrokerEngine and Fintelligence, the underlying NPATA is $36,101k (30 June 2023: $48,313k). 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 underlying earnings to the reported profit after tax for the period in accordance with Australian Accounting Standards:

In thousands of AUD	30 June 2024 Operating income	30 June 2024 Profit after tax	30 June 2023 Operating income	30 June 2023 Profit after tax
Net profit after tax for the period attributable to equity holders	1,075,277	28,975	1,002,836	37,312
Change in the carrying value of trailing commissions contract asset and liability	2,197	3,910	7,443	6,819
Net change of fair value put/call liability for BrokerEngine and Fintelligence	-	-	-	1,820
Amortisation of intangibles	-	2,362	-	2,362
Deferred tax adjustment on put/call revaluation	-	854	-	-
Underlying NPATA	1,077,474	36,101	1,010,279	48,313

Other disclosure requirements

Additional ASX Appendix 4E (Listing Rule 4.3A) disclosures can be found in the 2024 Annual Report. This document should be read in conjunction with the 2024 Annual Report and any public announcements made in the period by the Company in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

This preliminary financial report under ASX Listing Rule 4.3A covers Australian Finance Group Ltd and its controlled entities and is based on the consolidated financial statements and financial report which have been audited by Ernst & Young.

AFG

Annual Report

2024

Go far.
Go together.

Contents

Acknowledgement of Country

In the spirit of reconciliation, AFG acknowledges the Traditional Custodians of Country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples.

Building strong relationships with our brokers is at the heart of what we do. By partnering closely, we can provide tailored solutions that drive success and growth for their businesses.

Grace
Partnership Manager

Year in review

74%

of Australian residential mortgages written through a broker

1 in 10

Residential mortgages in Australia written by an AFG broker

500K

Customers helped by an AFG broker

10,000+

Products, across

80+

Lenders, used by

4,000+

Brokers, supported by

300+

Employees

In 2024, AFG is celebrating

30 years

of brokering a fairer financial future for all

94%

of employees believe AFG is taking concrete actions to promote Diversity and Inclusion

At AFG, managing risk is not just about compliance—it's about empowering our brokers with the knowledge and tools they need to protect their customers and ensure the best outcomes.

Tony
Chief Risk Officer

Strength of AFG

Distribution & Strategic Investments

$214B
Trail book

BrokerEngine
2,898
BrokerEngine users

fintelligence
$6.2M
Profit after tax contribution

Manufacturing

$4.4B Loan book

$1.5B RMBS transactions

Proven diversification strategy delivering solid financial outcomes

$55.2B
Residential mortgage settlements

20%
Increase in distribution profit before tax

6%
Dividend yield

$2M
Net trail per month

Portfolio of Businesses

fintelligence | Thinktank | BrokerEngine | AFG HOME LOANS

AFG Learning & Development

Helping our brokers become the best

79,758
Face to face and online training sessions completed

70,269
CPD hours awarded through AFG Learn platform

From the Chair

Dear Shareholders,

I am pleased to present the Annual Report for Australian Finance Group Limited (AFG) for the financial year ended 30 June 2024.

Once again, AFG has proven it is positioned to face the challenges posed by the global economic landscape and continued to thrive and deliver value to our shareholders.

A final fully franked ordinary dividend of $10.9m (4.0 cents per fully paid share) has been declared for the financial year ended 30 June 2024 and will be paid on 11 October 2024.

Greg Medcraft
Chair

Financial Performance

The business is a stronger business 12 months on. The hard work of our team this year has been rewarded with a series of achievements. We have continued to diversify our income sources, delivered a new lending platform, strengthened our team, and recruited some of the nation's biggest broking groups.

Our Distribution business has seen a rise in profits, and our timely delivery on several technology initiatives will see us maintain our position as a frontrunner in the market.

Our recent investments have yielded strong returns, and the integration of the Fintelligence group of companies is making excellent progress. Our income streams are solid, secure and dependable.

Net profit after tax attributable to equity holders (**NPAT**) for the year was $29.0 million, which was $8.3 million lower than last year, reflecting the intense competitive conditions for mortgages in Australia, particularly during the first half of the year.

As conditions normalised, our Manufacturing business was able to return to providing a compelling alternative for borrowers. AFG Securities settlements more than doubled in the second half, proving the important role that non-banks play in providing competition. As a result, the loan book closed broadly in line with last year at $4.4 billion, and the NPAT stabilised.

Distribution

AFG's Distribution business is growing. For the first time, this year we have reached more than 4,000 brokers in our network; we continue to be the aggregator of choice.

A Federal Government Senate Committee report released earlier this year estimated more than 2,100 bank branches closed across the country between 2017 and 2023. Mortgage brokers are the trusted partners in their communities who fill the gap left by these closures. The broker channel is now responsible for more than 74%[1] of all new home loans in Australia and it is my expectation that broker market share will reach above 80%. One in ten of those home loans is arranged by an AFG broker.

Manufacturing

Customer demand is there for competitive alternatives to the major banks, and we are beginning to see non-bank share lifting. Our ability to identify market need and develop products that meet the market has resulted in AFG Securities' share of that growth positioning it as the number one non-bank lender on the panel.

A topic I return to is that of the need for structural change to embed a sustainable and competitive lending market in Australia. In August 2023 I was invited to appear before the House of Representatives Standing Committee on Economics on issues concerning competition, business formation and economic dynamism in the financial sector.

1 *MFAA | Mortgage brokers remain the first choice for homebuyers*

Pleasingly, the proposal for a public Residential Mortgage-Backed Securities (**RMBS**) scheme received bipartisan support and the government is now undertaking an evaluation of the recommendation.

A public RMBS scheme which would reshape competition in the Australian residential lending market and the model recommended by the Committee has an internationally proven track record of success. It will help drive competition in the lending market, foster innovation and provide further choice for consumers. We are working with others in our industry to help this important initiative progress further.

Strategic Investments

Work continues on the delivery of new diversified income streams. We have introduced new white label, asset finance and AFG Securities products, and developed additional opportunities for our brokers to generate income from a new referral program, Partner Connect.

Our investments are performing well. In FY24 we increased our shareholding in the Fintelligence Group of companies to 83%. We are excited about the growth trajectory of that business and the opportunity in front of it as the potential for brokers in the asset finance market continues to expand.

Our investment in the commercial lender Think Tank Group Pty Ltd (**Thinktank**) yielded a profit of $2.1 million. Increased market competitiveness reduced its Net Interest Margin (**NIM**), which in turn affected its overall earnings contribution, however their loan book grew to $5.8 billion, which positions the business well to benefit from a return to more normalised operating conditions.

At the time of writing, we will soon complete the integration of the BrokerEngine platform to our technology suite. Our acquisition of this business was a fundamental part of our strategy to offer leading technology to our broker network. We anticipated that the high-quality technology developed by the BrokerEngine team, coupled with brokers' demand for streamlined lodgement processes, would lead to its success.

Our investment has allowed us to scale this technology, driving efficiency in broker businesses and enabling them to deliver seamless, compliant services to their customers. It's rewarding to see our strategic vision nearing completion as we integrate and finalise our initial plans for this investment delivering a best-in-market platform for our brokers, and further scalability for our business.

Our Commitments

AFG recognises the importance of sound practices and we are engaged and actively addressing the risks and responsibilities our company faces.

We are committed to meeting best practice standards in the execution of those responsibilities, creating long-term value for our customers, brokers, staff, shareholders and the community.

Our dedication to our brokers is centered around providing a comprehensive, full-service model of support. We are invested in their growth and resilience. Our compliance and regulatory discipline are key differentiators in the market and lay the foundation for that relationship.

In turn, our commitment to our employees is central to our business. In this, our 30th year of operation, the knowledge, experience, and energy of our highly engaged employees plays a crucial role in delivering upon our purpose-led strategy.

We have worked with our staff to refresh our company values, and, tellingly, the central premises of Integrity, Accountability, Customer-Centricity and that of being a Team Player, are not that different to those through the years that have led us to this milestone.

It gives me great pleasure to report our community partner, Foyer Foundation has achieved some remarkable growth this year. Our Sustainability Report in this publication outlines the trajectory of their successes. We are very proud of the work it does to help young people into a stable and secure home from which they can find their feet and take their place in the community.

The challenges of a changing climate facing us all is one AFG is cognisant of, and we have once again measured the impact of our operations and have taken steps to reduce our carbon footprint where possible. We have voluntarily balanced the impact of our unavoidable business travel with the purchase of offsets.

Outlook

As we come through a period of market volatility AFG remains well-capitalised, with liquid assets and high performing investments[2] of $190 million.

With increasing broker share in the Australian market, AFG's business model of shared success means we are well positioned to continue to be the aggregator of choice and grow our own footprint.

We are committed to driving competition in the Australian lending market, supporting our brokers, and delivering exceptional service to our customers. The fast-changing demands of customers and how they wish to engage is driving our work to ensure our brokers remain at the forefront of a frictionless and digital experience for their customers with the choice that can only be delivered by a broker.

In closing, I extend my gratitude to our dedicated team, our brokers, customers and our shareholders for their unwavering support. Together, we will continue to shape the future of mortgage broking in Australia as we continue to work to fulfill our purpose of a fairer financial future for all.

2 *Liquid assets and high performing investments include unrestricted cash, trail book, investment in Thinktank and MAB and subordinated notes less debt facility.*

From the CEO

David Bailey
CEO

The Australian housing market remained resilient in FY24. Important economic factors such as population growth, housing demand and steady employment all support a resilient housing market which in turn feeds into a strong mortgage broking market.

Against this backdrop AFG's broker network is growing, and our fundamentals remain strong. With a significant investment cycle nearing its end, we are well positioned to continue to build upon our market presence and leverage our investments in the years ahead.

Our strategy remains unchanged, and over the past 12 months, the company has made good progress across each fundamental pillar that underpins our growth:

1. Growing our distribution network.
2. Delivering higher-margin products.
3. Harnessing technology to be more agile, competitive and profitable.

Distribution

I'm delighted to report that, following a successful year of recruitment, more brokers than ever are choosing to partner with AFG. Our value proposition to the market supports our brokers' growth. A more efficient, compliant, technology-enabled broker meeting the rising customer demand for competition and choice through a digital experience, ultimately translates to increased revenue for our brokers' businesses and for AFG.

Our investment in technology this year has been underpinned by our view that good brokers are only going to get busier, and our role is to help support that growth. We are well progressed with our technology refresh, with FY24 completing most of the spend. While our capital requirements will decrease as they return to more normalised levels, we remain committed to investing in order to sustain our market-leading position.

Our investment in BrokerEngine has delivered a best-in-class lodgement process for our brokers and for those outside of our network utilising the technology. Subscribers are up 140% since acquisition.

The equity returns from our Distribution business remain a standout, even after a period of investment, positioning us well to further strengthen into the future.

Manufacturing

To deliver on our promise of providing alternative lending products for our brokers and their customers, we need to be competitive. This has proven challenging in FY24. When the major banks were ferociously competing for business with their structural funding advantages, we stepped back from the market. We used this opportunity to refocus our attention to investing in technology to improve the broker and customer experience and deliver long term efficiency gains.

Now that the lenders' Term Funding Facility income streams have been repaid, deposit rates are slowly lifting and front book to back book pricing differentials are no longer as stark. Non-banks are once again becoming competitive, and their market shares are beginning to reflect that rebalance.

AFG Securities' book has now returned to growth, with strong settlements flowing through. Through our broker network, our AFG Securities products are achieving three times the volume of our nearest non-bank competitor.

Understandably, our NIM has been impacted in FY24 by intense competition and a multi-year higher priced warehouse. Pleasingly however, our funding costs are now starting to improve. We have invested those improvements in warehouse pricing to continue to compete and grow our loan book, which will provide benefits in future periods as NIMs begin to build once more.

In FY24, we issued $1.5 billion in RMBS transactions, despite a challenging first half. We are delighted to see the support of AFG Securities in the RMBS market and the opportunity it affords us to provide a competitive lending alternative for our brokers and their customers.

Loan book performance

The steepest rise in interest rates in decades has proven challenging for many in our community. Our customers are not immune to this impact, but fortunately widespread arrears or defaults have not eventuated, due in part to strength in the employment market and to our personalised credit approach.

We are working with those customers who have found the rapid pace of increase difficult and will continue to support them to navigate the changing market and to meet their repayment obligations. We are well provisioned and once again have enjoyed a period of no losses for our AFG Securities book.

Outlook

As Greg has mentioned, this year marks AFG's 30th year in business. Our company has grown as the industry has grown. From an idea kicked around between friends in Perth to the large, diversified listed entity we are today, much has changed. Our focus on our relationship of shared success with our broker network has not.

As the industry evolves, some individuals will be looking to retire, while new entrants will be eager to join or invest in established businesses. Rising fixed costs, such as regulatory compliance, technology, and insurance, are driving consolidation, making scale increasingly important to meet these demands. AFG is well-positioned to support our brokers through these changes and to be an integral part of this transition.

Our solid financial foundation and reliable revenue streams continue to be the bedrock of our stability, enabling us to expand and introduce innovative solutions that benefit our brokers, our customers and our shareholders.

The residential and commercial markets' prospects remain strong, and with interest rates believed to be at or near their peak, the outlook for our diverse business and those seeking financial certainty is positive.

As the market continues to grow, AFG stands in an enviable position, armed with a competitive edge that positions us well to increase market share and continue to deliver on our strategy, to diversify and grow our earnings profile. I am optimistic about the year ahead and express my gratitude to our dedicated employees, brokers, customers, lending partners, and shareholders for their continued support of AFG.

Sustainability at AFG

I am pleased to deliver our report on the company's Environmental, Social and Governance practices.

Greg Medcraft
Chair

AFG Carbon Footprint

Greenfleet

388

Tonnes of CO_2-e offsets voluntarily purchased through Greenfleet in FY24

Carbon Positive Australia

4,000+

Trees planted through Carbon Positive Australia (since 2022)

Principal Partner

foyerfoundation

The Foyer Foundation vision is that all young people experiencing disadvantage have a pathway to education, training and employment that is founded on access to stable and secure housing.

United Nations Sustainable Development Goals

SUSTAINABLE DEVELOPMENT GOALS

- 4 QUALITY EDUCATION
- 5 GENDER EQUALITY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 10 REDUCED INEQUALITIES
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

AFG Sustainability report FY24

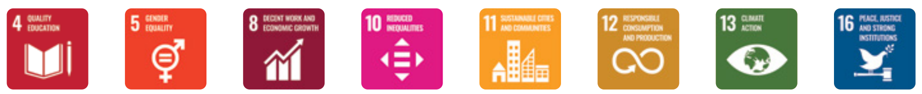
AFG this year celebrates its 30-year birthday, this milestone being testimony to the foresight of our founders who helped create a new industry after seeing an opportunity for finance brokers to provide a better solution for Australian's finance needs.

Over the past three decades, AFG has supported many thousands of finance brokers in building robust, secure and successful businesses, in turn offering choice to borrowers through competition between lenders.

As we look to the decades ahead, AFG remains confident that we can continue to fulfill our purpose of creating a fairer financial future by championing Australian finance brokers – who now account for writing a record 74% of all home loans in Australia.[1]

We bring our purpose to life by delivering upon our business strategy in a sustainable manner. This purpose-led strategy is underpinned by our core values – Integrity, Accountability, Customer-Centric and Team Player (**I ACT**) – which were refreshed during 2024.

The approach to our business strategy is also guided by the United Nations' Sustainable Development Goals - a set of 17 goals that identify global priorities and aspirations. AFG has identified eight goals where we believe we can make the highest impact.



1 *Between January and March 2024, 74.1% of all new home loans were written by mortgage brokers, according to the Mortgage and Finance Association of Australia quarterly report available at https://www.mfaa.com.au/news/mortgage-brokers-remain-the-first-choice-for-homebuyers*

Governance

Our structure

The AFG board of directors (**Board**), which consists of a majority of independent directors, is responsible for oversight and strategic guidance as AFG delivers upon its purpose and strategy. The Board along with Management remain committed to ensuring good governance, transparency and accountability.

The Board is supported by four Board Committees: Audit, Remuneration and Nomination, Risk and Compliance, and Technology and Data. Management Committees include Risk and Compliance, and Sustainability. Other committees include Credit, Diversity, Equity and Inclusion, the Modern Slavery Working Group, and the Green Team.

More information on the Board Committees is available on page 31.

The AFG Management Sustainability Committee was established in 2021 to help strengthen the organisation's sustainable policies and practices, and reports to the Board. This Committee provides updates to the Board at least once per quarter, via the Chief Executive Officer.

The AFG Management Risk and Compliance Committee oversees our approach to climate risks, with this topic featuring as a standing item on the Committee's quarterly agenda.

Elsewhere, a staff Sustainability Committee, known as the Green Team takes a grassroots approach to embedding sustainability across the organisation and comprises of Committee members from each of AFG's state offices.

Our Diversity, Equity and Inclusion Committee ensures we continue to build an inclusive workplace, while our Modern Slavery Working Group is responsible for monitoring and reporting on human rights practices within our supply chain and produces our annual Board-endorsed Modern Slavery Statement.

Robust policies

AFG's practices are consistent with the ASX Corporate Governance Council's Principles and Recommendations (4th Edition) which lay solid foundations for meeting all regulatory obligations and legal requirements. As part of AFG's commitment to good corporate governance practices, AFG offers a full suite of policies and processes which help underpin our culture and approach to how we do business.

The policies can be found on the AFG Investor Centre **www.afgonline.com.au/investors/**

Management of ESG risks

In addition to financial risks (credit, liquidity and market), AFG has taken steps to identify our environmental, social and governance risks and map these against mitigants.

This review and assessment was conducted jointly by subject matter experts in each area, the Sustainability Management Committee and Management Risk and Compliance Committee. The Board oversees the review and assessment of these risks and regularly receives reports from the Management Committees. These risks, mitigants and any gaps will be continuously reviewed and are likely to evolve over time.

ESG topic	Risk Type (ESG)	Associated risk/ consequence	Mitigating/managing actions
Regulatory and compliance	G	Severe penalties and impact on reputation	• Compliant with all applicable laws and regulations, overseen by internal legal and compliance functions • Annual training for all employees to ensure awareness of key regulatory obligations • Oversight of all material regulatory risks by Board Risk and Compliance Committee and Management Risk and Compliance Committee
Business ethics/conduct	G, S	Conduct falls short of community and stakeholder expectations	• Oversight of all material risks by Board Risk and Compliance Committee and Management Risk and Compliance Committee • Risk Appetite Statement which is reviewed at least annually and clearly specifies risks to which AFG is intolerant • Three lines of defence Risk Management framework • Code of Conduct supporting company values and culture • Full suite of policies including Anti Bribery and Corruption, Anti Money Laundering and Counter Terrorism Financing, Dealing in Securities, Continuous Disclosure, Whistleblower, annual Modern Slavery Statement, Supplier Code of Conduct, Risk Management, Work Health and Safety and Diversity Equity and Inclusion • Dedicated complaints contact and resolution process • Principal Partner of Foyer Foundation (youth homelessness support) and regular volunteering days at Tranby Engagement Hub in Perth • Long term sponsor of the AFG Interschool Numero® Challenge (financial literacy program for children) • AFG's own lending arm, AFG Securities' Plant-A-Tree program for every securitised loan settled

ESG topic	Risk Type (ESG)	Associated risk/ consequence	Mitigating/managing actions
Responsible mortgage lending practices	G, S	Irresponsible mortgage provision by brokers Poor recognition of customer needs amongst underserved	• Responsible Lending and Best Interests Duty Policies in place for mortgage and finance brokers • Comprehensive compliance training requirements for mortgage and finance brokers • Dedicated compliance function • Legal review of any product marketing campaigns • Suite of products (including low document mortgages) aimed at underserved borrowers including the self-employed, later-life lending, part-time and casual workers, and customers with credit impairments • Use of Comprehensive Credit Reporting to enable a more precise measure of credit risk to improve assessment of underserved customers • Active participation in Mortgage and Finance Association of Australia though a position on the Board of directors, chair of the compliance committee and membership of the Aggregator Forum
Climate risks in mortgage portfolio	E	Increasing likelihood of floods and fires in some areas rendering properties uninsurable, increasing loan delinquency	• Climate scenario risk modelling to help make informed lending choices and to ensure adequate insurance coverage on existing loans • Each property in portfolio assessed for climate risk using actual weather events and ability of regions to recover from events. This is dynamically updated as new events unfold and is overlaid with Representative Concentration Pathways (**RCP**) data to provide a forecast of the current portfolio into 2030 & 2050
Own emissions' impact on climate	E	Business operations contributing to warmer climate Reputational risk if fail to adapt	• Board level oversight of climate risks through Board Risk and Compliance Committee • Sustainability Management Committee and employee-led 'Green Team' • Voluntary annual measurement of carbon emissions (that AFG has influence over) • Minimising travel and voluntary purchase of offsets to cover unavoidable travel emissions • Introduction of energy saving initiatives and recycling program in head office • Transition to paperless documentation (still in progress) • Employee volunteer tree planting days • AFG Securities' Plant-A-Tree program for every securitised loan settled

ESG topic	Risk Type (ESG)	Associated risk/ consequence	Mitigating/managing actions
Privacy of data and cyber security	G, S	Unauthorised disclosure of personal information, either deliberately or inadvertently. Cyber theft compromising data Cyber incident that disrupts business operations	• Board level oversight through Board Technology and Data Committee • Dedicated Data Governance Council • Third party obligations for privacy and security **Privacy:** • Privacy, Notifiable Data Breach and Responsible Use of Technology Policies **Security:** • Dedicated Cyber Steering Committee consisting of members from IT, Security Operations and Risk • Dedicated cyber security department • 24x7 security monitoring with extended detection and response capability • Continued investment in technology and capabilities • Structured systems user access management. identity protection and advanced email protection • Frequent audits and testing of systems • Regular education, training and phishing tests for employees • Consequence Management Framework for cyber threat resilience exercises • Multi Factor Authentication for employees and brokers • Cyber incident response plan • AFG Broker Cyber Hub, and dedicated broker training via webinars on cyber security issues
Technology	G, S	Failure of technology and system downtime	• Board level oversight through Board Technology and Data Committee • Implementation and investment in delivering robust technology systems • Disaster recovery and business continuity plans in place • Constant monitoring of health of systems and regular testing

ESG topic	Risk Type (ESG)	Associated risk/ consequence	Mitigating/managing actions
Human capital/ employee wellbeing, diverse and inclusive workplace	S	Failure to attract and retain quality employees Poor support for employee health, wellbeing and safety	**Attraction, retention and engagement:** • Code of Conduct promoting company values • Remuneration practices and people and culture initiatives overseen by Board and Management • Policies and programmes including Flexible Working, Working from Home, Work Health and Safety, Education Assistance, and Family and Domestic Violence support • Staff engagement pulse to monitor satisfaction, engagement Net Promoter Score (**eNPS**), wellbeing and gain employee feedback **Diversity, Equity and Inclusion (DEI):** • DEI Policy and Workplace Discrimination, Harassment and Bullying Policy • Ethnicity surveys to gain insights to help build a workforce that reflects the cultural diversity of the Australian population • Combined employee and management committee focussed on Diversity, Equity and Inclusion • Targets for gender diversity at Board and management level • Program of employee events to help drive Diversity, Equity and Inclusion **Wellbeing:** • Surveys and initiatives to promote employee wellbeing • Mental Health, Family and Domestic Violence and Workplace Discrimination, Harassment and Bullying Policies • Mental health first aid officers in each State • Employee Assistance Program available to all employees and brokers • Work Health and Safety policy, manual and targets in place

Privacy and cyber security

AFG is committed to safeguarding our customers' sensitive information.

The AFG Privacy Policy embeds all principles contained in the *Privacy Act (Cth) 1988*, where these apply to our practices. With evolving customer expectations and likely regulatory reforms to adapt to the changing digital age, we are aware of and are proactively preparing for anticipated changes to Australian privacy laws.

AFG remains vigilant against the growing threat of cybercrime and invests in ongoing protection of our systems and the refinement of our processes. Measures to help safeguard our customers' information – including from cyber criminals – form a core component of our Technology Strategy.

We regularly review our processes and controls.

Threat mitigation strategies – as outlined by the Australian Cyber Security Centre and Australian Signals Directorate – have been implemented, including Multifactor Authentication (**MFA**) for both employees and brokers who access AFG's systems.

As part of our internal education and awareness processes, all employees are required to undertake mandatory training in cyber security at onboarding, and on an ongoing basis. Regular phishing tests complement the training process, and our staff are held accountable for adhering to our policies.

We are committed to supporting our brokers to stay safe against cyber crime. In addition to introducing MFA to our brokers' interactions with AFG systems, AFG offers substantial training and awareness resources to our broker network through our Broker Cyber Hub.

Social

Our people

AFG's 30-year success story and our optimism about the future would not be possible without the knowledge, experience and energy of our highly-engaged employees, who support AFG in delivering upon its purpose-led strategy.

Our core values - Integrity, Accountability, Customer Centric and Team Player (**I ACT**) - shape how we fulfill our purpose and strategy.

We worked with our employees this year to refresh our values and ensure they are meaningful for all, and at the core of everything we do.

Guiding us in applying our values is AFG's Code of Conduct, which also sets out the standards of professional conduct we expect from our employees.

Our employees are expected to be familiar with the Code of Conduct and adhere to our values and standards. This is reinforced through a requirement that employees undertake annual refresher training on the Code of Conduct and other relevant Group policies, including those relating to compliance, risk, Responsible use of Technology, accepting gifts and entertainment, Anti-Bribery and Corruption, and our Whistleblower Policy and Procedure.

We believe the success of our organisation over the past financial year is a direct result of our talented and engaged workforce. In 2024 we changed how we measure engagement, replacing our annual survey with more regular pulse surveys - a "real time" opportunity for employees to provide feedback, including assessing our employees' perspective on Diversity, Equity, Inclusion and Belonging. This will help AFG better identify areas for improvement in real time, and better support the employee experience.

Our average FY24 employee engagement score is sitting at a pleasing 76%, with a positive employee Net Promoter Score of 12.

Other meaningful and encouraging data gathered from our employees includes 89% of employees strongly agreeing that their team's work is aligned with AFG's values, while 94% agree that the work they do has an impact on AFG's purpose.

To also support engagement, our employees are encouraged to have regular conversations with their managers. Quarterly check-ins provide the opportunity to regularly assess and reflect on their career goals, objectives and development opportunities.

Step up meetings are conducted with the manager of the employee's manager, providing greater access to senior leaders. This is further complemented by the fortnightly 'All Hands' meeting for all employees, hosted by the CEO or executives to share the latest developments across the business.

Monthly "Manager" awards and quarterly "Appreciate" awards recognise and celebrate those employees who have made an outstanding contribution during the period.

Interaction and collaboration between colleagues are considered essential and we hold regular Strategy Updates to ensure our employees know the direction the business is heading and their role it its success.

Regular social functions are offered across the business – including team-based volunteering opportunities during working hours, examples being our tree planting days or assisting with meals at a Perth crisis centre kitchen.

AFG also encourages and assists employees who wish to undertake an approved course of study relevant to AFG's objectives and the employee's current or future position, by operating an Education Assistance Policy, enabling reimbursement for approved courses and textbooks.

INTEGRITY
We do what's right.

ACCOUNTABILITY
We follow through.

CUSTOMER CENTRIC
We walk in their shoes.

TEAM PLAYER
Together we make a difference.

Diversity and inclusion

AFG wants every employee to feel valued, safe and included. We therefore strive to provide a diverse work environment and promote a culture of respect, as outlined in our Diversity, Equity and Inclusion Policy.

Opportunities are offered based on merit, allowing all employees to reach their full potential, regardless of gender, ethnicity, race, culture, sexual orientation, gender identity, age, disability status, religious beliefs or socio-economic background.

We promote a Flexible Working Policy to ensure employees with family and caring responsibilities also have access to opportunities within the organisation.

Efforts to ensure diversity and inclusion are driven by our DEI Committee, comprising of managers and employees from across our business. As part of this Committee, a Women in Technology working group has been established to support Women in Science, Technology, Engineering and Mathematics (**STEM**) careers.

Each year, with the assistance of the DEI Committee, the Board sets measurable objectives for achieving and improving our diversity. These objectives for FY24 and their results are outlined below:

	DEI Object	Result/Status
1	Achieve a minimum of 45% women in management positions (including Key Management Personnel (**KMP**) , Senior Managers and Other Managers) by 2025 with increased year on year representation	Not yet met. This target will remain in focus across FY25
2	Continue to develop cultural awareness across AFG ensuring our workforce reflects the diverse Australian population, demonstrated by a positive cultural diversity score of at least 80% in our annual employee survey	Met. 94% of our employee survey respondents agree AFG recognises and embraces employees of diverse cultural backgrounds
3	Maintain workplace diversity as one of the top three performing areas of our employee pulse surveys	Met. Workplace diversity remains the top performing area of our employee survey for the fourth consecutive year
4	Continue training and awareness programs to ensure employees maintain and uphold AFG's acceptable and expected behaviours and diversity and inclusion values in the workplace	Met. The Diversity, Equity and Inclusion Committee alongside our Human Resource team continues to deliver a range of programs and initiatives to meet this objective
5	Maintain no less than 30% of each gender in the composition of AFG's Board of Directors	Met. This objective continues to be met with two of our six directors (33%) being female

Female representation among employees[1]

Position	Total	No of women	% of Women
Board	6	2	33%
Senior Executives	16	4	25%
Senior Managers	34	15	44%
Total workforce including Directors	317	149	47%

Senior Executive is defined as Key Management Personnel, Head of Businesses and other Executives/General Managers in our business. To provide an accurate reflection of the proportion of women across the whole organisation, the Company has excluded contractors and included part-time employees in the percentages above, which shows the proportion of women in the AFG group at 30 June 2024.

1 *Headcount as at 30 June 2024.*

Working with our brokers to enhance and grow their businesses is the most rewarding part of my role at AFG. Seeing their success and being a part of their journey motivates me every day.

Christa
State Manager VIC/TAS

Cultural representation

Our annual employee ethnicity survey shows the strong cultural diversity of AFG's workforce, with respondents coming from 23 different countries other than Australia. This data is used when planning important cultural events and acknowledgements throughout the year.

This year, we introduced a monthly Diversity, Engagement, Inclusion and Belonging (**DEIB**) pulse survey to supplement our new engagement pulse survey. This DEIB survey achieved an overall score of 78%, comprised of insights around how our employees view our commitment to nurturing a culture that values the perspectives and experiences of every individual, regardless of background.

We are also proud that 94% of employees believe that AFG is taking concrete actions to promote diversity and inclusion.

Wellbeing

Our Work, Health and Safety Policy reflects our commitment to ensuring the health and safety of our workers in the workplace. This policy sets out all reasonably practicable measures that AFG will take to eliminate or minimise risks to the health and safety of our workers, and anyone else who may be affected by our operations. This includes, but is not limited to, complying with applicable Work Health and Safety (**WHS**) legislation, completing external WHS audits, providing WHS training to our workers and ensuring that any incidents relating to WHS are recorded on our Risk Register.

Specific WHS objectives and targets aiming to improve monitoring and oversight of group WHS performance were implemented and tracked over FY24 – these objectives and targets are outlined in the table below including AFG's performance against each for the 2024 financial year. In summary, all WHS objectives and targets for FY24 have been met, with no issues to report.

Our employees' mental health and wellbeing is paramount. AFG operates a Mental Health and Wellbeing Policy and actively promotes the availability of qualified mental health first-aid officers in all of our offices, along with our Employee Assistance Program, which provides psychologist appointments in person or online to those who may need help. AFG also offers the EAP service to our member brokers who need assistance.

Our employees' physical health is also supported via programs like free influenza vaccinations while fresh fruit and healthy snacks are available in the office.

We also operate a Family and Domestic Violence Policy, which includes workplace support for any employees affected by domestic and family violence, including a dedicated support officer/counsellor.

WHS Focus Area	KPI	Measurement	FY24 Achievement
Training and development	100% completion rate of WHS induction training and annual refresher training	% of WHS training overdue	All training complete
Workplace inspections/ compliance	100% of workplace inspections across all offices to be completed to schedule with corrective actions implemented in timely manner	Number of overdue inspections and corrective actions implemented	Quarterly inspections complete with no outstanding actions
	100% of WHS external WHS audits completed to schedule	Number of overdue inspections	All external WHS audits complete
Risk management	WHS items captured on risk register and reviewed on quarterly basis	% incidents arising from risks not on the risk register	No notifiable WHS incidents for FY24

Having a bike has allowed me to explore my area, run errands and commute to work without relying on the unpredictability of public transport. I'm also able to better my health and enjoy the outdoors.

Recipient of AFG Independence Fund grant: *Chrissy from the Glen Waverley Foyer*

Our community

Foyer Foundation - Principal Partner

AFG recognises the importance of a place to call home, and since 2021 AFG has been the Principal Partner of the Foyer Foundation – a national for-purpose organisation that unlocks thriving futures for young people, aged 16-24, experiencing or at risk of homelessness.

Young people experience the highest rates of homelessness among all age groups in Australia, and there are up to 40,000 young Australians across the country without a place to call home.

The Foyer Foundation tackles youth homelessness by ensuring safe and affordable self-contained accommodation at a "Youth Foyer" facility for up to two years, integrated with coaching and supports that enable the young person to pursue education or employment pathways and build fundamental life skills and confidence.

To help more young people at risk of homelessness, the Foyer Foundation is striving to grow the reach and impact of Youth Foyers and holds the vision of seeing 50 accredited Foyer facilities across Australia by 2030.

AFG shares the Foyer Foundation's confidence this can be achieved. Five new Youth Foyers have been accredited in the last year, bringing the total to 16 – enough to house 630 young people each night.

A further 16 Foyers are shovel ready, and other commitments are starting to flow through following the Foyer Foundation's national campaign to unlock Government grants and commitments to fund new Foyers.

Results of this campaign – supported by our funding - included a commitment from the Queensland Government to establish eight new Foyers, three of which will be built by 2027.

Our funding has also enabled the Foundation to work with 14 paid Youth Ambassadors to embed their lived experience across its strategy, governance, operations and advocacy efforts.

Other highlights this year include the Foundation's establishment of the Foyer Hub - a platform that will support the growing network of Youth Foyers to share knowledge, practice expertise and continue to improve their performance.

Approximately a third of AFG's sponsorship dollars are utilised within the AFG Independence Fund. This fund enables Foyer recipients to apply for one off grants, up to $1,000, which can be used to purchase items to support their education, employment, wellbeing, or transition to independent living.

By the end of calendar year 2024, more than 400 Foyer residents would have received Independence Fund grants, enabling the purchase of important items including laptops, tools, driving lessons, work clothing, and furniture as they transition into independent living.

In addition to our $800,000 commitment over four years, AFG fund raising efforts – including charity tennis days - have attracted further donations from AFG brokers into the AFG Independence Fund.

As well as unlocking thriving futures for individuals, support through the evidence-based Foyer system has positive impacts for the community and economy.

Independent modelling by Accenture in 2023 found that every dollar invested by governments in a Youth Foyer generated an additional $6 in benefits and that a young person supported through a Foyer resulted in reduced lifetime costs to the government of $172,417 per person.

AFG is proud to have partnered with the Foyer Foundation to support its role in changing the lives of so many young people for the better - and in making a positive social and economic impact in this important area.

foyerfoundation

Tranby Engagement Hub/Uniting WA

Continuing our support for the homeless, AFG staff members have been rolling up their sleeves to help make a difference at a major crisis centre in the City of Perth.

AFG has partnered with Uniting WA, which runs the Tranby Engagement Hub. Tranby relies heavily on volunteers for providing support such as meals, showers, counselling and referral services. Often up to 300 people are supported daily through this service.

Through the partnership, teams of up to 12 AFG employees take over the kitchen for a morning, supporting those in need by preparing, cooking and serving meals.

On each occasion AFG makes a financial contribution which Uniting WA puts toward food costs.

AFG also supported the Tranby Engagement Hub through its 2023 Christmas appeal in Perth, with goods donated by employees and the company being used to make hampers for people doing it tough.

Our industry

With a record 74.1%[2] of Australian mortgages sourced via a mortgage broker, our industry is a clear driver of competition and choice for Australian consumers – fulfilling our purpose of creating a fairer financial future.

Brokers in our network are at the core of our business. The AFG Group now has more than 4,000 brokers, who are equipped, with powerful tools, staunch support and passionate expertise.

AFG's brokers originate one in every 10 mortgages entered into in Australia, positioning us as one of the nation's biggest aggregators.

Our role as an industry advocate continues with AFG Chair Greg Medcraft and CEO David Bailey liaising with Government and regulators on issues affecting our industry. AFG General Manager Industry and Partnership, Mark Hewitt, also serves on the board of peak industry body the Mortgage and Finance Association of Australia (**MFAA**).

Our brokers share our commitment to do the right thing and are expected to abide by the AFG Broker Code of Practice, while we work hard to assist our brokers to protect their business practices and reputations by providing the right support to help them meet their compliance obligations.

AFG helps to foster and recognise excellence through our annual broker awards which include an award for brokers who have run either an individual or business-wide program that supports their community.

In recognition that many brokers are also keen to give back to the community, AFG has put in place a dedicated mechanism that enables them to also make donations to the Foyer Foundation, for which AFG is Principal Partner.

AFG's commitment to our brokers also extends to gender equality and wellbeing.

We support women to enter and continue their careers in mortgage broking and finance through our AFG Women on the Move Program.

Amidst a male dominated industry, this program aims to attract and retain female brokers by providing the right support within a safe and progressive environment, to build supportive relationships and develop business and personal skills. During FY24, 26% of our newly recruited brokers were female – a figure we still consider too low, but marginally above the industry wide average proportion of female brokers (25.4% according to the MFAA).

To assist with the wellbeing and provide mental health support to our brokers, AFG continues to offer its Employee Assistance Program to our broker network.

With brokers the bedrock of our industry, we are committed to the ongoing provision of our unwavering support as they continue to drive competition and provide choice for Australians.

2 *Between January and March 2024, 74.1% of all new home loans were written by mortgage brokers, according to the Mortgage and Finance Association of Australia quarterly report available at https://www.mfaa.com.au/news/mortgage-brokers-remain-the-first-choice-for-homebuyers.*

Environmental

Risks from changing climate:

Climate risk is integrated into our risk management framework and is considered at all Management Risk and Compliance Committee meetings, held quarterly, and Board Risk and Compliance Committee meetings.

The main risks identified in FY24 relate to the lending portfolio under AFG Securities (**AFGS**). Adverse events resulting from climate change, in particular floods, fires and drought, would affect the ability of customers to repay loans, potentially leading to a higher rate of defaults.

Addressing risk in the AFGS lending portfolio:

To address risks, climate scenario risk modelling has been introduced into AFG Securities' lending portfolio to help make informed lending choices and to ensure adequate insurance coverage is in place for new loans.

Under this system, each property in the portfolio is assessed for climate risk using actual weather events and the ability of regions to recover from events.

This is dynamically updated as new events unfold and is overlaid with RCP data to provide a forecast of the current portfolio into 2030 and 2050.

Analysis is also done on the short-term impact of building insurance premiums, replicating that produced by the Actuaries Institute of Australia.

Output modelling is then fed into AFG's loan origination system to identify at-risk applications where stated building insurance may be less than is required for that property given climate risks.

This aims to deliver information which is used to raise awareness with prospective borrowers about rising premiums and to honour AFG's obligations under the Responsible Lending provisions of the National Consumer Credit Protection Act 2009 (Cth).

Risks to the broader AFG business

We are aware there is reputational risk to our business if we do not to adapt to climate change, and fail to meet stakeholder expectations.

Conversely, there are also opportunities if we proactively address the challenges. AFG will continue to highlight the sustainable partners it works with and will seek opportunities to work with organisations that are taking an active lead in addressing the challenges of climate change.

Our climate commitment

AFG recognises that addressing the threat posed by climate change requires immediate and urgent action. We are conscious that failing to address these risks will have catastrophic consequences for the environment and economy. AFG therefore supports the transition to net zero emissions by 2050 in alignment with the Paris Agreement[3]. AFG is on a journey to reduce its own emissions and will work with our employees, customers and communities to drive wider positive impact.

Fossil fuels

As a servicer and manager of residential home loans, AFG's securitised lending arm AFG Securities does not lend directly to the fossil fuels industry, including coal or coal products, natural or derived gas, crude oil, petroleum products and non-renewable wastes. Similarly, AFG Securities does not lend directly to companies involved with native forest logging. AFG has an interest in securitised lender Thinktank Group Pty Ltd, which also does not lend directly to these industries. While these companies do not lend directly to these industries, some of their loan customers may be employees or shareholders of such businesses.

*3 The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 countries, including Australia, at the UN Climate Change Conference (**COP21**) in Paris, France, on 12 December 2015. It entered into force on 4 November 2016.*

Knowing that we are safeguarding our brokers' and clients' sensitive information is incredibly rewarding. At AFG, we prioritise security and continuously strive to enhance our measures to maintain trust and protect data.

Rob
Head of Information Security

Our own footprint:

To understand our impact on the climate, AFG measures its own Greenhouse Gas (**GHG**) emissions, using the services of an independent consultant. We have been voluntarily measuring our footprint since 2021.

In measuring our emissions, AFG's scope and organisational boundary were determined in accordance with the GHG Protocol Standard (World Business Council for Sustainable Development, World Resources Institute, 2004).

The boundary follows the operational control model and includes the aspects of AFG's supply chain that our organisation has influence over. GHG emissions from the AFG Group have been included and reported on where activity data was available and provided to the independent consultant.

AFG is still refining its data capture process, and not all Scope 3 emissions are able to be measured or reported at this stage.

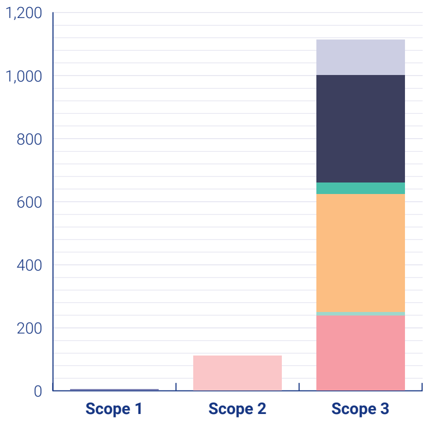
This year, the boundary of our GHG emissions inventory widened with inclusion of the facilities associated with BrokerEngine (100% owned by AFG since 31 August 2023) and Fintelligence (83% owned by AFG as at 30 June 2024). The FY24 measurement therefore took into consideration expanded activity, increased number of employees and additional offices.

This year's measurement determined we produced 1,265.37 tonnes of carbon dioxide equivalent (t CO_2-e) gross between 1 July 2023 and 30 June 2024. This was a decrease on the year before, when 1,484.1 t CO_2-e (gross) was disclosed in the FY23 annual report.

Emissions summary

GHG emissions scope	Emissions (t CO_2-e)	Percentage
Scope 1	1.26	0.1
Scope 2	115.36	9.1
Scope 3	1,148.75	90.8
Total	**1,265.37**	**100**

Summary of AFG's gross emissions by scope



Scope 1
- Vehicle fuel consumption, 1.26 t CO_2-e (0.1%)

Scope 2
- Electricity use, 115.36 t CO_2-e (9.1%)

Scope 3
- Purchased goods and services, 244.58 t CO_2-e (19.3%)
- Indirect fuel and energy use, 12.15 t CO_2-e (1.0%)
- Waste generated in operations, 36.64 t CO_2-e (2.9%)
- Business travel, 386.41 t CO_2-e (30.5%)
- Employee commuting, 352.13 t CO_2-e (27.9%)
- Upstream leased assets, 116.84 t CO_2-e (9.2%)

Our main GHG emitting activities were associated with business travel and employee commuting. AFG looks to address employee commuting emissions through its hybrid work policy (AFG Group Work From Home Policy).

As a national organisation we face challenges with eliminating interstate travel, however we continue to take steps to reduce this where possible and have chosen to voluntarily purchase offsets to match emissions created through travel throughout the year.

The highlight of my day is collaborating with our brokers to create customised strategies that drive their success. Building strong, mutually beneficial partnerships is what makes our work truly impactful.

Lisa
Partnership Manager

Addressing our own emissions

AFG continues to seek ways to reduce its own emissions.

We actively aim to minimise our use of paper and office consumables, and have moved to paperless documentation across many of our activities.

A comprehensive recycling system was introduced in AFG's Perth head office in 2022 which has diverted a significant amount of waste from landfill.

Timed lights, carefully tuned air conditioning systems and new energy efficient printers across all our State offices, has also helped to reduce our energy requirements.

AFG continues to operate a hybrid working policy, which we expect to help lower our emissions by reducing the number of employees commuting to work each day.

Offsetting travel emissions

AFG works hard to reduce travel where possible, but as a national organisation there are still unavoidable flights and associated accommodation which produce greenhouse gas emissions.

For the second consecutive year, we have addressed those unavoidable emissions by voluntarily purchasing carbon offsets from environmental not-for-profit organisation, Greenfleet Australia.

AFG has purchased offsets to cover 388 tonnes of greenhouse gas emissions produced through our FY24 flights and accommodation. This includes travel for AFG employees associated with the events we hold to support our brokers across Australia.

Greenfleet will use the funds received from these offsets to plant native trees in its biodiverse forests across Australia and New Zealand. Legally protected for up to 100 years, these forests absorb carbon from the atmosphere, improve soil and water quality and restore critical ecosystems by providing vital habitat for native wildlife.

The FY24 purchase of carbon offsets is in addition to AFG's buying of carbon offsets in FY23 to cover 490 tonnes of GHGs. The carbon offsets purchased were allocated to Greenfleet's Lyrebird site in Victoria's Gippsland region.

Previously cleared for grazing, this property has been revegetated to deliver climate action and create habitat for species. These include koalas, the Swift Parrot, Gang-gang Cockatoo, and Greater Glider; an endangered species that has been heavily impacted by land clearing.

Greenfleet has a robust verification process in place for its carbon offsetting projects. The Full Carbon Accounting Model, developed by the Commonwealth Scientific and Industrial Research Organisation and approved by the Australian Government Department of Climate Change, Energy, the Environment and Water is used to measure each forest planted by Greenfleet. Greenfleet's carbon estate is also verified by a Federal Government accredited auditor annually, and Pitcher Partners independently audits Greenfleet's work.

Plant A Tree initiative:

AFG plants one tree for every securitised home loan written by AFG Securities, under a partnership with not-for-profit Carbon Positive Australia.

The native species trees are being planted on degraded sites - predominantly in Western Australia and New South Wales - providing corridors for native fauna and supporting biodiversity and ecosystem restoration. The initiative was introduced in July 2022 and has resulted in more than 4,000 trees being planted as a result.

AFG Green Team:

AFG established its Green Team in 2022, comprising passionate employees from across the business who are committed to making AFG a cleaner and greener company at a grass roots level.

The Green Team has been responsible for implementing a recycling program in our head office, donation of second hand electronic items to good causes, facilitating our annual tree planting events, putting a green lens on staff events, and raising general employee awareness about sustainability.

It's incredibly rewarding to forge strong relationships with our brokers and see the tangible impact of our support on their business growth. Our commitment to excellence helps drive our brokers' success and, in turn, our own.

Them
Head of Sales & Distribution

Directors’ Report

The Directors present their report together with the financial report on the consolidated entity consisting of Australian Finance Group Ltd (**AFG** or the **Company**), and its controlled entities (**the Group**), for the financial year ended 30 June 2024 and the auditor’s report thereon.

Directors

The Directors and Company Secretary of the Company at any time during or since the end of the financial year are:

Greg Medcraft

(Independent Non-Executive Chair)

Mr Medcraft was appointed as director of AFG in September 2021, the Deputy Chair in July 2022, and was appointed to the role of Chair on 1 April 2023. Mr Medcraft is also the Chair of the Risk and Compliance Committee and a member of the Remuneration and Nomination Committee and a member of the Audit Committee.

The first part of Mr Medcraft’s career was spent with accounting firm KPMG before spending 26 years with Société Générale in Australia, Asia, Europe and the Americas, and then as CEO of the industry group, the Australian Securitisation Forum. At Société Générale, Mr Medcraft initially worked on corporate finance, then capital markets, structured finance, project finance and funds management before becoming Deputy Global Head of Financial Engineering, and then Managing Director and Global Head of Securitisation. When based in New York, Mr Medcraft co-founded the industry group, the American Securitization Forum, and was Chairman for a number of years. From 2009, Mr Medcraft served as Commissioner for 2 years and then 7 years as Chairman of ASIC, the corporate and market regulator. In 2017, Mr Medcraft moved to Paris as Director of the OECD’s Directorate of Financial and Enterprise Affairs.

Mr Medcraft also serves as a director of the Digital Finance Co-operative Research Centre, Thinktank Group Pty Ltd and is Co-Chair of London based industry group Global Digital Finance Ltd. He is a Senior Board Advisor to Washington based Infraclear Inc. Mr Medcraft holds a Bachelor of Commerce from the University of Melbourne and Doctorate (honoris causa) of Business from RMIT University.

Brett McKeon

(Non-Executive Director)

Mr McKeon is a founding Director of AFG and the Group’s former Managing Director. Mr McKeon has worked for more than 35 years in the financial services industry. He has considerable management, capital raising, public company and sales experience and is an experienced director in both the public and private arenas.

In addition to his role as Non-Executive Director of AFG, Mr McKeon is the Chair of Greenlane Group Pty Ltd, a privately-owned company specialising in debt and equity funding solutions for property developers, property development, mortgage fund investments and other opportunities for sophisticated and wholesale investors.

Malcolm Watkins

(Non-Executive Director)

Mr Watkins is a founding Director of AFG and a member of the Technology and Data Committee. For 30 years he has overseen the delivery of AFG’s industry leading technology platform and tools that enable sustained growth and has led the development and evolution of marketing initiatives to enable ongoing profitability for the Group and its network of brokers.

Mr Watkins plays a pivotal role in extracting tangible returns on the Group’s investments to further expand market share, profitability, and brand awareness. He served for five years on the board of one such investment, leading commercial lender Thinktank Group Pty Ltd, overseeing a period of rapid expansion by the company, and significant investment in infrastructure and its people.

Mr Watkins is a former board member of the industry’s peak national body representing the sector, the MFAA.

Craig Carter

(Independent Non-Executive Director)

Mr Carter was appointed to the AFG Board in early 2015 and is the Chair of the Audit Committee, a member of the Risk and Compliance Committee, and a member of the Remuneration and Nomination Committee.

Following a career spanning 35 years in stockbroking and investment banking, specialising in corporate advice and equity capital markets, including 15 years at Macquarie Group, which was as a result of selling a business to Macquarie, Mr Carter now actively manages his own business interests across a diverse range of investment activities. Mr Carter is a well-known active professional with unique experience in both business ownership and corporate advisory.

Mr Carter is the Vice President of the AFL Fremantle Football Club where he Chairs the Finance and Audit Committee and is on Bank of America's Australian Advisory Board.

Jane Muirsmith

(Independent Non-Executive Director)

Ms Muirsmith was appointed to the AFG Board in March 2016 and is Chair of the Technology and Data Committee, a member of the Risk and Compliance Committee and a member of the Remuneration and Nomination Committee.

Ms Muirsmith is an accomplished digital and marketing strategist, having held several executive positions in Sydney, Melbourne, Singapore and New York. Ms Muirsmith is Managing Director of Lenox Hill, a digital strategy and advisory firm and is a Non-Executive Director of Cedar Woods Properties Ltd, the Telethon Kids Institute and the Non-Executive Chair of HealthDirect Australia. She is a Graduate of the Australian Institute of Company Directors, a Fellow of Chartered Accountants Australia and New Zealand and a member of the Ambassadorial Council UWA Business School.

Annette King

(Independent Non-Executive Director)

Ms King was appointed to the AFG Board in February 2022 and is Chair of the Remuneration and Nomination Committee, a member of the Audit Committee, a member of the Risk and Compliance Committee and a member of the Technology and Data Committee.

Ms King is an experienced company director, former CEO and actuary, with over 30 years' experience in financial services across Asia-Pacific. Prior to becoming a non-executive director, Ms King had a successful track record as a CEO, CFO and CMO of significant financial institutions, as well as being a founder/entrepreneur. Ms King has served large multi-national companies (Swiss Re, AXA, Manulife, Mercer, MLC Super) and fintech companies (FNZ, Galileo Platforms). Her focus is on business growth through differentiated client experience, organisational culture and innovation via digital and technology enablement.

Ms King serves on the boards of HCF, Swiss Re, and U Ethical Investors and is a member of the Public Policy Committee of the Actuaries Institute of Australia. She was previously President and Chair of the Actuaries Institute and President of the Life Insurance Association of Singapore. Ms King is a Fellow of the Australian Institute of Company Directors, has a Bachelor of Economics from Macquarie University, is a Fellow of the Actuaries Institute of Australia and a member of Chief Executive Women.

Michelle Palethorpe

(Company Secretary)

Ms Palethorpe joined AFG in 2018 as General Counsel and was appointed to the additional position of Company Secretary in June 2023. Ms Palethorpe holds a Bachelor of Laws degree and a Bachelor of Business Administration (Economics and Finance) degree and has over 20 years of legal experience. Ms Palethorpe is responsible for managing AFG's secretariat, governance and ASX requirements in addition to the legal functions of the Company.

Interests in the shares and rights of the Company

As at 30 June 2024, the interests of the Directors in the shares of the Company were:

Director	Number of ordinary shares
Brett McKeon	16,332,632
Malcolm Watkins	16,139,718
Craig Carter	1,400,000
Jane Muirsmith	126,819
Greg Medcraft	110,000
Annette King	100,000

As at 30 June 2024, the Directors did not hold any rights over ordinary shares.

Changes in state of affairs

Other than matters dealt with in this report there were no significant changes in the state of affairs of the Group during the financial year.

Dividends

Total dividends paid during the financial year ended 30 June 2024 were $21,932k (2023: $43,782k), which included:

- A final fully franked ordinary dividend of $11,101k (4.1 cents per fully paid share) was declared out of profits of the Company for the financial year ended 30 June 2023 and paid on 22 September 2023.
- An interim fully franked ordinary dividend of $10,831k (4.0 cents per fully paid share) was declared out of profits of the Company for 2024 and paid on 25 March 2024.
- A final fully franked ordinary dividend of $10,934k (4.0 cents per fully paid share) has been declared out of profits of the Company for the financial year ended 30 June 2024 and is to be paid on 11 October 2024.

Principal activities

The Group's principal activities in the course of the financial year continued to be:

- Mortgage origination of home loans, consumer asset finance and commercial loans; and
- Distribution of own branded home loan products, funded through its established residential mortgage-backed securities (**RMBS**) programme and white label arrangements.

Corporate Governance Statement

The Company's Corporate Governance Statement can be found at **https://investors.afgonline.com.au/investor/?page=corporate-governance**

Review of operations

For the year ended 30 June 2024 the Group recorded a NPAT of $28,975k, which was 22.3% adverse to last year.

The Underlying NPATA[1] was $36,101k (2023: $48,313k).

The second half of the financial year delivered a stronger result, with NPAT returning to that of the same period last year. The earnings were supported by the Manufacturing segment bouncing back following a period of extreme competition.

During the second half, settlement rates slowly lifted and front book / back book pricing differentials were near comparable, allowing the non-bank sector, including AFG Securities, to once again compete with the major banks.

AFG's cash flow and balance sheet remains a strength. Net cash flows from operating activities were $38,778k, with a cash conversion ratio of 107% and despite a period of elevated technology investment, which saw $17,400k invested during the year, the free cash flow for the group remained positive at $11,131k.

The technology refresh program, with most of the program spend completed during the year.

At balance date, net cash, liquid assets, and other high performing investments totalled $190.2m (2023: $202.1m).

On the Group's segment financial performance:

The Distribution segment's profit before tax grew by 20% taking it to $54,091k and delivered a 38% underlying return on equity. The growth was the outcome of record broker recruitment, growth in broker service fee income, and the continued solid performance of the Group's investments in Fintelligence and BrokerEngine. Residential settlements grew 3%, as cash rates settled in the second half which, combined with other macro factors, enabled credit growth in both residential and commercial markets.

The Manufacturing segment's profit before tax decreased by 53% taking it to $15,460k delivering a 12% underlying return on equity. The result reflects the heightened level of competition that resulted from structural funding advantages reducing the segment's ability to compete. Despite this, the segment generated returns above its cost of capital because of its disciplined approach to risk and pricing.

As those structural funding disadvantages for non-bank lenders unwound, settlement volumes began to increase. Settlements in the second half of the year were almost twice that of the same time in the prior year and of FY24 first half. The AFG Securities loan book closed at $4.4bn. The second half growth in the book was offset by a reduction in the net interest margin to 113bps from 136bps in the prior year.

The Group's investment in Thinktank Group Pty Ltd, a commercial property lender, was also affected by similar thematics, causing its contribution to decrease by $3,954k to $2,105k.

Operating costs decreased year on year by $2,517k or 3% to $86,047k, as the business worked hard to contain costs and deliver efficiency initiatives.

Operating cost reductions were achieved across most categories, but technology costs continued to lift as the business invested in uplifting its broker facing technology, data capability and cyber security to deliver a better experience for our brokers and their customers.

[1] Underlying NPATA is non-IFRS financial information.

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

In thousands of AUD	30 June 2024 Operating income	30 June 2024 Profit after tax	30 June 2023 Operating income	30 June 2023 Profit after tax
Statutory results	1,075,277	28,975	1,002,836	37,312
Change in the carrying value of trailing commissions contract asset and liability	2,197	3,910	7,443	6,819
Net change of fair value put/call liability for Fintelligence	-	-	-	1,820
Amortisation of acquired intangible assets	-	2,362	-	2,362
Deferred tax adjustment on put/call revaluation	-	854	-	-
Underlying NPATA attributable to equity holders[1]	**1,077,474**	**36,101**	**1,010,279**	**48,313**

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

In thousands of AUD	30 June 2024	30 June 2023
Net profit after tax for the period attributable to equity holders	28,975	37,312
Amortisation of acquired intangible assets	2,362	2,362
NPATA[2]	31,337	39,674

Likely developments and expected results

The Group will continue to provide choice and lead the market by building on the strengths of its traditional wholesale mortgage broking business. Continued investment in the Group's significant distribution network will afford access to other areas of the finance market.

Further information about likely developments in the operations and the expected results of those operations in future financial years have not been included in this report because disclosure of the information would, in the opinion of the Directors, be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory in respect of its activities.

Subsequent events

On 29 August 2024, the Directors recommended the payment of a dividend of 4.0 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The dividend has a record date of 9 September 2024 and a payment date of 11 October 2024. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 30 June 2024 is $10,934k. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2024.

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.

[1] Underlying NPATA is non-IFRS financial information.

[2] NPATA is derived as net profit after tax and before amortisation of acquired intangibles.

Share options and performance rights

There were no options issued or exercised during the financial year (2023: nil).

The Remuneration Report sets out details of the performance rights issued and vested during the financial year.

Indemnification of insurance of directors and officers

During the financial year the Group paid a premium in respect of a contract insuring the Directors of the Group (as named above) against a liability incurred as a Director to the extent permitted by the *Corporations Act 2001 (Cth)*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial year.

Directors' meetings

The number of Directors' meetings (excluding circulating resolutions) held during the year and each Director's attendance at those meetings is set out in the table below.

The Directors met as a Board 10 times during the year, 9 main meetings and 1 special meeting. Special Meetings are convened at a time to enable the maximum number of Directors to attend and are generally held to consider specific items that cannot be held over to the next scheduled main meeting. Apologies were received from Directors in all instances where they were unable to attend a meeting.

Directors' Board Meetings	Meetings Held	Meetings Attended
Brett McKeon	9	8
Malcolm Watkins	9	9
Craig Carter	9	9
Jane Muirsmith	9	9
Greg Medcraft	9	9
Annette King	9	9

One special meeting was held during FY24. All directors other than Craig Carter, Jane Muirsmith and Annette King attended.

Committee membership

During FY24 the Board operated an Audit Committee, Remuneration and Nomination Committee, a Risk and Compliance Committee and a Technology and Data Committee.

Members acting on the Committees of the Board during the year were:

Audit	Remuneration and Nomination	Risk and Compliance	Technology and Data
Craig Carter (C)	Annette King (C)	Greg Medcraft (C)	Jane Muirsmith (C)
Greg Medcraft	Jane Muirsmith	Jane Muirsmith	Annette King
Annette King	Greg Medcraft	Craig Carter	Malcolm Watkins
	Craig Carter	Annette King	

Notes: (C) designates the Chair of the Committee

The best part of my day is seeing our broker support teams in action, providing exceptional service to our brokers. Knowing that we help them succeed and grow is incredibly rewarding.

Darryl
Operations Manager - Partner Support

The following table sets out the number of meetings of the Committees of the Board and the number of meetings attended by each Director who was a member of that Committee during FY24. All Directors may attend Board Committee meetings even if they are not a member of the relevant Committee. The table below excludes the attendance of those Directors who attended meetings of Board Committees of which they are not a member.

Attendance at Committee Meetings

Directors	Audit Committee		Remuneration and Nomination Committee		Risk and Compliance Committee		Technology and Data Committee	
	Maximum Possible Meetings	Attended	Maximum Possible Meetings	Attended	Maximum Possible Meetings	Attended	Maximum Possible Meetings	Attended
Craig Carter	4	4 (Chair)	8	8	4	4	Not applicable	Not applicable
Jane Muirsmith	Not applicable	Not applicable	8	8	4	4	6	6 (Chair)
Greg Medcraft	4	4	8	8	4	4 (Chair)	Not applicable	Not applicable
Annette King	4	4	8	8 (Chair)	4	4	6	6
Malcolm Watkins	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	6	3
Brett McKeon	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

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 or k) under the option available to the Company under *ASIC Corporations Instrument 2016/191*.

Non–audit services

Non-audit services were provided by the entity's auditor, Ernst & Young as disclosed in Note 35 to the Financial Statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001 (Cth)*.

The Directors are of the opinion that the services as disclosed in Note 35 to the Financial Statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. Amounts paid or payable by the Company for audit and non-audit services are disclosed in Note 35 to the Financial Statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 33 of this financial report for the year ended 30 June 2024. This report is made in accordance with a resolution of the Directors.

Building a better working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's independence declaration to the directors of Australian Finance Group Limited

As lead auditor for the audit of the financial report of Australian Finance Group Limited for the financial year ended 30 June 2024, 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 audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation in relation to the audit.

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

Ernst & Young

Ernst & Young

F Drummond
Partner

29 August 2024

Remuneration Report

Dear Shareholder,

On behalf of the Board of Australian Finance Group Ltd (**AFG** or the **Company**), I am pleased to present our 2024 Remuneration Report for the financial year ended 30 June 2024.

Following on from a challenging period, this year has been more positive. Economic conditions have resulted in the housing market returning to growth, broker share of mortgage market growing, and we have seen a rebound in non-bank market share of loans.

The AFG team has continued to execute on our current strategy focused on delivering a fairer financial future for all, by growing AFG's broker network, providing market leading technology and delivering financial innovation and earnings diversity.

This year, AFG appointed its first Chief People Officer to continue to evolve its people strategy in support of the strategic priorities and subsequently AFG's remuneration strategy, as well as further strengthening the capability of AFG's Executive team.

FY24 Performance and Executive Remuneration Framework

The AFG Board's approach is to ensure the Executive remuneration structure aligns performance, including execution of the business strategy, with the interests of our shareholders, in both the short and the longer term, as well as attracting, retaining and motivating key talent.

In developing our remuneration structure and target-setting, we consider best practice, and incorporate feedback from our shareholders, stakeholders and proxy advisors.

In FY24, non-executive director remuneration was reviewed, resulting in no change to non-executive director fees for FY25.

In relation to Executive remuneration, we retained the remuneration framework that was implemented in FY23 which aligns with shareholder expectations and the employment market. This framework combines competitive, market-driven, fixed annual remuneration (**FAR**), with variable rewards including a blend of short and long-term incentives. The variable (or at risk) remuneration of Executives is linked to the AFG Group performance through outcomes-based measures linked to the absolute and relative performance of the business.

The only changes in FY24 were the introduction of a conduct and behaviour modifier, which can reduce short term incentive (**STI**) awards by up to 20% if the individual is not embodying the Company's values and a change to the long term incentive (**LTI**) award to allow for the deferred exercise of vested performance rights at the conclusion of the 3 year performance period.

The Board retains discretion at all times on incentive payments.

FY24 Performance and Executive Remuneration Outcomes Summary

AFG's FY24 business performance results and the commensurate Executive remuneration reflects a year in which significant progress has been made against our strategy, with financial highlights including:

- A strong balance sheet and cash flow generating capability
- Achieving good growth in broker numbers, resulting in a record settlements year
- Growing volumes in Manufacturing and a return to book growth

In addition, AFG's employee engagement remains strong at 76%. In FY24, AFG commenced measuring employee eNPS with a positive eNPS of 12, recognising the ongoing work AFG is doing in relation to our employees' experience and the employee value proposition.

During FY24 we refreshed our core values in support of our overarching purpose of a *fairer financial future for all*, emphasing our focus on customer and team and being a trusted partner of choice.

AFG also continues to create a diverse and inclusive environment where employees feel they belong and are respected and valued. Further information is set out in the Sustainability section of the 2024 Annual Report.

FY24 NPATA[1] decreased from the last year's by 21.0%. The final FY24 NPATA amount of $31,337k which is 80.4% of the target budget for NPATA meant that the FY24 STI gate opened. The AFGS book returned to growth in the second half of the year, with a book size of $4.4B, a result of 95.5% of target. Most of AFG's technology refresh was also completed in 2024. As a result, the CEO and Executive Key Management Personnel (**KMP**) reporting to the CEO were eligible for a STI payment based on performance against targets, resulting in a STI outcome of 41.6% for the CEO and 58.3% of target for other KMP.

In relation to longer-term performance, the closing share price on 30 June 2024 was $1.38, with a full year dividend of 8.0 cents per share. The LTI performance is based on Total Shareholder Return (**TSR**) and Earnings Per Share (**EPS**). The outcome of TSR performance is at the 36.3 and 32.3 percentile of Diversified Financials and Small Industrials Indexes respectively; resulting in TSR targets not being met for the FY22 grant vesting. For FY24, EPS was -15% when compared to that achieved in FY22, hence vesting targets were not met either. As a result, the FY22 LTI grant did not vest in FY24 and there was no LTI payment to the CEO and Executive KMP.

FY25 and Beyond

The Remuneration and Nomination Committee continues to review the remuneration strategy, pay mix and incentive plans to ensure the AFG group has a fit for purpose, enduring remuneration framework. As a result, and to remain competitive, the maximum target for the short-term STI will be extended in FY25 to include a further stretch target, moving the maximum STI from 120% of target to 150% of target. In addition, NPATA targets will be adjusted for items beyond management's control, such as NPATA from certain investee companies where AFG does not hold control. More details will be provided in the 2025 Annual Report.

I would like to thank my fellow members on the Remuneration and Nomination Committee for their ongoing commitment, support and hard work across FY24 in order to set us up for a successful and exciting year ahead.

I look forward to continuing to work with the Board and management to build on this year's momentum in FY25.

We invite our shareholders to read the Remuneration Report and look forward to hearing your feedback.

Annette King
Chair, Remuneration and Nomination Committee

[1] NPATA is derived as net profit after tax and before amortisation of acquired intangibles. It is a non-IFRS measure.

1 Introduction

The Remuneration Report outlines AFG's remuneration philosophy, framework and outcomes for all Non-Executive Directors (**NED**) and other KMP. The report is written in accordance with the requirements of the *Corporations Act 2001 (Cth)* (**the Corporations Act**) and its regulations. This information has been audited as required by section 308(3C) of the Corporations Act.

2 Key Management Personnel

KMP are those persons who have specific responsibility for planning, directing, and controlling material activities of the AFG group. In this report, "Executives" refers to the KMP excluding the NED.

The current KMPs of the AFG group for the entire financial year unless otherwise stated are as follow:

Non-Executive Directors	Role	Date Appointed	Tenure
Brett McKeon[1]	Non-Executive Director	19 June 1996	28 years
Malcolm Watkins[2]	Non-Executive Director	9 December 1997	27 years
Craig Carter[3]	Non-Executive Director	25 March 2015	9 years
Jane Muirsmith[4]	Non-Executive Director	31 March 2016	8 years
Greg Medcraft[5]	Non-Executive Chair	15 September 2021	3 years
Annette King[6]	Non-Executive Director	1 February 2022	2 years
Executives			
David Bailey[7]	Chief Executive Officer	16 June 2017	20 years
Lisa Bevan[8]	Chief Operating Officer	22 June 2023	26 years
Luca Pietropiccolo	Chief Financial Officer	31 October 2022	2 years

(1) Brett McKeon was appointed to the Board 19 June 1996 and transitioned to Non-Executive Director effective 1 July 2019.
(2) Malcolm Watkins was appointed to the Board 8 December 1997 and transitioned to Non-Executive Director effective 1 July 2022.
(3) Craig Carter is Chair of the Audit Committee.
(4) Jane Muirsmith is Chair of the Technology and Data Committee.
(5) Greg Medcraft is Chair of the Board and Chair of the Risk and Compliance Committee.
(6) Annette King is Chair of the Remuneration and Nomination Committee.
(7) David Bailey started with AFG on 8 March 2004 and transitioned to Chief Executive Officer on 16 June 2017.
(8) Lisa Bevan started with AFG as Company Secretary on 9 March 1998 and transitioned to Chief Operating Officer on 22 June 2023.

Other than Brett McKeon and Malcolm Watkins, all Non-Executive Directors listed above are Independent Directors. The average tenure for the AFG Board as at 30 June 2024 is 13 years. Excluding the founding directors, the average tenure for the AFG Board as at 30 June 2024 is 5.5 years.

3 Executive remuneration structures

AFG aims to reward Executives with a level of remuneration commensurate with their responsibilities and position within the AFG and their ability to influence shareholder value creation within the context of appropriate conduct.

The remuneration framework links rewards with the strategic goals and performance of the Group and provides a robust, market-competitive mix of both fixed and variable rewards including a blend of short and long-term incentives. The variable (or at risk) remuneration of Executives is linked to the AFG group performance through outcomes-based measures linked to the absolute and relative performance of the business. In FY24, the AFG group introduced a conduct and behaviours modifier, which can reduce STI awards by up to 20% if the individual is not embodying the Company's values.

Executive Remuneration Structure

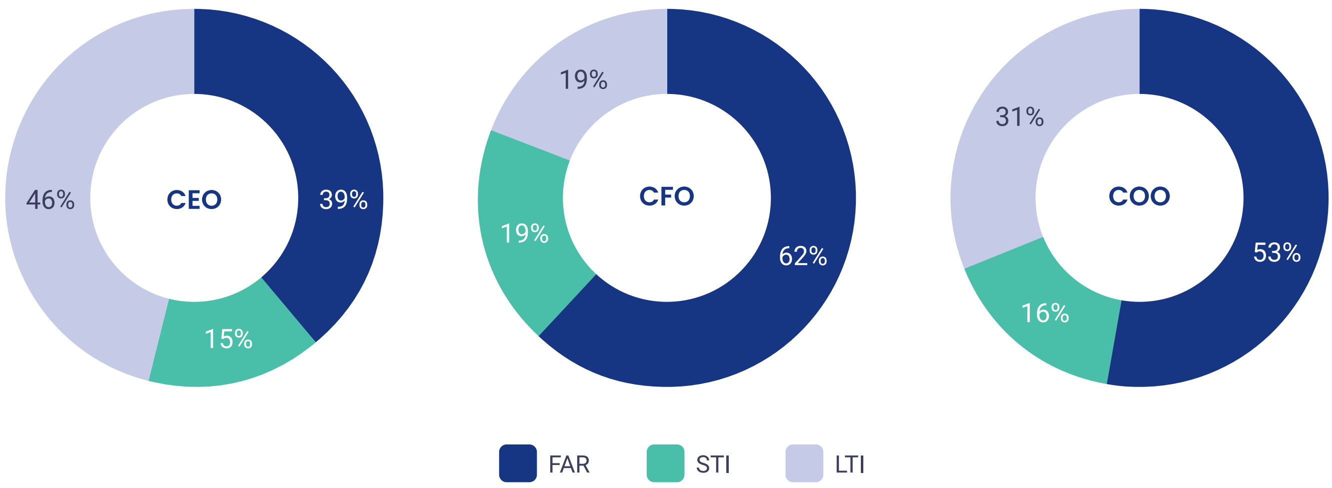
	Total Annual Remuneration *Base Salary, Superannuation Contributions and other benefits*	**Short-term Incentive (STI)** *Paid in cash*	**Long-term Incentive (LTI)** *Awards are made in the form of performance rights*
Strategic Objective	To provide competitive fixed remuneration with reference to role, market and experience, in order to attract, retain and motivate key talent	Rewards Executives for their contribution to achievement of AFG group outcomes and the strategically relevant KPI targets in the given financial year	Ensures Executive remuneration is clearly tied to the long-term creation of shareholder value
Performance Measure	Key roles and responsibilities as set out in the individual's employment contract and position description	AFG group Financial Measures FY24: 50% allocation to NPATA 25% to AFGS book size 25% to KPI linked to strategic priorities STI Gate opener is achievement of 80% NPATA target or greater	FY24 grant: 50% of a KMP's entitlement allocated to a 3-year compound annual growth rate (CAGR) EPS target 50% of a KMP's entitlement allocated to relative TSR targets, 50% measure against the ASX Diversified Financials Index and 50% against the ASX Small Industrials Index EPS gateway is a minimum of 5% and target of 7.5% Both TSR targets include a gateway requirement for absolute TSR to be positive

Executive Remuneration Components for the CEO and KMP

The CEO and KMP remuneration is weighted to ensure a substantial proportion of target total remuneration is at risk:

- The CEO is 39% fixed and 61% variable (at risk): and
- KMP are in the range of 53% to 62% fixed and 38% to 47% variable (at risk).

Target Remuneration



3.1 Executive remuneration outcomes

A 5-year history of AFG's financial performance, as it relates to executive remuneration outcomes, is provided below:

	FY24	FY23	FY22	FY21	FY20
NPATA (thousands of AUD)	31,337	39,674	39,958	51,304	38,078
Dividends (cents per share)	8.0	16.2	14.4	10.6	11.3
Closing share price at 30 June (AUD)	1.38	1.79	1.48	2.67	1.69
AFGS loan book (closing) (thousands of AUD)	4,442,371	4,474,615	4,785,285	3,403,531	2,920,621

STI award outcomes FY24

The combined cash bonus pool available to be paid to the KMP Executives for on target performance in FY24 was $416,377 and the minimum was nil. For FY24, the NPATA gate opening (80%) was met, resulting in KMP receiving a STI payment. The payment amounts based on performance against STI Measures are outlined below:

Target	Proportion of STI	FY24 000's	Target Achieved (%)	Deferred Potential (%)	Payment (%)
NPATA	50%	$31,337	80.4%	-	50.9%
AFG Book Growth	25%	$4,442,371	95.5%	-	89.4%
Strategic Priorities (IT & Data Transformation)	25%	Non-monetary	42.0%[1]	31.2%[1]	42%
Total Payment					58.3%

[1] 50% of potential IT & data transformation STI component deferred due to changes in project timelines. To be reassessed once IT & data transformation project completed with any additional payment to be made (if applicable, up to another 31.2%) at that time.

	Target STI opportunity	As a % of fixed remuneration	STI outcome	% Achieved	% Deferred Potential	% Forfeited
D. Bailey (CEO)	$240,500	38%	$100,163	41.6%	7.8%	50.6%
L. Bevan (COO)	$126,250	31%	$73,579	58.3%	7.8%	33.9%
L. Pietropiccolo (CFO)	$125,000	30%	$72,850	58.3%	7.8%	33.9%
Total	**$491,750**		**$246,592**			

LTI award outcomes FY24

For the 2024 financial year, the gateway for EPS and TSR was not met, so the LTI rights (granted in FY22) did not vest.

Measure	Target	Achieved	% Achieved
CAGR EPS	7.5%	(15)%	-
TSR Small Industrials	75th Percentile	36th Percentile	-
TRS Diversified Industrials	75th Percentile	32nd Percentile	-

Performance Rights	Target LTI opportunity (FY22 Grant)	LTI outcome	% Achieved	% Forfeited[1]
D. Bailey	$754,000	-	-	100%
M. Watkins[2]	$23,000	-	-	100%
L. Bevan	$224,000	-	-	100%
Total	$1,001,000	-	-	100%

1. Forfeiture due to EPS (cumulative expense was reversed as at 30 June 2024) and TSR (fully expensed as at 30 June 2024)
2. M. Watkins transitioned to Non-Executive Director effective 1 July 2022.

3.2 Fixed annual remuneration

No significant changes to the remuneration structure were required during the financial year.

3.3 STI plan

AFG Executives are entitled to participate in AFG's STI plan. The amount of the STI award each participant may become entitled to (if any) will be determined by the Remuneration and Nomination Committee based on AFG's Remuneration framework and approved by the Board based on achievement against set performance targets.

	STI Plan
Objective	The AFG STI plan rewards Executives for the achievement of objectives directly linked to AFG's business strategy that is focused on earnings diversification and providing choice and competition to consumers.
Participation	All Executives.
STI Opportunity	The STI available to each Executive is set at a level based on role, responsibilities and market data for the achievement of stretch targets against specific KPIs. The target STI opportunity for each Executive in FY24 is listed in section 3.1 as an absolute dollar amount and as a percentage of the Executive's fixed base.
Performance Period	The performance period is the relevant Financial Year. KPIs and weightings are set and reviewed each year to ensure that the STI targets remain relevant for the current environment and Executives remain focused on clear goals for the period.
Link between performance and reward	The KPI targets are selected based on what needs to be achieved over each financial performance period in order to deliver the business strategy over the long term. The STI target will be allocated to 50% Financial Objectives (NPATA), and 50% to Strategic Objectives (which may include financial objectives). For FY25, a maximum target will be set of 150%. The weightings for each KPI is set for each performance period based on the specific business targets set by the Board. A minimum threshold hurdle is set for each KPI included in the scorecard before any payment is made in respect of that KPI measure. A conduct and behaviours modifier, which can reduce STI awards by up to 20% if culture or conduct which is contrary to the Company's values is evident is also applied to the STI award.
Assessment of Performance	The Board reviews and approves the performance assessment and STI payments for the CEO and all other KMP Executives. The Board has a broad discretion to apply qualitative factors such as risk (including non-financial risk), reputation, conduct, leadership skills and values to the assessment of performance achievements for an Executive.
Payment Method	STI payments are delivered as cash.
Clawback and preventing inappropriate benefits	The Plan Rules provide the Board with broad 'clawback' powers if, amongst other things, the participant has acted fraudulently or dishonestly, engaged in gross misconduct or has acted in a manner that has brought AFG or its related bodies corporate into disrepute. This would include circumstances where there is a material financial misstatement, or AFG is required or entitled under law or Company policy to reclaim remuneration from the participant, or the participant's entitlements vest as a result of the fraud, dishonesty or breach of obligations of any other person and the Board is of the opinion that the incentives would not have otherwise vested.

3.4 FY25 STI opportunity

Offers to participate in STI awards for the 2025 financial year were made to KMP Executives under the STI plan on the terms set out.

The amount of the STI award each participant may become entitled to (if any) will be determined by the Remuneration and Nomination Committee and approved by the Board based on achievement against the targeted NPATA (50%), and to the KPI's linked to strategic initiatives (50%) and as approved by the Board. More broadly the allocation of targets is dependent upon the Executive's role in the business, however all have a substantial proportion of their STI linked to an NPATA target.

3.5 The LTI plan

AFG has established the LTI plan to assist in the longer-term motivation, retention and reward of KMP and certain senior employees. The LTI plan is designed to align the interests of Executives and senior management with the interests of shareholders by providing an opportunity for the participants to receive an equity interest in AFG and to ensure a focus on long term sustainable growth. Details of the LTI grants are provided below.

LTI Plan	
Objective	The LTI Plan is designed to align the interests of Executives and Shareholders over the longer-term, assisting with motivation and retention of key talent.
Participation	All Executives
Instrument	Performance rights to acquire ordinary AFG shares
Quantum	50% of an Executive's annual LTI entitlement weighted to an **EPS** target 50% of an Executive's annual LTI entitlement weighted to relative **TSR** targets
Link between performance and reward	**TSR** TSR encapsulates performance across the underlying key performance measures throughout the business aimed at achieving targeted business outcomes that will result in increased shareholder wealth through share price growth and dividends. TSR is measured against the ASX Diversified Financials Index (50%) and against the ASX Small Industries Index (50%). Both TSR targets include a gateway requirement for absolute TSR to be positive. Stretch targets are available giving Executives the opportunity to increase the number of performance rights by up to 50% for exceptional performance
	EPS Long term EPS accretion targets are set at levels that are challenging yet achievable in a sustainable manner. EPS directly links creation of shareholder wealth to the delivery of the businesses strategy over a long term period. Stretch targets are available giving Executives the opportunity to increase the number of performance rights by up to 50% for exceptional performance. The Board has a broad discretion to apply qualitative factors such as risk (including non-financial risk), reputation, conduct, leadership skills and values to the assessment of performance achievements for an Executive.
Key performance measure	**TSR** Relative Total Shareholder Return (pro-rata vesting between hurdles) 50% measured against the Diversified Financials Index, 50% against Small Industrials 50th Percentile – 50% vesting 75th Percentile – 100% vesting 85th Percentile – 125% vesting (stretch target) 90th Percentile – 150% vesting (stretch target)
	EPS accretion 5.0% CAGR – 50% vesting 7.5% CAGR – 100% vesting 10.0% CAGR – 150% vesting (stretch target)

<table>
<tr><th colspan="3">LTI Plan</th></tr>
<tr><td>Grant Date</td><td colspan="2">July</td></tr>
<tr><td rowspan="3">Grant date fair value</td><td>TSR Small Industrials Index;</td><td>2023 Grant: $0.800
2024 Grant: $1.148
2025 Grant: $0.882</td></tr>
<tr><td>TSR Diversified Financials Index;</td><td>2023 Grant: $0.820
2024 Grant: $1.118
2025 Grant: $0.835</td></tr>
<tr><td colspan="2">EPS 1.397 (being the 20-day Volume Weighted Average Price leading up to 30 June 2024)

EPS $1.713 (being the 20-day Volume Weighted Average Price leading up to 30 June 2023, adjusted for any potential dividends)</td></tr>
<tr><td>Gateway performance measure</td><td colspan="2">TSR – Absolute TSR must be positive
EPS – 5.0% CAGR EPS</td></tr>
<tr><td>Performance & service period</td><td colspan="2">1 July to 30 June for each financial year</td></tr>
<tr><td>Performance assessment</td><td colspan="2">30th June</td></tr>
<tr><td>Cessation of employment</td><td colspan="2">If the participant ceases employment for cause or resigns, unless the Board determines otherwise, any unvested Performance Rights will automatically lapse.

Generally, if the participant ceases employment for any other reason, all of their unvested Performance Rights will remain on foot and subject to the original performance conditions. However, the Board retains discretion to determine that some of their Rights (up to a pro-rata portion based on how much of the Performance Period remains) will lapse.</td></tr>
<tr><td>Dividends & voting</td><td colspan="2">The Performance Rights do not carry dividends or voting rights prior to vesting.</td></tr>
<tr><td>Clawback and preventing inappropriate benefits</td><td colspan="2">The Plan Rules provide the Board with broad ‘clawback’ powers if, amongst other things, the participant has acted fraudulently or dishonestly, engaged in gross misconduct or has acted in a manner that has brought AFG or its related bodies corporate into disrepute. This would include circumstances where there is a material financial misstatement, or AFG is required or entitled under law or Company policy to reclaim remuneration from the participant, or the participant’s entitlements vest as a result of the fraud, dishonesty or breach of obligations of any other person and the Board is of the opinion that the incentives would not have otherwise vested.</td></tr>
<tr><td>Change of control</td><td colspan="2">In a situation where there is likely to be a change of control, the Board has the discretion to accelerate vesting of some or all of the Performance Rights. Where only some of the Performance Rights have vested on a change of control, the remainder of the Performance Rights will immediately lapse. If the change of control occurs before the Board exercises its discretion:

• a pro-rata portion of the Performance Rights equal to the portion of the relevant Performance Period that has elapsed up to the expected or actual (as appropriate) date of the change of control will immediately vest; and

• the Board may, in its absolute discretion, decide whether the balance should vest or lapse.</td></tr>
<tr><td>Restrictions on dealing</td><td colspan="2">The participant must not sell, transfer, encumber, hedge or otherwise deal with Performance Rights

Unless the Board determines otherwise, the participant will be free to deal with the Shares allocated on vesting of the Performance Rights, subject to the requirements of AFG’s Policy for dealing in securities.</td></tr>
<tr><td>Reconstructions, corporate actions, rights issues, bonus issues, etc</td><td colspan="2">The rules of the LTI Plan include specific provisions dealing with rights issues, bonus issues, and corporate actions and other capital reconstructions. These provisions are intended to ensure that there is no material advantage or disadvantage to the participant in respect of their Performance Rights as a result of such corporate actions.</td></tr>
<tr><td>Deferred exercise of vested performance rights</td><td colspan="2">The Long Term Incentive Offer for FY24 was changed from previous years to allow for deferred exercise of vested performance rights at the conclusion of the 3 year performance period. This change has been made to allow participants flexibility as to when they crystallise a tax liability on their vested performance rights. Participants can provide an exercise notice at any time after the performance period ends and performance rights vest, up until the date that is 15 years after the grant of the performance rights.

Shares issued on vested but unexercised performance rights will be held in the AFG Employee Share Trust until the participant provides an exercise notice. Dividends will accrue on those shares held in the AFG Employee Share Trust and will be distributed to participants in the year they are paid.</td></tr>
</table>

4 Statutory remuneration tables

Executive remuneration for the years ended 30 June 2024 and 30 June 2023.

		Short-term				Post employment	Long - term			
		Salary & fees	Cash bonus	Non-monetary benefits	Total	Superannuation	Long service leave	Rights	Total Remuneration	Performance related
		$	$	$	$	$	$	$	$	%
D. Bailey	2024	598,671	100,163	8,469	707,303	27,399	12,927	385,304	1,132,934	43%
	2023	597,958	-	8,288	606,246	25,292	11,610	489,563	1,132,711	43%
L. Bevan[1]	2024	374,411	73,579	8,469	456,459	27,399	7,214	120,684	611,756	32%
	2023	285,108	27,900	8,288	321,296	25,292	5,536	139,924	492,048	34%
L. Pietropiccolo	2024	389,479	72,850	8,469	470,798	27,399	-	77,346	575,543	26%
	2023	262,303	24,863	5,495	292,661	17,024	-	31,250	340,935	16%
B. Jenkins[2]	2024	-	-	-	-	-	-	-	-	-
	2023	43,098	-	954	44,052	3,747	-	-	47,799	0%
Total	2024	1,362,561	246,592	25,407	1,634,560	82,197	20,141	583,334	2,320,233	36%
Total	2023	1,188,467	52,763	23,025	1,264,255	71,355	17,146	660,737	2,013,493	35%

Notes:
1. L. Bevan transitioned from part-time employment to full-time employment on 22nd June 2023.
2. B. Jenkins resigned as CFO on 12 August 2022.

5 Non-Executive Director remuneration

5.1 Remuneration policy

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders and in line with the market. The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to NEDs of comparable companies. The Board may consider advice from external consultants when undertaking the annual review process as appropriate.

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The current NED fee pool is $1.25m per annum.

5.2 Structure

The remuneration of NEDs consists of Directors' fees, which is inclusive of statutory superannuation and Committee fees (if any). The below summarises the NED fees:

- Chair: $200,000 inclusive of superannuation
- Non-Executive Directors: $120,000 inclusive of superannuation

NEDs do not receive retirement benefits, other than statutory superannuation contributions, nor do they participate in any incentive programs.

Directors may also be reimbursed for travel and other expenses incurred in attending to the Company's affairs. The table below outlines the NED remuneration for the years ended 30 June 2024 and 30 June 2023. No non-monetary short-term benefits were paid during current or prior year.

	Year	Board and Committee Fees $	Superannuation $	Total $
A. Gill[1]	2024	-	-	-
	2023	135,871	14,266	150,137
B. McKeon	2024	108,108	11,892	120,000
	2023	108,597	11,403	120,000
C. Carter	2024	108,108	11,892	120,000
	2023	108,597	11,403	120,000
M. Kiely[2]	2024	-	-	-
	2023	44,034	4,624	48,658
J. Muirsmith	2024	108,108	11,892	120,000
	2023	108,597	11,403	120,000
G. Medcraft[3]	2024	180,180	19,820	200,000
	2023	126,647	13,298	139,945
A. King	2024	108,108	11,892	120,000
	2023	108,597	11,403	120,000
M. Watkins	2024	108,108	11,892	120,000
	2023	108,597	11,403	120,000
Total	2024	720,720	79,280	800,000
Total	2023	849,537	89,203	938,740

1. Anthony Gill retired from the Board on 31 March 2023.
2. Melanie Kiely retired from the Board on 25 November 2022.
3. Greg Medcraft was appointed Chair of the Board on 1 April 2023.

Additional disclosures relating to rights and shares

5.3 Rights awarded, vested and lapsed during the year

The table below discloses the number of rights granted to Executives as remuneration during FY22, FY23 and FY24 as well as the number of rights that vested, lapsed or forfeited during the year. Rights do not carry any voting or dividend rights and shares can be allocated once the vesting conditions have been met until their expiry date. No performance rights granted in FY22 vested on 30 June 2024 and will be forfeited.

KMP	Year / Tranches (T)	No. of rights awarded during the year[1]	Grant date	Fair value per rights at award date $	Vesting date	Exercise price	Expiry date	No. forfeited	No. vested[1]
M. Watkins	2022 / T1	2,880	1-Jul-21	$2.795	30-Jun-24	-	30-Jun-24	2,880	-
	2022 / T2	4,223	1-Jul-21	$1.77	30-Jun-24	-	30-Jun-24	4,223	-
	2022 / T3	3,914	1-Jul-21	$1.91	30-Jun-24	-	30-Jun-24	3,914	-
L. Bevan	2024 / T1	69,469	1-Jul-23	$1.71	30-Jun-26	-	30-Jun-26	-	-
	2024 / T2	53,220	1-Jul-23	$1.12	30-Jun-26	-	30-Jun-26	-	-
	2024 / T3	51,829	1-Jul-23	$1.15	30-Jun-26	-	30-Jun-26	-	-
	2023 / T1	64,717	1-Jul-22	$1.61	30-Jun-25	-	30-Jun-25	-	-
	2023 / T2	63,415	1-Jul-22	$0.82	30-Jun-25	-	30-Jun-25	-	-
	2023 / T3	65,000	1-Jul-22	$0.80	30-Jun-25	-	30-Jun-25	-	-
	2022 / T1	28,050	1-Jul-21	$2.795	30-Jun-24	-	30-Jun-24	28,050	-
	2022 / T2	41,130	1-Jul-21	$1.77	30-Jun-24	-	30-Jun-24	41,130	-
	2022 / T3	38,115	1-Jul-21	$1.91	30-Jun-24	-	30-Jun-24	38,115	-
D. Bailey	2024 / T1	220,082	1-Jul-23	$1.71	30-Jun-26	-	30-Jun-26	-	-
	2024 / T2	168,605	1-Jul-23	$1.12	30-Jun-26	-	30-Jun-26	-	-
	2024 / T3	164,199	1-Jul-23	$1.15	30-Jun-26	-	30-Jun-26	-	-
	2023 / T1	234,599	1-Jul-22	$1.61	30-Jun-25	-	30-Jun-25	-	-
	2023 / T2	229,878	1-Jul-22	$0.82	30-Jun-25	-	30-Jun-25	-	-
	2023 / T3	235,625	1-Jul-22	$0.80	30-Jun-25	-	30-Jun-25	-	-
	2022 / T1	94,419	1-Jul-21	$2.795	30-Jun-24	-	30-Jun-24	94,419	-
	2022 / T2	138,446	1-Jul-21	$1.77	30-Jun-24	-	30-Jun-24	138,446	-
	2022 / T3	128,298	1-Jul-21	$1.91	30-Jun-24	-	30-Jun-24	128,298	-
L. Pietropiccolo	2024 / T1	36,486	1-Jul-23	$1.71	30-Jun-26	-	30-Jun-26	-	-
	2024 / T2	27,952	1-Jul-23	$1.12	30-Jun-26	-	30-Jun-26	-	-
	2024 / T3	27,221	1-Jul-23	$1.15	30-Jun-26	-	30-Jun-26	-	-
	2023 / T1	37,493	1-Jul-22	$1.67	30-Jun-25	-	30-Jun-25	-	-
	2023 / T2	29,819	1-Jul-22	$1.05	30-Jun-25	-	30-Jun-25	-	-
	2023 / T3	27,778	1-Jul-22	$1.13	30-Jun-25	-	30-Jun-25	-	-

T1 – EPS allocation T2 – TSR (Diversified Financials) allocation T3 – TSR (Small Industrials) allocation
1. None of the tranches of the 2022 issue vested as the vesting hurdles were not passed.

5.4 Shareholdings of KMP

Ordinary shares held in Australian Finance Group Ltd (ASX:AFG)

30 June 2024	Balance 1 July 2023	Shares issued on vesting of rights	Sold during the period	Net change other	Balance 30 June 2024[1]	Held nominally[2]
Directors						
B. McKeon	16,332,632	-	-	-	16,332,632	16,332,632
M. Watkins	16,130,824	8,894	-	-	16,139,718	16,014,195
C. Carter	1,400,000	-	-	-	1,400,000	1,400,000
J. Muirsmith	126,819	-	-	-	126,819	126,819
A. King	60,000	-	-	40,000	100,000	100,000
G. Medcraft	60,000	-	-	50,000	110,000	110,000
Executives						
D. Bailey	2,055,744	276,512	(293,334)	-	2,038,922	-
L. Bevan	1,421,860	86,473	(90,000)	-	1,418,333	98,485
L. Pietropiccolo	-	-	-	-	-	-

1 Includes shares held directly, indirectly and beneficially by the KMP.

2 Relates to shares held within a superannuation fund or externally managed.

All Directors are required to hold a minimum shareholding in alignment with the Company's policy. All Directors meet that requirement.

30 June 2023	Balance 1 July 2022	Shares issued on vesting of rights	Sold during the period	Net change other	Balance 30 June 2023[1]	Held nominally[3]
Directors						
T. Gill[2]	1,239,546	-	-	(1,239,546)	-	-
B. McKeon	16,332,632	-	-	-	16,332,632	16,332,632
M. Watkins	16,515,594	15,230	(400,000)	-	16,130,824	16,014,195
C. Carter	1,400,000	-	-	-	1,400,000	1,400,000
M. Kiely[2]	89,376	-	-	(89,376)	-	-
J. Muirsmith	126,819	-	-	-	126,819	126,819
A. King	60,000	-	-	-	60,000	60,000
G. Medcraft	60,000	-	-	-	60,000	-

30 June 2023	Balance 1 July 2022	Shares issued on vesting of rights	Sold during the period	Net change other	Balance 30 June 2023[1]	Held nominally[3]
Executives						
D. Bailey	1,582,297	473,447	-	-	2,055,744	609,334
L. Bevan	1,273,799	148,061	-	-	1,421,860	98,485
B. Jenkins[2,4]	98,222	-	-	(98,222)	-	-
L. Pietropiccolo[5]	-	-	-	-	-	-

1 Includes shares held directly, indirectly and beneficially by the KMP.
2 Relates to derecognition of holding on ceasing to be a KMP.
3 Relates to shares held within a superannuation fund or externally managed.
4 B. Jenkins resigned as CFO on 12 August 2022.
5 L. Pietropiccolo was appointed as CFO on 31 October 2022.

6 Executive service agreements

Remuneration and other terms of employment for Executives are formalised in employment agreements. Each of these employment agreements provides for the payment of fixed and performance-based remuneration and employer superannuation contributions. The following outlines the details of these agreements:

Name	Agreement expires	Notice of termination by Company	Employee notice
D. Bailey	No expiry, continuous agreement	12 months (or payment in lieu of notice)	12 weeks
L. Bevan	No expiry, continuous agreement	12 months (or payment in lieu of notice)	12 weeks
L. Pietropiccolo	No expiry, continuous agreement	6 months (or payment in lieu of notice)	6 months

7 Remuneration governance

7.1 Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for ensuring AFG has remuneration strategies and a framework that fairly and responsibly rewards Executives and Non-Executive Directors with regard to performance, the law and corporate governance. The Committee ensures that AFG remuneration policies are directly aligned to business strategy, financial performance and support increased shareholder wealth over the long term.

As at 30 June 2024 the Remuneration and Nomination Committee comprised independent Non-Executive Director Annette King (Chair), and independent Non-Executive Directors Craig Carter, Jane Muirsmith and Greg Medcraft.

Further information on the role of the Remuneration and Nomination Committee is set out in the Committee's Charter available at *https://investors.afgonline.com.au/investor/?page=corporate-governance* and in the Corporate Governance Statement also available on the Company's website.

7.2 Remuneration philosophy

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

The Board embodies the following principles in its remuneration framework:

- Remuneration levels for KMP are set to attract and retain appropriately qualified and experienced Directors and Executives;
- Alignment of Executive reward with shareholder interest and strategy; and
- The relationship between performance, conduct and remuneration of Executives is clear and transparent.

7.3 Use of independent consultants

In performing its role, the Remuneration and Nomination Committee can directly commission and receive information and advice from independent external advisors. The Committee has protocols in place to ensure that any advice and recommendations are provided in an appropriate manner and free from undue influence of management.

No remuneration recommendations (as defined in the Corporations Act) from remuneration consultants were received during the financial period ended 30 June 2024. AFG engaged external consultants during 2024 to provide guidance on AFG's remuneration framework in relation to market data on salary benchmarking and relevant pay practices.

7.4 Policy for dealing in securities

AFG has a policy for dealing in securities to establish best practice procedures that protect AFG, Directors and employees against the misuse of unpublished information that could materially affect the value of AFG securities. Directors, Executives and their connected persons are restricted by trading windows (other than in limited exceptional circumstances).

7.5 Director minimum shareholding policy

AFG has adopted a formal Director Minimum Shareholding Policy. All Non-Executive Directors must establish and maintain a minimum level of ownership in AFG shares equal to their base annual director fees (including superannuation) within the later of 3 years of appointment and the date of adoption of the policy.

All Non-Executive Directors currently meet the minimum shareholding requirements under the policy.

7.6 Remuneration Report approval at 2023 AGM

The 30 June 2023 Remuneration Report was presented to shareholders and was approved at the 2023 Annual General Meeting.

8 Other Transactions and Balances with KMP and their Related Parties

Greenlane Group Pty Ltd (formerly Establish Property Group Ltd) (**Greenlane**) was created as part of the demerger of AFG's property business prior to listing on the ASX on 22 April 2015. Directors of Greenlane include B. McKeon, D. Bailey and L. Bevan.

AFG's head office is located at 100 Havelock Street West Perth. AFG leases these premises at commercial arm's length rates from an investee of Greenlane, Qube Havelock Street Development Pty Ltd (**Qube**). AFG paid rent of $1,312k to Qube (2023: $1,218k) for the head office lease. These payments are not considered to be material to the financial results of the Group and therefore did not impact on Mr B. McKeon's duties as a Director of AFG.

End of Audited Remuneration Report

---

9 Independent Audit of Remuneration Report

The Remuneration Report has been audited by Ernst & Young. Please see page 107 of this Annual Report for Ernst & Young's report on the Remuneration Report.

This Directors' Report, including the Remuneration Report, is signed in accordance with a Resolution of Directors of AFG.

Greg Medcraft
Chair

Perth, Western Australia
29 August 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June

In thousands of AUD	Note	2024	2023
Commission and other income	7	796,748	742,834
Securitisation interest income		278,529	260,002
Operating income		**1,075,277**	**1,002,836**
Commission and other cost of sales		(726,508)	(679,142)
Securitisation interest expense		(246,585)	(210,627)
Gross profit		**102,184**	**113,067**
Other income	8	21,741	21,852
Administration expenses		(9,313)	(10,805)
Other expenses	9	(76,734)	(77,759)
Results from operating activities		**37,878**	**46,355**
Finance income	10	7,648	6,170
Finance expenses	10	(3,738)	(3,128)
Net change in fair value of financial liabilities at fair value through profit and loss	21	-	(1,820)
Share of profit of associates	17	2,204	6,059
Profit before tax		**43,992**	**53,636**
Income tax expense	11	(13,542)	(14,527)
Profit for the period		**30,450**	**39,109**
Attributable to:			
Equity holders of the Company		28,975	37,312
Non-controlling interests		1,475	1,797
		30,450	**39,109**
Other comprehensive profit for the year, net of income tax		-	-
Total comprehensive income for the period attributable to:			
Equity holders of the Company		28,975	37,312
Non-controlling interests		1,475	1,797
Total comprehensive income for the year		**30,450**	**39,109**
Earnings per share			
Basic earnings per share (cents per share)	26	10.72	13.81
Diluted earnings per share (cents per share)	26	10.57	13.61

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

Consolidated Statement of Financial Position

As at 30 June

In thousands of AUD	Note	2024	2023
Assets			
Cash unrestricted	12	67,401	60,031
Cash restricted	12	154,217	162,211
Trade and other receivables	13	13,067	15,098
Current tax receivable	11	52	-
Contract assets	14	1,137,287	1,139,483
Loans and advances	16	4,452,390	4,487,966
Investment in associates	17	39,684	37,480
Property, plant and equipment		661	704
Right of use assets	18	4,708	6,498
Deferred tax asset	11	-	148
Intangible assets	15	46,774	34,166
Goodwill	15	61,082	61,082
Total assets		**5,977,323**	**6,004,867**
Liabilities			
Trade and other payables	19	1,148,681	1,145,223
Non-interest-bearing liabilities	21	11,753	22,000
Employee benefits	22	6,847	6,391
Current tax payable	11	-	3,188
Provisions	23	1,616	1,850
Contract liability	24	6,528	5,715
Lease liability	18	5,177	7,037
Interest-bearing liabilities	20	4,565,285	4,590,914
Deferred tax liability	11	24,386	22,777
Total liabilities		**5,770,273**	**5,805,095**
Net assets		**207,050**	**199,772**
Equity			
Share capital	25	102,125	102,125
Share-based payment reserve		7,788	7,278
Retained earnings		96,910	89,867
Other capital reserves		(29)	(29)
Equity reserves		(12,371)	(20,180)
Total equity attributable to equity holders of the Company		**194,423**	**179,061**
Non-controlling interest		12,627	20,711
Total equity		**207,050**	**199,772**

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

Statement of Changes in Equity

For the year ended 30 June

In thousands of AUD	Share capital	Foreign currency translation reserve	Equity reserve	Share-based payment	Retained earnings	Total equity	Non-controlling interest	Total equity
Balance at 1 July 2023	102,125	(29)	(20,180)	7,278	89,867	**179,061**	20,711	**199,772**
Total comprehensive income for the period								
Profit	-	-	-	-	28,975	**28,975**	1,475	**30,450**
Total comprehensive income for the period	-	-	-	-	28,975	**28,975**	1,475	**30,450**
Transactions with owners, recorded directly in equity								
Dividends to equity holders	-	-	-	-	(21,932)	**(21,932)**	(1,750)	**(23,682)**
Share-based payment transactions	-	-	-	510	-	**510**	-	**510**
Acquisition of non-controlling interest	-	-	7,809	-	-	**7,809**	(7,809)	**-**
Total transactions with owners	**-**	**-**	**7,809**	**510**	**(21,932)**	**(13,613)**	**(9,559)**	**(23,172)**
Balance at 30 June 2024	**102,125**	**(29)**	**(12,371)**	**7,788**	**96,910**	**194,423**	**12,627**	**207,050**

	Share capital	Foreign currency translation reserve	Equity reserve	Share-based payment	Retained earnings	Total equity	Non-controlling interest	Total equity
Balance at 1 July 2022	102,125	(29)	(20,180)	6,067	96,337	**184,320**	21,115	**205,435**
Total comprehensive income for the period								
Profit	-	-	-	-	37,312	**37,312**	1,797	**39,109**
Total comprehensive income for the period	-	-	-	-	37,312	**37,312**	1,797	**39,109**
Transactions with owners, recorded directly in equity								
Dividends to equity holders	-	-	-	-	(43,782)	**(43,782)**	(2,201)	**(45,983)**
Share-based payment transactions	-	-	-	1,211	-	**1,211**	-	**1,211**
Total transactions with owners	-	-	-	1,211	(43,782)	**(42,571)**	(2,201)	**(44,772)**
Balance at 30 June 2023	**102,125**	**(29)**	**(20,180)**	**7,278**	**89,867**	**179,061**	**20,711**	**199,772**

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

Statement of Cash Flows

For the year ended 30 June

In thousands of AUD	Note	2024	2023
Cash flows from/(used in) operating activities			
Cash receipts from customers		820,706	767,700
Cash paid to suppliers and employees		(794,598)	(749,533)
Interest received		278,529	260,002
Interest paid		(250,179)	(213,521)
Income taxes paid		(15,680)	(12,559)
Net cash generated by operating activities	12	**38,778**	**52,089**
Cash flows from/(used in) investing activities			
Net interest received		7,651	6,173
Acquisition of property, plant and equipment		(437)	(291)
Purchase of intangible assets		(17,400)	(6,741)
Acquisition of Fintelligence and BrokerEngine	21	(10,247)	(924)
Net loans and advances to borrowers		32,337	310,669
Proceeds in broker loans and advances		1,286	754
Net cash from investing activities		**13,190**	**309,640**
Cash flows from/(used in) financing activities			
Proceeds from warehouse facility		1,475,959	1,367,672
Repayments of warehouse facility		(1,746,037)	(1,083,000)
Proceeds from securitised funding facilities		1,513,951	697,771
Repayments to securitised funding facilities		(1,272,453)	(1,333,736)
Proceeds from debt facility		7,500	-
Repayment of debt facility		(5,250)	(8,353)
Payment of principal portion of lease liability		(2,580)	(2,443)
Dividends paid	25	(21,932)	(43,782)
Dividends paid to non-controlling interest		(1,750)	(2,201)
Net cash used in financing activities		**(52,592)**	**(408,072)**
Net decrease in cash and cash equivalents		**(624)**	**(46,343)**
Cash and cash equivalents at 1 July		222,242	268,585
Cash and cash equivalents at 30 June	12	**221,618**	**222,242**

The Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

1 Reporting entity

The Consolidated Financial Statements for the financial year ended 30 June 2024 comprise Australian Finance Group Ltd (**AFG** or 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 financial year were mortgage origination and lending. The Company's principal place of business is 100 Havelock Street, West Perth, Western Australia.

2 Basis of preparation

a. Statement of compliance

The Financial Report complies with Australian Accounting Standards, and International Financial Reporting Standards (**IFRS**) as issued by the Australian Accounting Standards Board (**AASB**).

The Financial Report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and *Australian Accounting Standards* (**AAS**) and other authoritative pronouncements of the Australian Accounting Standards Board. The Financial Report has been prepared on a historical cost basis, except where noted.

The Financial Statements comprise the Consolidated Financial Statements of the AFG Group of companies.

The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency. All values are rounded to the nearest thousand dollars ($000's or k) unless stated otherwise, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

The Consolidated Financial Statements were authorised for issue by the Board of Directors on 29 August 2024. The Directors have the power to amend and reissue the financial report.

b. Basis of measurement

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 are measured using the expected value method under AASB 15 *Revenue from contracts with customers*
- Financial instruments at fair value through profit or loss are measured at fair value

c. Use of estimates and judgements

The preparation of Financial Statements in conformity with AASB requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. 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.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

- Note 3(a)(i) - Consolidation of special purpose entities
- Note 3(b) - Expected value of trail commission income contract assets
- Note 3(g)(ii) - Impairment of financial assets
- Note 3(i) - Impairment of non-financial assets
- Note 5(a) - Impairment of contract asset

Information about assumptions and estimates that have a significant risk of resulting in a material adjustment within the next financial years are included in the following:

- Note 3(b) and Note 28 - Determination of assumptions used in forecasting and discounting future trail commissions
- Note 21 - Put/Call valuations
- Note 28 - Valuation of contract assets and expected credit losses

Taxation

The Group's accounting for taxation requires Management's judgement in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Consolidated Statement of Financial Position. Deferred tax assets, including those arising from unutilised tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on Management's estimates of future cash flows. These depend on estimates of future income, operating costs, capital expenditure, dividends and other capital management transactions. Judgements and assumptions are also required about the application of income tax legislation. These judgments and assumptions are subject to risk uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Consolidated Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised.

In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

d. Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

i. Adoption of new and revised Accounting Standards

New and revised Standards and amendments thereof and interpretations effective for the current year end that are relevant to the Group but do not have a material impact on the Group include:

- AASB 2021-2 Amendments to AAS – Disclosure of Accounting Policies and Definition of Accounting Estimates
- AASB 2021-5 Amendments to AAS – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- AASB 2021-6 Amendments to AAS – Disclosure of Accounting Policies: Tier 2 and Other AAS
- AASB 2022-6 Amendments to AAS – Non-current Liabilities with Covenants
- AASB 2022-7 Editorial Corrections to Consolidated Statement and Repeal of Superseded and Redundant Standards
- AASB 2023-2 Amendments to AAS – International Tax Reform Pillar Two Model Rules
- AASB 17 Insurance Contracts
- AASB 2022-1 Amendments to AAS – Initial Application of AASB 17 and AASB 9 –Comparative Information

The Group has adopted all of the new and revised Standards and Interpretations, including amendments to the existing standards issued by the AASB that are relevant to their operations and effective for the current reporting period.

ii. Accounting Standards and Interpretations issued but not yet effective

At the date of authorisation of the Financial Statements, the Standards and Interpretations that were issued but not yet effective, (which have not been early adopted) are listed below. The Group is currently assessing the impact:

Affected Standards and Interpretations	Application Date	Application date for Group
AASB 2023-1 Amendments to AAS – AASB 107 and AASB 7 – *Disclosure of Supplier Finance Arrangements*	1 January 2024	1 July 2024
AASB 2022-6 Amendments to AAS – *Non-current Liabilities with Covenants*	1 January 2024	1 July 2024
AASB 2020-1 Amendments to AAS – *Classification of Liabilities as Current or Non-current*	1 January 2024	1 July 2024
AASB 2023-3 Amendments to AAS – *Disclosure of Non-current Liabilities with Covenants: Tier 2*	1 January 2024	1 July 2024
AASB 2014-10 Amendments to AAS – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2025	1 July 2025
AASB 2022-9 Amendments to AAS –*Insurance Contracts in the Public Sector*	1 July 2026	1 July 2026
AASB 18 *Presentation and Disclosure in Financial Statements*	1 January 2027	1 July 2027

3 Summary of material accounting policy information

Except as expressly described in the Notes to the Financial Statements, the accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements and have been applied consistently by all Group entities.

a. Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee
- Has the ability to use its power to affect its returns

When the Group has less than a majority of the voting rights or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Right arising from other contractual arrangements
- The Group's voting rights and potential voting rights

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income from the date the Company gains control until the date when the company ceases to control the subsidiary. Subsidiaries are entities controlled by the Group.

When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair values of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in the profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets, and liabilities of the subsidiary and any non-controlling interests. All the amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group has directly disposed of the related assets and liabilities of the subsidiary.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 9 *Financial instruments* on as it becomes a financial instrument on loss of control.

i. Special purpose entities

Special purpose entities (**SPE**) are those entities over which the group has no ownership interest but in effect the substance of the relationship is such that the Group controls the entity. The Group holds capital and residual units in these respective special purpose entities.

The Group has established the following special purpose entities to support the specific funding needs of the Group's securitisation programme:

- AFG 2010-1 Trust and its Series to conduct securitisation activities funded by short term warehouse facilities provided by warehouse and related mezzanine facility providers.
- AFG 2020-1 NC Trust, AFG 2021-1 Trust, AFG 2021-2 Trust, AFG 2022-1NC Trust, AFG 2022-1 Trust, AFG 2022-2 Trust, AFG 2023-1 Trust and AFG 2024-1 Trust to hold securitised assets and issue Residential Mortgage-Backed Securities (**RMBS**).
- AFG 2010-2 Pty Ltd and AFG 2010-3 Pty Ltd to hold and fund investments in some of our RMBS to meet risk retention requirements.
- The special purpose entities meet the criteria of being controlled entities under AASB 10 – *Consolidated Financial Statements.*

The elements indicating control include, but are not limited to, below:

- The Group has existing rights that gives it the ability to direct relevant activities that significantly affect the special purpose entities' returns
- The Group is exposed, and has rights, to variable returns from its involvement with the special purpose entities
- The Group has all the residual interest in the special purpose entities
- Fees received by the Group from the special purpose entities vary on the performance, or non-performance, of the securitised assets
- The Group has the ability to direct decision making accompanied by the objective of obtaining benefits from the special purpose entities' activities

As a result, the Company controls the SPE and on consolidation the underlying loans and notes issued are recognised as assets and liabilities and interest on loans is recognised in the statement of profit and loss.

ii. Investments in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments in associates are accounted for using the equity method (equity accounted investments) and are initially recognised at cost. The cost of the investment includes transaction costs (refer to Note 17).

The Consolidated Financial Statements include the Group's share of the profit or loss and other comprehensive income of the investee, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

b. Revenue from contracts with customers

The Group accounts for revenue under AASB 15 *Revenue from contracts with customers.* The standard has introduced a single principle based five step recognition measurement model for revenue recognition:

- Identifying the contract with a customer
- Identifying the separate performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when or as performance obligations are satisfied

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group recognises contract liabilities (refer to Note 24) for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the Consolidated Statement of Financial Position. Similarly, if the Group performs a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its Consolidated Statement of Financial Position, depending on whether something other than the passage of time is required before the consideration is due. In relation to the Group the contract asset is recognised to account for the revenue in relation to the satisfaction of a performance obligation.

Under AASB 15, revenue is recognised when the Group satisfies performance obligations by transferring the promised services to its customers. Determining the timing of the transfer of control - at a point in time or over time - requires judgement.

The Group's significant income streams under AASB 15 include:

- Commissions – origination and trail commissions and associated interest income to account for the time value of money
- Other income – sponsorship income and fees for services

The Group often enters into transactions that will give rise to different streams of revenue. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Commissions – origination and trail commissions

The Group provides loan origination services and receives origination commission on the settlement of loans. Additionally, the lender normally pays a trailing commission over the life of the loan.

Commission revenue is recognised as follows:

- Origination commissions: origination commissions on loans other than those originated by the Group are recognised upon the loans being settled and receipt of commission net of clawbacks. Commissions may be clawed back by lenders in accordance with individual contracts. These potential clawbacks are estimated and recognised at the same time as origination commission and included in origination commission revenue.
- Trailing commissions: the Group receives trail commissions from lenders on settled loans over the life of the loan based on the loan balance outstanding. The Group also makes trail commission payments to brokers when trail commission is received from lenders. The future trail commission receivable is recognised upfront as a contract asset. Trailing commissions include revenue on residential, commercial and AFG Home Loans (**AFGHL**) white label trail books.
- Interest income: this is the financing component of the trail commission contract asset which brings into consideration the time value of money.

Trail commissions – significant estimates and judgements

The Group applies the AASB 15 variable consideration guidance to the measurement of the contract asset.

On initial recognition, the Group recognises a contract asset which represents Management's estimate of the variable consideration to be received from lenders on settled loans. The Group uses the 'expected value' method of estimating variable consideration which requires significant judgement, it is highly probable that there is no significant reversal.

A corresponding expense and payable is also recognised, initially measured at fair value being the net present value of expected future trailing commission payable to brokers and subsequently measured at amortised cost.

The value of trail commission receivable from lenders and the corresponding payable to brokers is determined by using a discounted cash flow valuation to determine the expected value. These calculations require the use of assumptions which are determined by Management using a variety of inputs including external actuarial analysis of historical information. Key assumptions underlying the calculation include the average loan life, discount rate and the percentage paid to brokers. Refer to Note 28 for details on these key assumptions.

Other income

Sponsorship income is the income received in advance from sponsorship payment arrangements with lenders. The income is brought to account once the sponsored event has occurred.

Fees for services relates to providing marketing, compliance and administration services to the brokers. This revenue is recognised with reference to the stage of completion for the contract of services.

Impact of application of AASB 15

Determining if performance obligations are satisfied (over time or a point in time) requires judgement. The table illustrates a summary of the impact of AASB 15 on the Group's significant revenue from contracts with customers.

Payment for upfront commissions and fees for services are all typically due within 30 days of satisfying performance obligations.

"Point in time" or "Over time"	Types of Service	Nature and timing of satisfaction of performance obligations	Revenue recognition policy under AASB 15
Point in time	Commissions – origination commissions	At the point in time when the loan is settled with the lender.	The Group recognises revenue at the point in time when the loan is settled with the lender. The transaction price is adjusted for any expected clawbacks.
Point in time	Commissions – trail commissions	At the point in time when the loan is settled with the lender	The Group recognises this revenue at the point in time, when the loan is settled with the lender. On initial recognition a contract asset is recognised, representing managements estimate of the variable consideration to be received. The Group uses the "expected value" method of estimating the variable consideration, which includes significant financing component, by recalculating the net present value (**NPV**) of the estimated future cash flows at the original effective interest rate.
Over time	Interest income – discount unwind on the NPV trail commission contract asset	Revenue arising from the discount rate applied to the trail commission contract asset.	Interest income from the unwinding of the discount rate on the trail commission contract asset is recognised over time.
Over time	Subscription income	The performance obligation is to provide access to the platform for which the subscription is purchased. The income is recognised evenly over the service period, being the subscription period.	Subscription income is recognised evenly over the service period, being the subscription period.
Point in time	Other income – sponsorship income	The performance obligation is that a sponsored event has occurred.	Funds are received in advance and initially recognised as contract liability. Revenue is recognised at a point in time when the sponsored event has occurred.
Over time	Other income – fees for services	The performance obligation is the provision of services to brokers, including marketing, compliance and administration services. The income is recognised with reference to the stage of completion for the contract of the services.	Revenue is recognised when performance obligation is satisfied.

c. Securitisation interest income and expense

Interest income is the key component of this revenue stream and it is recognised using the effective interest method in accordance with AASB 9. The rate at which revenue is recognised is referred to as the effective interest rate and is equivalent to the rate that effectively discounts estimated future cash flows throughout the estimated life to the net carrying value of the loan. Acquisition costs relating to trail commission to brokers are also spread across the estimated life of the loan using the effective interest method.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost.

For financial assets other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired.

For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Securitisation expense comprises interest payable on borrowings.

d. Finance income and expenses

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest payable on borrowings.

e. Income tax expense

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is generally provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised where Management consider that it is probable that future taxable profits will be available to utilise those temporary differences. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit or loss.

i. Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group with effect from 1 July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is the Company.

Current tax expenses, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate Financial Statements of the members of the tax-consolidated group using the 'group allocation' approach by reference to the carrying amounts of assets and liabilities in the separate Financial Statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

ii. Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments/(receipts) to/(from) the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an intra-group receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the Financial Statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

iii. Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (**GST**), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (**ATO**) is included as a current asset or liability or as part of the expense.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as cash flows from operating activities.

f. Cash and short-term deposits

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at bank and on hand, short term deposits with a maturity of three months or less from date of origination, as well as restricted cash such as proceeds and collections in the SPE accounts which are not available to the shareholders.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of the cash and term deposits as defined above, net of outstanding bank overdrafts.

g. Financial instruments

i. Financial assets

Initial recognition and measurement

With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component are initially measured at the transaction price determined under AASB 15 (see Note 3(b)).

Subsequent measurement of financial assets at amortised cost

A financial asset is measured at amortised cost if it meets the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding
- It is not designated at fair value through profit or loss

The amortised cost of a financial asset is:

- The amount at which the financial asset is measured at initial recognition
- Minus the principal repayments
- Plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount
- Adjusted for any loss allowance

Interest income, foreign exchange gains and losses and impairment are recognised in profit and loss.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. When assessing whether or not to derecognise an asset, the entity considers whether there has been a change in counterparty and whether there has been a substantial modification to the terms of the arrangement. If the modification does not result in cashflows that are substantially different, the modification does not result in derecognition however, the modification will result in a gain/loss recognised in profit and loss.

ii. Impairment of financial assets

The Group applies the Expected Credit Loss (**ECL**) model under AASB 9. This applies to contract assets and financial assets measured at amortised cost.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). It consists of three components:

- Probability of default (**PD**): represents the possibility of a default over the next 12 months and remaining lifetime of the financial asset
- A loss given default (**LGD**): expected loss if a default occurs, taking into consideration the mitigating effect of collateral assets and time value of money
- Exposure at default (**EAD**): the expected loss when a default takes place

The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. If the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group measures the loss allowance for that financial instrument at an amount equal to a 12-month ECL.

The Group has assessed the loans and advances (securitised assets) and recognised the ECL for these assets.

Impairment of loans and advances

The Group has applied the three-stage model based on the change in credit risk since initial recognition to determine the loss allowances of its loans and advances.

Stage 1: 12-month ECL

At initial recognition, ECL is collectively assessed and measured by classes of financial assets with the same level of credit risk based on the PD within the next 12 months and LGDs with consideration to forward-looking economic indicators. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Stage 2: Lifetime ECL

When the Group determines that there has been a significant increase in credit risk since initial recognition but not considered to be credit impaired, the Group recognises a lifetime ECL calculated as a product of the PD for the remaining lifetime of the financial asset and LGD, with consideration to forward-looking economic indicators. Similar to Stage 1, loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Stage 3: Lifetime ECL - credit impaired

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit- impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. For financial assets that have been assessed as credit impaired, a lifetime ECL is recognised as a collective or specific provision, and interest revenue is calculated in subsequent reporting periods by applying the effective interest rate to the amortised cost instead of the carrying amount.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

As part of the forward-looking assessment, the Group has considered:

- Actual or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations such as market interest rates, unemployment rates or property growth rates are incorporated in the model
- External (if available) credit ratings
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- Significant changes in the quality of the underwriter
- Standard & Poor (**S&P**) assumptions such as first home buyer, occupancy, employment type, geographical concentration, principal and interest and interest only

In addition to the above, the Group has considered the impact of interest rates, property price performances and unemployment rates in preparing the ECL.

As part of this assessment the Group has considered:

- Increased probability weightings for downside cases
- Staging for borrowers who have asked for a deferral of mortgage payments

Impairment charges are discussed further in Note 28.

A summary of the assumptions underpinning the Group's ECL model is as follows:

Category	Definition of Category	Basis for recognition of ECL provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses
Doubtful	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
In default	Interest and/or principal repayments are 90 days past due	Lifetime expected losses
Write off	Interest and/or principal repayments are past due and there is no reasonable expectation of recovery	Asset is written off

Changes to the estimates and outcomes that have been applied in the measurement of the Group assets and liabilities may arise in the future. Given economic uncertainty in the market and the flow on effect to unemployment rates, interest rates and property prices and therefore probability of default, the final probability of default was calculated as the maximum of:

- The probability of default calculated using S&P methodology
- The probability of default floor based on days past due
- The probability of default floor based on restructuring status, which takes into account any hardship arrangements

The group assumes the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have a low credit risk at the reporting date. A financial instrument is determined to have a low credit risk if:

a. The financial instrument has a low risk of default

b. The debtor has a strong capacity to meets its contractual cash flow obligation in the near term

c. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations

Impairment of contract assets and cash and cash equivalents

The Group's contract assets relate to trail commission receivable mainly from high credit quality financial institutions who are the members of AFG's lender panel (refer to Note 5(a)). There have been no historical instances where a loss has been incurred, including through the global financial crisis. Even when forward-looking assumptions are considered the ECL would not be material.

Impairment of trade receivables

Trade and other receivables from other customers are rare given the nature of the Group's business. The Group has assessed its history of losses as well as performing a forward-looking assessment, both of which have not resulted in any historical or expected material forward-looking losses. Group does not require collateral in respect of trade and other receivable (refer to Note 5(a)).

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss within impairment expense.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

iii. Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of AASB 9 are classified as financial liabilities at fair value through profit or loss, or loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value, in the case of loans and borrowings, net of directly attributable transactions. The Group initially recognises financial liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Group's non-derivative financial liabilities include interest-bearing liabilities and trade and other payables.

Subsequent measurement

Subsequent to initial recognition, the interest-bearing loans and borrowings are measured at amortised cost using the effective interest rate method.

Subsequent to initial recognition, the put/call liability is measured at fair value through the profit and loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in respect of the carrying amounts is recognised in the income statement. The Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

iv. Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument with. Where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

v. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity at the time of issuance, net of any related income tax benefit.

Repurchase of share capital

When share capital recognised as equity is repurchased the amount of consideration paid, including directly attributable costs, is recognised as a reduction in equity.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

h. Intangibles

i. Software development costs

Software development costs are recognised as an expense when incurred, except to the extent that such costs, together with previous unamortised deferred costs in relation to that project, are expected to provide future economic benefits and to the extent that the Group has control over these assets.

The unamortised balance of software development costs deferred in previous periods is reviewed regularly and at each reporting date, to ensure the criterion for deferral continues to be met. Where such costs are considered to no longer provide future economic benefits they are written-off as an expense in the profit or loss.

ii. Customer related intangibles

Customer relationship intangibles acquired as part of a business combination are recognised separately from goodwill. The customer relationships are carried at fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cashflows over their estimated useful lives of 8 years.

iii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss when incurred.

iv. Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows:

- Capitalised software development costs 2.5 - 8 years

v. Software-as-a-Service (**SaaS**) arrangements

SaaS arrangements are arrangements in which the Group does not currently control the underlying software used in the arrangement.

Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the company has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

Where costs incurred to configure or customise do not result in the recognition of an intangible software asset, then those costs that provide the Group with a distinct service (in addition to the SaaS access) are recognised as expenses when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are recognised as expenses over the duration of the SaaS contract.

i. Impairment of non-financial assets

The carrying amounts of the Group’s non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset’s recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets - the cash generating unit (CGU).

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed (except goodwill) if there has been a change in the estimates that have been used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

j. Leases

Recognition and measurement

When a contract is entered into, the Group assesses whether the contract contains a lease. A lease arises when the Group has the right to direct the use of an identified asset which is not substitutable and to obtain substantially all economic benefits from the use of the asset throughout the period of use. The leases recognised by the Group relate to office space.

Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment testing as part of the CGU when indicators of impairment are present.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Key estimates and judgements:

- Control - judgement is required to assess whether a contract is or contains a lease at inception by assessing whether the Group has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset
- Lease term - judgement is required when assessing the term of the lease and whether to include optional extension and termination periods. Option periods are only included in determining the lease term at inception when they are reasonably certain to be exercised. Lease terms are reassessed when a significant change in circumstances occurs.
- Discount rates - judgement is required to determine the discount rate, where the discount rate is the Group's
- Incremental borrowing rate if the rate implicit in the lease cannot be readily determined.

k. Employee benefits

i. Long-term employee benefits

The Group's liability in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. Consideration is given to the expected future wage and salary levels, and periods of service. The discount rate is the yield at the reporting date on government and high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency as the Group's functional currency.

ii. Short-term benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for employee benefits such as wages, salaries and annual leave if the Group has present obligations resulting from employees' services provided to reporting date.

A provision is recognised for the amount expected to be paid under short-term and long-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

iii. Share-based payment transactions

The grant date fair value of options and shares granted to employees is recognised as an employee expense, with a corresponding increase in equity over the period in which the employees become unconditionally entitled to the rights or shares. The amount recognised as an expense is adjusted to reflect the actual number of rights or shares that vested, except for those that fail to vest due to market conditions not being met.

l. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows at a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the liability.

The unwinding of the discount is recognised as a finance cost.

Provision for clawbacks on settlements within the period are raised on both commission received and commission payable. Clawbacks will be remeasured each reporting period.

m. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset and subsequently amortised over the life of that asset. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the profit or loss using the effective interest method.

n. Trail commissions payable

The Group pays trail commissions to brokers. This is initially measured at expected value being the net present value of expected future trailing commission payable to brokers.

The trail commissions payable to brokers is determined by using a discounted cash flow valuation. These calculations require the use of assumptions which are determined by management using a variety of inputs including external actuarial analysis of historical runoff information. Refer to Note 28 for details on the key assumptions.

o. Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date.

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values are disclosed in the notes specific to that asset or liability.

Contract asset

The Group receives trail commissions from lenders on settled loans over the life of the loan based on the loan book balance outstanding. This is initially recognised as a contract asset and is measured using the 'expected value' method under AASB 15. Refer to Note 3(b).

The contract asset from lenders is determined by using a discounted cash flow valuation which is then adjusted to reflect the constraining requirement under AASB 15. These calculations require the use of assumptions which are determined by management using a variety of inputs including external actuarial analysis of historical runoff information. Refer to Note 28 for details on the key assumptions.

Trade and other payables

All trade and other payables have a remaining life of less than one year and the notional amount is deemed to reflect the fair value.

Other inancial instruments

The carrying amount of all other financial assets and liabilities recognised in the Consolidated Statement of Financial Position approximate their fair value, with the exception of the trail commission payables that are initially recognised at fair value and subsequently measured at amortised cost based on an actuarial assessment of future cashflow using appropriate discount rates.

5 Financial risk management

Overview

The Group has exposure to credit, liquidity and market risks from the use of financial instruments.

This note presents information about the Group's exposure to each of the below 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 of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Risk and Compliance Committee is responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Risk and Compliance Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and the Group.

a. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. Refer to Note 28 for details.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

Excluding financial institutions on the lender panel, trade and other receivables from other customers are rare given the nature of the Group's business. The Group has assessed its history of losses as well as performing a forward-looking assessment, both of which have not resulted in any historical or expected material forward-looking losses. Group does not require collateral in respect of trade and other receivables.

Contract assets

The Group's contract assets relate mainly to high credit quality financial institutions who are the members of the lender panel. New panel entrants are subject to commercial due diligence prior to joining the panel. The Group bears the risk of non-payment of future trail commissions by lenders (contract assets) should they not maintain solvency. However, should a lender not meet its obligations as a debtor then the Group is under no obligation to pay out any future trail commissions to brokers.

Loans and advances

To mitigate exposure to credit risk on loans and advances, the Group has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate.

The Group's loans and advances relate mainly to loans advanced through its residential mortgage securitisation programme. Credit risk management is linked to the origination conditions externally imposed on the Group by the warehouse facility provider including geographical limitations. As a consequence, the Group has no significant concentrations of credit risk. The Group has established a credit quality review process to provide early identification of possible changes in credit worthiness of counterparties by the use of internal analytics and external credit agencies, which assigns each counterparty a risk rating. Risk ratings are subject to regular review.

The Group's maximum exposure is the carrying amount of the loans, net of any impairment losses. All residential loans with a loan to value ratio of greater than 80% are subject to a lenders mortgage insurance contract.

The Group has applied an ECL model to determine the collective impairment provision of its loans and advances, refer to Notes 3(g)(ii)) and 28 for details. Interest rates, property price performances and unemployment rates have been considered in the ECL model which has seen the provision at 30 June 2024 remain in line with the prior period at $3,269k (2023: $3,269k).

b. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due or will have to do so at an excessive cost. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

To limit this risk, the Group manages assets with liquidity in mind, and monitors future cash flows and liquidity on a regular basis. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group.

c. Market risk

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

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to foreign currency risk on cash assets that are denominated in a currency other than AUD. The currencies giving rise to this risk are denominated in US dollars (USD). The Group elects not to enter into foreign exchange contracts to hedge this exposure as the net movements would not be material. The Group has no significant exposure to currency risk.

Interest rate risk

Interest rate risk is the risk to the Group's earnings and equity arising from movements in interest rates. Positions are monitored on an ongoing basis to ensure risk levels are maintained within established limits.

The Group's most significant exposure to interest rate risk is on the interest-bearing loans within the SPE which fund the residential mortgage securitisation programme. To minimise its exposure to increases in cost of funding, the Group only lends monies on variable interest rate terms. Should there be changes in pricing the Group has the option to review its position and offset those costs by passing on interest rate changes to the end customer.

Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier than expected.

The Group's key exposure relates to the net present value of contracts assets and future trail commissions payable. The Group uses regression models to project the impact of varying levels of prepayment on its net income. The model makes a distinction between the different reasons for repayment and takes into account the effect of any prepayment penalties. The model is back tested against actual outcomes.

For the loans and advances within the SPE and SPE-RMBS, the Group minimises the prepayment risk by passing back all principal repayments to the warehouse facility providers and bondholders.

Other market risk

The Group is exposed to an increase in the level of credit support required within its securitisation programme arising from changes in the credit rating of mortgage insurers used by the SPE, and the composition of the available collateral held.

The Group regularly reviews and reports on the credit ratings of those insurers as well as the Company's maximum cash flow requirements should there be any adverse movement in those credit ratings.

Non-market risk

The Group is exposed to non-financial risk due to the existence of a put and call option. Refer to Note 21.

d. Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity and aims to maintain a capital structure that ensures the lowest cost of capital available to the Group. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The SPEs are subject to the external requirements imposed by the warehouse facility providers. The terms of the warehouse facilities provide a mechanism for managing the lending activities of the SPE and ensure that all outstanding principal and interest is paid at the end of each reporting period. Similarly, the SPE-RMBS are subject to external requirements imposed by the bondholders and the rating agencies.

The terms of the RMBS transactions provide a mechanism for ensuring that all outstanding principal and interest is paid at the end of each reporting period. There were no breaches of the covenants or funding terms imposed by the warehouse and RMBS transactions in the current period. AFG Securities Pty Ltd is subject to externally imposed minimum capital requirements by the ASIC in accordance with the conditions of their Australian Financial Services Licence.

6 Segment information

AASB 8 *Operating Segments* (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, AFGHL 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 similarity of their economic characteristics, including risk profiles. These changes have no impact on the Group's consolidated financial results.

The revised segments, consistent with that disclosed at 31 December 2023, 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 commission 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 has 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. The remaining costs included in Central.
- 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 predominantly relate to the elimination of broker fees and commissions paid from the Manufacturing business to the Distribution business.

The prior period segment information presented below (for 30 June 2023) 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 various commissions, the primary two types of commission payments on loans originated through its network, as described below:

- Upfront commission 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, to the originating broker.
- Trail commissions on the loan book – trail commissions are received from the 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 the 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).

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.

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

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

Year ended 30 June 2024 In thousands of AUD	Distribution	Manufacturing	Central	Total
Income				
Operating income	811,821	283,856	(20,400)	1,075,277
Other income	21,591	150	-	21,741
Finance income	2,255	5,393	-	7,648
Share of profit of an associate	99	2,105	-	2,204
Total segment income	**835,766**	**291,504**	**(20,400)**	**1,106,870**
Results				
Segment results	**54,091**	**15,460**	**(25,559)**	**43,992**
Income tax expense				(13,542)
Net profit after tax				**30,450**
Assets and liabilities				
Total segment assets	**1,335,565**	**4,634,251**	**7,507**	**5,977,323**
Total segment liabilities	**1,224,500**	**4,536,869**	**8,904**	**5,770,273**
Other segment information				
Depreciation and amortisation	(5,037)	(51)	(2,273)	(7,361)

Year ended 30 June 2023 (Restated) In thousands of AUD	Distribution	Manufacturing	Central	Total
Income				
Operating income	760,252	264,638	(22,054)	1,002,836
Other income	21,604	248	-	21,852
Finance income	1,765	4,405	-	6,170
Share of profit of an associate	(22)	6,081	-	6,059
Total segment income	**783,599**	**275,372**	**(22,054)**	**1,036,917**
Results				
Segment results	**44,901**	**32,773**	**(24,038)**	**53,636**
Income tax expense				(14,527)
Net profit after tax				**39,109**
Assets and liabilities				
Total segment assets	**1,317,456**	**4,681,590**	**5,821**	**6,004,867**
Total segment liabilities	**1,229,464**	**4,564,041**	**11,590**	**5,805,095**
Other segment information				
Depreciation and amortisation	(4,815)	(47)	(2,142)	(7,004)

7 Commissions and other income

In thousands of AUD	2024	2023
Timing of revenue recognition		
At a point in time		
Commissions	704,125	650,240
Securitisation transaction fees	3,721	3,087
Over time		
Interest on commission income receivable	80,825	82,345
Mortgage management services	303	304
Securitisation transaction fees	1,382	1,353
Subscription income	4,650	3,594
Other income	1,742	1,911
Total commissions and other income	**796,748**	**742,834**

Commission and other income is accounted for in accordance with AASB 15. Refer to Note 3(b) for accounting policy.

8 Other income

In thousands of AUD	2024	2023
Timing of revenue recognition		
At a point in time		
Sponsorship and incentive income	5,370	6,505
Performance bonus income	365	759
Over time		
Professional indemnity insurance(i)	3,528	2,991
Software subscription fees(ii)	2,522	2,694
Fees for services	7,981	6,766
Other(iii)	1,975	2,137
Total other income	**21,741**	**21,852**

i. Professional indemnity insurance is the income generated from professional indemnity insurance cover. AFG purchases a third-party professional indemnity insurance policy for which it pays a premium and offers AFG's brokers the option to be included under AFG's policy cover. If this offer is taken up, brokers will be charged a fee. This revenue is recognised over time.

ii. Software subscription fee relates to AFG software and marketing services used by brokers and is recognised over time.

iii. Other income is accounted for in accordance with AASB 15. Refer to Note 3(b) for accounting policy.

9 Other expenses and employee costs

a. Other expenses

In thousands of AUD	Note	2024	2023
Advertising and promotion		4,728	6,824
Consultancy and professional fees		3,908	5,499
Information technology		11,448	8,065
Occupancy costs		480	441
Employee costs	(b)	48,779	49,531
Depreciation and amortisation		7,361	7,004
Impairment loss on loans and advances[1]		30	395
		76,734	**77,759**

1. Relates to Expected Credit Loss (ECL) provision for loans and advances.

b. Employee costs

In thousands of AUD	2024	2023
Wages and salaries	38,277	35,605
Other associated personnel expenses	4,952	9,016
Share-based payment transactions	1,166	1,108
Superannuation	4,384	3,802
	48,779	**49,531**

10 Finance income and expenses

In thousands of AUD	2024	2023
Interest income on broker loans and receivables	147	245
Interest income on cash and cash equivalents	7,501	5,925
Finance income	**7,648**	**6,170**
Interest expense on debt facility	3,595	2,895
Interest expense on lease liability	143	233
Finance expense	**3,738**	**3,128**

11 Income tax

a. Current tax expense

In thousands of AUD	2024	2023
Income tax recognised in profit or loss		
Current tax expense		
Current period	13,279	17,465
Other adjustments	(839)	163
Deferred tax expense		
Origination and reversal of temporary differences	(548)	(3,047)
Adjustments for deferred tax of prior periods	1,650	(54)
Income tax expense reported in the statement of profit or loss	**13,542**	**14,527**

Income tax recognised in other comprehensive income	2024	2023
Deferred tax movements recognised in other comprehensive income	-	-

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD	2024	2023
Profit before tax	**43,992**	**53,636**
Income tax using the Company’s domestic tax rate of 30% (2023: 30%)	13,198	16,091
Non-assessable income	(661)	(1,674)
Over provision in prior periods	80	110
Share based payments	114	-
Other adjustments	811	-
	13,542	**14,527**

b. Current tax assets and liabilities

The current tax receivable for the Group of $52k (2023: current tax payable $3,188k) represents the amount of income taxes receivable/payable in respect of current and prior financial years.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of AUD	2024	2023	2024	2023	2024	2023
Property, plant and equipment and intangibles	-	(2,977)	5,931	7,007	5,931	4,030
Commissions and other receivables	(1,138)	-	-	-	(1,138)	-
Contract asset	-	-	332,319	333,232	332,319	333,232
Employee benefits	(1,514)	(2,111)	-	-	(1,514)	(2,111)
Trade and other payables	(310,436)	(309,105)	-	-	(310,436)	(309,105)
Lease liability	(140)	(162)	-	-	(140)	(162)
Other items	(636)	(3,255)	-	-	(636)	(3,255)
Tax (assets)/liabilities	(313,864)	(317,610)	338,250	340,239	24,386	22,629
Set off of tax	313,864	317,462	(313,864)	(317,462)	-	-
Net deferred tax (assets)/liabilities	-	(148)	24,386	22,777	24,386	22,629

12 Cash and cash equivalents

a. Cash and cash equivalents

In thousands of AUD	2024	2023
Cash at bank	66,151	58,781
Short term deposits	1,250	1,250
Unrestricted cash	**67,401**	**60,031**
Cash collections accounts[1]	149,522	148,943
Restricted cash[2]	4,695	13,268
Restricted cash	**154,217**	**162,211**
Cash and cash equivalents	221,618	222,242
Cash and cash equivalents in the Statement of Cash Flows	**221,618**	**222,242**

1. Discloses amounts held in the special purpose securitised trusts and series on behalf of the warehouse funder and the bondholders
2. Discloses cash collateralised standby letter of credit, liquidity reserve account and cash provided in trust by the warehouse providers to fund pending settlements

The effective interest rate on short term deposits in 2024 was 4.75% (2023: 3.40%). The deposits had an average maturity of 73 days (2023: 76 days).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 28.

b. Reconciliation of cash flows from operating activities

In thousands of AUD	2024	2023
Cash flows from operating activities		
Profit for the period	30,450	39,109
Adjustments to reconcile the profit to net cash flows:		
Income tax expense	13,542	14,527
Depreciation and amortisation	7,361	7,004
Interest on leases	300	380
Term out cost amortisation	572	1,116
Net interest income from investing activities	(7,651)	(6,173)
Expense recognised in respect of equity-settled share-based payments	1,166	1,108
Share of profit in associates	(2,204)	(6,059)
Present value of future trail commission income	2,196	7,442
Present value of future trail commission expense	3,390	2,299
Provision for ECL	-	392
Change in fair value of non-interest-bearing liabilities	-	1,820
	49,122	**62,965**
Changes in operating assets and liabilities		
Decrease in receivables and prepayments	4,444	388
Increase in trade and other payables	45	3,499
Increase/(decrease) in contract liability	813	(1,193)
Increase/(decrease) in employee entitlements	456	(812)
Decrease in provisions	(422)	(199)
Cash generated from operations	**54,458**	**64,648**
Income tax paid	(15,680)	(12,559)
Net cash generated by operating activities	**38,778**	**52,089**

13 Trade and other receivables

In thousands of AUD	2024	2023
Trade and other receivables	3,625	3,211
Other receivables	1,246	1,035
Accrued income	1,436	4,623
Total financial assets classified at amortised cost	**6,307**	**8,869**
Prepayments	6,760	6,229
	13,067	**15,098**

14 Contract assets

In thousands of AUD	2024	2023
Current		
Net present value of future trail commissions contract asset	257,954	243,103
Non-current		
Net present value of future trail commissions contract asset	879,333	896,380
	1,137,287	**1,139,483**

The Group's exposure to credit and currency risks and impairment losses related to contract assets are disclosed in Note 28.

15 Intangible assets and goodwill

In thousands of AUD	Customer related intangibles	Software - internally generated	Software - acquired	Other intangibles	Goodwill	Total
Consolidated						
Balance at 1 July 2022	15,612	12,685	3,584	64	60,748	92,693
Acquisitions	-	-	890	-	334	1,224
Additions	-	5,851[1]	-	(1)	-	5,850
Amortisation	(2,162)	(1,544)	(813)	-	-	(4,519)
Balance at 30 June 2023	**13,450**	**16,992**	**3,661**	**63**	**61,082**	**95,248**
Balance at 1 July 2023	13,450	16,992	3,661	63	61,082	95,248
Additions	-	17,400[1]	-	-	-	17,400
Amortisation	(2,162)	(1,634)	(933)	(63)	-	(4,792)
Balance at 30 June 2024	**11,288**	**32,758**	**2,728**	**-**	**61,082**	**107,856**

1. Additions refer to the software acquisitions classified as work in progress. At the end of the year, the total value of work in progress was $25,940k (2023: $12,008k).

The Group tests goodwill for impairment on an annual basis. Goodwill relates to the acquisition of Fintelligence and BrokerEngine which occurred in the financial year ended 30 June 2022. Goodwill is calculated as the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed.

The carrying amount has been assessed against the recoverable amount of the Distribution Cash Generating Unit (CGU). The acquisition of both Fintelligence and BrokerEngine are critical parts of the AFG Distribution proposition. This is the segment that these businesses align with from an operational point of view. The change in segment reporting, as disclosed in note 6, resulted in goodwill being allocated to the Distribution CGU (previously Aggregation CGU). This has resulted in higher headroom compared to the impairment assessment on the previous segment due to inclusion of cashflows generated from AFGHL in the Distribution segment.

The recoverable amount has been determined based on a value in use calculation using 5-year financial forecasts. A post tax discount rate of 12.8% (2023: 11.8%) applied to cash flow projections and cash flows beyond the five-year period are extrapolated using a 2.0% growth rate. It was concluded that the carrying value did not exceed the recoverable value. As a result, there was no impairment charge for the year ended 30 June 2024 (2023: nil).

Key assumptions used in the value in use calculations and sensitivity to changes in assumptions.

The calculation of value in use is most sensitive to the following assumptions:

- Discount rates
- Forecast cash flows
- Growth rates to used to extrapolate cash flows beyond the forecast period.

16 Loans and advances

In thousands of AUD	2024	2023
Current		
Securitised assets[1]	1,736,726	1,692,099
Other secured loans[2]	180	780
	1,736,906	**1,692,879**
Non-current		
Securitised assets[1]	2,718,456	2,797,371
Other secured loans[2]	297	985
Less: Provision for expected credit loss[3]	(3,269)	(3,269)
	2,715,484	**2,795,087**
	4,452,390	**4,487,966**

1. The originated mortgage loans and securitised assets are held as security for the various debt interests in the special purpose securitised trusts and series
2. Other secured loans include loans and advances to brokers secured over future trail commissions payable to the broker and in some cases personal guarantees. Interest is charged on average at 13.54% p.a. (2023: 12.08% p.a.)
3. Refer to Note 28 for a reconciliation of opening and closing expected credit losses on loans and advances including movements between credit risk stages

At the end of the reporting period, the balance of the Group's securitised assets includes a provision for expected credit loss of $3,269k (2023: $3,269k). During the financial year, new loans issued in the Group's securitisation programme were $1,636,511k (2023: $1,580,847k). The Group's exposure to credit, currency and interest rate risks related to loans and advances is disclosed in Note 28.

17 Investment in associates

In thousands of AUD	2024	2023
Non-current		
Thinktank		
Cost of investment[1]	12,629	12,629
Share of post-acquisition profit	23,596	21,491
Dividends received	(515)	(515)
Purchase additional shares	725	725
	36,435	**34,330**
MAB Broker Services Pty Ltd		
Cost of investment[1]	3,700	3,700
Share of post-acquisition losses	(451)	(550)
	3,249	**3,150**
Total Investment in associates	**39,684**	**37,480**

1. Cost of investment includes transaction costs.

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 strategic investment in Thinktank represents an opportunity for AFG to diversify its earnings base. The ongoing success of Thinktank is an important contributor to the future growth of AFG. 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.

This investment has been classified as an investment in an associate due to the Group's significant involvement in the financial and operating policy decisions, including Board representation, of Thinktank.

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.

This investment has been classified as an investment in an associate due to the Group's significant involvement in the financial and operating policy decisions, including Board representation, of MAB.

In thousands of AUD	2024	2023
Thinktank's summarised financial information		
Balance Sheet		
Current assets	350,977	311,308
Non-current assets	5,833,593	5,217,451
Total assets	**6,184,570**	**5,528,759**
Current liabilities	51,140	33,174
Non-current liabilities	6,051,589	5,420,652
Total liabilities	**6,102,729**	**5,453,826**
Net assets	**81,841**	**74,933**
Income Statement		
Revenue	437,029	351,387
Profit after tax	6,750	18,908
MAB's summarised financial information		
Balance Sheet		
Current assets	445	453
Non-current assets	1,804	1,786
Total assets	**2,249**	**2,239**
Current liabilities	76	161
Non-current liabilities	220	207
Total liabilities	**296**	**368**
Net assets	**1,953**	**1,871**
Income Statement		
Revenue	756	714
Profit/(loss) after tax	83	(8)

18 Leases

The Group leases a number of office facilities under operating leases. The leases run for a period of up to 6 years, with an option to renew the lease after that date. Lease payments are generally increased every year to at least reflect Consumer Price Index movements, with regular adjustments to reflect market rentals.

Right of use assets *In thousands of AUD*	2024	2023
At 1 July	6,498	5,113
Additions	300	3,397
Depreciation	(2,090)	(2,012)
Carrying amount at 30 June	**4,708**	**6,498**

Lease liability *In thousands of AUD*	2024	2023
At 1 July	7,037	5,581
Additions	300	3,397
Repayments	(2,460)	(2,321)
Accretion of interest	300	380
Carrying amount at 30 June	**5,177**	**7,037**

In thousands of AUD	2024	2023
Current	2,022	2,123
Non-current	3,155	4,914
Carrying amount at 30 June	**5,177**	**7,037**

The table below presents the contractual discounted cash flows associated with the Group's lease liabilities, representing principal and interest.

Maturity profile of lease liabilities *In thousands of AUD*	2024	2023
Due for payment in:		
1 year or less	2,022	2,123
1-2 years	957	1,927
2-3 years	760	854
3-4 years	742	696
4-5 years	647	742
More than 5 years	49	695
	5,177	**7,037**

19 Trade and other payables

In thousands of AUD	2024	2023
Current		
Present value of future trail commissions payable	236,524	221,333
Other trade payables	90,326	90,081
Non-trade payables and accrued expenses	11,633	11,810
	338,483	**323,224**
Non-current		
Net present value of future trail commissions payable	810,198	821,999
	810,198	**821,999**
	1,148,681	**1,145,223**

Trade and other payables are non-interest-bearing and are normally settled on 60-day terms.

The Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 28.

20 Interest-bearing liabilities

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see Note 28.

In thousands of AUD	2024	2023
Current		
Securitisation warehouse facilities	1,380,201	1,652,283
Securitised funding facilities[1]	975,876	926,462
Debt facility[2]	5,057	4,928
	2,361,134	**2,583,673**
Non-current		
Securitisation warehouse facilities	632,439	445,416
Securitised funding facilities[1]	1,530,087	1,522,450
Debt facility[2]	41,625	39,375
	2,204,151	**2,007,241**
	4,565,285	**4,590,914**

1. Securitised funding facilities include RMBS and risk retention facilities.
2. Corporate debt facility used to fund the initial Fintelligence acquisition and subsequent options.

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	2024				2023			
In thousands of AUD	Weighted Average Effective interest rate	Year of maturity	Face value	Carrying amount	Weighted Average Effective interest rate	Year of maturity	Face value	Carrying amount
Warehouse facilities	5.99%	2024-2026	2,043,337	2,012,640	4.56%	2024	2,097,700	2,097,699
Securitised funding facilities	5.63%	2024-2027	2,512,632	2,505,963	4.43%	2024-2027	2,451,530	2,448,912
Debt facility	2.75% + BBSW	2024-2026	46,682	46,682	2.75% + BBSW	2024-2026	44,303	44,303
			4,602,651	**4,565,285**			**4,593,533**	**4,590,914**

a. Warehouse and Securitised funding facilities

i. Warehouse facilities

The warehouse facilities provide funding for the financing of loans and advances to customers within the SPE and its Series.

The security for advances under these facilities is a combination of fixed and floating charges over all assets of the SPE being loans and advances to customers. If the warehouse facility is not renewed or should there be a default by the trustee under the existing terms and conditions, the warehouse facility funder will not have a right of recourse against the remainder of the Group.

Customer loans and advances are secured against residential properties only. Up until 1 July 2014, all new loans settled irrespective of their LVR were covered by a separate individual lenders mortgage insurance contract. Subsequent to this date, all new loans settled with an LVR of less than or equal to 80% were settled on the basis that no lenders mortgage insurance policy was required. When purchased, a lenders mortgage insurance contract covers 100% of the principal of the loan.

As at the reporting date the unutilised securitisation warehouse facility for all Series is $433,800k (2023: $454,300k).

The interest is recognised at an effective rate of 5.99% (2023: 4.56%). As at the reporting date we have four securitisation warehouse facilities, expiring on 1 November 2024, 12 November 2024 and 11 October 2026.

ii. Securitised funding facilities

Secured bond issues

SPE-RMBS were established to provide funding for loans and advances (securitised assets) originated by AFG Securities Pty Ltd. The bond issues have a legal final maturity of 31.5 years from issue, and a weighted average life of up to 5 years. The security for loans and advances is a combination of fixed and floating charges over all assets of the SPE-RMBS.

Under the current trust terms, a default by the borrowing customer will not result in the bondholders having a right of recourse against the Group (as Originator, Trust Manager or Servicer). The interest is recognised at a weighted effective rate of 5.63% (2023: 4.43%).

Liquidity facility

Various mechanisms have been put in place to support liquidity within the transaction to support timely payment of interest, including;

- principal draws (the ability to allocate principal collections to meet interest payments and trust expenses)
- Redraw Notes for redraws that cannot be covered by normal collections (available principal)
- a liquidity facility being 1% of the aggregated invested amount of all notes at that time
- $150k Reserve Account which is an Extraordinary Expense Ledger account
- available income

Additional credit support includes subordinated credit enhancement held by the Company of $3,001k (2023: $11,373k). During the financial year there were no breaches to the terms of the SPE-RMBS that gave right to the bondholders to demand payment of the outstanding value.

Other Securitised funding facilities

Securitised funding facilities are secured only on the assets of each of the individual securitisation trusts. As at the reporting date we have two other securitised funding facilities, provided for the purpose of funding the purchase of Notes in our RMBS issues to meet requirements under the Risk Retention rules (European Union, United Kingdom and Japanese Regulations). These facilities are also supported by a guarantee provided by AFG Securities Pty Ltd. Total funding provided in financial year ended 30 June 2024 was $125,522k (2023: $122,008k).

b. Debt facility

The Group entered into a debt facility agreement with National Australia Bank Ltd on 20 December 2021. The $52.5m facility was used to fund the Fintelligence 70% acquisition. The loan is for a period of 5 years. The interest rate on the loan is 2.75% + BBSW. During the reporting period the facility was increased to fund the acquisition of a further percentage in Fintelligence (refer Note 21). A further $12.5m working capital facility was obtained which has not be utilised.

c. Other finance facilities

In thousands of AUD	2024	2023
Standby facility	300	300
Bank guarantee facility	473	473
	773	**773**
Facilities utilised at reporting date		
Standby facility	117	122
Bank guarantee facility	473	473
	590	**595**
Facilities not utilised at reporting date		
Standby facility	183	178
Working capital facility	12,500	-
	12,683	**178**

The facilities are subject to annual review.

21 Non-interest bearing liabilities

In thousands of AUD	2024	2023
Put/call liability Fintelligence	11,753	19,000
Put/call liability BrokerEngine	-	3,000
	11,753	**22,000**

Fintelligence

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 following two and a half years with value linked to Fintelligence achieving agreed milestones. The minority shareholders also had 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. FY23 option was exercised during FY24. FY24 and FY25 options can be deferred until FY25 at the election of the minority shareholders. The put and call option cannot be deferred beyond FY25. On initial recognition, 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 FY23 option was exercised and the Group acquired an additional 8.33% holding in Fintelligence. This acquisition increased the Group's holding in Fintelligence to 83.33%. The cost of the acquisition of this 8.33% holding was $7,247k which was funded through an increase in the Group's debt facility (refer to Note 20).

The fair value of the liability was assessed at 30 June 2024. The forecasted cashflows 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 remained consistent at $11,753k. This resulted in the Consolidated Statement of Profit or Loss and Other Comprehensive Income charge of nil (2023: ($1,820).

BrokerEngine

On 12 January 2022, the Group acquired 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% over the following two years, subject to performance hurdles.

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. The Group made a cash payment of $3,000k and increased its ownership to 100% in BrokerEngine. As a result the put/call option for BrokerEngine is no longer required.

22 Employee benefits

In thousands of AUD	2024	2023
Current		
Salaries and wages accrued	2,278	2,077
Liability for long service leave	1,990	1,987
Liability for annual leave	2,291	2,235
	6,559	**6,299**
Non-current		
Liability for long service leave	288	92
	288	**92**
	6,847	**6,391**

23 Provisions

In thousands of AUD	2024	2023
Provision for clawbacks[1]	935	1,470
Provision for make good	681	178
Provision other	-	202
	1,616	**1,850**

1. Provision for clawbacks relates to commissions that may be clawed back by lenders in accordance with individual contracts. These potential clawbacks are estimated and a provision raised.

24 Contract liability

In thousands of AUD	2024	2023
Sponsorship income	6,238	5,326
Unearned income	290	389
	6,528	**5,715**

25 Capital and reserves

a. Share capital

The Company	Share Capital ($'000) 2024	Share Capital ($'000) 2023	Number of Ordinary shares ('000) 2024	Number of Ordinary shares ('000) 2023
On issue at 1 July	102,125	102,125	270,258	269,129
Issued for cash	-	-	511	1,129
On issue at 30 June – fully paid	**102,125**	**102,125**	**270,769**	**270,258**

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid and rank equally with regard to the Company's residual assets.

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

b. Dividends

	Cents per share	Total amount ($'000)	Franked	Date of payment
2024				
Final 2023 ordinary	4.1	11,101	100%	22/09/2023
1st interim 2024 ordinary	4.0	10,831	100%	25/03/2024
		21,932		
2023				
Final 2022 ordinary	9.6	25,945	100%	23/09/2022
1st interim 2023 ordinary	6.6	17,837	100%	23/03/2023
		43,782		

Declared but not recognised as a liability:

	Cents per share	Total amount ($'000)	Franked	Date of payment
2024				
Final 2024 ordinary	4.0	10,934	100%	11/10/2024
		10,934		

Dividends declared or paid during the year or after 30 June 2024 were franked at the rate of 30%.

In thousands of AUD	2024	2023
Dividend franking account	35,700	27,282
Franking credits available to shareholders of AFG for subsequent financial years	83,300	63,657
	119,000	**90,939**

The ability to utilise the franking credits is dependent upon the ability to declare dividends. In accordance with the tax consolidation legislation the Company as the head entity in the tax-consolidated group has also assumed the benefit of the franking credits.

26 Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of Australian Finance Group Ltd by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of Australian Finance Group Ltd by the weighted average number of ordinary shares during the year 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:

	2024	2023
Profit attributable to ordinary equity holders of the Company (in thousands of AUD)	28,975	37,312
	Thousands	Thousands
Weighted average number of ordinary shares for basic EPS	270,326	270,098
Effect of dilution: performance rights	3,785	4,021
Weighted average number of ordinary shares adjusted for the effect of dilution	**274,111**	**274,119**

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.

27 Share based payments

Executive Rights Plan (Long-Term Incentive Plan)

The Group has in place an Executive Long-Term Incentive Plan (LTIP) which grants rights, settled in equity, to certain Executives, subject to the achievement of performance and service requirements. Eligible Executives are granted rights to a value determined by the Board that is benchmarked against direct industry peers and other Australian listed companies of a similar size and complexity. Executives participating in the LTIP will not be required to make any payment for the acquisition of rights.

The LTIP operates in accordance with the terms of the Australian Finance Group Ltd Employee Share Trust Deed, under which the trustee may subscribe for, or acquire, deliver, allocate or hold, shares for the benefit of the participants. Participants will be able to access the relevant taxation concessions available under the Income Tax Assessment Act 1997 (ITAA 1997).

The rights lapse (are forfeited) if the performance and service criteria are not met. The rights are subject to TSR and EPS performance hurdles in addition to continuous service vesting conditions.

The Board has the full discretion to determine whether some or all of the rights vest or lapse or whether unvested rights remain subject to vesting conditions in the event of a change of control. Refer to section 3.5 of the Remuneration Report for further detail.

Fair value of equity instruments

Performance rights have been independently valued at the date of grant using Monte Carlo simulation methodologies. The weighted average fair value of rights granted during the year was $1.36 (2023: $1.32). The assumptions underlying the share rights valuations are:

Assumptions	2024	2023
Exercise price	nil	nil
Volatility factor	36%	40%
Risk-free rate	4.0%	2.9%
Dividend yield	7.0%	11.0%

Equity instruments

The following table outlines performance rights that are conditionally issued under the LTIP:

Offer Date	Vesting date	Balance at start of the year	Granted during the year	Forfeited during the year	Balance at the end of the year
1/07/2021	30/06/2024	763,674	-	763,674	-
1/07/2022	30/06/2025	1,654,075	-	51,069	1,603,006
1/07/2023	30/06/2026	-	1,390,282	10,999	1,379,283
				Total	**2,982,289**

The July 2021 (FY22) grant was forfeited during the year as the performance conditions were not met. No rights vested or expired during the year.

28 Financial instruments

a. Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure.

i. Contract assets

The majority of the Group's net present value of future trail commission receivables is from counterparties that are rated between AA- and A-. The following table provides information on the credit ratings at the reporting date according to the S&P's counterparty credit with AAA and BBB being respectively the highest and the lowest possible ratings. An impairment assessment using forward-looking assumptions has been undertaken.

In thousands of AUD	Current	Non-current	Current	Non-current
Standard & Poor's Credit rating	**2024**	**2024**	**2023**	**2023**
AA-	170,669	581,789	115,035	424,162
A+	33,106	112,855	77,789	286,826
A-	18,194	62,020	8,589	31,669
BBB+	13,629	46,459	12,471	45,985
BBB	5,715	19,483	11,138	41,070
BBB-	-	-	2,546	9,389
Not rated	16,641	56,727	15,535	57,279
	257,954	**879,333**	**243,103**	**896,380**

ii. Loans and advances

The Group's maximum exposure to credit risk for loans and advances at the reporting date by customer type are summarised as follows:

	Carrying amount	
In thousands of AUD	**2024**	**2023**
Customer type		
Residential mortgage borrowers	4,442,371	4,474,615
Mortgage Brokers	478	1,764
Other	9,541	11,587
	4,452,390	**4,487,966**

Residential mortgage borrowers

The Group minimises credit risk by obtaining security over residential mortgage property for each loan. The estimated value of collateral held at balance date was $8,410,701k (2023: $8,481,206k). During the year ended 30 June 2024 the Group took possession of three residential securities, two of which were sold during the financial year. No shortfall was recorded on the sale, as sales proceeds exceeded the outstanding loan balance.

In monitoring the credit risk, mortgage securitisation customers are grouped according to their credit characteristics using credit risk classification systems. This includes the use of the Loan to Value Ratio (**LVR**) to assess its exposure to credit risk from loans originated through the securitisation programme.

The table below summarises the Group's exposure to residential mortgage borrowers by current LVR, with the valuation used determined as at the time of settlement of the individual loan. The ECL model considers the different risk profiles across the different loan portfolios. The assumptions applied are the same across the portfolios.

In thousands of AUD	Carrying amount 2024	2023
Loan to value ratio		
Greater than 95%	232	871
Between 90%-95%	52,086	21,809
Between 80%-90%	616,974	524,170
80% or less	3,773,079	3,927,765
	4,442,371	**4,474,615**

The ECL provision remained consistent at $3,269k for the year ended 30 June 2024 (2023: $3,269k). The ECL model considers interest rates, property price performances and unemployment rates. Proactive management has resulted in arrears remaining low. The loan book is 100% variable interest rate, this allows for a quick response to changing market conditions and no exposure to the rate increase confronting customers as they reach the end of their fixed term loans. All loans originated above 80% LVR require individual lender's mortgage insurance (**LMI**) policies, with LMI underwritten on a per loan basis by the LMI insurer. This results in 100% of the balance being insured. There were no losses incurred in the reporting period.

Given market volatility, changes may arise to the estimates and outcomes that have been applied in the measurement of the Group assets and liabilities in the future.

A summary of the Group's ECL provision is as follows:

Year ended 30 June 2023					
In thousands of AUD	**ECL rate**	**Basis of recognition ECL Provision**	**Estimated gross carrying amount at default**	**Carrying amount (net of impairment provision)**	**Basis for calculation of interest revenue**
Performing	0.06%	12 month expected losses	4,283,261	4,280,772	Gross carrying amount
Underperforming	0.08%	Lifetime expected losses	146,748	146,634	Gross carrying amount
Non-performing	1.49%	Lifetime expected losses	44,606	43,940	Amortised cost
Write off	-	Asset is written off	-	-	None
Total loans			**4,474,615**	**4,471,346**	

Year ended 30 June 2024					
In thousands of AUD	**ECL rate**	**Basis of recognition ECL Provision**	**Estimated gross carrying amount at default**	**Carrying amount (net of impairment provision)**	**Basis for calculation of interest revenue**
Performing	0.06%	12 month expected losses	4,218,326	4,215,960	Gross carrying amount
Underperforming	0.13%	Lifetime expected losses	157,477	157,270	Gross carrying amount
Non-performing	0.97%	Lifetime expected losses	66,620	65,924	Amortised cost
Write off	-	Asset is written off	-	-	None
Total loans			**4,442,423**	**4,439,154**	

In thousands of AUD	Performing	Under performing	Non-performing	Write-offs	Total
Opening loss allowance as at 1 July 2022	2,818	(175)	234	-	2,877
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(40)	40	-	-	-
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(496)	(3)	499	-	-
New financial assets originated or purchased	888	46	58	-	992
Write-offs	-	-	-	-	-
Recoveries	1	(1)	-	-	-
Other changes	(681)	207	(126)	-	(600)
Closing loss allowance as at 30 June 2023	2,490	114	665	-	3,269

In thousands of AUD	Performing	Under performing	Non-performing	Write-offs	Total
Opening loss allowance as at 1 July 2023	2,490	114	665	-	3,269
Individual financial assets transferred to under-performing (lifetime expected credit losses)	-	-	-	-	-
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(124)	93	31	-	-
New financial assets originated or purchased, write-offs, recoveries and other changes.	-	-	-	-	-
Closing loss allowance as at 30 June 2024	2,366	207	696	-	3,269

In thousands of AUD	2024	2023
Performing	4,218,326	4,283,261
Underperforming	157,477	146,748
Non-performing	66,620	44,606
Loans written off	-	-
Total gross loans and advances	**4,442,423**	**4,474,615**
Less loan loss allowance	(3,269)	(3,269)
Loans and advances net of ECL as at 30 June	**4,439,154**	**4,471,346**

In thousands of AUD	30 June 2023	Movement	30 June 2024
Stage 1	2,490	(124)	2,366
Stage 2	114	93	207
Stage 3	665	31	696
Total Provision for ECL	**3,269**	**-**	**3,269**

In thousands of AUD	2024	2023
Opening loss allowance as at 1 July	3,269	2,877
Stage 1 movement	(124)	(328)
Stage 2 movement	93	289
Stage 3 movement	31	431
Closing loss allowance as at 30 June	**3,269**	**3,269**

Securitisation assets

Loans and advances of SPEs: the Group is required to provide the warehouse facility provider with a level of subordination or credit support. The Group's maximum exposure to credit risk on securitised loans at reporting date is the carrying amount of subordinated notes.

The SPE-RMBS loans and advances: under the current trust terms, a default by the customers will not result in the bond holders having a right of recourse against the Group (as Originator, Trust Manager or Servicer). Importantly, all residential mortgages under SPE-RMBS with an LVR exceeding 80% are insured by a lender's mortgage insurance contract which covers 100% of the principal. The Group's maximum exposure is the loss of future interest income on its Class C notes investment, which eliminate on consolidation. No impairment loss was recognised during 2024 relating to securitisation assets (2023: nil).

Other secured loans

The Group has minimal exposure to credit risk for other secured loans made during the year. No impairment loss was recognised during 2024 for other secured loans (2023: nil).

b. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Board of Directors reviews cash flow on a monthly basis to ensure that the level of its cash and cash equivalents is at an amount in excess of expected cash outflows over the proceeding months. Excess funds are generally invested in at call bank accounts with maturities of less than 90 days. Within the special purpose entities, the Group also maintains sufficient cash reserves to fund redraws and additional advances on existing loans.

The following are the contractual maturities of financial liabilities based on undiscounted payments, including estimated interest payments and excluding the impact of netting agreements for the Group:

Year ended 30 June 2023							
In thousands of AUD	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Securitisation warehouse facilities	2,097,699	2,139,103	1,222,593	471,093	445,417	-	-
Secured funding facilities	2,448,912	2,462,903	463,231	463,231	577,958	958,483	-
Net present value of future trail commissions payable	1,043,332	1,132,086	144,415	129,587	218,461	407,332	232,291
Put/call liability	22,000	25,398	10,133	-	7,043	8,222	-
Debt facility	44,303	44,303	2,278	2,650	5,250	34,125	-
Trade and other payables	101,891	101,891	101,891	-	-	-	-
Lease liability	7,037	7,037	1,061	1,061	1,927	2,293	695
	5,765,174	**5,912,721**	**1,945,602**	**1,067,622**	**1,256,056**	**1,410,455**	**232,986**

Year ended 30 June 2024							
In thousands of AUD	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Securitisation warehouse facilities	2,012,640	2,048,897	842,979	573,479	450,594	181,845	-
Secured funding facilities	2,505,963	2,513,234	489,138	489,138	597,482	937,476	-
Net present value of future trail commissions payable	1,046,722	1,143,377	152,724	136,337	227,162	407,223	219,931
Put/call liability	11,753	12,016	5,969	-	6,047	-	-
Debt facility	46,682	46,875	2,432	2,625	5,250	36,568	-
Trade and other payables	101,959	101,959	101,959	-	-	-	-
Lease liability	5,177	6,145	1,293	1,132	1,212	2,461	47
	5,730,896	**5,872,503**	**1,596,494**	**1,202,711**	**1,287,747**	**1,565,573**	**219,978**

The obligation in respect of the net present value of future trail commission only arises if and when the Group receives the corresponding trail commission revenue from the lenders. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Securitisation warehouse facilities

Secured bond issuances are based on expected cashflows rather than contractual cashflows as each must be repaid to secured bondholders on receipt of funds from underlying mortgage customers. The warehouse facilities are short term funding facilities that are generally renewable bi-annually or annually. If the warehouse facility is not renewed or should there be a default by the trustee under the existing terms and conditions, the warehouse facility funder will not have a right of recourse against the remainder of the Group. Should the warehouse facility not be renewed then the maximum exposure to the Group would be the loss of future income streams from the net interest margin, being the difference between the mortgage rate and the underlying cost of funds and inability to fund new loans.

The expiry dates of the Group's warehouse facilities are disclosed in Note 20.

Securitised funding facilities

The securities are issued by the SPE-RMBS with an expected weighted average life of 3 to 5 years. They are 'pass through' securities that may be repaid early (at the call date) by the issuer (the Group) in certain circumstances. The above maturity assumes that the securities will be paid at the securities call date.

The Directors are satisfied that the Group's ability to continue as a going concern will not be affected. For terms and conditions relating to trade payables and net present value of future trail commissions payable refer to Note 19. For terms and conditions relating to debt facilities refer to Note 20.

Market risk

i. Currency risk

Exposure to currency risk

As at reporting date the Group held cash assets denominated in USD. Fluctuations in foreign currencies are not expected to have a material impact on the Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Group and have therefore not formed part of the disclosures.

ii. Interest rate risk

The table below summarises the profile of the Group's interest-bearing financial instruments and contract assets at reporting date.

	Carrying amount	
In thousands of AUD	**2024**	**2023**
Fixed rate instruments[1]		
Contract assets	1,137,287	1,139,483
Financial liabilities	(1,046,722)	(1,043,332)
	90,565	**96,151**
Variable rate instruments		
Cash and cash equivalents	221,618	222,242
Other secured loans	477	1,765
Securitised assets	4,451,913	4,486,201
Financial liabilities	(4,565,285)	(4,590,914)
	108,723	**119,294**

1. Discount rate for trail commission receivable and payable is fixed for the life of the loan.

The Group's main interest rate risk arises from securitised assets, cash deposits and interest-bearing facilities. All the Group's borrowings are issued at variable rates, however the vast majority pertains to the warehouse facility which is arranged as 'pass through' facilities, and therefore the exposure to the interest rate risk is mitigated by the ability to pass any rate increases onto borrowers.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2024 and 2023.

	After tax profit/carrying amount change	
Effect in thousands of AUD	**100bp increase**	**100bp decrease**
30 June 2024		
Variable rate financial assets	32,718	(32,718)
Variable rate financial liabilities	(31,957)	31,957
Net cash flow sensitivity	761	(761)
30 June 2023		
Variable rate financial assets	32,971	(32,971)
Variable rate financial liabilities	(32,136)	32,136
Net cash flow sensitivity	835	(835)

iii. Prepayment risk

Net present value of contract assets and future trail commissions payable

Exposure to prepayment risk

The Group will incur financial loss if customers or counterparties repay or request repayment earlier or later than expected. A change in the pattern of repayment by end consumers will have an impact on the fair value of future trail commissions contract asset and future trail commission payables.

Sensitivity analysis

Management have engaged the use of actuaries for the purposes of reviewing the run-off rate of the loans under management. Management does not expect the run-off rate to change in excess of 10% positive or 10% negative of the rates shown in the actuarial analysis performed on AFG's historical loan data. The change estimate is calculated based on historical movements of the prepayment rate.

The effect from changes in prepayment rates, with all other variables held constant, is as follows:

	2024		2023	
In thousands of AUD	**+10%**	**-10%**	**+10%**	**-10%**
After tax profit	(6,201)	7,057	(6,169)	6,959

Securitised assets

The Group is exposed to prepayment risk on its securitised assets. The warehouse facilities and the securitised funding facilities funding the securitisation operations are 'pass through' funding facilities in nature. All principal amounts prepaid by residential mortgage borrowers are passed through to the warehouse facility provider or the bond holders as part of the monthly payment terms. Consequently, the Group has no material exposure to prepayment risk on its securitised assets.

iv. Other market risks

The Group is exposed to other market risks on the credit support (securitisation loan receivable) provided by the Group in relation to the warehouse facilities. The value of the loan is dynamic in that it can change due to circumstances including the credit ratings of mortgage insurers. The Group has assessed that if this were to occur, it would not have a material impact on the Group's profit after tax and equity.

c. Accounting classifications and fair values

Fair value hierarchy

The different levels have been defined as follows:

- Level 1: quoted prices 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

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 Consolidated Statement of Financial Position approximate their fair value due to their short-term nature.

	2024		2023	
In thousands of AUD	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Non-current loans and advances	2,715,484	2,420,671	2,795,087	2,508,023
Financial liabilities				
Future trailing commission payable[1]	1,046,722	1,039,985	1,043,332	1,034,331
Non-current securitised funding facilities	2,162,526	1,927,044	1,967,867	1,762,058
Non-current debt facility	41,625	45,279	39,375	33,744

1. 5% discount rate (2023: 5%) is applied to the fair value calculations. Run-off rate and pay out percentage remain consistent with the carrying value calculation assumptions.

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 10.3% (2023: 5.2% to 10.6%).

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 30 June 2024 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 at the initial recognition of the trail commission on new tranche, 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/inputs 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:

	2024	2023
Average loan life	Between 3.5 and 4.3 years	Between 3.6 and 4.5 years
Discount rate per annum	Between 4.0% and 13.5%	Between 4.0% and 13.5%
Percentage paid to brokers	Between 85.0% to 95.9%	Between 85.0% and 95.5%

Securitised funding facilities

The fair value 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 6.8% (2023: 4.9% to 6.4%).

For the purposes of fair value disclosure under AASB 13, 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.

29 Group entities

The ultimate parent entity of the Group is Australian Finance Group Ltd. The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities, that were held in both the current and prior period unless otherwise stated:

			Percentage Ownership	
	Entity type	Country of Incorporation/ Tax Residency	2024	2023
Parent entity				
Australian Finance Group Ltd	Company	Australia	100	100
Significant subsidiaries				
Australian Finance Group (Commercial) Pty Ltd	Company	Australia	100	100
Australian Finance Group Securities Pty Ltd	Company	Australia	100	100
AFG Securities Pty Ltd	Company	Australia	100	100
AFG 2010-1 Trust	Trust	Australia	100	100
AFG 2019-1 Trust[1]	Trust	Australia	-	100
AFG 2019-2 Trust[1]	Trust	Australia	-	100
AFG 2020-1 Trust[1]	Trust	Australia	-	100
AFG 2020-1 NC Trust[1]	Trust	Australia	-	100
AFG 2021-1 Trust	Trust	Australia	100	100
AFG 2021-2 Trust	Trust	Australia	100	100
AFG 2022-1 NC Trust	Trust	Australia	100	100
AFG 2022-1 Trust	Trust	Australia	100	100
AFG 2022-2 Trust	Trust	Australia	100	100
AFG 2023-1 Trust[2]	Trust	Australia	100	-
AFG 2024-1 Trust[2]	Trust	Australia	100	-
AFG 2010-2 Pty Ltd	Company	Australia	100	100
AFG 2010-3 Pty Ltd	Company	Australia	100	100
AFG Home Loans Pty Ltd	Company	Australia	100	100
Australian Finance Group Ltd Employee Share Trust	Trust	Australia	100	100
National Finance Alliance Pty Ltd[3]	Company	Australia	83.33	75
Credit Concierge Pty Ltd[3]	Company	Australia	83.33	75
Broli Finance Pty Ltd[3]	Company	Australia	83.33	75
Fintelligence Pty Ltd[3]	Company	Australia	83.33	75
Mortgage Brokers Software Pty Ltd[4]	Company	Australia	100	70

	Entity type	Country of Incorporation/ Tax Residency	Percentage Ownership 2024	2023
Mortgage Processing Services Pty Ltd[4]	Company	Australia	100	70
Investment in associates				
Thinktank Group Pty Ltd	Company	Australia	31.99	32.08
MAB Broker Services Pty Ltd	Company	Australia	48.05	48.05

1. Trusts deregistered during the year ended 30 June 2024.
2. Trusts incorporated during the year ended 30 June 2024.
3. The Group acquired 75% of the Fintelligence entities during the prior year ended 30 June 2022 with an additional 8.33% acquired during the current financial year.
4. The Group acquired 70% of the BrokerEngine entities during the prior year ended 30 June 2022 with the remaining 30% acquired in the current financial year.

Additional disclosures with respect to Consolidated Structured Entities

Subscription of Subordinated Notes within the Trust Structures

As part of the funding arrangement for the Group's Securitisation business the Company has subscribed for the subordinated note in each of the independent funding structures. These notes represent the first loss position for each of the securitisation vehicles. In the event that a loss is incurred in the relevant structure, then the balance of subordinated note is first applied against such losses. A loss would only be incurred within the respective Trust in the event that the sale of the underlying security was not sufficient to cover the loan balance, there was no mortgage insurance policy in existence and the loss could not be covered out of the excess spread generated by the respective Trust.

The weighted average loan to value ratio of all outstanding loans as at time of settlement was below 70% and as at year end, approximately 11.5% (2023: 11.0%) of the loans (in dollar value) have a lenders mortgage insurance policy which have been individually underwritten by a mortgage insurer. With respect to those loans which do not have mortgage insurance, the weighted average loan to value ratio for all of these loans is 62.6% (2023: 62.5%).

At no point since the inception of the Securitisation business has the subordinated note been required to be accessed to cover any lending losses within the respective Trusts.

In thousands of AUD	2024	2023
Subordinated notes held in AFG 2010-1 Trust and Series[1]	36,257	41,403
Subordinated notes held in SPE-RMBS trusts following a term transaction:		
• AFG 2019-1[2]	-	2,541
• AFG 2020-1[2]	-	3,325
• AFG 2020-1 NC[2]	-	5,092
• AFG 2022-1 NC	601	415
• AFG 2024-1	2,400	-

1. The level of subordination subscribed by the company will increase or decrease over time depending upon a number of factors including the size of the warehouse or RMBS term structure as well as the ratings methodology used for these warehouse facilities.
2. Trusts deregistered during the year ended 30 June 2024.

Other

Holders of RMBS are limited in their recourse to the assets of the Securitisation Vehicle (subject to limited exceptions). AFG Group companies may however incur liabilities in connection with RMBS which are not subject to the limited recourse restrictions (for example where an AFG Group company acts as a trust manager or servicer of a Securitisation Vehicle).

30 Parent entity

In thousands of AUD	2024	2023
Results of the parent entity		
Profit for the period	22,436	38,419
Total comprehensive income for the period	**22,436**	**38,419**
Financial position of parent entity at year end		
Current assets	128,923	155,916
Total assets	**1,162,435**	**1,183,822**
Current liabilities	164,351	177,591
Total liabilities	**1,047,046**	**1,071,260**
Total equity of the parent entity comprising of:		
Share capital	102,125	102,125
Reserves	(10,962)	(13,285)
Retained earnings	24,226	23,722
Total equity	**115,389**	**112,562**

Parent entity guarantees in respect of debts of its subsidiaries

Refer to Note 31 for the parent entity capital and other commitments.

Contingent liabilities

Refer to Note 32 for the contingencies information.

31 Capital and other commitments

At 30 June 2024 the consolidated entity had commitments of $1,801k for capital development (2023: nil).

32 Contingencies

Third Party Guarantees

Bank guarantees have been issued by third party financial institutions on behalf of the Group and its subsidiaries for items in the normal course of business such as lease contracts. The amounts involved are not considered to be material to the Group.

Other than above, no material claims against these warranties have been received by the Group at the date of this report, and the Directors are of the opinion that no material loss will be incurred.

33 Related parties

a. Other related parties

A number of key management personnel held positions in other entities that result in them having control over the financial or operating policies of these entities.

The terms and conditions of the transactions with the other related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to other related parties were as follows:

i. Greenlane Group Pty Ltd (formerly Establish Property Group Ltd) (Greenlane) was created as part of the de-merger of AFG's property business prior to listing on the ASX on 22 April 2015. Directors of Greenlane include B. McKeon, D. Bailey and L. Bevan.

   AFG's head office is located at 100 Havelock Street West Perth. AFG leases these premises at commercial arm's length rates from an investee of Greenlane, Qube Havelock Street Development Pty Ltd (Qube). AFG paid rent of $1,312k to Qube (2023: $1,218k) for the head office lease. These payments are not considered to be material to the financial results of the Group and therefore did not impact Mr B. McKeon's duties as a Director.

b. Compensation of key management personnel of the Group

	2024	2023
Short term employment benefits	1,635	1,264
Post-employment pension and medical benefits	82	71
Share based payment transactions	583	661
Other long-term benefits	20	17
Total compensation of key management personnel of the Group	**2,320**	**2,013**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

c. Subsidiaries

Loans are made by the parent entity to wholly owned subsidiaries to fund working capital. Loans outstanding between the Company and its subsidiaries are unsecured, have no fixed date of repayment and are non-interest bearing. Interest-free loans made by the parent entity to all its subsidiaries are payable on demand.

d. Associates

	2024		2023	
In thousands of AUD	Commissions from related parties	Commissions to related parties	Commissions from related parties	Commissions to related parties
Associate				
Thinktank	5,248	-	3,935	-
MAB	-	1,829	-	2,341

The amounts disclosed in the table are the amounts recognised as commission income and commission expense during the reporting period related to associates.

34 Subsequent events

On 29 August 2024, the Directors recommended the payment of a dividend of 4.0 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The dividend has a record date of 9 September 2024 and a payment date of 11 October 2024. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 30 June 2024 is $10,934k. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2024.

There has not been any matter or circumstance, other than that referred to in the financial statements or notes there to, 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.

35 Auditors' remuneration

in AUD	2024	2023
Fees to Ernst & Young (Australia)		
Fees for auditing the statutory financial report of the parent covering the Group and auditing the statutory financial reports of any controlled entities	577,257	546,144
Fees for assurance services that are required by legislation provided by the auditor	80,218	60,115
Fees for other services – agreed upon procedures	10,000	37,500
Total fees to Ernst & Young (Australia)	667,475	643,759
Fees to other overseas member firms of Ernst & Young (Australia)	-	-
Total fees to Ernst & Young	667,475	643,759

Consolidated Entity Disclosure Statement

The ultimate parent entity of the Group is Australian Finance Group Ltd. The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities, that were held in both the current and prior period unless otherwise stated:

			Percentage Ownership	
	Entity type	Country of Incorporation/ Tax Residency	2024	2023
Parent entity				
Australian Finance Group Ltd	Company	Australia	100	100
Significant subsidiaries				
Australian Finance Group (Commercial) Pty Ltd	Company	Australia	100	100
Australian Finance Group Securities Pty Ltd	Company	Australia	100	100
AFG Securities Pty Ltd	Company	Australia	100	100
AFG 2010-1 Trust	Trust	Australia	100	100
AFG 2019-1 Trust[1]	Trust	Australia	-	100
AFG 2019-2 Trust[1]	Trust	Australia	-	100
AFG 2020-1 Trust[1]	Trust	Australia	-	100
AFG 2020-1 NC Trust[1]	Trust	Australia	-	100
AFG 2021-1 Trust	Trust	Australia	100	100
AFG 2021-2 Trust	Trust	Australia	100	100
AFG 2022-1 NC Trust	Trust	Australia	100	100
AFG 2022-1 Trust	Trust	Australia	100	100
AFG 2022-2 Trust	Trust	Australia	100	100
AFG 2023-1 Trust[2]	Trust	Australia	100	-
AFG 2024-1 Trust[2]	Trust	Australia	100	-
AFG 2010-2 Pty Ltd	Company	Australia	100	100
AFG 2010-3 Pty Ltd	Company	Australia	100	100
AFG Home Loans Pty Ltd	Company	Australia	100	100
Australian Finance Group Ltd Employee Share Trust	Trust	Australia	100	100
National Finance Alliance Pty Ltd[3]	Company	Australia	83.33	75
Credit Concierge Pty Ltd[3]	Company	Australia	83.33	75
Broli Finance Pty Ltd[3]	Company	Australia	83.33	75
Fintelligence Pty Ltd[3]	Company	Australia	83.33	75
Mortgage Brokers Software Pty Ltd[4]	Company	Australia	100	70
Mortgage Processing Services Pty Ltd[4]	Company	Australia	100	70
Investment in associates				
Thinktank Group Pty Ltd	Company	Australia	31.99	32.08
MAB Broker Services Pty Ltd	Company	Australia	48.05	48.05

1. Trusts deregistered during the year ended 30 June 2024.
2. Trusts incorporated during the year ended 30 June 2024.
3. The Group acquired 75% of the Fintelligence entities during the prior year ended 30 June 2022 with an additional 8.33% acquired during the current financial year.
4. The Group acquired 70% of the BrokerEngine entities during the prior year ended 30 June 2022 with the remaining 30% acquired in the current financial year.

Director's Declaration

In accordance with a resolution of the Directors of Australian Finance Group Ltd, I state that:

In the opinion of the Directors:

a. The Financial Statements and Notes to the Financial Statements of Australian Finance Group Ltd are in accordance with the Corporations Act 2001, including:

   i. Giving a true and fair view of the Consolidated entity's financial position as at 30 June 2024 and of its performance for the year ended on that date;

   ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

b. The Financial Statements and Notes to the Financial Statements also comply with International Financial Reporting Standards.

c. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

d. the consolidated entity disclosure statement required by section 295(3A) of the Corporations Act is true and correct.

The Directors have been given the declarations by the Chief Executive Officer required by Section 295A of the Corporations Act 2001.

On behalf of the Board

Greg Medcraft
Chair

Perth, Western Australia
29 August 2024

Building a better working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

Report on the audit of the financial report

Opinion

We have audited the 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 30 June 2024, 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 year then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the consolidated financial position of the Group as at 30 June 2024 and of its consolidated financial performance for the year ended on that date; and

b. complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Building a better working world

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Provision for expected credit loss

Why significant

As disclosed in Note 3 *material accounting policy information*, Note 5 *Financial risk management* and Note 28 *Financial Instruments*, the provision for expected credit losses (ECL) is determined in accordance with Australian Accounting Standards - AASB 9 *Financial Instruments* (AASB 9).

This was a key audit matter due to the value of the provision, and the degree of judgement and estimation uncertainty associated with the calculations.

Key areas of judgement included:

- the application of the impairment requirements within AASB 9, which is reflected in the Group's expected credit loss model;
- the identification of exposures with a significant deterioration in credit quality;
- assumptions used in the expected credit loss model (for exposures assessed on an individual and collective basis) such as the financial condition of the counter party, expected future cashflows, and forward-looking macroeconomic factors (e.g. unemployment rates, interest rates, gross domestic product growth rates, and property prices) as disclosed in Note 3;
- the incorporation of forward-looking information to reflect current or future external factors, specifically judgements related to the actual or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations as disclosed in Note 3.

How our audit addressed the key audit matter

Our audit procedures included the following:

We assessed:

- the alignment of the Group's expected credit loss model and its underlying methodology with the requirements of AASB 9;
- the approach determined by the Group for the incorporation of forward-looking macroeconomic factors;
- the effectiveness of relevant controls relating to the:
  - capture of data used to determine the provision for credit impairment, including transactional data captured at loan origination, ongoing internal credit quality assessments, storage of data and interfaces to the expected credit loss model;
  - expected credit loss model, including functionality, ongoing monitoring/validation and model governance.

On a sample of individual exposures, we assessed the reasonableness of provisions adopted.

We assessed the significant modelling assumptions for exposures evaluated on a collective basis and overlays, with a focus on the:

- basis for and data used to determine management overlays;
- sensitivity of the collective provisions to changes in modelling assumptions; and
- reasonableness of macroeconomic scenarios at balance date.

We also involved our Actuarial and IT specialists in the performance of these procedures where required.

We assessed the adequacy and appropriateness of the disclosures related to the measurement of the expected credit loss provision in the financial statements.

Building a better working world

Trail commission

Why significant	How our audit addressed the key audit matter
As disclosed in Note 3 *material accounting policy information*, Note 4 *Determination of fair values* and Note 28 *Financial instruments*, the Group recognised a contract asset representing the expected value of future trailing commission receivable in accordance with AASB 15 *Revenue from Contracts with Customers* (AASB 15) and a corresponding trailing commission payable was recognised under AASB 9 *Financial Instruments* (AASB 9) representing the net present value of future trailing commissions payable by the Group. This is a key audit matter due to the size of the contract assets and trailing commission payable and the degree of judgment and estimation uncertainty associated with the calculations. Key areas of judgement included: ► the estimation of the discount rate; ► the percentage of commissions paid to members; and ► loan book run-off rate assumptions.	Our audit procedures included the following: We assessed: ► the alignment of the Group's trailing commission model and its underlying methodology with the requirements of AASB 15 for the contract asset and AASB 9 for the trailing commission payable; ► the effectiveness of relevant controls relating to the approval and determination of the net present value of the future trailing commission receivable and payable; ► the reasonableness of management's assumptions applied, including the discount rate and loan run-off rates; ► the historical accuracy of management's estimates by comparing the previously forecast trailing commission income and expense to the actual results. We have tested: ► the capture of the data used in management's trail commission model for completeness; ► a sample of loans from the data used in the model to external supporting documents such as lender commission statements for accuracy; ► the mathematical accuracy of the models; and ► the expected percentage to be paid to members by recalculation based on the loan book data, and applicable remuneration structure. We also involved our Actuarial specialists in the performance of these procedures where required. We assessed the adequacy and appropriateness of the disclosures related to trailing commission in the financial statements.

Building a better working world

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2024 Annual Report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

a. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and;

b. The consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

i The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii The consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 34 to 47 of the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Australian Finance Group Limited for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Fiona Drummond
Partner
Perth

29 August 2024

Shareholder Information

Additional information required by the Australian Securities Exchange Ltd (ASX) and not disclosed elsewhere in this report is set out below.

The information is current as at 2 August 2024.

a. Number of holders of equity securities

Ordinary share capital

270,769,045 fully paid ordinary shares are held by 7,110 individual shareholders. All issued ordinary shares carry one vote per share.

b. Distribution of holders of equity securities

The number of shareholders by size of holding is set out below:

Range	Securities	%	No. of holders	%
100,001 and Over	206,802,932	76.38	110	1.55
10,001 to 100,000	48,566,597	17.94	1,770	24.89
5,001 to 10,000	8,388,831	3.10	1,085	15.26
1,001 to 5,000	6,022,174	2.22	2,208	31.05
1 to 1,000	988,511	0.37	1,937	27.24
Total	**270,769,045**	**100.00**	**7,110**	**100.00**
Unmarketable Parcels[1]	114,383	0.04	579	8.14

1 An unmarketable parcel is considered to be a shareholding of 331 shares or less, being a value of $500 or less in total, based on the Company's last sale price on the ASX at 2 August 2024 of $1.51.

c. Substantial shareholders

The names and the number of shares held by substantial shareholders are setout below:

	# Shares	% of issued capital
MBM Investments Pty Ltd ATF The Brett McKeon Family Trust	16,332,632	6.03%
MSW Investments Pty Ltd ATF The Malcolm Stephen Watkins A/C	16,139,718	5.96%
Australian Ethical Investment	15,005,374	5.54%
Banyard Holdings Pty Ltd ATF The B&K McGougan Trust	14,788,765	5.46%

d. Twenty largest holders of quoted equity securities

The number of shareholders by size of holding is set out below:

Rank	Name	A/C designation	2 August 2024	% of issued capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		53,653,442	19.82
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED		28,518,853	10.53
3	MBM INVESTMENTS PTY LTD	THE BRETT MCKEON FAMILY TRUST	16,332,632	6.03
4	CITICORP NOMINEES PTY LIMITED		16,228,582	5.99
5	NATIONAL NOMINEES LIMITED		16,072,293	5.94
6	BANYARD HOLDINGS PTY LTD	THE B&K MCGOUGAN TRUST	14,788,765	5.46
7	PERPETUAL CORPORATE TRUST LTD	<983L AC>	12,345,025	4.56
8	OCEANCITY INVESTMENTS PTY LTD	<MATTHEWS FAMILY A/C>	5,500,000	2.03
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	<NT-COMNWLTH SUPER CORP A/C>	5,085,515	1.88
10	INVIA CUSTODIAN PTY LIMITED	<THE B & K MCGOUGAN NO 2 A/C>	2,243,637	0.83
11	ASSURED FINANCIAL SERVICES PTY LTD		2,050,000	0.76
12	DAVID BAILEY		2,038,922	0.75
13	BNP PARIBAS NOMINEES PTY LTD		1,784,874	0.66
14	PRECISION OPPORTUNITIES FUND LTD	<INVESTMENT A/C>	1,500,000	0.55
15	LISA BEVAN		1,418,333	0.52
16	EGMONT PTY LTD	<CRAIG CARTER SUPER FUND A/C>	1,400,000	0.52
17	BNP PARIBAS NOMINEES PTY LTD	<HUB24 CUSTODIAL SERV LTD DRP>	1,347,358	0.50
18	BNP PARIBAS NOMINEES PTY LTD	<AGENCY LENDING>	1,327,893	0.49
19	ADRIEN MANN (SOUTH PACIFIC) PTY LTD		1,110,000	0.41
20	UBS NOMINEES PTY LTD		1,061,451	0.39

Company Secretary

Ms M. Palethorpe

Registered Office

Level 4, 100 Havelock Street,
West Perth WA 6005

Share Registry

Link Market Service - Level 12, 680
George Street, Sydney NSW 2000

Corporate Directory

Notice of AGM

The Annual General Meeting of Australian Finance Group Ltd will be held on Friday, 18 October 2024 at 9.00am WST at Level 4, 100 Havelock Street, West Perth WA 6005 and through an online platform that allows shareholders to view proceedings of the meeting, submit questions and vote.

Corporate Office

Australian Finance Group Ltd
Level 4
100 Havelock Street
West Perth WA 6005

Postal Address
PO Box 710
West Perth WA 6872

Phone
08 9420 7888

Email
investors@afgonline.com.au

Website
www.afgonline.com.au

Directors

Greg Medcraft
(Non-Executive Chair)

Malcolm Watkins
(Non-Executive Director)

Brett McKeon
(Non-Executive Director)

Craig Carter
(Non-Executive Director)

Jane Muirsmith
(Non-Executive Director)

Annette King
(Non-Executive Director)

Share Registry

Link Market Services
Level 12
680 George Street
Sydney NSW 2000

Postal Address
Locked Bag A14
Sydney South NSW 1235

Phone
1300 554 474

Email
registrars@linkmarketservices.com.au

Stock Listing
Australian Finance Group Ltd's ordinary shares are listed on the Australian Securities Exchange (ASX code: AFG).

Company Secretary

Michelle Palethorpe
(General Counsel and Company Secretary)

afgonline.com.au
Level 4, 100 Havelock Street
West Perth WA 6005
08 9420 7888

Australian Finance Group Ltd.
Australian Credit Licence: 389087
ABN: 11 066 385 822
ACN: 066 385 822