LIBERTY FINANCIAL GROUP LIMITED

and its Controlled Entities

ABN 59 125 611 574

INTERIM REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

LIBERTY FINANCIAL GROUP LIMITED and its Controlled Entities
CONTENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

CONTENTS

LIBERTY FINANCIAL GROUP LIMITED and its Controlled Entities
DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

The directors present their report together with the consolidated financial report of Liberty Financial Group Limited (the "Company") (formerly Minerva Technology Pty Ltd) and its controlled entities (together the "Group"), for the six months ended 31 December 2020 and the auditor's report thereon. The controlled entities of the Company include the other member of the stapled group being Liberty Financial Group Trust ("LFGT") (formerly Minerva Financial Group Trust).

Directors

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

Independent
Richard Longes (Chairman)
Peter Hawkins
Leona Murphy

Executive
James Boyle (appointed 26 November 2020)
Sherman Ma

All directors held office throughout the six months ended 31 December 2020 unless stated otherwise.

Company secretary

Peter Riedel

Principal activities

The Group conducts activities and makes investments in the financial services industry including but not limited to specialty lending, finance and insurance brokering, receivables servicing, consumer insurance underwriting and funds management across Australia and New Zealand.

Results and review of operations

The consolidated profit after income tax for the six months to 31 December 2020 was $83,003,000 (six months to 31 December 2019: $74,316,000). The Group had financial assets under management as at 31 December 2020 of $12.0 billion (30 June 2020: $11.7 billion).

Total income decreased from $433.2 million in 1H20 to $433.1 million in 1H21 as a result of the following:

- Interest income decreased by $17.0 million (5.2%) from $331.0 million to $314.0 million due to:
  - an increase in average financial assets of 4.2%, from $11.5 billion to $12.0 billion; which was more than offset by
  - a reduction in interest income yield from 5.75% to 5.24%, as a result of reductions in customer interest rates following reductions in the official RBA cash rate.

- Fee, commission and other income increased by $17.0 million (16.7%) from $102.1 million to $119.2 million due to:
  - an increase in commission income received due to higher loan originations and real estate sales; partly offset by
  - a reduction in origination fees due to a higher proportion of total originations from lower risk loans which attract lower fees.

Results and review of operations (cont.)

Total expenses decreased by $2.0 million (0.6%) from $341.5 million in 1H20 to $339.4 million in 1H21 as a result of the following:

- Interest expense decreased by $57.2 million (30.5%) from $187.3 million to $130.2 million due to:
  - an increase in average borrowings of 4.2%, from $11.8 billion to $12.3 billion, in line with the increase in average financial assets; which was more than offset by
  - a reduction in the weighted average cost of borrowing from 3.26% to 2.17% due to reductions in the average 1-month BBSW rate (90bps) and the average margin paid on debt issues (19bps).

- Fee and commission expenses increased by $13.1 million (14.0%) from $93.2 million to $106.3 million in line with the increase in originations and real estate sales partly offset by a reduction in liquidity fees.

- Impairment of financial assets decreased from a $1.0 million impairment in 1H20 to a $0.3 million recovery in 1H21 due to:
  - a reduction in the Collective Provision for expected losses of $4.2 million in 1H20 compared to a reduction of $1.4 million in 1H21;
  - net realised losses in 1H20 of $15.5 million, against which existing provisions of $18.7 million were released, compared to net realised losses in 1H21 of $5.4 million, against which existing specific provisions of $11.1 million were released; and
  - an increase in specific provisions on the continuing portfolio in 1H20 of $8.4 million, compared to $6.9 million in 1H21.

- Personnel expenses increased by $23.2 million (69.4%) from $33.5 million to $56.7 million due to:
  - one-off costs of $20.1 million relating to benefits provided to staff in connection with the IPO; and
  - an increase in FTE staff from 438 to 454 to support continued business growth.

- Other expenses increased by $20.1 million (75.7%), from $26.5 million to $46.6 million due to:
  - one-off external adviser costs of $12.4 million incurred as a result of the IPO; and
  - non-cash expense of $5.9 million related to the amortisation of intellectual property intangible assets acquired in December 2019.

Profit after tax increased by $8.7 million (11.7%) from $74.3 million in 1H20 to $83.0 million in 1H21 due to the reasons indicated above. Profit after tax in 1H21 includes one-off IPO related expenses of $32.5 million.

The Group originated $2.0 billion in new financial assets in 1H21 resulting in an increase of $317.4m in total financial assets to $12.0 billion. New financial asset origination was financed by the issuance of three term securitisation issues totalling $2.3 billion.

In 1H21 the Group's total assets of $13.6 billion was 13.4 times total equity of $1.0 billion, an increase of 0.7 times compared to 1H20.

Dividends and distributions

The Company paid a dividend of $57,670,000 on 10 December 2020 (30 June 2020: nil).

LFGT paid a distribution of $66,386,000 on 10 December 2020 (30 June 2020: $92,094,000).

MPRE paid a dividend to the non-controlling interest of $259,000 during the half-year ended 31 December 2020 (30 June 2020: $703,000).

LIBERTY FINANCIAL GROUP LIMITED and its Controlled Entities
DIRECTORS' REPORT (cont.)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Significant changes in the state of affairs

Other than set out below, in the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the financial period under review.

Liberty Financial Group Limited listed on the Australian Stock Exchange ("ASX") on 15 December 2020. The ASX ticker code is LFG.

The existence of COVID-19 was confirmed in early 2020 and in March 2020 was declared a pandemic by the World Health Organisation. This has resulted in significant volatility in global and domestic financial markets. Refer to note 6 for the sensitivity analysis of risks.

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

Events subsequent to balance date

APRA has approved the Group's acquisition of LFI Group and the board resolved to effect the acquisition on 24 February 2021.

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

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the half-year ended 31 December 2020.

Rounding off

The Company and Group are of a kind referred to in ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191 dated 1 April 2016, and in accordance with that Rounding Instrument, amounts in the condensed interim financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors:

Richard Longes
Chairman

Peter Riedel
Secretary

Dated at Melbourne on 24 February 2021.

KPMG

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

To the Directors of Liberty Financial Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Liberty Financial Group Limited for the half-year ended 31 December 2020 there have been:

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

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

KPMG

KPMG

Dean Waters

Partner

Melbourne

24 February 2021

LIBERTY FINANCIAL GROUP LIMITED and its Controlled Entities
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	Six months to 31 December 2020 $'000	Six months to 31 December 2019 $'000
Finance income	7	422,106	423,245
Other income		11,029	9,920
Total operating income		433,135	433,165
Finance expense	8	(236,441)	(280,544)
(Recoveries)/impairment loss on financial assets measured at amortised cost		260	(975)
Personnel expenses	9	(56,701)	(33,472)
Other expenses	10	(46,550)	(26,487)
Total operating expense		(339,432)	(341,478)
Profit before income tax		**93,703**	**91,687**
Income tax (expense)/benefit	11	(10,700)	(17,371)
Profit after tax		**83,003**	**74,316**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Net change in fair value of financial assets at fair value through other comprehensive income		15,567	(301)
		15,567	(301)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		151	(331)
Net change in fair value of cash flow hedges		2,662	999
Related income tax		(4,670)	90
		(1,857)	758
Total comprehensive income for the period		**96,713**	**74,773**
Profit attributable to:			
Equity holders of the stapled Group			
Attributable to Liberty Financial Group Limited		16,811	26,745
Attributable to LFGT		66,427	47,700
Non-controlling interests - other		(235)	(129)
Profit for the period		**83,003**	**74,316**
Total comprehensive income attributable to:			
Equity holders of the stapled Group			
Attributable to Liberty Financial Group Limited		25,876	24,229
Attributable to LFGT		71,072	50,673
Non-controlling interests - other		(235)	(129)
Total comprehensive income for the period		**96,713**	**74,773**
Earnings per stapled security		**0.27**	**0.24**
Diluted earnings per stapled security		**0.26**	**0.24**

The Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 9 to 34.

LIBERTY FINANCIAL GROUP LIMITED and its Controlled Entities
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Attributable to equity holders of the stapled Group										
	Contributed equity $'000	Share-based payment reserve	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Revaluation reserve $'000	Common control reserve $'000	Retained profits $'000	Non-controlling interests - LFGT $'000	Total $'000	Non-controlling interests - other $'000	Total equity $'000
Balance at 1 July 2019	639,000	-	(3,641)	(100)	651	(136,020)	408,354	(14,304)	893,940	7,636	901,576
Adjustment on adoption of new accounting standards (net of tax)	-	-	-	-	-	-	(1,572)	-	(1,572)	-	(1,572)
Adjusted balance at 1 July 2019	639,000	-	(3,641)	(100)	651	(136,020)	406,782	(14,304)	892,368	7,636	900,004
Other comprehensive income for the period	-	-	(1,974)	(331)	(211)	-	-	2,973	457	-	457
Profit/(loss) for the period	-	-	-	-	-	-	26,745	47,700	74,445	(129)	74,316
Distributions provided for or paid	-	-	-	-	-	-	-	(47,700)	(47,700)	-	(47,700)
Balance at 31 December 2019	**639,000**	**-**	**(5,615)**	**(431)**	**440**	**(136,020)**	**433,527**	**(11,331)**	**919,570**	**7,507**	**927,077**
Balance at 1 July 2020	719,000	-	(4,506)	(1,391)	1,773	(136,020)	452,586	(15,420)	1,016,022	7,508	1,023,530
Equity-settled share-based payment	-	13,515	-	-	-	-	-	-	13,515	-	13,515
Other comprehensive income for the period	-	-	(1,983)	151	10,897	-	-	4,645	13,710	-	13,710
Profit/(loss) for the period	-	-	-	-	-	-	16,811	66,427	83,238	(235)	83,003
Distributions provided for or paid	-	-	-	-	-	-	-	(66,386)	(66,386)	-	(66,386)
Dividends paid	-	-	-	-	-	-	(57,929)	-	(57,929)	-	(57,929)
Balance at 31 December 2020	**719,000**	**13,515**	**(6,489)**	**(1,240)**	**12,670**	**(136,020)**	**411,468**	**(10,734)**	**1,002,170**	**7,273**	**1,009,443**

The Condensed Interim Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 9 to 34.

LIBERTY FINANCIAL GROUP LIMITED and its Controlled Entities
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	31 December 2020 $'000	30 June 2020 $'000
Assets			
Cash and cash equivalents	15	770,890	498,467
Trade receivables and other assets	13	372,493	447,254
Financial assets	14	11,976,226	11,658,874
Other investments		41,799	29,203
Deferred tax assets		67,744	64,590
Property, plant and equipment		23,333	23,234
Intangible assets	16	293,695	299,937
Derivative assets		6,916	14,507
Total Assets		**13,553,096**	**13,036,066**
Liabilities			
Payables	17	118,186	113,523
Financing	18	12,279,838	11,792,107
Provisions		10,307	11,905
Lease liabilities		10,302	11,264
Derivative liabilities		83,992	48,875
Deferred tax liabilities		41,028	34,862
Total Liabilities		**12,543,653**	**12,012,536**
Net Assets		**1,009,443**	**1,023,530**
Equity			
Contributed equity	19	719,000	719,000
Reserves		(117,564)	(140,144)
Retained profits		411,468	452,586
Non-controlling interests - LFGT		(10,734)	(15,420)
Total equity attributable to equity holders of the stapled Group		1,002,170	1,016,022
Non-controlling interests - other		7,273	7,508
Total Equity		**1,009,443**	**1,023,530**

The Condensed Interim Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 9 to 34.

LIBERTY FINANCIAL GROUP LIMITED and its Controlled Entities
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	Six months to 31 December 2020 $'000	Six months to 31 December 2019 $'000
Cash flows from operating activities			
Interest income received		306,630	324,427
Interest expense paid		(130,302)	(190,084)
Fees and commissions received		108,060	91,461
Fees and commissions paid		(102,862)	(89,497)
Insurance premiums received		3,791	1,616
Cash paid to suppliers and employees		(90,245)	(44,505)
Net increase in financial assets		(311,980)	(326,272)
Net proceeds from financing		530,889	228,405
Movement in cash reserves		3,130	(17,551)
Net cash from/(used in) operating activities		317,111	(22,000)
Cash flows from investing activities			
Payments for businesses acquired/investments, net of cash acquired		(2,081)	(261,542)
Acquisition of property, plant and equipment		(2,895)	(1,019)
Proceeds from the sale of property, plant and equipment		153	348
Net cash used in investing activities		(4,823)	(262,213)
Cash flows from financing activities			
Payment of lease liabilties		(962)	(967)
Proceeds from related party loans		108,472	202,385
Payments to related party loans		(19,929)	(84,963)
Dividends and distribution paid		(124,315)	(51,484)
Net cash (used in)/from financing activities		(36,734)	64,971
Net increase/(decrease) in cash held		275,554	(219,242)
Cash at the beginning of the period		396,895	704,092
Cash at the end of the period	15	**672,449**	**484,850**

The Condensed Interim Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 9 to 34.

1 REPORTING ENTITY

Liberty Financial Group Limited (the "Company") (formerly Minerva Technology Pty Ltd) is a public company limited by shares domiciled in Australia. The address of the Company's registered office is Level 16, 535 Bourke Street, Melbourne, Victoria 3000.

Liberty Financial Group Limited listed on the Australian Stock Exchange ("ASX") on 15 December 2020. The ASX ticker code is LFG.

2 BASIS OF PREPARATION

The financial statements as at and for the period ended 31 December 2020 have been prepared as a consolidation of the financial statements of the Company and its controlled entities (together referred to as the "Group"). The controlled entities of the Company include the other member of the stapled group being Liberty Financial Group Trust (formerly Minerva Financial Group Trust). The equity securities of the Company and Liberty Financial Group Trust are stapled and cannot be sold separately.

AASB 3 *Business Combinations* and AASB 10 *Consolidated Financial Statements* require one of the stapled entities of a stapled group to be identified as the parent entity for the purpose of preparing a consolidated condensed interim financial report. In accordance with this requirement, the Company has been identified as the parent entity of the consolidated group comprising Liberty Financial Group Pty Ltd and its controlled entities and Liberty Financial Group Trust and its controlled entities, together comprising the Group. The financial statements were authorised for issue by the Board of Directors on 24 February 2021.

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

(a) Common control transaction

On 18 December 2019, the Company acquired control of Liberty Financial Pty Ltd and Minerva Funds Management Ltd from an entity under common control of the ultimate parent entity Quaker Partners LLC.

On 30 December 2019, the Company and Minerva Financial Group Trust, an entity under common control of the ultimate parent entity Quaker Partners LLC, entered into a stapling deed.

All of these internal reorganisation transactions occurred between entities under common control and all assets and liabilities were transferred at their book values in the accounts of the transferor.

The results and cash flows for the six months to 31 December 2020, including prior year comparatives, reflect a full 6 months of trading for the Company and all of its controlled entities as if they were a consolidated group in both reporting periods. This is an allowable election under Australian Accounting Standards Board (AASB) guidance in order to improve the usability of the financial statements, reflecting the activity of the consolidated group as if the current structure had always been in place.

Additionally, certain transactions required to enact the internal common control reorganisation are presented as if they had happened prior to the common control reorganisation, and are therefore included in the opening balance of the comparatives:

- On 18 December 2019, prior to entering into the stapling deed, MFGT redeemed 333,183,547 units from its parent entity, Vesta Funding BV, for $276,804,037 in exchange for its loan note receivable from Liberty Financial Group Pty Ltd. The loan note receivable of $276,804,037 has therefore been presented as if repaid before the comparative period, and the corresponding interest income has not been recognised.
- On 18 December 2019, prior to being acquired by Minerva Technology Pty Ltd, Liberty Financial Pty Ltd redeemed 105,850,000 of preference shares from Liberty Financial Group Pty Ltd for $105,850,000 in cash. Also on this date, Liberty Financial Pty Ltd declared and paid an $82,000,000 dividend to Liberty Financial Group Pty Ltd, and Vesta Funding BV subscribed for an additional 100,000,000 of ordinary shares in Minerva Technology Pty Ltd for cash of $100,000,000.
- On 20 August 2019, Liberty Financial Group Pty Ltd subscribed for 189,000,000 additional ordinary shares in Liberty Financial Pty Ltd for cash of $183,299,408 and an intercompany receivable balance of $5,700,592.

2 BASIS OF PREPARATION (cont.)

(b) Statement of compliance

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

They do not include all of the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2020.

(c) Basis of measurement

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

(d) Functional and presentation currency

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

(e) Rounding off

The Company and Group are of a kind referred to in ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191 dated 1 April 2016, and in accordance with that Rounding Instrument, amounts in the financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

(f) Use of estimates and judgements

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(i) Judgements

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

- Provision for losses in relation to financial assets
- Fair value estimates (refer to note 4)
- Financial instruments including credit risk (refer to note 5)
- Recoverability of deferred tax assets and liabilities
- Impairment assessment of intangible assets
- Capital commitments and contingent liabilities (refer to note 21)

In particular, management applies judgement in determining the approach to establishing the appropriate level of provisioning for its financial assets, both at the specific and collective levels. In addition, the Group applies a weighted average tenure of the portfolio to assess the average life of financial assets which impacts the amount and timing of financing income recognition. Both judgements are assessed on at least an annual basis. In relation to the weighted average tenure, the annual review ensures consistency of the average life applied under the effective interest yield calculation. The average life used for residential mortgages, commercial mortgages and auto receivables has remained unchanged during the period ended 31 December 2020.

2 BASIS OF PREPARATION (cont.)

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

(i) Judgements (cont.)

The net present value of insurance commission and trail commission are calculated using a discounted cash flow methodology. There are a number of key assumptions used to determine the underlying cash flows including lapse rates, discount rate and projection period. The assumptions are determined based on experience and current and forecast economic factors.

LFI Group Pty Ltd, a consolidated entity, commenced underwriting insurance products on 1 December 2014. Management has applied its judgement to the materiality of this entity in the preparation of this financial report and determined that no additional disclosures are required. At 31 December 2020 the Group had premium revenue of $1,237,000 (30 June 2020: $2,352,000).

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

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the period ending 31 December 2020 is included in the following notes:

- Note 5 – measurement of provision for impairment of financial assets: key assumptions in determining the collective provisions.
- Note 16 – impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts, including the recoverability of development costs.

(iii) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Management assesses the evidence obtained from third parties to support fair value calculations. When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible.

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2020. The changes in the accounting polies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2021.

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

(a) AASB 2019-3 Amendments to Australian Accounting Standards - Interest rate benchmark reform

AASB 2019-3 Amendments to Australian Accounting Standards – Interest rate benchmark reform (AASB 2019-3) has been adopted, as permitted by the standard, by the Group on 1 October 2019. AASB 2019-3 makes amendments to AASB 9, AASB 139 and AASB 7 which allows the Group to apply certain exceptions to the standard hedge accounting requirements in respect of hedge relationships that are impacted by a market wide interest rate benchmark reform. The specific interest rate benchmark reform that this amendment currently applies to is the planned discontinuation of Interbank Offer Rates (IBOR) on 31 December 2021. At 31 December 2020 the Group has performed an initial high level IBOR exposure review and has identified the following IBOR Exposures:

Exposure	Hedging Instruments	FCCY Notional	IBOR
Euro Notes	EURAUD CCIRS	EUR 153,085	EURIBOR
JPY Notes	JPYAUD CCIRS	JPY 673,892	JPYLIBOR

The Group has adopted AASB 2019-3 as it continues to review its funding mix.

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (cont.)

(b) Share-based payment arrangements

The grant date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true up for differences between expected and actual outcomes.

4 DETERMINATION OF FAIR VALUES

The Group's disclosures require determination of fair values for financial assets and liabilities. Management assesses the evidence obtained from third parties to support the conclusion that fair value valuations meet the requirements of AASB 13. When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Financial assets

The carrying amount of financial assets includes deferred fees and expenses accounted for using the effective interest method and are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest method net of provisions for impairment and income yet to amortise.

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

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

(b) Derivatives

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

(c) Non derivative financial assets and liabilities

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

(d) Financing

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

(e) Investments

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

(f) Leases

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

(g) Insurance commission and trail commission

Insurance commission and trail commission are initially recognised at fair value. The fair value of the estimated variable consideration is reassessed at each reporting period to take into account changes in circumstances impacting the new present value of forecast future cash flows. Changes in fair value are recognised in the statement of profit or loss and other comprehensive income.

4 DETERMINATION OF FAIR VALUES (cont.)

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

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

CONSOLIDATED 31 December 2020	**Note**		**Carrying Amount**			**Fair Value**
		Fair value through profit or loss	Fair value through OCI	Financial assets/ (financial liabilities) at amortised cost	Total	
		$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets measured at fair value						
Other investments		7,600	33,371	828	41,799	41,799
Derivative assets		6,916	-	-	6,916	6,916
Insurance commission	13	94,511	-	-	94,511	94,511
Financial assets	14	-	31,850	-	31,850	31,850
Financial assets not measured at fair value						
Cash and cash equivalents	15	-	-	770,890	770,890	770,890
Trade receivables and other assets	13	-	-	277,982	277,982	277,982
Financial assets	14	-	-	11,944,376	11,944,376	12,018,543
Financial liabilities measured at fair value						
Derivative liabilities		(83,992)	-	-	(83,992)	(83,992)
Financing	18	(226,269)	-	-	(226,269)	(226,269)
Trail commission	17	(34,686)	-	-	(34,686)	(34,686)
Financial liabilities not measured at fair value						
Payables	17	-	-	(83,500)	(83,500)	(83,500)
Financing	18	-	-	(12,053,569)	(12,053,569)	(12,053,569)
		(235,920)	65,221	857,007	686,308	760,475

CONSOLIDATED 30 June 2020	**Note**		**Carrying Amount**			**Fair Value**
		Fair value through profit or loss	Fair value through OCI	Financial assets/ (financial liabilities) at amortised cost	Total	
		$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets measured at fair value						
Other investments		7,225	21,150	828	29,203	29,203
Derivative assets		14,507	-	-	14,507	14,507
Insurance commission	13	88,596	-	-	88,596	88,596
Financial assets	14	-	28,506	-	28,506	28,506
Financial assets not measured at fair value						
Cash and cash equivalents	15	-	-	498,467	498,467	498,467
Trade receivables and other assets	13	-	-	358,658	358,658	358,658
Financial assets	14	-	-	11,630,368	11,630,368	11,707,421
Financial liabilities measured at fair value						
Derivative liabilities		(48,875)	-	-	(48,875)	(48,875)
Financing	18	(228,378)	-	-	(228,378)	(228,378)
Trail commission	17	(32,915)	-	-	(32,915)	(32,915)
Financial liabilities not measured at fair value						
Payables	17	-	-	(80,608)	(80,608)	(80,608)
Financing	18	-	-	(11,563,729)	(11,563,729)	(11,563,729)
		(199,840)	49,656	843,984	693,800	770,853

4 DETERMINATION OF FAIR VALUES (cont.)

(i) Fair value hierarchy

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

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

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

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

Unobservable inputs used in measuring fair value (Level 3)
Trail commissions are recognised as a contract asset measured at the net present value of future trail commissions, based on the commission rate in the contract, expected length of time that the policy will remain in force, and discount factor applied.

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

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

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

As at 31 December 2020	$'000 Level 1	$'000 Level 2	$'000 Level 3	Total
Financial assets measured at fair value				
Other investments - equity securities	33,371	-	-	33,371
Other investments - government and corporate bonds	7,600	-	-	7,600
Derivative assets	-	6,916	-	6,916
Insurance commission - contract assets	-	-	94,511	94,511
Financial assets	26,817	5,033	-	31,850
Financial liablities measured at fair value				
Derivative liabilities	(83,992)	-	-	(83,992)
Financing	-	(226,269)	-	(226,269)
Trail commission - contract liabilities	-	-	(34,686)	(34,686)
	(16,204)	(214,320)	59,825	(170,699)

As at 30 June 2020	$'000 Level 1	$'000 Level 2	$'000 Level 3	Total
Financial assets measured at fair value				
Other investments - equity securities	21,150	-	-	21,150
Other investments - government and corporate bonds	7,225	-	-	7,225
Derivative assets	-	14,507	-	14,507
Insurance commission - contract assets	-	-	88,596	88,596
Financial assets	26,817	1,689	-	28,506
Financial liablities measured at fair value				
Derivative liabilities	(48,875)	-	-	(48,875)
Financing	-	(228,378)	-	(228,378)
Trail commission - contract liabilities	-	-	(32,915)	(32,915)
	6,317	(212,182)	55,681	(150,184)

4 DETERMINATION OF FAIR VALUES (cont.)

(j) Fair value hierarchy - financial instruments measured at fair value (cont.)

Transfers between level 1, level 2 and level 3

There were no transfers between level 1, level 2 and level 3 in 2020 (2019: nil).

Level 3 fair values

The fair value of insurance commission contract assets and liabilities are classified as Level 3 within the fair value hierarchy (2019: Level 3). The fair value of these contract assets and liabilities have been determined using the discounted cash flow valuation technique. Refer to note 4 (g).

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	31 December 2020 $'000	30 June 2020 $'000
Insurance commission - contract assets		
Opening balances	88,596	76,459
Movement	5,915	12,137
Closing balance	94,511	88,596
Trail commission - contract liabilities		
Opening balances	32,915	29,852
Movement	1,771	3,063
Closing balance	34,686	32,915

The effect of unobservable inputs on fair value measurement

Although the Group believes that its estimates of fair values are appropriate, the use of different methodologies or assumptions could lead to different measurement of fair value. For fair value measurements in Level 3, the most significant unobservable input relates to the discount rate applied. A movement in the discount rate of +1% (2020: +1%) would result in a decrease in net contract asset of $3,011,000 (2020: $2,798,000). A movement in the discount rate of -1% (2020: -1%) would result in an increase in net contract asset by $3,321,000 (2020: $3,085,000). This analysis assumes that all other variables, in particular lapse rates, remain constant.

5 FINANCIAL RISK MANAGEMENT

(a) Overview

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

- Credit risk
- Liquidity risk
- Market risk

Exposure to credit, liquidity and market risk arises in the normal course of the Group's business. This note presents information about the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout the financial report.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established a Risk, Audit and Compliance Committee (the "Committee") which is responsible for monitoring the emerging and changing risk profile of the Group. The Committee is responsible for reviewing the adequacy of internal systems, controls and procedures in relation to the risk management framework and the risks faced by the Company and the Group. The Committee is assisted in its oversight by the Risk department which coordinates, sets policy and monitors the Group's effectiveness in operational, credit risk, liquidity and market risk. The Chief Financial Officer reports regularly to the Committee and the Board. Risk management policies and systems are updated to reflect changes in market conditions and the Group's activities.

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

5 FINANCIAL RISK MANAGEMENT (cont.)

(b) Operational risk

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

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

The Committee has primary responsibility for the oversight of financial reporting risk. The Risk department and Compliance Officers review risk management in order to assess and understand the Group's business and financial risks as well as the effectiveness of internal controls which may have a significant impact on the full financial statements.

(c) Credit risk

Credit risk is the risk of financial loss due to a customer or counterparty failing to meet their contractual obligations. Credit risk arises primarily from the Group’s financial assets.

Financial assets
Management has a credit policy in place that ensures the loan portfolio is diversified across varying risk categories and locations. Management continually assesses the effectiveness of internal credit controls and policies to ensure reliability and integrity of asset management. The Group also obtains collateral and security arrangements as a means of mitigating the risk of financial loss from default and raises provisions for impairment where appropriate.

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

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

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

Exposure

(i) Loans by credit risk rating grades

CONSOLIDATED - $'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
31 December 2020				
Gross loans				
Prime	8,924,747	153,804	202,314	9,280,865
Non-prime	2,399,767	91,545	139,700	2,631,012
Unrated	106,850	-	-	106,850
Total	11,431,364	245,349	342,014	12,018,727

5 FINANCIAL RISK MANAGEMENT (cont.)

(c) Credit risk (cont.)

Exposure

(i) Loans by credit risk rating grades (cont.)

CONSOLIDATED - $'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
30 June 2020				
Gross loans				
Prime	8,334,757	558,157	121,183	9,014,097
Non-prime	2,166,586	280,874	115,772	2,563,232
Unrated	134,817	-	-	134,817
Total	10,636,160	839,031	236,955	11,712,146

Credit quality

The ageing of loans is shown below:

(ii) Loans by credit quality

	31 December 2020 $'000	30 June 2020 $'000
Gross loans		
Neither past due or impaired	11,431,364	10,636,160
Past due but not impaired	245,349	839,031
Impaired	342,014	236,955
Total	12,018,727	11,712,146

Provision for impairment loss

(iii) Provision for impairment

CONSOLIDATED - $'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
30 June 2020				
Opening balance at 1 July 2019	22,962	2,130	31,358	56,450
Net movement during the year	15,924	2,179	2,304	20,407
Closing balance at 30 June 2020	38,886	4,309	33,662	76,857
31 December 2020				
Opening balance at 1 July 2020	38,886	4,309	33,662	76,857
Net movement during the period	(699)	(2,707)	3,124	(282)
Closing balance at 31 December 2020	38,187	1,602	36,786	76,575

5 FINANCIAL RISK MANAGEMENT

(c) Credit risk (cont.)

Provision for Impairment loss (cont.)

(iii) Provision for impairment (cont.)

The following tables show the movement in the Group's impairment provisions and credit exposures by expected credit loss (ECL) stage for the period ended 31 December 2020.

CONSOLIDATED - $000	12 month ECL		Lifetime ECL - not credit impaired		Lifetime ECL - credit impaired		Total	
30 June 2020	**Gross exposure**	**Provisions**	**Gross exposure**	**Provisions**	**Gross exposure**	**Provisions**	**Gross exposure**	**Provisions**
Opening balance at 1 July 2019	10,956,053	22,962	184,350	2,130	113,679	31,358	11,254,082	56,450
New loans originated	3,152,741	6,492	224,505	1,295	22,610	1,624	3,399,856	9,411
Transfers:								
Transfers to Stage 1	106,389	3,242	(78,260)	(913)	(28,129)	(2,329)	-	-
Transfers to Stage 2	(580,034)	(1,110)	589,983	1,876	(9,949)	(766)	-	-
Transfers to Stage 3	(149,770)	(368)	(31,940)	(369)	181,710	737	-	-
Loans repaid	(2,502,249)	(3,569)	(41,408)	(443)	(38,851)	(2,393)	(2,582,508)	(6,405)
Other	(342,258)	11,366	(3,708)	865	6,342	6,836	(339,624)	19,067
Write-offs	(10,257)	(146)	(4,743)	(135)	(10,569)	(1,410)	(25,569)	(1,691)
Foreign exchange movement	5,545	17	252	3	112	5	5,909	25
Closing balance at 30 June 2020	**10,636,160**	**38,886**	**839,031**	**4,309**	**236,955**	**33,662**	**11,712,146**	**76,857**

CONSOLIDATED - $000	12 month ECL		Lifetime ECL - not credit impaired		Lifetime ECL - credit impaired		Total	
31 December 2020	**Gross exposure**	**Provisions**	**Gross exposure**	**Provisions**	**Gross exposure**	**Provisions**	**Gross exposure**	**Provisions**
Opening balance at 1 July 2020	10,636,160	38,886	839,031	4,309	236,955	33,662	11,712,146	76,857
New loans originated	1,517,639	2,980	2,836	37	1,103	178	1,521,578	3,195
Transfers:								
Transfers to Stage 1	577,110	6,576	(499,132)	(2,302)	(77,978)	(4,274)	-	-
Transfers to Stage 2	(128,328)	(313)	135,033	749	(6,705)	(436)	-	-
Transfers to Stage 3	(31,609)	(63)	(180,679)	(873)	212,288	936	-	-
Loans repaid	(939,006)	(1,413)	(51,552)	(351)	(28,637)	(2,317)	(1,019,195)	(4,081)
Other	(197,707)	(8,429)	424	62	7,584	9,319	(189,699)	952
Write-offs	(2,202)	(35)	(492)	(26)	(2,538)	(281)	(5,232)	(342)
Foreign exchange movement	(693)	(2)	(120)	(3)	(58)	(1)	(871)	(6)
Closing balance at 31 December 2020	**11,431,364**	**38,187**	**245,349**	**1,602**	**342,014**	**36,786**	**12,018,727**	**76,575**

5 FINANCIAL RISK MANAGEMENT

(c) Credit risk (cont.)

Provision for Impairment loss

(iii) Provision for impairment

Expected Credit Losses

ECL measurement uncertainties

Hardship Overlay

COVID-19 has provided an unpredictable market wide shock. The nature of the linear regression models may result in under-reactive changes.

Management have increased the expected credit loss provision by a COVID-19/multi-scenario overlay of $10,361,673 (30 June 2020: $12,442,279), based upon the anticipated impact on customers having regard to the current economic outlook. The calculation of the overlay has remained consistent. The drivers of the reduction in the overlay are a combination of an improvement of credit quality, partially offset by an increase to stress to staging.

The tables below show the macro-economic scenarios that resulted in the additional provision being recognised.

To quantify the expected credit loss under severe economic events, the Group stressed both the staging mix and stressed the LGDs. Three scenarios were applied and weighted.

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

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

A 100% Weighting to this scenario would result in a decrease to total ECL provision at the reporting date of $4,473,000</td><td>10%</td><td rowspan="3">A larger increase has been applied from stage 2 to 3, than from stage 1 to 2. This reflects the increase in the balance of stage 2 which has now begun to stabilise. It is therefore expected that an increase in unemployment will have a greater impact on increasing the stage 3 balance.

For LGD it is expected that reductions in asset values will have a greater impact on stage 3 balances than stage 2. This reflects the fact that loans in stage 3 are more likely to require asset realisation in the next 12 to 18 months and therefore likely to be more impacted by any reduction in asset values over this period.</td></tr>
<tr><td>Scenario Two Baseline

A 100% Weighting to this scenario would result in a decrease to total ECL provision at the reporting date of $1,313,000</td><td>40%</td></tr>
<tr><td>Scenario Three Downside

A 100% Weighting to this scenario would result in an increase to total ECL provision at the reporting date of $1,945,000</td><td>50%</td></tr>
</table>

The table below shows the forward-looking macro forecasts.

Macro Forecast	Unemployment %	Unemployment Movement %	HPI	HPI Movement %
Current	7.0%	-	143.2	-
Upside - 2021	6.2%	-11.0%	142.6	-0.4%
Baseline - 2021	6.9%	-1.0%	139.4	-3.0%
Downside - 2021	9.5%	36.0%	128.9	-10.0%

5 FINANCIAL RISK MANAGEMENT

(c) Credit risk (cont.)

Provision for Impairment loss

(iii) Provision for impairment

The table below shows the forward-looking macro forecasts.

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

Stress LGD	Scenario 1	Scenario 2	Scenario 3
Stage 1 & 2	2%	3%	4%
Stage 3	10%	15%	20%

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

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

31 December 2020	**Current**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected loss rate	-	0.33%	0.65%	4.22%	0.45%
Gross carrying amount	-	11,431,364	245,349	342,014	**12,018,727**
Loss allowance	-	(38,187)	(1,602)	(14,443)	**(54,232)**

30 June 2020	**Current**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Expected loss rate	-	0.37%	0.51%	5.27%	**0.48%**
Gross carrying amount	-	10,636,160	839,031	236,955	**11,712,146**
Loss allowance	-	(38,886)	(4,309)	(12,483)	**(55,678)**

Collateral

(iv) Collateral held

Maximum exposure	**31 December 2020 $'000**	**30 June 2020 $'000**
Collateral classification:		
Secured (%)	98%	99%
Unsecured (%)	2%	1%
	100%	100%

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's Treasury function manages liquidity risk by maintaining adequate cash reserves, bank facilities and undrawn facilities by continuously monitoring cash flows and matching the maturity profiles of financial assets and liabilities. Details of available facilities are outlined in note 18.

The following are contractual maturities of financial assets and liabilities, including estimated repayments and excluding the impact of netting. The contractual maturity of most debt issues is 25-30 years. For derivative liabilities only, contractual cash flows are stated excluding credit margins. The following maturity analysis is compiled on the contractual maturity date.

5 FINANCIAL RISK MANAGEMENT (cont.)

(d) Liquidity risk (cont.)

31 December 2020	Note	Carrying amount	Contractual cash flows	<1 year	1-5 years	> 5 years
		$'000	$'000	$'000	$'000	$'000
Non-derivative financial assets						
Cash and cash equivalents	15	770,890	770,890	770,890	-	-
Trade receivables and other assets	13	277,982	277,982	277,982	-	-
Financial assets	14	11,976,226	18,694,483	1,162,460	3,446,645	14,085,378
Corporate bonds		7,600	7,674	3,329	4,345	-
Derivative financial assets						
Derivative assets		6,916	7,731	7,731	-	-
Total assets		13,039,614	19,758,760	2,222,392	3,450,990	14,085,378
Non-derivative financial liabilities						
Payables	17	83,500	83,500	67,689	15,811	-
Debt issues	18	9,581,735	14,506,941	420,224	1,343,569	12,743,148
Finance facilities	18	2,626,573	2,685,817	1,847,001	838,816	-
Deposits and unitholder liabilities	18	63,593	67,193	53,971	13,217	5
Lease liabilities		10,302	10,302	453	9,849	-
Loans from related parties	20	7,937	7,937	7,937	-	-
Derivative financial liabilities						
Derivative liabilities		48,875	85,575	21,123	64,550	(98)
Total liabilities		12,422,515	17,447,265	2,418,398	2,285,812	12,743,055

30 June 2020	Note	Carrying amount	Contractual cash flows	<1 year	1-5 years	> 5 years
		$'000	$'000	$'000	$'000	$'000
Non-derivative financial assets						
Cash and cash equivalents	15	498,467	498,467	498,467	-	-
Trade receivables and other assets	13	358,658	358,658	358,658	-	-
Financial assets	14	11,658,874	20,121,495	1,197,419	3,655,230	15,268,846
Corporate bonds		7,225	7,243	7,243	-	-
Derivative financial assets						
Derivative assets		14,507	14,776	5,563	9,213	-
Total assets		12,537,731	21,000,639	2,067,350	3,664,443	15,268,846
Non-derivative financial liabilities						
Payables	17	80,608	80,608	65,397	15,211	-
Debt issues	18	9,093,512	13,966,382	422,326	1,351,938	12,192,118
Finance facilities	18	2,629,801	2,616,570	1,650,437	966,133	-
Deposits and unitholder liabilities	18	64,929	68,819	51,694	17,090	35
Lease liabilities		11,264	11,264	664	10,600	-
Loans from related parties	20	3,865	3,865	3,865	-	-
Derivative financial liabilities						
Derivative liabilities		48,875	50,301	18,670	31,612	19
Total liabilities		11,932,854	16,797,809	2,213,053	2,392,584	12,192,172

5 FINANCIAL RISK MANAGEMENT (cont.)

(e) Market risk

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

The Group’s activities expose it primarily to the risks of changing interest rates. The Group also has exposure to foreign exchange rate fluctuations. Derivative financial instruments are used by entities within the Group to hedge exposure to such fluctuations. The use of financial derivatives is governed by the terms and conditions of the relevant Trust Deeds belonging to the SPE’s within the Group.

The Group uses interest rate derivatives to hedge against its fixed book exposures by swapping fixed to floating and cross currency interest rate swaps for its Euro denominated note exposures. The Group's determination of the economic relationship between the hedged item and the hedging instrument is based on the pay down profile of the fixed rates loans and the Euro denominated notes.

Interest rate risk
The Group is exposed to interest rate risk by borrowing funds at fixed and floating rates and lending at fixed and floating rates. Exposure to interest rate risk is minimised as the majority of any movement in borrowing rates is offset by variable rate loans. Interest rate swaps, denominated in Australian and New Zealand dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure in line with the Group’s interest rate risk management strategy. The swaps mature in line with the maturity of the related loans.

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

	31 December 2020 $'000	30 June 2020 $'000
Fixed rate instruments		
Cash and cash equivalents	1,500	1,500
Financial assets	1,693,136	1,740,052
Borrowings	(63,593)	(64,929)
	1,631,043	1,676,623
Variable rate instruments		
Cash and cash equivalents	769,390	496,967
Financial assets	10,283,089	9,918,822
Borrowings	(12,216,245)	(11,727,178)
Net Derivatives	(77,076)	(34,368)
	(1,240,842)	(1,345,757)

Sensitivity analysis
The Group’s exposure to interest rate risk is minimised as the Group actively manages its cost of funding and reprices its loan portfolio in response to changes in cost of funds within a short timeframe.

A change in market interest rates affects the value placed on future cash flows. A movement in the variable interest rate of 2%/-2% (2020: +1%/-1%) would result in an increase/decrease in profit of $265,000 (2020: $244,000). A movement in the fixed interest rate of 2%/-2% (2020: 1%/-1%) would result in a decrease/increase in profit of $113,000 (2020: $119,000).

Currency risk
The Group undertakes certain transactions denominated in foreign currency, hence exposures to exchange rate fluctuations arise. New Zealand denominated financial assets are funded by New Zealand denominated borrowings, thereby creating a natural hedge. In respect of other monetary assets and liabilities held in currencies other than the AUD, the Group elects not to enter into foreign exchange contracts to hedge the translation exposure, except for Euro and Yen denominated securitisation notes for which the Group has entered into cross currency interest rate swaps.

(f) Capital management

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

The Group maintains a minimum level of capital in liquid form to support future operational initiatives, expected short-term cash outflows and unexpected asset impairment.

There have been no significant changes to the Group’s capital management strategy.

5 FINANCIAL RISK MANAGEMENT (cont.)

(g) Derivative assets and liabilities

Hedge accounting

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

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

This method assumes that the hypothetical derivative valuations will mirror the fair values of the actual hedging instruments. The approach assumes that 100% of the derivative fair values are deemed effective (deferred to CFHR). For a hedge to be deemed effective, the change in fair values should be within 80% and 125% of each other. If the results fall outside this range the hedge would be deemed ineffective and is recognised immediately through the Income Statement in line with hedge relationship policy.

Source of hedge ineffectiveness affecting hedge accounting are:

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

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

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

The average exchange rates were as follows: EUR: 1.5876 (2020: 1.6273); and JPY: 0.0126 (2020: 0.0134).

The average fixed interest rate was 4.4% (2020: 4.5%).

Cash flow hedges	**As at 31 December 2020** **Carrying amount**			**During the period ended 31 December 2020**		
$'000	Nominal amount	Assets	Liabilities	Change in the value of the hedging instrument recognised in OCI	Hedging ineffectiveness recognised in profit or loss	Amounts reclassified from hedging reserve to profit or loss
Interest rate risk						
Interest rate swaps	1,128,275	-	(18,902)	5,138	-	-
Currency risk						
Cross currency interest rate swaps	826,478	5,635	(65,090)	(2,476)	-	-
	1,954,753	5,635	(83,992)	2,662	-	-

Fair value hedges	**As at 31 December 2020** **Carrying amount**			**During the period ended 31 December 2020**		
$'000	Nominal amount	Assets	Liabilities	Change in the value of the hedged item recognised in profit or loss	Change in the value of the hedging instrument recognised in profit or loss	Hedging ineffectiveness recognised in profit or loss
Interest rate risk						
Interest rate swaps	225,000	1,281	-	2,191	(2,141)	50
	225,000	1,281	-	2,191	(2,141)	50
Total hedges	**2,179,753**	**6,916**	**(83,992)**	**4,853**	**(2,141)**	**50**

5 FINANCIAL RISK MANAGEMENT (cont.)

(g) Derivative assets and liabilities (cont.)

Cash flow hedges	**As at 30 June 2020 Carrying amount**			**During the year ended 30 June 2020**		
$'000	Nominal amount	Assets	Liabilities	Change in the value of the hedging instrument recognised in OCI	Hedging ineffectiveness recognised in profit or loss	Amounts reclassified from hedging reserve to profit or loss
Interest rate risk						
Interest rate swaps	1,346,724	-	(26,238)	(1,063)	-	-
Currency risk						
Cross currency interest rate swaps	1,001,502	11,085	(22,637)	(918)	-	-
	2,348,226	11,085	(48,875)	(1,981)	-	-

Fair value hedges	**As at 30 June 2020 Carrying amount**			**During the year ended 30 June 2020**		
$'000	Nominal amount	Assets	Liabilities	Change in the value of the hedged item recognised in profit or loss	Change in the value of the hedging instrument recognised in profit or loss	Hedging ineffectiveness recognised in profit or loss
Interest rate risk						
Interest rate swaps	225,000	3,422	-	4,180	(3,656)	524
	225,000	3,422	-	4,180	(3,656)	524
Total hedges	**2,573,226**	**14,507**	**(48,875)**	**2,199**	**(3,656)**	**524**

6 SEGMENT INFORMATION

(a) Description of Segments

The Group has identified three operating segments:

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

The Group's segments operate principally in Australia and New Zealand. A segment overview is presented below. During the half-year 31 December 2020, $397 million of external revenue was generated within Australia (31 December 2019: $401 million) and $37 million of external revenue was generated within New Zealand (31 December 2019: $32 million). At 31 December 2020 there were $11,692 million non-current assets in Australia (2020: $11,252 million) and $234 million non-current assets in New Zealand (2020: $253 million).

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

6 SEGMENT INFORMATION (cont.)

(b) Segment Overview

Segment Overview	Residential Finance $'000	Secured Finance $'000	Financial Services $'000	Corporate $'000	Total $'000
31 December 2020					
Interest income	176,177	112,223	12,061	13,495	313,956
Other finance income	17,178	14,631	75,598	743	108,150
Other operating income	-	-	10,298	731	11,029
Interest expense	(82,769)	(35,747)	(5,407)	(6,232)	(130,155)
Recoveries/(impairment expense)	(2)	1	261	-	260
Other finance expenses	(19,736)	(12,898)	(61,437)	(12,215)	(106,286)
Net margin as reported by the Group	**90,848**	**78,210**	**31,374**	**(3,478)**	**196,954**
Operating expenses	(14,371)	(6,794)	(18,251)	(61,206)	(100,622)
Depreciation and amortisation	-	-	-	(2,629)	(2,629)
Tax expense	-	-	-	(10,700)	(10,700)
Profit from continuing operations	**76,477**	**71,416**	**13,123**	**(78,013)**	**83,003**
31 December 2020 Segment Balance Sheet Information					
Total Segment Assets	8,879,899	3,316,628	377,398	979,171	13,553,096
Total Assets reported by the Group	**8,879,899**	**3,316,628**	**377,398**	**979,171**	**13,553,096**
Total Segment Liabilites	8,515,811	2,974,336	425,061	628,445	12,543,653
Total Liabilities reported by the Group	**8,515,811**	**2,974,336**	**425,061**	**628,445**	**12,543,653**

Segment Overview	Residential Finance $'000	Secured Finance $'000	Financial Services $'000	Corporate $'000	Total $'000
31 December 2019					
Interest income	201,238	105,174	7,912	16,693	331,017
Other finance income	19,265	14,312	57,670	981	92,228
Other operating income	-	-	9,694	226	9,920
Interest expense	(124,353)	(50,089)	(4,257)	(8,611)	(187,310)
Impairment expense	(152)	(629)	(194)	-	(975)
Other finance expenses	(22,296)	(12,766)	(43,884)	(14,288)	(93,234)
Net margin as reported by the Group	**73,702**	**56,002**	**26,941**	**(4,999)**	**151,646**
Operating expenses	(15,985)	(8,227)	(16,617)	(16,511)	(57,340)
Depreciation and amortisation	-	-	-	(2,619)	(2,619)
Tax expense	-	-	-	(17,371)	(17,371)
Profit from continuing operations	**57,717**	**47,775**	**10,324**	**(41,500)**	**74,316**
30 June 2020 Segment Balance Sheet Information					
Total Segment Assets	8,539,193	3,225,578	296,584	974,711	13,036,066
Total Assets reported by the Group	**8,539,193**	**3,225,578**	**296,584**	**974,711**	**13,036,066**
Total Segment Liabilites	8,197,007	2,941,618	259,116	614,795	12,012,536
Total Liabilities reported by the Group	**8,197,007**	**2,941,618**	**259,116**	**614,795**	**12,012,536**

7 FINANCE INCOME

	Six months to 31 December 2020 $'000	Six months to 31 December 2019 $'000
Interest income on financial assets measured at amortised cost	313,199	330,106
Interest income on financial assets measured at fair value	757	911
Effective yield fee income on financial assets measured at amortised cost	20,682	22,688
Net foreign exchange gain	21	-
Lending fee income	16,730	16,371
Commission income	70,648	52,402
Unrealised gain on assets and liabilities	69	767
	422,106	423,245

Lending fee income and commission income is recognised in accordance with AASB 15 Revenue from Contracts with Customers.

8 FINANCE EXPENSE

	Six months to 31 December 2020 $'000	Six months to 31 December 2019 $'000
Interest expense on financial liabilities measured at amortised cost	122,572	181,943
Net interest expense on interest rate swaps including break and restructuring costs	7,583	5,367
Effective yield costs on financial liabilities measured at amortised cost	7,076	8,448
Net foreign exchange loss	-	21
Lending costs	7,955	10,421
Commission expense	91,255	74,344
	236,441	280,544

9 PERSONNEL EXPENSE

	Six months to 31 December 2020 $'000	Six months to 31 December 2019 $'000
Wages, salaries and on-costs	36,506	28,595
Share-based payment expense	13,907	-
Superannuation	2,394	2,327
Long service leave	229	388
Annual leave	1,982	1,775
Other personnel expenses	1,683	387
	56,701	33,472

10 OTHER EXPENSES

	Six months to 31 December 2020 $'000	Six months to 31 December 2019 $'000
Occupancy expenses	1,719	1,233
Loan establishment and management	6,688	7,375
Technology, communications and marketing	7,121	6,862
Depreciation	2,629	2,436
Amortisation and impairment	6,307	417
Costs relating to IPO	12,362	-
Other operating expenses and professional fees	9,724	8,164
	46,550	26,487

11 INCOME TAX EXPENSE

	Six months to 31 December 2020 $'000	Six months to 31 December 2019 $'000
Recognised in the statement of profit or loss and other comprehensive income		
Current period	13,523	15,343
Deferred tax expense		
Origination and reversal of temporary differences	(3,282)	2,033
Tax losses	468	16
Prior year adjustments	(9)	(21)
Income tax expense	10,700	17,371
Recognised in other comprehensive income		
Unrealised gain on fair value of financial assets at FVOCI	4,669	-
	15,369	17,371
Reconciliation between tax expense and profit		
Profit before income tax	93,703	91,687
Income tax using domestic corporation tax rate of 30% (2019: 30%)	28,111	27,506
Net movement in income tax due to:		
International differential in tax rate	(74)	(79)
Non-deductible expenses	2,412	5,224
Non-assessable income	(19,399)	(15,485)
Fees transferred	(341)	205
Prior year adjustments	(9)	-
Income tax expense on profit	10,700	17,371

12 SHARE-BASED PAYMENT ARRANGEMENT

(a) Description of share-based payment arrangements

At 31 December 2020, the Group had the following share-based payment arrangements.

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

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

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

(ii) Medium Term Incentive Plan (equity settled)

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

12 SHARE-BASED PAYMENT ARRANGEMENT (cont.)

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

(ii) Medium Term Incentive Plan (equity settled) (cont.)

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

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

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

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

(iii) IPO Bonus Security Rights (equity settled)

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

The IPO Bonus Security Rights have the following restrictions:

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

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

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

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

(b) One-off Service fee

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

(c) Measurement of grant date fair values

		Medium Term Incentive Plan		IPO Bonus Security Rights	
	Liberty Group Employee Gift Offer (see (a)(i))	Key management personnel (see (a)(ii))	All other employees including senior managers (see (a)(ii))	Key management personnel (see (a)(iii))	All other employees including senior managers (see (a)(iii))
Fair value at grant date	$6.00	$5.54	$5.54	$0.90	$0.90
Security price at grant date	$6.00	$6.00	$6.00	$6.00	$6.00
Exercise price	n/a	-	-	$6.00	$6.00
Expected volatility (Weighted average volatility)	n/a	35.00%	35.00%	35.00%	35.00%
Option life (expected weighted average life)	n/a	1.5 Years	1.5 Years	7.5 years	7.5 years
Expected dividends	n/a	5.50%	5.50%	5.50%	5.50%
Risk-free interest rate (based on government bonds)	n/a	0.08%	0.08%	0.53%	0.53%

13 TRADE RECEIVABLES AND OTHER ASSETS

	Note	31 December 2020 $'000	30 June 2020 $'000
Loans to related parties	20	236,518	325,871
Insurance commission		94,511	88,596
Other assets		36,725	21,673
Other loans		4,739	11,114
		372,493	447,254

Current trade receivables and other assets are $291,860,000 (June 2020: $371,583,000) and non-current are $80,633,000 (June 2020: $75,671,000). Loans to related parties are unsecured.

14 FINANCIAL ASSETS

(a) Financial assets comprises:

	31 December 2020 $'000	30 June 2020 $'000
Gross financial assets	12,018,727	11,712,146
Net financial assets	12,052,801	11,735,731
Less:		
Specific provision for financial asset impairment	(22,343)	(21,179)
Collective provision for financial asset impairment	(54,232)	(55,678)
	11,976,226	11,658,874

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

(b) Contractual maturity analysis

	31 December 2020 $'000	30 June 2020 $'000
Not longer than 12 months	454,802	563,608
Longer than 12 months and less than 5 years	1,810,021	1,402,940
Greater than 5 years	9,711,403	9,692,326
	11,976,226	11,658,874

(c) Geographic concentration of financial assets

	31 December 2020 $'000	30 June 2020 $'000
New South Wales/ACT	3,769,745	3,668,312
Victoria/Tasmania	4,365,256	4,284,816
Queensland	2,140,127	2,067,053
Western Australia	1,001,482	942,101
South Australia/Northern Territory	472,649	452,693
New Zealand	226,967	243,899
	11,976,226	11,658,874

15 CASH AND CASH EQUIVALENTS

All cash reserves are maintained in accordance with the legal requirements of relevant securitisation Trust Deeds and are available to meet certain shortfalls in respect of losses and liquidity.

In addition to cash reserves, the Group held liquidity facilities at 31 December 2020 of $4,372,000 (June 2020: $11,788,000) with third parties. These liquidity facilities are available to meet liquidity shortfalls from time to time. To date, no reserves available to the Group have ever been utilised for the abovementioned purposes.

Reconciliation of cash and cash equivalents	31 December 2020 $'000	30 June 2020 $'000
Cash and cash equivalents at bank	770,890	498,467
Less: cash reserves	(98,441)	(101,572)
Available cash	672,449	396,895

16 INTANGIBLE ASSETS

(a) Carrying value

	Goodwill $'000	Brand Name $'000	Development costs $'000	Intellectual property $'000	Total $'000
30 June 2020					
Cost and carrying value					
Balance at 1 July 2019	39,377	1,310	4,295	-	44,982
Acquisitions through business combinations	-	-	-	261,467	261,467
Additions/(disposals)	343	-	97	-	440
Amortisation	-	(144)	(706)	(5,883)	(6,733)
Foreign exchange movements	(192)	(27)	-	-	(219)
Balance at 30 June 2020	39,528	1,139	3,686	255,584	299,937

	Goodwill $'000	Brand Name $'000	Development costs $'000	Intellectual property $'000	Total $'000
31 December 2020					
Cost and carrying value					
Balance at 1 July 2020	39,528	1,139	3,686	255,584	299,937
Additions/(disposals)	-	-	32	-	32
Amortisation	-	(71)	(353)	(5,883)	(6,307)
Foreign exchange movements	30	3	-	-	33
Balance at 31 December 2020	39,558	1,071	3,365	249,701	293,695

(b) Impairment testing for cash generating units containing goodwill

Cash generating units	31 December 2020 $'000	30 June 2020 $'000
ALI	14,223	14,223
nMB	10,095	10,095
MoneyPlace	6,541	6,541
MPMH	1,677	1,671
MPRE	7,022	6,998
	39,558	39,528

The carrying amount of goodwill of each CGU is tested for impairment at each statutory reporting date and whenever there is an indicator that the asset may be impaired. If an asset is impaired, it is written down to its recoverable amount. The recoverable amount is based on a value in use calculation using cash flow projections based on the Board approved three-year plan. The cash flow projections are derived from running a number of budget scenarios to arrive at the single most likely view over the next three years, which is incorporated in the value in use model. Cash flows for a further two-year period were extrapolated using declining growth rates and the long-term terminal growth was determined at 1.5% - 2.9%, which does not exceed the long-term average for the sectors and economies in which the CGUs operate.

As a result of the COVID-19 pandemic, assessing recoverable amounts as at the reporting date involves uncertainties around the underlying assumptions given the constantly changing nature and early stage of the situation. The length of time it will take the measures implemented by the Australian government to manage the effects of the COVID-19 pandemic on the broader economy and the global and domestic markets is still unknown. The key assumptions used in determining value in use are:

16 INTANGIBLE ASSETS (CONT.)

(b) Impairment testing for cash generating units containing goodwill

Assumption	How Determined
Forecasted revenue and expenses	Forecast revenues and expenses beyond the three year financial year forecast period have been extrapolated using long-term terminal growth rates as follows: - ALI - 2% (2020: 2%) - nMB - 3% (2020: 3%) - MoneyPlace - 3% (2020: 3%) - MPRE - 2% (2020: 2%) - MPMH - 2% (2020: 2%)
Long term growth rate	The above long-term growth rate for each of the CGUs does not exceed the long-term average growth rate for the sector/industry in which the CGU operates.
Discount rate	The pre-tax discount rate used reflects the CGU’s pre-tax nominal weighted average cost of capital (WACC) as follows: - ALI - 7% (2020: 7%) - nMB - 10% (2020: 10%) - MoneyPlace - 15% (2020: 15%) - MPRE - 10% (2020: 10%) - MPMH - 14% (2020: 14%)

Sensitivity conclusion
The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amounts of all CGUs to exceed their respective recoverable amounts.

17 PAYABLES

		31 December 2020 $'000	30 June 2020 $'000
Interest payable		12,474	12,621
Trail commission		34,686	32,915
Contingent consideration		20,761	19,631
Payables and accruals		50,265	48,356
		118,186	113,523

Current payables are $72,934,000 (June 2020: $67,336,000) and non-current are $45,252,000 (June 2020: $46,187,000).

18 FINANCING

Debt issues		9,581,735	9,093,512
Finance facilities		2,626,573	2,629,801
Deposits and unitholder liabilities		63,593	64,929
Loans from related parties	20	7,937	3,865
		12,279,838	11,792,107

Current financing are $1,970,805,000 (June 2020: $1,560,439,000) and non-current are $10,309,033,000 (June 2020: $10,231,668,000).

Debt issuances

The Group utilises a variety of flexible funding programmes to issue independently rated debt securities to investors. Security for these debt issues is a combination of fixed and floating charges over the financial assets of the relevant trust.

The Group has issued unsecured debt of $875,000,000 (June 2020: $875,000,000) which is due to mature between 2021 and 2024 and is recorded at fair value.

Debt issues include transactions between related parties in the normal course of business and on an arm's length basis. All transactions between Group entities are eliminated on consolidation.

Finance facilities

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

Total facilities available	5,196,771	5,123,409
Facilities utilised at balance date	2,626,573	2,629,801
Facilities not used at balance date	2,570,198	2,493,608

18 FINANCING (cont.)

Finance facilities (cont.)

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

Bank guarantees

Bank guarantees totalling $1,485,000 (June 2020: $1,484,000) have been provided by the Group in relation to credit card facilities, lease on premises and other matters. These guarantees are secured by the assets of the Group.

19 CAPITAL AND RESERVES

	31 December 2020 $
Contributed equity	
303,600,000 stapled securities, fully paid	719,000,100

There was a capital event as a result of the initial public offering that consolidated the number of securities from 719,000,100 at 30 June 2020 to 303,600,000. This did not result in a change to the entity's resources.

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

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

	30 June 2020 $
Contributed equity	
719,000,100 ordinary shares, fully paid	719,000,100
LFGT	
100 units, fully paid	100

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.

In the event of winding up, the Company's ordinary shareholders are fully entitled to any proceeds of liquidation.

Translation reserve

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

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

Cash flow hedge reserve

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

Revaluation reserve

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

Common control reserve

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

Share-based payment reserve

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

Dividends and distributions

The Company paid a dividend of $57,670,000 on 10 December 2020 (30 June 2020: nil).

LFGT paid a distribution of $66,386,000 on 10 December 2020 (30 June 2020: $92,094,000).

MPRE paid a dividend to the non-controlling interest of $259,000 during the half-year ended 31 December 2020 (30 June 2020: $703,000).

20 RELATED PARTIES

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

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

	Ownership interest	
	2020	**2019**
	%	**%**
Entity name		
A.L.I. Group Pty Ltd	-	-
ALI Corporate Pty Ltd	-	-
ALI Equity Pty Ltd	-	-
Assured Credit Management Pty Ltd	100	100
Australian Life Insurance Administration Pty Ltd	-	-
Australian Life Insurance Distribution Pty Ltd	-	-
Australian Life Insurance Pty Ltd	-	-
Hero Trust	-	-
LFI Group Pty Ltd	-	-
Liberty Charlotte Trust	100	100
Liberty Credit Enhancement Company NZ Limited	100	100
Liberty Credit Enhancement Company Pty Ltd	100	100
Liberty Fiduciary Limited	100	100
Liberty Financial Limited	100	100
Liberty Financial Pty Ltd	100	100
Liberty Funding Pty Ltd	100	100
Liberty High Yield Fund	100	100
Liberty Network Services Pty Ltd	100	100
Liberty NZ Warehouse Trust No.1	100	100
Liberty PRIME Series 2017-1 Trust	100	100
Liberty Reps Funding Trust	100	100
Liberty Scarborough Trust	100	100
Liberty Series 2017-1 Auto Trust	100	100
Liberty Series 2017-1 SME Trust	100	100
Liberty Series 2017-1 Trust	100	100
Liberty Series 2017-2 Trust	100	100
Liberty Series 2017-3 Trust	100	100
Liberty Series 2017-4 Trust	100	100
Liberty Series 2018-1 Auto Trust	100	100
Liberty Series 2018-1 SME Trust	100	100
Liberty Series 2018-1 Trust	100	100
Liberty Series 2018-2 Trust	100	100
Liberty Series 2018-3 Trust	100	100
Liberty Series 2018-4 Trust	100	100
Liberty Series 2019-1 SME Trust	100	100
Liberty Series 2019-1 Trust	100	100
Liberty Series 2019-2 Trust	100	100
Liberty Series 2020-1 Auto Trust	100	100
Liberty Series 2020-1 Trust	100	100
Liberty Series 2020-2 Trust	100	100
Liberty Series 2020-3 Trust	100	100
Liberty Series 2020-4 Trust	100	100
Liberty Sirius Trust	100	100
Liberty Term Investment Fund	69	62
Liberty Warehouse Trust 2012-1	100	100
Liberty Warehouse Trust No.1	100	100
Liberty Wholesale Trust 2018-1	100	100
Liberty/CS Warehouse Trust 2011-1	100	100
LoanNET Pty Ltd	100	100
Mike Pero (New Zealand) Limited	100	100
Mike Pero Group Limited	100	100
Mike Pero Insurances Limited	100	100
Mike Pero Mortgages Limited	100	100
Minerva Fiduciary Pty Ltd	100	100
Minerva Funding Pty Ltd	100	100
Minerva Funds Management Limited	100	100
Minerva Holding Trust	100	100
Money Place AFSL Limited	80	80
Money Place Assets Pty Ltd	80	80

20 RELATED PARTIES (cont.)

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

	Ownership interest 2020 %	Ownership interest 2019 %
Entity name		
Money Place Australia Pty Ltd	80	80
Money Place Holdings Pty Ltd	80	80
MoneyPlace Lending Platform	19	17
MoneyPlace Pty Ltd	80	80
Mosaic Financial Services Pty Ltd	100	100
MPMH Limited	100	100
MPRE Limited	100	76
National Mortgage Brokers (WA) Pty Ltd	100	100
National Mortgage Brokers Pty Ltd	100	100
Priceware Pty Ltd	50	50
Secure Credit Pty Ltd	100	100
Secure Funding Limited	100	100
Secure Funding Pty Ltd	100	100

(b) Transactions with related parties

	Six months to 31 December 2020 $	Six months to 31 December 2019 $
Statement of profit or loss and other comprehensive income items arising from related party transactions		
Distribution paid/payable to related parties of the Group	(66,385,697)	(47,699,639)
Interest income from related parties of the Group	5,984,159	5,658,563
Technology fee income	-	1,733,981

	31 December 2020 $	30 June 2020 $
Assets and liabilities arising from related party transactions		
Aggregate loans to related parties:		
Controlling entities	236,333,031	316,471,955
Other related parties	184,605	9,399,491
	236,517,636	325,871,446
Aggregate loans from related parties:		
Controlling entities	445,719	441,270
Other related parties	7,490,990	3,423,602
	7,936,709	3,864,872

(c) Transactions with key management personnel

Loans to key management personnel	-	5,002,320

Since 30 June 2020, the classification of key management personnel has changed. Of the $5,002,320 outstanding at 30 June 2020, $2,607,500 remains outstanding at 31 December 2020 from senior managers who are no longer classified as key management personnel.

21 CAPITAL COMMITMENTS AND CONTINGENCIES

There are no capital commitments as at 31 December 2020 (30 June 2020: nil). Contingent liabilities exist in relation to claims and/or possible claims against the Group which have not yet been resolved. An assessment of the likely outcome and potential loss to the Group has been made in respect of the identified claims, on a claim by claim basis, and specific provision has been made where it is considered probable that an outflow of economic benefits will occur and the amount can be reliably estimated. The Group does not consider that the outcome of any current known or potential claim or proceedings, either individually or in aggregate, is likely to materially affect its operations or financial position.

22 EVENTS SUBSEQUENT TO BALANCE DATE

APRA has approved the Group's acquisition of LFI Group and the board resolved to effect the acquisition on 24 February 2021.

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

LIBERTY FINANCIAL GROUP LIMITED and its Controlled Entities
DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

In the opinion of the directors of Liberty Financial Group Limited (the "Group"):

(a) the consolidated financial statements and notes, set out on pages 5 to 34 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 2020 and of its performance for the financial year ended 31 December 2020; and

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

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

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

Signed in accordance with a resolution of the directors:

Richard Longes
Chairman

Peter Riedel
Secretary

Dated at Melbourne on 24 February 2021.

LIBERTY FINANCIAL GROUP LIMITED and its Controlled Entities
DIRECTORY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Principal Registered Office
Liberty Financial Group Limited
Level 16, 535 Bourke Street
Melbourne VIC 3000
Telephone: (03) 8635 8888
Facsimile: (03) 8635 9999

Other information
Liberty Financial Group Limited, incorporated and domiciled in Australia, is a proprietary limited company.

KPMG

Independent Auditor's Review Report

To the stapled security holders of Liberty Financial Group Limited and its controlled entities

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Liberty Financial Group Limited (the Company) (formerly Minerva Technology Pty Ltd) and its controlled entities (together the ***Group***).

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

- giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the Interim Period ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Consolidated statement of financial position as at 31 December 2020;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the half-year ended 31 December 2020;
- Notes 1 to 22 comprising a summary of significant accounting policies and other explanatory information;
- The Directors' Declaration.

The ***Group*** comprises Liberty Financial Group Limited and its controlled entities at the half year's end or from time to time during the half-year. The controlled entities of the Company include the other member of the stapled group Liberty Financial Group Trust (formerly Minerva Financial Group Trust).

Basis for conclusion

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

We are independent of the 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.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Group are responsible for:

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

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

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

KPMG

Dean Waters

Partner

Melbourne

24 February 2021