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25 February 2022

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

Dear Sir/Madam

AUSTRALIAN FINANCE GROUP LTD ANNOUNCES 1H FY22 RESULTS

Please refer to the following information in relation to Australian Finance Group Ltd's (ASX: AFG) half year results for the six months ended 31 December 2021.

- Part 1: Appendix 4D and half year 2022 financial report.
- Part 2: Appendix 3A.1: notification of dividend.
- Part 3: 1H FY22 results investor presentation.
- Part 4: 1H FY22 results market release.

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

Authorised for disclosure by:

Lisa Bevan
Company Secretary

CONTACT DETAILS

Alison Clarke, AFG Head of Corporate Communications
David Bailey, CEO

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Australian Finance Group Limited

ABN 11 066 385 822

Half-year Report and Appendix 4D

for the half-year ended 31 December 2021

Australian Finance Group Limited
Half-year Report and Appendix 4D
For the half-year ended 31 December 2021

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This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Australian Finance Group Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Australian Finance Group Limited

Directors' report

For the half-year ended 31 December 2021

Half-year Report for the Period ending 31 December 2021

Reporting period is the half-year ended 31 December 2021 with the previous corresponding period to 31 December 2020.

Results for announcement to the market

	31 December 2021 \$'000	31 December 2020 \$'000	Increase / (Decrease) \$'000	% change
Revenue from continuing operations	469,731	357,249	112,482	31.5%
Net profit for the period	30,033	24,967	5,066	20.3%
Underlying results from continuing operations	25,964	24,880	1,084	4.4%

Net tangible asset backing per ordinary security ("NTA") (Cents)	(351.7)	(307.9)	(43.8)	14.2%
Net tangible asset backing per ordinary security ("NTA") including Trail book contract asset (Cents)¹	64.8	66.9	(2.1)	3.1%

¹ In line with ASIC guidance NTA is shown without the inclusion of the trail book asset (contract asset) and right of use asset but including the associated trail commission payable. However, given the significant value of the trail book and its interrelationship with the trail book liability, NTA including the trail book asset has also been calculated and disclosed for both the current period to 31 December 2021 and the prior period to 31 December 2020.

Dividends	Amount per security	Franked Amount per security
Interim dividend	7.0 cents	100%
Previous corresponding period interim dividend	5.9 cents	100%
Record date for determining entitlements to the interim dividend	8 March 2022	
Date the interim dividend is payable	24 March 2022	

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

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

Australian Finance Group Limited

Directors' report

For the half-year ended 31 December 2021

The Directors submit the consolidated financial report of Australian Finance Group Limited ('the Company'), and its controlled entities ('the Group'), for the half-year ended 31 December 2021 and the auditor's report thereon.

Directors

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

Name

Mr Tony Gill	Ms Melanie Kiely
Mr Brett McKeon	Ms Jane Muirsmith
Mr Malcolm Watkins	Mr Greg Medcraft (appointed 15 September 2021)
Mr Craig Carter	Ms Annette King (appointed 1 February 2022)

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

Financial results

For the half-year ended 31 December 2021 the Group recorded a net profit after tax of \$30,033k recording an increase of 20.3% over the same period in 2020.

Review and results of operations

Residential settlements were up 47% on prior period with revenue from the aggregation segment up 35% and revenue overall up 31.5% to \$469,731k (2020: \$357,249k). The AFG Securities loan book increased 36.1% and AFG Home Loans white label settlements were 46% higher on prior period.

Profit after income tax for the half-year ended 31 December 2021 was up 20.3% on the prior comparative period at \$30,033k (2020: \$24,967k). Underlying results from continuing operations were up 4.4% when compared to the prior comparative period at \$25,964k (2020: \$24,880k).

The increase in profit was attributable to the following:

- Securitisation programme net interest income being up 17% to \$25.1M (2020: \$21.4M) and the loan book increasing 36.1% to \$4.03B (2020: \$2.96B);
- Residential settlements increased by \$9.9B to \$30.8B (2020: \$20.9B);
- Increased residential trail book to \$173.8B (2020: \$160B);
- AFGHL loan book increased \$1.5B (14.1%) to \$12.2B (2020: \$10.7B);
- Commercial settlements increased by \$804M (83.2%) to \$1.8B (2020: \$967M).

Net cash flows from operating activities decreased 42.2% to \$14,895k (2020: \$25,788k). This was due to the reversal of a strong positive working capital movement in June 2021 as large commission payments were received and paid out in July 2021.

On 22 December 2021, the Group acquired a 75% stake in leading asset finance aggregator, National Finance Alliance Pty Ltd, trading as Fintelligence. The Group paid \$54.6M for the purchase of 75% of Fintelligence, funded primarily by a new corporate debt facility.

COVID-19, as well as measures to slow the spread of the virus, have had a significant impact on global economies and equity, debt and commodity markets. The Group has considered the impact of COVID-19 and other market volatility in preparing the financial statements.

The 31 December results included a provision for Expected Credit Loss (ECL). The ECL provision has reduced to \$2,877k for the half year ended 31 December 2021 (2020: \$3,243k). Impairment charges are discussed further in Note 7 of the 2021 Half Year Report.

Australian Finance Group Limited

Directors' report

For the half-year ended 31 December 2021

Review and results of operations (continued)

Given the dynamic and evolving nature of COVID-19, changes may arise to the estimates and outcomes that have been applied in the measurement of the Group assets and liabilities in the future. In response to the current pandemic, the Group has provided support to its customers and brokers by implementing a range of initiatives, such as granting deferrals of loan repayments if required.

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

Non – IFRS financial information

The carrying value of our residential, commercial and AFGHL white label trail books are influenced amongst other things by the runoff and discount rates that are applied to these valuations. Excluding the non-cash entries to recognise the change in the net present value of the future trailing commission receivable and payable, the underlying profit after tax increased by 4.4% to \$25,964k (31 December 2020: \$24,880k). 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 before tax for the period in accordance with Australian Accounting Standards:

	31 December 2021		31 December 2020	
	Operating income	Profit After Tax	Operating income	Profit After Tax
	\$'000	\$'000	\$'000	\$'000
Underlying results from continuing operations	399,323	25,964	326,024	24,880
Change in the carrying value of trailing commissions contract asset (and payables in the calculation of profit after tax)	70,408	4,069	31,225	87
Total result from operating activities	469,731	30,033	357,249	24,967

The impact of the change in the present value of the contract asset (31 December 2021 \$1,121,021k and 30 June 2021 \$1,050,613k) and trailing commission payable (31 December 2021 \$1,017,250k and 30 June 2021 \$952,656k) on the profit after tax have been shown net as this illustrates the results excluding the movement in the trail book.

Auditor's independence declaration

The auditor's independence declaration is included on page 26 of the half-year report.

Rounding

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

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

On behalf of the Directors



Tony Gill
Chairman

Dated at Sydney this 24 February, 2022

Australian Finance Group Limited
Consolidated Statement of Financial Position
As at 31 December 2021

<i>In thousands of AUD</i>	Note	31 December 2021	30 June 2021
Assets			
Cash unrestricted	4 (iii)	84,094	106,930
Cash restricted	4 (iii)	160,946	119,118
Trade and other receivables		7,462	5,645
Other assets		-	15,000
Contract assets		1,121,021	1,050,613
Property, plant and equipment		806	693
Intangible assets	11	34,208	9,506
Loans and advances		4,042,472	3,403,102
Investment in associates	8	28,381	25,999
Financial assets at fair value through profit & loss	9	15,000	-
Right of use assets		5,868	4,979
Goodwill	12	56,950	-
Current tax receivable		1,558	-
Total assets		5,558,766	4,741,585
Liabilities			
Trade and other payables		1,103,639	1,036,275
Interest-bearing liabilities		4,122,232	3,457,712
Debt facility		51,984	-
Non interest-bearing liabilities	13	18,200	-
Employee benefits		4,301	6,283
Current tax payable		-	3,260
Provisions		2,004	3,327
Contract liabilities		8,843	8,681
Lease liabilities		6,313	5,362
Deferred tax liability		26,705	17,704
Total liabilities		5,344,221	4,538,604
Net assets		214,545	202,981
Equity			
Share capital		102,125	102,125
Share-based payment reserve		6,019	4,572
Other capital reserves		(29)	(29)
Equity reserve	10	(18,200)	-
Retained earnings		106,430	96,313
Total equity attributable to equity holders of the Company		196,345	202,981
Non-controlling interest	10	18,200	-
Equity		214,545	202,981

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

Australian Finance Group Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2021

In thousands of AUD

	Note	31 December 2021	31 December 2020
Continuing Operations			
Commission and other income	4 (i)	419,049	312,170
Securitisation interest income		50,682	45,079
Operating income		469,731	357,249
Commission and other cost of sales		(382,870)	(283,902)
Securitisation interest expense		(25,563)	(23,661)
Gross profit		61,298	49,686
Other income		8,783	6,327
Administration expenses		(3,861)	(3,309)
Other expenses	4 (ii)	(27,425)	(20,650)
Results from operating activities		38,795	32,054
Finance income		79	498
Finance expense		(93)	(111)
Share of profit of an associate		2,640	2,312
Net finance and investing income		2,626	2,699
Profit before tax from continuing operations		41,421	34,753
Income tax expense		(11,388)	(9,786)
Profit for the period		30,033	24,967
Profit attributable to:			
Equity holders of the Company		30,033	24,967
Profit for the period		30,033	24,967
Total comprehensive income for the period attributable to:			
Equity holders of the Company		30,033	24,967
Non controlling interests		-	-
Total comprehensive income for the period		30,033	24,967
Earnings per share			
Basic earnings per share (cents per share)		11.16	9.30
Diluted earnings per share (cents per share)		11.01	9.19

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

Australian Finance Group Limited

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2021

In thousands of AUD

	Share capital	Foreign currency translation reserve	Share-based payment reserve	Equity reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 July 2021	102,125	(29)	4,572	-	96,313	202,981	-	202,981
Total comprehensive income for the period								
Profit	-	-	-	-	30,033	30,033	-	30,033
Total comprehensive income for the period	-	-	-	-	30,033	30,033	-	30,033
Transactions with owners, recorded directly in equity								
Dividends to equity holders	-	-	-	-	(19,916)	(19,916)	-	(19,916)
Share-based payment transactions	-	-	1,447	-	-	1,447	-	1,447
Acquisition of non controlling interest	-	-	-	(18,200)	-	(18,200)	18,200	-
Total transactions with owners	-	-	1,447	(18,200)	(19,916)	(36,669)	18,200	(18,469)
Balance at 31 December 2021	102,125	(29)	6,019	(18,200)	106,430	196,345	18,200	214,545
Balance at 1 July 2020	102,157	(14)	2,604	-	73,466	178,213	-	178,213
Total comprehensive income for the period								
Profit	-	-	-	-	24,967	24,967	-	24,967
Total comprehensive income for the period	-	-	-	-	24,967	24,967	-	24,967
Transactions with owners, recorded directly in equity								
Dividends to equity holders	-	-	-	-	(12,622)	(12,622)	-	(12,622)
Share-based payment transactions	-	-	359	-	-	359	-	359
Total transactions with owners	-	-	359	-	(12,622)	(12,263)	-	(12,263)
Balance at 31 December 2020	102,157	(14)	2,963	-	85,811	190,917	-	190,917

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

Australian Finance Group Limited
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2021

In thousands of AUD

	Note	31 December 2021	31 December 2020
Cash flows from operating activities			
Cash receipts from customers		353,643	288,911
Cash paid to suppliers and employees		(350,523)	(272,645)
Interest received		50,681	45,078
Interest paid		(25,563)	(23,661)
Income taxes paid		(13,343)	(11,895)
Net cash generated by operating activities		14,895	25,788
Cash flows from investing activities			
Net Interest received		72	636
Acquisition of property, plant and equipment		(255)	(199)
Purchase of intangible assets		(5,332)	(2,630)
Dividend from Thinktank		257	-
Investment in MAB	8	-	(3,700)
Investment in Fintelligence (net of cash acquired)	10	(50,509)	-
Broker loans and advances		379	322
Net loans and advances to borrowers		(634,950)	(52,718)
Net cash used in investing activities		(690,338)	(58,289)
Cash flows used in financing activities			
Repayments of warehouse facility		(838,115)	(803,000)
Proceeds from warehouse facility		1,610,222	210,122
Repayments to securitised funding facilities		(587,279)	(218,073)
Proceeds from securitised funding facilities		478,446	886,545
Proceeds from debt facility		52,500	-
Payment for acquisition of debt facility		(516)	-
Payment of principal proportion of lease liability		(907)	(882)
Dividends paid		(19,916)	(12,614)
Net cash generated by financing activities		694,435	62,098
Net increase in cash and cash equivalents		18,992	29,597
Cash and cash equivalents at the beginning of the period		226,048	161,528
Cash and cash equivalents at the end of the period	4 (iii)	245,040	191,125

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

Australian Finance Group Limited

Notes to the Financial Statements

For the half-year ended 31 December 2021

1. Reporting entity

The consolidated financial statements for the half-year ended 31 December 2021 comprise of Australian Finance Group Limited (the 'Company'), which is a for profit entity and a company domiciled in Australia and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates and jointly controlled entities. The Group's principal activities in the course of the reporting period were mortgage origination and lending. The Company's principal place of business is 100 Havelock Street, West Perth, Western Australia.

2. Basis of preparation and significant accounting policies

(a) Statement of compliance

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

(b) Basis of preparation

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

- Payables relating to trailing commission are initially measured at fair value and subsequently at amortised cost;
- Contract assets relating to trailing commission are measured using expected value method;
- Financial instruments at fair value through profit or loss are measured at fair value; and
- Non-traded equity investments have been designated at fair value through other comprehensive income.

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

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2021 annual financial report for the financial year ended 30 June 2021, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(c) Significant accounting policies

(i) Adoption of new and revised Accounting Standards

New and revised Standards and amendments thereof and interpretations effective for the current half-year that are relevant to the Group include:

- AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2
- AASB 2020-4 Amendments to Australian Accounting Standards – COVID 19 Related Rent Concessions

Australian Finance Group Limited
Notes to the Financial Statements
For the half-year ended 31 December 2021

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

(c) Significant accounting policies (continued)

(i) Adoption of new and revised Accounting Standards (continued)

The following new accounting policies adopted since 30 June 2021 which have had a material effect in the preparation of the half year ended 31 December 2021 financial statements.

Business Combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of AASB 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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 re-assesses 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 cash-generating units 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 cash-generating unit (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 cash-generating unit retained.

Australian Finance Group Limited
Notes to the Financial Statements
For the half-year ended 31 December 2021

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

(c) Significant accounting policies (continued)

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

(iii) Affected Standards and Interpretations	Application date	Application date for Group
AASB 2021-3 Amendments to Australian Accounting Standards – COVID 19 related rent concessions beyond 30 June 2021	1 April 2021	1 July 2022
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 January 2022	1 July 2023
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture	1 January 2022	1 July 2023
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current and Non Current	1 January 2023	1 July 2024
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	1 July 2024
AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	1 July 2024

3. Segment information

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

The Group has identified two reportable segments based on the nature of the products and services, the type of customers for those products and services, the processes followed to produce, the method used to distribute those products and services and the similarity of their economic characteristics.

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

Aggregation

The aggregation segment refers to the operating activities in which the Group acts as a wholesale mortgage broker that provides its contracted brokers with administrative and infrastructure support as well as access to a panel of lenders.

The Group receives two types of commission payments on loans originated through its network, as described below:

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

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

Australian Finance Group Limited
Notes to the Financial Statements
For the half-year ended 31 December 2021

3. Segment information (continued)

AFG Home Loans (AFGHL)

AFGHL offers the Group's branded mortgage products, funded by third party wholesale funding providers (white label products) and AFG Securities mortgages (Securitised loans issued by AFG Securities Pty Ltd) that are distributed through the Group's broker network. AFGHL sits on the Group's panel of lenders alongside the other Lenders and competes with them for home loan customers. The segment earns fees for services, largely in the form of upfront and trail commissions, and net interest margin on its securitisation programme.

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. Other/unallocated items are comprised mainly of other operating activities from which the Group earns revenues and incurs expenses that are not required to be reported separately since they don't meet the quantitative thresholds prescribed by AASB 8 or are not managed separately and include corporate and taxation overheads, assets and liabilities.

Information regarding the results of each reportable segment is included below.

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

Half-year ended 31 December 2021

	Aggregation	AFG Home Loans	Other / Unallocated / Eliminations	Total
<i>In thousands of AUD</i>				
Continuing operations				
Revenue				
Operating Income	395,078	73,809	844	469,731
Inter-segment ¹	25,798	-	(25,798)	-
Other income	2,260	-	6,523	8,783
Finance income	-	-	79	79
Share of profit of an associate	-	-	2,640	2,640
Total segment revenue	423,136	73,809	(15,712)	481,233
Timing of revenue recognition				
At a point in time	423,136	22,410	(24,876)	420,670
Over time	-	51,399	9,164	60,563
Results				
Segment profit/(loss) before income tax	29,682	25,426	(13,687)	41,421
Income tax expense				(11,388)
Net profit after tax				30,033
Assets and Liabilities				
Total segment assets	1,192,370	4,294,948	71,448	5,558,766
Total segment liabilities	1,180,156	4,153,634	10,430	5,344,220
Other segment information				
Depreciation and amortisation	(33)	(19)	(1,062)	(1,114)

Australian Finance Group Limited
Notes to the Financial Statements
For the half-year ended 31 December 2021

3. Segment information (continued)

Half-year ended 31 December 2020

	Aggregation	AFG Home Loans	Other / Unallocated / Eliminations	Total
<i>In thousands of AUD</i>				
Continuing operations				
Revenue				
Operating income	291,997	64,466	786	357,249
Inter-segment ¹	16,793	-	(16,793)	-
Other income	482	-	5,845	6,327
Finance income	-	50	448	498
Share of profit of an associate	-	-	2,312	2,312
Total segment revenue	309,272	64,516	(7,402)	366,386
Timing of revenue recognition				
At a point in time	309,272	18,909	(15,560)	312,621
Overtime	-	45,607	8,158	53,765
Results				
Segment profit/(loss) before income tax	16,827	19,923	(1,997)	34,753
Income tax expense				(9,786)
Net profit after tax				24,967
Assets and Liabilities				
Total segment assets	991,927	3,137,664	79,953	4,209,544
Total segment liabilities	981,310	3,029,447	7,870	4,018,627
Other segment information				
Depreciation and amortisation	(35)	(15)	(942)	(992)

¹ Relate to intercompany transactions

Australian Finance Group Limited
Notes to the Financial Statements
For the half-year ended 31 December 2021

4. Results for the period

(i) Revenue

In thousands of AUD

Commission and other income

At a point in time

Commissions

Customer transaction fees

Over time

Interest on commission income receivable

Mortgage management services

Customer transaction fees

31 December 2021	31 December 2020
375,935	281,585
524	898
40,697	29,157
194	90
1,699	440
419,049	312,170

(ii) Expenses

In thousands of AUD

Other expenses

Advertising and promotion

Consultancy and professional fees

Information technology

Occupancy costs

Employee costs

Depreciation and amortisation

Impairment release on loans and advances

31 December 2021	31 December 2020
(1,155)	(565)
(3,347)	(1,459)
(3,349)	(2,440)
(206)	(214)
(18,619)	(14,980)
(1,114)	(992)
365	-
(27,425)	(20,650)

(iii) Cash and cash equivalents

In thousands of AUD

Cash at bank

Short term deposits

Unrestricted cash

Cash collections accounts¹

Restricted cash²

Restricted cash

Cash and cash equivalents

Cash and cash equivalents in the Statement of Cash Flows

31 December 2021	30 June 2021
81,679	105,700
2,415	1,230
84,094	106,930
138,704	111,500
22,242	7,618
160,946	119,118
245,040	226,048
245,040	226,048

- 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.

Australian Finance Group Limited
Notes to the Financial Statements
For the half-year ended 31 December 2021

5. Dividends

	Note	Half-year ended 31 December 2021		Half-year ended 31 December 2020	
		Cents per share	Total \$'000	Cents per share	Total \$'000
Unrecognised amounts					
Interim dividend - fully franked	15	7.0	18,839	5.9	15,858

6. Key management personnel

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

7. Financial instruments

Accounting classifications and fair values

Fair value hierarchy

The different levels have been defined as follows:

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

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

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

<i>In thousands of AUD</i>	31 December 2021		30 June 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Non-current loans and advances	2,847,957	2,839,686	2,563,585	2,555,880
Financial liabilities				
Future Trailing commission payable ¹	1,017,250	1,044,592	952,656	984,195
Non-current securitised funding facilities	1,663,573	1,658,804	1,933,792	1,863,255
Non-current debt facility	47,250,000	47,250,000	-	-

¹ Note discount rate between 4% and 13.5% has been applied to the Fair value calculations. Run off rate and pay out percentage remain consistent with the carrying value calculation assumptions.

Australian Finance Group Limited

Notes to the Financial Statements

For the half-year ended 31 December 2021

7. Financial instruments (continued)

Loans and advances

The fair values of loans and advances are estimated using a discounted cash flow analysis, based on current lending rates for similar types of lending arrangements ranging from 1.99% to 6.35%.

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.

COVID-19, as well as measures to slow the spread of the virus, have had a significant impact on global economies and equity, debt and commodity markets. The Group has considered the impact of COVID-19 and other market volatility in preparing the financial statements.

The 31 December results included a provision for impairment charges due to the expected economic impact of the COVID-19 pandemic. The expected credit loss (ECL) provision has reduced to \$2,877k for the half year ended 31 December 2021 (2020: \$3,243k). This reduction is mainly driven from recoveries in covid hardship cases and property price performances and relatively low unemployment.

Given the dynamic and evolving nature of COVID-19, changes may arise to the estimates and outcomes that have been applied in the measurement of the Group assets and liabilities in the future. In response to the current pandemic, the Group has provided support to its customers and brokers by implementing a range of initiatives, such as granting deferrals of loan repayments if required.

Future Trailing commission payable

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

The trail commission assets and liabilities at 31 December 2021 relate to the Residential, Commercial and the AFGHL white label loan books.

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

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

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

	31 December 2021	30 June 2021
Average loan life	Between 3.5 and 4.9 years	Between 3.1 and 5.0 years
Discount rate per annum	Between 4% and 13.5%	Between 4% and 13.5%
Percentage paid to brokers	Between 85.1% and 94.4%	Between 85% and 94.3%

Australian Finance Group Limited
Notes to the Financial Statements
For the half-year ended 31 December 2021

7. Financial instruments (continued)

Securitised funding facilities

The fair values of securitised funding facilities are estimated using discounted cash flow analysis, based on current borrowing rates for similar types of borrowing arrangements ranging from 0.9% to 2%.

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

Debt Facility

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

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

Volt Investment

The group has a 7.07% shareholding in Volt Corporation Limited ("Volt"). The fair value of Volt is revalued at each reporting period. The fair value measurements are based on significant inputs that are not observable in the market.

The fair value estimate is based on recent shareholding sales. There is no impact of remeasurement on the P&L during the current period. The Volt investment is unlisted, the valuation is classified as level 3 in the fair value measurement hierarchy.

Put/Call Liability

The Group has recognised a liability in relation to the option to acquire the remaining 25% interest in Fintelligence.

The fair value of the non-controlling interest in Fintelligence, a non-listed company, has been determined with reference to the price paid by AFG for 75% of the company. This has also been cross-checked by applying a discounted earnings technique. The fair value measurements are based on significant inputs that are not observable in the market. The fair value estimate is based on:

- An assumed discount rate of 14.5%.
- Forecasted cash flows for a five year period.
- A terminal value, calculated based on long-term sustainable growth rates for the industry of 2% which has been used to determine income for the future years.

The put/call liability is unlisted, the valuation is classified as level 3 in the fair value measurement hierarchy.

Australian Finance Group Limited
Notes to the Financial Statements
For the half-year ended 31 December 2021

8. Investment in associates

In thousands of AUD

	31 December 2021	30 June 2021
Non-current		
Thinktank		
Cost of investment ¹	12,629	12,629
Share of post-acquisition profit	11,719	9,297
Purchase additional shares	725	725
	25,073	22,651
MAB		
Cost of investment ¹	3,700	3,700
Share of post-acquisition loss	(392)	(352)
	3,308	3,348
	28,381	25,999

¹Includes transaction costs

Thinktank Investment

AFG holds a 32.20% 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 the next evolutionary step for AFG to diversify its earnings base. The investment in Thinktank allows AFG to participate further in commercial property lending - both directly through the white label opportunity and indirectly through AFG's shareholding to generate further earnings for AFG.

MAB Broker Services Pty Ltd Investment

On 25 September 2020, AFG, Mortgage Advice Bureau Australia (Holdings) Pty Ltd and Mortgage Advice Bureau Limited entered into a Share Subscription Agreement. As at 30 June 2021, AFG holds a 48.05% investment in MAB Broker Services Pty Ltd ("MAB"). Principal place of business, Sydney NSW Australia.

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

9. Financial Assets at fair value through profit and loss

In thousands of AUD

	31 December 2021	30 June 2021
Non-current		
Investment in Volt	15,000	-
	15,000	-

On 12 July 2021 AFG completed a strategic alliance with Australia's first neobank, Volt, including a \$15M investment providing AFG with an 7.07% shareholding in Volt Corporation Limited ("Volt"). The carrying value of Volt is revalued at each reporting period. This was disclosed in other assets at 30 June 2021 to reflect the payment made in advance and held in escrow for the acquisition of Volt.

Australian Finance Group Limited

Notes to the Financial Statements

For the half-year ended 31 December 2021

10. Business Combinations

Acquisition of Fintelligence

On 22 December 2021, the Group acquired a 75% stake in leading asset finance aggregator, National Finance Alliance Pty Ltd, trading as Fintelligence. The combined group has more than 3,335 brokers and delivers combined asset finance settlements of more than \$1.7B per annum, based on combined, proforma results. AFG has an exclusive call option to acquire the remaining 25% interest in Fintelligence over the next three and a half years with value linked to Fintelligence achieving agreed milestones. The minority shareholders also have a similar put option to require AFG to purchase the remaining 25% interest in Fintelligence on the same terms as the call option.

The Group paid \$54.6M for the purchase of 75% of Fintelligence, funded primarily by a new corporate debt facility. The transaction is expected to be EPS accretive (pre-synergies) in the first full year post integration and the proposed funding structure is expected to allow the Group to maintain its dividend policy.

From the date of acquisition Fintelligence didn't contribute any revenue or profit or loss before tax from continuing operations of the Group. This is due to the acquisition only completing on 22 December 2021, with an assumed completion date of 31 December 2021 for accounting purposes. If the combination had taken place at the beginning of the year, revenue from continuing operation would have been \$21.4M and profit before tax from continuing operations for the Group for the half year to 31 December 2021, would have been \$3.9M.

The fair values of the identifiable assets and liabilities of Fintelligence as at the date of acquisition were:

In thousands of AUD

Assets

Cash and cash equivalents
Trade and other receivables
Other current assets
Property, plant and equipment
Right of use asset
Customer related intangibles (broker network)
Computer software

Fair value recognised on acquisition

4,090
1,605
1,443
27
332
17,299
2,314
27,110

Australian Finance Group Limited
Notes to the Financial Statements
For the half-year ended 31 December 2021

10. Business Combinations (continued)

	Fair value recognised on acquisition
Liabilities	
Trade and other payables	(3,984)
Accrued and deferred items	(260)
Provisions	(850)
Lease liabilities	(355)
Deferred tax liability	(5,812)
	(11,261)
Total identifiable net assets at fair value	15,849
Goodwill arising on acquisition (provisional)*	56,950
Total identifiable net assets at fair value, including goodwill	72,799
Non Controlling Interest	(18,200)
Purchase consideration transferred	54,599

*The valuations and transaction were completed close to the date these interim financial statements were approved for issue by the Board of Directors. Thus, they may need to be subsequently adjusted, prior to 31 December 2022 (one year after the transaction).

The Group has recognised a liability in relation to the option to acquire the remaining 25% interest in Fintelligence. This liability is recognised against an equity reserve (refer to note 13).

The fair value of the non-controlling interest in Fintelligence, a non-listed company, has been determined with reference to the price paid by AFG for 75% of the company. This has also been cross-checked by applying a discounted earnings technique. The fair value measurements are based on significant inputs that are not observable in the market. The fair value estimate is based on:

- An assumed discount rate of 14.5%.
- Forecasted cash flows for a five year period.
- A terminal value, calculated based on long-term sustainable growth rates for the industry of 2% which has been used to determine income for the future years.

Analysis of cashflows on acquisition:

Net cash acquired with the subsidiary (included in cashflows from investing activities)

Cash paid

Net cash flow on acquisition

Fair value recognised on acquisition
4,090
(54,599)
(50,509)

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Fintelligence with those of the Group. The goodwill is not deductible for income tax purposes.

Transaction costs amounting to \$865k have been expensed and are included in Other expenses (consultancy and professional fees) in the statement of profit or loss and are part of operating cash flows in the statement of cash flows.

Australian Finance Group Limited
Notes to the Financial Statements
For the half-year ended 31 December 2021

11. Intangibles

In thousands of AUD

	\$'000
Balance at 1 July 2021	9,506
Customer related intangibles (broker network) acquired through business combinations	17,299
Computer software acquired through business combinations	2,314
Acquisitions of computer software	5,311
Amortisation of computer software	(222)
Balance at 31 Dec 2021	34,208
Balance at 31 Dec 2020	5,807
Acquisitions	3,909
Amortisation	(210)
Balance at 30 Jun 2021	9,506

12. Goodwill

In thousands of AUD

	\$'000
Balance at 1 July 2021	-
Acquisitions	56,950
Impairment	-
Balance at 31 Dec 2021	56,950

13. Non interest-bearing liabilities

In thousands of AUD

	31 December 2021	30 June 2021
Non-current		
Put/Call liability	18,200	-
	18,200	-

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

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

Australian Finance Group Limited
Notes to the Financial Statements
For the half-year ended 31 December 2021

14. Earnings per share (EPS)

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

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

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

In thousands of AUD

	31 December 2021	31 December 2020
Profit attributable to ordinary equity holders of the Company	30,033	24,967
	Thousands	Thousands
Weighted average number of ordinary shares for basic EPS (thousands)	269,129	268,382
Effect of dilution:		
Performance rights	3,692	3,196
Weighted average number of ordinary shares adjusted for the effect of dilution	272,821	271,578

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.

Australian Finance Group Limited
Notes to the Financial Statements
For the half-year ended 31 December 2021

15. Subsequent events

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

Effective 1 February 2022, Ms Annette King was appointed to the AFG Board as a Non-Executive Director.

On 14 February 2022, AFG Securities Pty Ltd successfully priced a \$450M non-conforming Residential Mortgage-Backed Securities (RMBS) issue. The AFG 2022-1NC Trust \$450M issue settled on Thursday, 24 February 2022.

On 25 February 2022, the Directors recommended the payment of an interim dividend of 7.0 cents fully franked based on tax paid at 30%. The interim dividends have a record date of 8 March 2022 and a payment date of 24 March 2022. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 31 December 2021 is \$18,839k. The financial effect of this dividend has not been brought to account in the financial statements for the half-year ended 31 December 2021.

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

Australian Finance Group Limited
Directors' Declaration
For the half-year ended 31 December 2021

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

In the opinion of the Directors:

- (a) the interim financial statements and notes of the Company and its subsidiaries (collectively the Group) are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Tony Gill
Chairman

Dated at Sydney this 24 February, 2022



**Building a better
working world**

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

As lead auditor for the review of the half-year financial report of Australian Finance Group Limited for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

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

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


Ernst & Young


Fiona Drummond
Partner

24 February 2022

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

Conclusion

We have reviewed the accompanying half-year financial report of Australian Finance Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

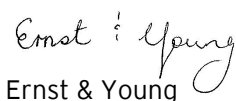
The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation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

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

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



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

The Ernst & Young logo is written in a cursive script. Below the script, the words 'Ernst & Young' are printed in a sans-serif font.

A handwritten signature in black ink, appearing to read 'F Drummond'.

F Drummond
Partner
Perth

24 February 2022