

27 February 2023  
Markets Announcement Office  
ASX Limited

## **LIBERTY GROUP APPENDIX 4D AND FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

In accordance with ASX Listing Rule 4.2A and the *Corporations Act 2001* (Cth), Liberty Group (ASX:LFG) encloses Appendix 4D and the financial report for the half-year ended 31 December 2022.

The following associated documents will be provided separately for lodgement:

1. Media release; and
2. Investor presentation for the half-year results to 31 December 2022.

Authorised for disclosure by the Board.

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### **About the Liberty Group**

Liberty Group is a leading diversified finance company in Australia and New Zealand. Its businesses include residential and commercial mortgages, motor vehicle finance, personal loans, business loans, broking services, general insurance and investments. Liberty has raised more than \$40 billion in global capital markets. Since 1997, Liberty has helped more than 700,000 customers get financial.

# LIBERTY GROUP<sup>1</sup>

## APPENDIX 4D

### For the half-year ended 31 December 2022

#### Results for announcement to the market

<b>(All comparisons to half-year ended 31 December 2021)</b>	<b>\$m</b>	<b>Up/down</b>	<b>Movement %</b>
Revenue from ordinary activities	590.0	up	33.9%
Profit after tax from ordinary activities attributable to members	104.0	down	-10.7%
Net profit after tax attributable to members	104.0	down	-10.7%

<b>Reconciliation of statutory net profit after tax to underlying net profit after tax and before amortisation</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
	<b>\$m</b>	<b>\$m</b>
Statutory net profit after tax	104.0	116.4
Amortisation of IP	5.9	5.9
Statutory net profit after tax and before amortisation <sup>2</sup>	109.9	122.3
ALI acquisition-related adjustments		
Commission income	(23.1)	-
Commission expense	7.4	-
Other expenses - contingent consideration	9.9	-
Total adjustments	(5.8)	-
Tax effect of adjustments	4.7	-
Tax cost base reset	(4.0)	-
Underlying net profit after tax and before amortisation <sup>2</sup>	104.8	122.3

<b>Distribution information</b>	<b>Amount per stapled security (cents)</b>
Interim 2023 distribution per stapled security	21.0
Record date for determining entitlement to interim distribution	30 November 2022
Payment date of interim distribution	15 December 2022

The Liberty Group Distribution Reinvestment Plan does not apply to the FY23 interim distribution.

#### Dividend information

No interim 2023 dividend was declared or paid during the half-year ended 31 December 2022.

<b>Net tangible assets per stapled security</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
	<b>\$</b>	<b>\$</b>
Net tangible assets per stapled security	2.93	2.69

#### Additional information

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 31 December 2022.

This report is based on the consolidated financial statements for the half-year ended 31 December 2022 which has been reviewed by KPMG.

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

<sup>2</sup> Net profit after tax excluding the tax-effected impact of amortisation of intangibles.

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**LIBERTY GROUP**

**INTERIM REPORT**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

The information contained in the interim report for the half-year ended 31 December 2022 should be read in conjunction with the Liberty Group's 2022 Annual Report.

**LIBERTY GROUP**  
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**FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

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**LIBERTY GROUP  
DIRECTORS' REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

The Directors present their report together with the consolidated financial report of Liberty Financial Group Limited (the "Company") and Liberty Fiduciary Ltd as the responsible entity ("RE") of the Liberty Financial Group Trust ("LFGT") (together the "Liberty Group") and their respective controlled entities for the period ended 31 December 2022 and the auditor's report thereon.

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

**Directors**

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

**Independent**

Richard Longes (Chair)  
Peter Hawkins  
Leona Murphy  
Jane Watts (appointed 4 July 2022)

**Executive**

James Boyle  
Sherman Ma

All Directors held office throughout the six months ended 31 December 2022 unless stated otherwise.

**Company secretary**

Peter Riedel

**Principal activities**

The Liberty Group conducts activities and makes investments in the financial services industry including but not limited to specialty lending, finance and insurance brokering, receivables servicing, consumer insurance underwriting, real estate and funds management across Australia and New Zealand. There have been no significant changes in the nature of the Liberty Group's activities during the financial period ended 31 December 2022.

**Results and review of operations**

The consolidated profit after income tax for the six months to 31 December 2022 was \$104.0 million (six months to 31 December 2021: \$116.5 million). The Liberty Group had financial assets under management as at 31 December 2022 of \$13.2 billion (30 June 2022: \$12.9 billion).

Total operating income increased from \$440.6 million in 1H22 to \$590.0 million in 1H23 as a result of the following:

- Interest income increased by \$130.0 million (41.7%) from \$311.7 million to \$441.7 million due to:
  - an increase in average financial assets of 5.4%, from \$12.4 billion to \$13.1 billion; and
  - an increase in average interest income yield from 4.99% to 6.71% due to an increase in average interest rates across each of the Liberty Group's portfolios, as well as a mix shift towards higher yielding Secured and Financial Services segments.
- Fee, commission and other income increased by \$19.3 million (15.0%) from \$129.0 million to \$148.3 million due to
  - higher commission income of \$15.1 million including \$23.1 million due to the revaluation of commission receivable on the portfolio of ALI insurance policies on acquisition; offset by \$7.1 million lower commission income on the New Zealand portfolio, due to decreased network transaction volumes.
  - \$2.7 million net interest income on interest rate swaps including break and restructuring costs, compared to a \$5.7 million net expense in 1H22.

Total expenses increased by \$167.9 million (54.6%) from \$307.4 million in 1H22 to \$475.3 million in 1H23 as a result of the following:

**LIBERTY GROUP  
DIRECTORS' REPORT (cont.)  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

**Results and review of operations (cont.)**

- Interest expense increased by \$139.8 million (120.8%) from \$115.7 million to \$255.5 million due to:
  - an increase in average borrowings of 0.5%, from \$12.4 billion to \$12.9 billion; and
  - an increase in the weighted average cost of borrowing from 1.85% to 3.84% due to an increase in the average 1-month BBSW rate (238bps); offset by a decrease in the average margin paid on debt issues (39bps).
- Fee and commission expenses increased by \$3.8 million (3.2%) from \$116.1 million to \$119.9 million due to:
  - higher commission expense of \$6.9 million including \$7.4 million due to the revaluation of commission payable on the portfolio of ALI insurance policies on acquisition; offset by
  - lower liquidity fees and borrowing costs of \$2.6 million.
- Impairment of financial assets increased from a \$1.7 million recovery in 1H22 to a \$3.7 million impairment in 1H23 due to:
  - a reduction in the Collective Provision for expected losses of \$1.4 million in 1H22 compared to an increase of \$1.1 million in 1H23;
  - net realised losses in 1H22 of \$13.2 million, against which existing provisions of \$17.3 million were released, compared to net realised losses in 1H23 of \$5.8 million, against which existing specific provisions of \$6.2 million were released; and
  - an increase in specific provisions on the continuing portfolio in 1H22 of \$3.8 million, compared to \$3.0 million in 1H23.
- Personnel expenses increased by \$2.9 million (7.0%) from \$42.4 million to \$45.3 million due to:
  - higher wages, salaries and on-costs of \$1.7 million in 1H23, largely due to an increase in FTE staff from 501 to 550 to support continued business growth.
- Other expenses increased by \$16.1 million (46.2%), from \$34.9 million to \$51.0 million mainly due to:
  - contingent consideration of \$9.9 million as a result of the acquisition of the final 40% of equity in ALI Corporate Pty Ltd and its subsidiaries; and
  - an increase of \$4.0 million in technology, marketing and communications expenses to drive continued business growth.

Profit after tax decreased by \$12.5 million (10.7%) from \$116.5 million in 1H22 to \$104.0 million in 1H23 due to the reasons indicated above.

The Liberty Group originated \$2.9 billion in new financial assets in 1H23 resulting in an increase compared to 30 June 2022 of \$251.0 million in total financial assets to \$13.2 billion. New financial asset origination was financed by the issuance of 3 new securitisation vehicles totalling \$1.9 billion.

In 1H23 the Liberty Group's total assets of \$14.5 billion was 12.5 times total equity of \$1.2 billion, compared to 12.7 times in 1H22.

**Economic growth, inflation and interest rates**

The Reserve Bank of Australia's (RBA) current economic outlook indicates inflation peaked at the end of 2022 and is forecast to decline to 4.75% over 2023. High inflation is expected to continue to weigh on growth in real household incomes and consumption. Rising interest rates are expected to add to this effect by reducing real disposable incomes for some households. GDP growth is forecast to continue to be slower for this year and next, at approximately 1.5%.

To date, the Liberty Group has not experienced a significant increase in arrears levels on its loan portfolio, or hardship requests by borrowers, as a result of current macro economic conditions.

At the date of signing of the financial statements, there is still significant uncertainty on the ultimate impact of slowing economic growth, rising interest rates and inflation on domestic and global economies. Given the high degree of estimation uncertainty, management cannot reasonably assess or quantify the potential short or longer term financial impact on the Liberty Group.

**LIBERTY GROUP  
DIRECTORS' REPORT (cont.)  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

**Dividends and distributions**

The Company did not declare or pay a dividend during the period ended 31 December 2022 (30 June 2022: nil).

LFGT paid a distribution of \$63,756,000 on 15 December 2022 (30 June 2022: \$149,281,000).

**Significant changes in the state of affairs**

In the opinion of the Directors there were no significant changes in the state of affairs of the Liberty Group that occurred during the financial period under review.


**Lead auditor's independence declaration**

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' report for the half-year ended 31 December 2022.

**Rounding off**

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

This report is made with a resolution of the Directors:

  
\_\_\_\_\_  
Richard Longes  
Chair

Dated at Melbourne on 24 February 2023.



# 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 2022 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 2023

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**LIBERTY GROUP**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

	Note	Six months to 31 December 2022 \$'000	Six months to 31 December 2021 \$'000
Interest income on financial assets measured at amortised cost		440,543	310,854
Interest income on financial assets measured fair value		1,145	806
Other finance income	7	146,088	126,786
Other income		2,242	2,171
<b>Total operating income</b>		<b>590,018</b>	<b>440,617</b>
Finance expense	8	(375,359)	(231,831)
(Impairment)/recoveries on financial assets measured at amortised cost		(3,679)	1,685
Personnel expenses	9	(45,325)	(42,356)
Other expenses	10	(50,950)	(34,851)
<b>Total operating expense</b>		<b>(475,313)</b>	<b>(307,353)</b>
<b>Profit before income tax</b>		<b>114,705</b>	<b>133,264</b>
Income tax expense	11	(10,755)	(16,814)
<b>Profit after tax</b>		<b>103,950</b>	<b>116,450</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Net change in fair value of financial assets at fair value through other comprehensive income		(670)	(1,461)
		(670)	(1,461)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences		5,566	367
Net change in fair value of cash flow hedges		(720)	8,767
Related income tax		201	438
		5,047	9,572
<b>Total comprehensive income for the period</b>		<b>108,327</b>	<b>124,561</b>
<b>Profit attributable to:</b>			
Equity holders of the Liberty Group			
Attributable to Liberty Financial Group Limited		40,383	53,141
Attributable to LFGT		63,742	63,467
Non-controlling interests - other		(175)	(158)
<b>Profit for the period</b>		<b>103,950</b>	<b>116,450</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Liberty Group			
Attributable to Liberty Financial Group Limited		42,769	53,922
Attributable to LFGT		65,733	70,797
Non-controlling interests - other		(175)	(158)
<b>Total comprehensive income for the period</b>		<b>108,327</b>	<b>124,561</b>
<b>Earnings per stapled security</b>		<b>0.34</b>	<b>0.38</b>
<b>Diluted earnings per stapled security</b>		<b>0.30</b>	<b>0.37</b>

The Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 10 to 38.

**LIBERTY GROUP**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

Attributable to equity holders of the Liberty Group

	Contributed equity \$'000	Share-based payment reserve \$'000	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 2021	719,000	13,515	(4,031)	(1,849)	14,240	(136,020)	440,608	(5,804)	1,039,659	(1,432)	1,038,227
Modification of share-based payments from equity-settled to cash-settled	-	(541)	-	-	-	-	-	-	(541)	-	(541)
Settlement of equity-settled share-based payments	-	(324)	-	-	-	-	-	-	(324)	-	(324)
Other comprehensive income for the period	-	-	1,437	367	(1,023)	-	-	7,330	8,111	-	8,111
Profit/(loss) for the period	-	-	-	-	-	-	53,141	63,467	116,608	(158)	116,450
Distributions provided for or paid	-	-	-	-	-	-	-	(63,756)	(63,756)	-	(63,756)
<b>Balance at 31 December 2021</b>	<b>719,000</b>	<b>12,650</b>	<b>(2,594)</b>	<b>(1,482)</b>	<b>13,217</b>	<b>(136,020)</b>	<b>493,749</b>	<b>1,237</b>	<b>1,099,757</b>	<b>(1,590)</b>	<b>1,098,167</b>
Balance at 1 July 2022	719,000	12,556	2,861	(6,828)	2,081	(136,020)	502,796	21,441	1,117,887	(1,750)	1,116,137
Equity-settled share-based payment	-	450	-	-	-	-	-	-	450	-	450
Settlement of equity-settled share-based payments	-	(15)	-	-	-	-	-	-	(15)	-	(15)
Other comprehensive income for the period	-	-	(2,711)	5,566	(469)	-	-	1,991	4,377	-	4,377
Profit/(loss) for the period	-	-	-	-	-	-	40,383	63,742	104,125	(175)	103,950
Distributions provided for or paid	-	-	-	-	-	-	-	(63,756)	(63,756)	-	(63,756)
<b>Balance at 31 December 2022</b>	<b>719,000</b>	<b>12,991</b>	<b>150</b>	<b>(1,262)</b>	<b>1,612</b>	<b>(136,020)</b>	<b>543,179</b>	<b>23,418</b>	<b>1,163,068</b>	<b>(1,925)</b>	<b>1,161,143</b>

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

**LIBERTY GROUP**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022**

	Note	31 December 2022 \$'000	30 June 2022 \$'000
<b>Assets</b>			
Cash and cash equivalents	13	476,311	546,898
Restricted cash	13	118,075	107,139
Trade receivables and other assets	14	277,578	316,911
Financial assets	15	13,166,977	12,915,940
Other investments	16	44,041	44,764
Derivative assets		33,590	30,595
Property, plant and equipment		21,300	22,178
Intangible assets	17	270,318	276,220
Deferred tax assets		66,183	64,558
<b>Total Assets</b>		<b>14,474,373</b>	<b>14,325,203</b>
<b>Liabilities</b>			
Payables	18	126,267	210,442
Financing	19	13,021,412	12,802,496
Provisions		12,423	14,060
Lease liabilities		7,165	8,578
Derivative liabilities		70,059	104,139
Deferred tax liabilities		75,904	69,351
<b>Total Liabilities</b>		<b>13,313,230</b>	<b>13,209,066</b>
<b>Net Assets</b>		<b>1,161,143</b>	<b>1,116,137</b>
<b>Equity</b>			
Contributed equity	20	719,000	719,000
Reserves		(122,529)	(125,350)
Retained profits		543,179	502,796
Non-controlling interests - LFGT		23,418	21,441
Total equity attributable to equity holders of the Liberty Group		1,163,068	1,117,887
Non-controlling interests - other		(1,925)	(1,750)
<b>Total Equity</b>		<b>1,161,143</b>	<b>1,116,137</b>

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

**LIBERTY GROUP**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

	Note	Six months to 31 December 2022 \$'000	Six months to 31 December 2021 \$'000
<b>Cash flows from operating activities</b>			
Interest income received		427,770	308,169
Interest expense paid		(242,814)	(117,203)
Fees and commissions received		143,396	121,029
Fees and commissions paid		(116,484)	(112,167)
Insurance premiums received		449	122
Cash paid to suppliers and employees		(98,654)	(81,448)
Net increase in financial assets		(240,608)	(219,884)
Net proceeds from financing		178,858	355,516
Income taxes paid		(7,579)	(38,982)
<b>Net cash from operating activities</b>		<b>44,334</b>	<b>215,152</b>
<b>Cash flows from investing activities</b>			
Payments for businesses acquired/investments, net of cash acquired		(30,436)	(12,221)
Acquisition of property, plant and equipment		(2,036)	(1,177)
(Loss)/proceeds from the sale of property, plant and equipment		(24)	6
<b>Net cash used in investing activities</b>		<b>(32,496)</b>	<b>(13,392)</b>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities		(1,413)	(1,126)
Proceeds from related party loans		79,295	102,418
Payments to related party loans		(197)	(609)
Dividends and distribution paid		(149,174)	(137,301)
<b>Net cash used in financing activities</b>		<b>(71,489)</b>	<b>(36,618)</b>
<b>Net (decrease)/increase in cash held</b>		<b>(59,651)</b>	<b>165,142</b>
<b>Cash at the beginning of the period</b>		<b>654,037</b>	<b>603,869</b>
<b>Cash at the end of the period</b>	13	<b>594,386</b>	<b>769,011</b>

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

**LIBERTY GROUP**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

**1 REPORTING ENTITY**

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

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

**2 BASIS OF PREPARATION**

The financial statements as at and for the period ended 31 December 2022 have been prepared as a consolidation of the financial statements of the Liberty Group. The equity securities of the Company and the units of Liberty Financial Group Trust are stapled and cannot be sold separately.

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

The condensed interim financial statements were authorised for issue by the Directors of the Company and the RE on 24 February 2023.

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

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

**(a) Statement of compliance**

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

They do not include all of the information required for a complete set of annual financial statements and should be read in conjunction with the 2022 Annual Report. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Liberty Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2022.

**(b) Basis of measurement**

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

**(c) Functional and presentation currency**

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

**(d) Rounding off**

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

**LIBERTY GROUP**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

**2 BASIS OF PREPARATION (cont.)**

**(e) Use of estimates and judgements**

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

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

**(i) Judgements**

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

- Insurance commission revenue and expense recognition
- 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, including goodwill
- Capital commitments and contingent liabilities (refer to note 22)

In particular, management applies judgement in determining the approach to establishing the appropriate level of provisioning for its financial assets, both at the specific and collective levels. In addition, the Liberty Group applies a weighted average tenure of the portfolio to assess the average life of financial assets which impacts the amount and timing of financing income recognition. Both judgements are assessed on at least an annual basis. In relation to the weighted average tenure, the annual review ensures consistency of the average life applied under the effective interest yield calculation. The average life used for residential mortgages, commercial mortgages and auto receivables has remained materially consistent during the period ended 31 December 2022.

The net present value of insurance commission receivable and trail commission payable are calculated by an independent actuary, 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 2022 LFI had premium revenue of \$918,000 (31 December 2021: \$1,180,000) and contributed a loss before tax of \$117,000 to the Liberty Group (31 December 2021: \$212,000).

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

**(ii) Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the period ending 31 December 2022 is included in the following notes:

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**2 BASIS OF PREPARATION (cont.)**

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

**(ii) Assumptions and estimation uncertainties (cont.)**

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

**(iii) Measurement of fair values**

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

**3 SIGNIFICANT ACCOUNTING POLICIES**

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Liberty Group's consolidated financial statements as at and for the year ended 30 June 2022. The changes in the accounting policies are also expected to be reflected in the Liberty Group's consolidated financial statements as at and for the year ending 30 June 2023.

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

**(a) New standards and interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the Liberty Group and the Company in the period of initial application. They are available for early adoption at 31 December 2022, but have not been applied in preparing this financial report. The analysis of the transitional impact of the standards is expected to be completed prior to the implementation dates.

**(i) Disclosures of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)**

The amendments to IAS 1 and an update to IFRS Practice Statement 2 Making Materiality Judgements will require companies to disclose their material accounting policies rather than their significant accounting policies. The amendments aim to clarify that accounting policies relating to immaterial transactions, events or conditions are themselves immaterial and as such need not be disclosed, and that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective for annual periods beginning on or after 1 January 2023, with early application permitted.

**(ii) Definition of Accounting Estimates (Amendments to IAS 8)**

The amendments to IAS 8 introduce a new definition of accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments are effective for annual periods beginning on or after 1 January 2023, with early application permitted.

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**3 SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**(a) New standards and interpretations not yet adopted (cont.)**

**(iii) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)**

The amendments to IAS 1 aim to clarify the requirements for determining whether a liability is current or non-current.

The amendments are effective for annual periods beginning on or after 1 January 2024, with early application permitted.

**4 DETERMINATION OF FAIR VALUES**

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

**(a) Financial assets**

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

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

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

**(b) Derivatives**

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

**(c) Non derivative financial assets and liabilities**

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

**(d) Financing**

The fair value of financing obligations 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 profit or loss. 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.



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**4 DETERMINATION OF FAIR VALUES (cont.)**

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

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

<b>CONSOLIDATED</b>		<b>Carrying Amount</b>				<b>Fair Value</b>
<b>31 December 2022</b>		<b>Note</b>	<b>Fair value through profit or loss</b>	<b>Fair value through OCI</b>	<b>Financial assets/ (financial liabilities) at amortised cost</b>	<b>Total</b>
			<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets measured at fair value</b>						
Other investments	16	25,211	18,002	-	43,213	43,213
Derivative assets		33,590	-	-	33,590	33,590
Financial assets	15	-	29,224	-	29,224	29,224
<b>Financial assets not measured at fair value</b>						
Cash and cash equivalents and restricted cash	13	-	-	594,386	594,386	594,386
Trade receivables and other assets	14	-	-	141,479	141,479	141,479
Financial assets	15	-	-	13,137,753	13,137,753	13,904,770
Other investments	16	-	-	828	828	828
<b>Financial liabilities measured at fair value</b>						
Derivative liabilities		(70,059)	-	-	(70,059)	(70,059)
<b>Financial liabilities not measured at fair value</b>						
Payables	18	-	-	(77,299)	(77,299)	(77,299)
Financing	19	-	-	(13,021,412)	(13,021,412)	(13,023,207)
			<b>(11,258)</b>	<b>47,226</b>	<b>775,735</b>	<b>811,703</b>
			<b>1,576,925</b>			

<b>CONSOLIDATED</b>		<b>Carrying Amount</b>				<b>Fair Value</b>
<b>30 June 2022</b>		<b>Note</b>	<b>Fair value through profit or loss</b>	<b>Fair value through OCI</b>	<b>Financial assets/ (financial liabilities) at amortised cost</b>	<b>Total</b>
			<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets measured at fair value</b>						
Other investments	16	25,255	18,681	-	43,936	43,936
Derivative assets		30,595	-	-	30,595	30,595
Financial assets	15	-	29,163	-	29,163	29,163
<b>Financial assets not measured at fair value</b>						
Cash and cash equivalents and restricted cash	13	-	-	654,037	654,037	654,037
Trade receivables and other assets	14	-	-	208,011	208,011	208,011
Financial assets	15	-	-	12,886,777	12,886,777	13,268,128
Other investments	16	-	-	828	828	828
<b>Financial liabilities measured at fair value</b>						
Derivative liabilities		(104,139)	-	-	(104,139)	(104,139)
<b>Financial liabilities not measured at fair value</b>						
Payables	18	-	-	(170,559)	(170,559)	(170,559)
Financing	19	-	-	(12,802,496)	(12,802,496)	(12,803,636)
			<b>(48,289)</b>	<b>47,844</b>	<b>776,598</b>	<b>776,153</b>
						<b>1,156,364</b>

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**4 DETERMINATION OF FAIR VALUES (cont.)**

**(h) Fair value hierarchy**

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

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

*Fair value in an active market (Level 1)*

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

*Fair value in an inactive or unquoted market (Level 2)*

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

*Unobservable inputs used in measuring fair value (Level 3)*

There are no financial instruments measured using Level 3 inputs.

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

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

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

<b>As at 31 December 2022</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets measured at fair value</b>				
Other investments - equity securities	18,002	18,000	-	36,002
Other investments - government and corporate bonds	7,211	-	-	7,211
Derivative assets	-	33,590	-	33,590
Financial assets	24,566	4,658	-	29,224
<b>Financial liabilities measured at fair value</b>				
Derivative liabilities	-	(70,059)	-	(70,059)
	49,779	(13,811)	-	35,968
<hr/>				
<b>As at 30 June 2022</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets measured at fair value</b>				
Other investments - equity securities	18,681	18,000	-	36,681
Other investments - government and corporate bonds	7,255	-	-	7,255
Derivative assets	-	30,595	-	30,595
Financial assets	24,566	4,597	-	29,163
<b>Financial liabilities measured at fair value</b>				
Derivative liabilities	-	(104,139)	-	(104,139)
	50,502	(50,947)	-	(445)

*Transfers between level 1, level 2 and level 3*

There were no transfers between level 1, level 2 and level 3 in the period ended 31 December 2022 (June 2022: nil).

**5 FINANCIAL RISK MANAGEMENT**

**(a) Overview**

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

- Credit risk
- Liquidity risk
- Market risk

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
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**5 FINANCIAL RISK MANAGEMENT (cont.)**

**(a) Overview (cont.)**

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

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

**(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 and supported by management which manages regulatory compliance, fraud prevention and detection, anti-money laundering and business continuity.

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

**(c) Credit risk**

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

*Financial assets*

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

*Investments*

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

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

*Counterparty risk*

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

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**5 FINANCIAL RISK MANAGEMENT (cont.)**

**(c) Credit risk (cont.)**

**Exposure**

**(i) Loans by credit risk rating grades**

<b>CONSOLIDATED - \$'000</b>	<b>12 month ECL</b>	<b>Lifetime ECL not credit impaired</b>	<b>Lifetime ECL credit impaired</b>	<b>Total</b>
<b>31 December 2022</b>				
<b>Gross loans</b>				
Prime	9,135,576	148,184	35,469	9,319,229
Non-prime	3,471,661	159,866	99,808	3,731,335
Unrated	120,631	-	-	120,631
<b>Total</b>	<b>12,727,868</b>	<b>308,050</b>	<b>135,277</b>	<b>13,171,195</b>
<b>30 June 2022</b>				
<b>Gross loans</b>				
Prime	9,165,335	120,742	47,320	9,333,397
Non-prime	3,246,988	141,759	104,524	3,493,271
Unrated	107,239	-	-	107,239
<b>Total</b>	<b>12,519,562</b>	<b>262,501</b>	<b>151,844</b>	<b>12,933,907</b>

**Credit quality**

The ageing of loans is shown below:

**(ii) Loans by credit quality**

	<b>31 December 2022 \$'000</b>	<b>30 June 2022 \$'000</b>
<b>Gross loans</b>		
Neither past due or impaired	12,727,868	12,519,562
Past due but not impaired	308,050	262,501
Impaired	135,277	151,844
<b>Total</b>	<b>13,171,195</b>	<b>12,933,907</b>

**Provision for impairment loss**

**(iii) Provision for impairment**

<b>CONSOLIDATED - \$'000</b>	<b>12 month ECL</b>	<b>Lifetime ECL not credit impaired</b>	<b>Lifetime ECL credit impaired</b>	<b>Total</b>
<b>30 June 2022</b>				
Opening balance at 1 July 2021	42,404	5,432	27,472	75,308
Net movement during the year	(341)	642	(12,220)	(11,919)
Closing balance at 30 June 2022	42,063	6,074	15,252	63,389
<b>31 December 2022</b>				
Opening balance at 1 July 2022	42,063	6,074	15,252	63,389
Net movement during the period	3,541	(1,659)	(657)	1,225
Closing balance at 31 December 2022	45,604	4,415	14,595	64,614

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**5 FINANCIAL RISK MANAGEMENT (cont.)**

**(c) Credit risk (cont.)**

**Provision for Impairment loss (cont.)**

**(iii) Provision for impairment (cont.)**

The following tables show the movement in the Liberty Group's impairment provisions and credit exposures by expected credit loss (ECL) stage for the period ended 31 December 2022.

CONSOLIDATED - \$000	12 month ECL		Lifetime ECL - not credit impaired		Lifetime ECL - credit impaired		Total	
	Gross exposure	Provisions	Gross exposure	Provisions	Gross exposure	Provisions	Gross exposure	Provisions
	30 June 2022							
Opening balance at 1 July 2021	11,786,964	42,404	250,508	5,432	243,343	27,472	12,280,815	75,308
New loans originated	5,506,479	10,724	37,987	1,435	8,104	439	5,552,570	12,598
Transfers:								
Transfers to Stage 1	187,242	1,999	(113,565)	(1,281)	(73,677)	(718)	-	-
Transfers to Stage 2	(153,973)	(3,009)	181,335	3,568	(27,362)	(559)	-	-
Transfers to Stage 3	(46,426)	(1,403)	(29,166)	(1,351)	75,592	2,754	-	-
Loans repaid	(4,020,626)	(2,784)	(54,784)	(1,898)	(59,551)	487	(4,134,961)	(4,195)
Other (a)	(739,857)	(5,711)	(7,530)	362	8,120	(13,382)	(739,267)	(18,731)
Write-offs	(6,719)	(160)	(2,598)	(195)	(23,076)	(1,245)	(32,393)	(1,600)
Foreign exchange movement	6,478	3	314	2	351	4	7,143	9
<b>Closing balance at 30 June 2022</b>	<b>12,519,562</b>	<b>42,063</b>	<b>262,501</b>	<b>6,074</b>	<b>151,844</b>	<b>15,252</b>	<b>12,933,907</b>	<b>63,389</b>

CONSOLIDATED - \$000	12 month ECL		Lifetime ECL - not credit impaired		Lifetime ECL - credit impaired		Total	
	Gross exposure	Provisions	Gross exposure	Provisions	Gross exposure	Provisions	Gross exposure	Provisions
	31 December 2022							
Opening balance at 1 July 2022	12,519,562	42,063	262,501	6,074	151,844	15,252	12,933,907	63,389
New loans originated	2,852,606	13,414	16,063	567	201	139	2,868,870	14,120
Transfers:								
Transfers to Stage 1	175,898	1,843	(142,318)	(1,314)	(33,580)	(529)	-	-
Transfers to Stage 2	(214,784)	(2,525)	230,357	2,818	(15,573)	(293)	-	-
Transfers to Stage 3	(25,426)	(933)	(30,161)	(1,241)	55,587	2,174	-	-
Loans repaid	(2,419,621)	(3,506)	(38,549)	(590)	(60,356)	(748)	(2,518,526)	(4,844)
Other (a)	(149,705)	(4,673)	11,415	(1,764)	48,372	(796)	(89,918)	(7,233)
Write-offs	(1,089)	(29)	(799)	(127)	(10,958)	(601)	(12,846)	(757)
Foreign exchange movement	(9,573)	(50)	(459)	(8)	(260)	(3)	(10,292)	(61)
<b>Closing balance at 31 December 2022</b>	<b>12,727,868</b>	<b>45,604</b>	<b>308,050</b>	<b>4,415</b>	<b>135,277</b>	<b>14,595</b>	<b>13,171,195</b>	<b>64,614</b>

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

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**5 FINANCIAL RISK MANAGEMENT (cont.)**

**(c) Credit risk (cont.)**

**Provision for Impairment loss (cont.)**

**(iii) Provision for impairment (cont.)**

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

	Current	Stage 1	Stage 2	Stage 3	Total
<b>31 December 2022 \$'000</b>					
Expected loss rate	-	0.36%	1.43%	2.86%	<b>0.41%</b>
Gross carrying amount	-	12,727,868	308,050	135,277	<b>13,171,195</b>
Loss allowance	-	(45,604)	(4,415)	(3,864)	<b>(53,883)</b>
<b>30 June 2022 \$'000</b>					
Expected loss rate	-	0.34%	2.31%	3.00%	<b>0.41%</b>
Gross carrying amount	-	12,519,562	262,501	151,844	<b>12,933,907</b>
Loss allowance	-	(42,063)	(6,074)	(4,555)	<b>(52,692)</b>

**ECL Measurement Uncertainty - New Model Overlay**

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

The introduction of a new model implies a degree of uncertainty with respect to its sensitivity to changing historical data as well as the possible presence of biases which are difficult to anticipate. The model figures generated by the new model have been increased by 10% for the Australian portfolio and 15% for the New Zealand portfolio (June 2022: 15% for the Australian and New Zealand portfolios) to reflect this uncertainty. This overlay will be reduced once the predictions of the model have been monitored for a sufficient amount of time to increase confidence in its reliability.

**31 December 2022**

During the year ended 30 June 2022, the ECL model was enhanced to model scenarios that were previously included in the collective provision for impairment as overlays. The below table describes the scenarios, weightings and expected outcomes from the various modelled scenarios as at 31 December 2022.

During 2022 New Zealand's macro economic performance deteriorated to a greater extent than experienced in Australia. This is reflected in the higher weighting to the Downside scenario for the New Zealand Residential portfolio.

Scenario	Weighting		Expectation
	Australia	New Zealand	
Upside A 100% weighting to this scenario would result in a decrease to total ECL provision at the reporting date of \$18,686,000	5%	5%	Each scenario has its own set of macro-economic and future security value projections. The model incorporates these different inputs and generates different ECL figures, ranging from more optimistic (Upside) to more pessimistic (Downside).  Baseline is the scenario which the model considers most likely to happen. This scenario assumes increasing interest rates, lower economic growth and a reduction in security values. The Upside scenario is a more optimistic outlook. Compared to Baseline, this scenario incorporates stronger macro economic variables (higher GDP growth, lower cash rate and lower employment rate) and the reduction in security values is projected to be more moderate. The Downside scenario is a more pessimistic outlook. Compared to Baseline, this scenario incorporates weaker macro-economic variables and a greater reduction in security values. In addition, a stress test was applied to the Downside scenario, where Probability of Default (PD) and Probability of Loss given Default (LGD) predicted by the model were increased. A percentage of the riskiest accounts in Stage 1 (determined by highest predicted PD) were also downgraded to Stage 2.
Baseline A 100% weighting to this scenario would result in a decrease to total ECL provision at the reporting date of \$13,742,000	70%	55%	
Downside A 100% weighting to this scenario would result in an increase to total ECL provision at the reporting date of \$42,214,000	25%	40%	

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**5 FINANCIAL RISK MANAGEMENT (cont.)**

**(c) Credit risk (cont.)**

***Provision for Impairment loss (cont.)***

**(iii) Provision for impairment (cont.)**

**31 December 2022 (cont.)**

The table below shows the forward-looking macro economic forecasts as at 31 December 2022.

Macro Economic Forecast	Unemployment %	Cash rate %	HVI*	GDP Growth %
Current	3.5%	2.85%	187.7	3.6%
Upside - 2023	3.4%	3.00%	186.9	3.5%
Baseline - 2023	3.6%	3.45%	177.0	2.3%
Downside - 2023	4.0%	4.50%	157.4	2.5%

\*HVI - Home Value Index

The table below shows the change in staging between each scenario in the period ended 31 December 2022, for the Australian Residential and Secured portfolios.

Stress to Staging	Upside	Baseline	Downside
Stage 1 -> 2	0%	0%	20%
Stage 2 -> 3	0%	0%	0%

The table below shows the change in staging between each scenario in the period ended 31 December 2022, for the New Zealand Residential portfolio.

Stress to Staging	Upside	Baseline	Downside
Stage 1 -> 2	0%	0%	35%
Stage 2 -> 3	0%	0%	0%

The table below shows the stresses applied to PD and LGD across all stages under each scenario in the period ended 31 December 2022, for the Australian Residential and Secured portfolios.

Stress PD and LGD	Upside	Baseline	Downside
Stages 1 and 2 PD	0%	0%	20%
All stages LGD	0%	0%	20%

The table below shows the stresses applied to PD and LGD across all stages to each scenario in the period ended 31 December 2022, for the New Zealand Residential portfolio.

Stress PD and LGD	Upside	Baseline	Downside
Stages 1 and 2 PD	0%	0%	35%
All stages LGD	0%	0%	35%

The table below shows the stresses applied to security values for each portfolio and under each scenario in the period ended 31 December 2022.

Stress to Security value	Upside	Baseline	Downside
Australian Residential FY24	(0.4%)	(6%)	(16%)
Australian Residential FY25	(3%)	(11%)	(27%)
New Zealand Residential FY24	(8%)	(12%)	(25%)
New Zealand Residential FY25	(11%)	(16%)	(35%)
Secured All years	(6%)	(12%)	(33%)

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**5 FINANCIAL RISK MANAGEMENT (cont.)**

**(c) Credit risk (cont.)**

***Provision for Impairment loss (cont.)***

**(iii) Provision for impairment (cont.)**

**30 June 2022**

Scenario	Weighting	Expectation
Upside  A 100% weighting to this scenario would result in a decrease to total ECL provision at the reporting date of \$20,149,000	5%	Each scenario has its own set of macro-economic and future security value projections. The model incorporates these different inputs and generates different ECL figures, ranging from more optimistic (Upside) to more pessimistic (Downside).
Baseline  A 100% weighting to this scenario would result in a decrease to total ECL provision at the reporting date of \$15,489,000	65%	Baseline is the scenario which the model considers most likely to happen. This scenario assumes increasing interest rates, lower economic growth and a reduction in security values. The Upside scenario is a more optimistic outlook. Compared to Baseline, this scenario incorporates stronger macro-economic variables (higher GDP growth, lower cash rate and lower employment rate) and the reduction in security values is projected to be more moderate. The Downside scenario is a more pessimistic outlook. Compared to Baseline, this scenario incorporates weaker macro-economic variables and a greater reduction in security values. In addition, a stress test was applied to the Downside scenario, where Probability of Default (PD) and Probability of Loss given Default (LGD) predicted by the model were increased. A percentage of the riskiest accounts in Stage 1 (determined by highest predicted PD) were also downgraded to Stage 2.
Downside  A 100% weighting to this scenario would result in an increase to total ECL provision at the reporting date of \$36,918,000	30%	

The table below shows the forward-looking macro economic forecasts as at 30 June 2022.

Macro Economic Forecast	Unemployment %	Cash rate %	HPI*	GDP Growth %
Current	3.9%	0.85%	196.7	3.9%
Upside - 2023	3.5%	2.40%	186.9	3.4%
Baseline - 2023	3.8%	2.85%	177.0	3.2%
Downside - 2023	5.1%	4.00%	157.4	1.8%

\*HPI - House Price Index

The table below shows the change in staging between each scenario in the year ended 30 June 2022, for the Australian Residential and Secured portfolios.

Stress to Staging	Upside	Baseline	Downside
Stage 1 -> 2	0%	0%	20%
Stage 2 -> 3	0%	0%	0%

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**5 FINANCIAL RISK MANAGEMENT (cont.)**

**(c) Credit risk (cont.)**

**Provision for Impairment loss (cont.)**

**(iii) Provision for impairment (cont.)**

The table below shows the change in staging between each scenario in the year ended 30 June 2022, for the New Zealand Residential portfolio.

<b>Stress to Staging</b>	<b>Upside</b>	<b>Baseline</b>	<b>Downside</b>
Stage 1 -> 2	0%	0%	35%
Stage 2 -> 3	0%	0%	0%

The table below shows the stresses applied to PD and LGD across all stages under each scenario in the year ended 30 June 2022, for the Australian Residential and Secured portfolios.

<b>Stress PD and LGD</b>	<b>Upside</b>	<b>Baseline</b>	<b>Downside</b>
Stages 1 and 2 PD	0%	0%	20%
All stages LGD	0%	0%	20%

The table below shows the stresses applied to PD and LGD across all stages to each scenario in the year ended 30 June 2022, for the New Zealand Residential portfolio.

<b>Stress PD and LGD</b>	<b>Upside</b>	<b>Baseline</b>	<b>Downside</b>
Stages 1 and 2 PD	0%	0%	35%
All stages LGD	0%	0%	35%

The table below shows the stresses applied to security values for each portfolio and under each scenario in the year ended 30 June 2022.

<b>Stress to Security value</b>		<b>Upside</b>	<b>Baseline</b>	<b>Downside</b>
Australian	FY23	(5%)	(10%)	(20%)
Residential	FY24	(8%)	(15%)	(30%)
New Zealand	FY23	(8%)	(12%)	(25%)
Residential	FY24	(11%)	(16%)	(35%)
Secured	All years	(6%)	(12%)	(33%)

**Collateral**

**(iv) Collateral held**

	<b>31 December 2022</b>	<b>30 June 2022</b>
<b>Maximum exposure</b>	<b>\$'000</b>	<b>\$'000</b>
Collateral classification:		
Secured (%)	97%	98%
Unsecured (%)	3%	2%
	100%	100%

**(d) Liquidity risk**

Liquidity risk is the risk that the Liberty Group will not be able to meet its financial obligations as they fall due. The Liberty Group's Treasury function manages liquidity risk by maintaining adequate cash reserves, bank facilities and undrawn facilities by continuously monitoring cash flows and matching the maturity profiles of financial assets and liabilities. Details of available facilities are outlined in note 19.

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

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**5 FINANCIAL RISK MANAGEMENT (cont.)**

**(d) Liquidity risk (cont.)**

<b>31 December 2022</b>	<b>Note</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>&lt;1 year</b>	<b>1-5 years</b>	<b>&gt; 5 years</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-derivative financial assets</b>						
Cash and cash equivalents and restricted cash	13	594,386	594,386	594,386	-	-
Trade receivables and other assets	14	141,479	141,479	141,479	-	-
Financial assets	15	13,166,977	28,074,760	1,521,006	5,325,667	21,228,087
Corporate bonds	16	7,211	7,427	3,372	4,055	-
<b>Derivative financial assets</b>						
Derivative assets		33,590	33,835	12,212	21,008	615
<b>Total assets</b>		<b>13,943,643</b>	<b>28,851,887</b>	<b>2,272,455</b>	<b>5,350,730</b>	<b>21,228,702</b>
<b>Non-derivative financial liabilities</b>						
Payables	18	79,859	79,859	79,214	645	-
Debt issues	19	8,356,250	18,866,982	599,403	2,446,039	15,821,540
Finance facilities	19	4,600,730	5,129,124	3,184,975	1,944,149	-
Deposits and unitholder liabilities	19	60,122	46,339	39,457	6,882	-
Lease liabilities		7,165	7,165	2,792	4,373	-
Loans from related parties	21	4,310	4,310	4,310	-	-
<b>Derivative financial liabilities</b>						
Derivative liabilities		70,059	71,416	41,240	30,176	-
<b>Total liabilities</b>		<b>13,178,495</b>	<b>24,205,195</b>	<b>3,951,391</b>	<b>4,432,264</b>	<b>15,821,540</b>
<b>30 June 2022</b>						
	<b>Note</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>&lt;1 year</b>	<b>1-5 years</b>	<b>&gt; 5 years</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-derivative financial assets</b>						
Cash and cash equivalents and restricted cash	13	654,037	654,037	654,037	-	-
Trade receivables and other assets	14	208,011	208,011	208,011	-	-
Financial assets	15	12,915,940	23,062,883	1,253,658	4,283,193	17,526,033
Corporate bonds	16	7,255	7,371	7,371	-	-
<b>Derivative financial assets</b>						
Derivative assets		30,595	31,082	9,942	20,654	486
<b>Total assets</b>		<b>13,815,838</b>	<b>23,963,384</b>	<b>2,133,019</b>	<b>4,303,847</b>	<b>17,526,519</b>
<b>Non-derivative financial liabilities</b>						
Payables	18	172,330	172,330	171,907	423	-
Debt issues	19	8,871,206	14,951,172	436,925	1,772,543	12,741,704
Finance facilities	19	3,861,012	4,368,930	1,309,827	3,059,103	-
Deposits and unitholder liabilities	19	66,350	66,927	62,420	4,507	-
Lease liabilities		8,578	8,578	3,120	5,458	-
Loans from related parties	21	3,928	3,928	3,928	-	-
<b>Derivative financial liabilities</b>						
Derivative liabilities		104,139	104,844	12,379	92,465	-
<b>Total liabilities</b>		<b>13,087,543</b>	<b>19,676,709</b>	<b>2,000,506</b>	<b>4,934,499</b>	<b>12,741,704</b>

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**5 FINANCIAL RISK MANAGEMENT (cont.)**

**(e) Market risk**

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

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

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

**Interest rate risk**

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

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

	<b>31 December 2022</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Fixed rate instruments</i>		
Cash and cash equivalents and restricted cash	1,500	1,500
Financial assets	1,866,914	1,398,106
Financing	(1,744,248)	(881,696)
	124,166	517,910
<i>Variable rate instruments</i>		
Cash and cash equivalents and restricted cash	592,886	652,537
Financial assets	11,300,063	11,517,834
Financing	(11,277,164)	(11,920,800)
Net Derivatives	(36,469)	(73,544)
	579,316	176,027

*Sensitivity analysis*

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

	<b>31 December 2022</b>		<b>30 June 2022</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Impact of movement in interest rates</i>	Profit or Loss	Equity	Profit or loss	Equity
+3% increase in interest rates (June 2022: +3%)	(273)	(73,053)	(224)	(29,717)
-3% decrease in interest rates (June 2022: -3%)	273	73,053	224	29,717

**Price risk**

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

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**5 FINANCIAL RISK MANAGEMENT (cont.)**

**(e) Market risk (cont.)**

*Sensitivity analysis*

All of the Liberty Group's listed equity securities are listed on the Australian Securities Exchange (ASX). For such investments classified as FVOCI, an increase/decrease of +2%/-2% (June 2022: +2%/-2%) in the ASX 200 average would have increased/decreased equity by \$843,000 (June 2022: \$856,000).

**Currency risk**

The Liberty Group undertakes certain transactions denominated in foreign currency, hence exposures to exchange rate fluctuations arise. New Zealand denominated financial assets are funded by New Zealand denominated borrowings, thereby creating a natural hedge. In respect of other monetary assets and liabilities held in currencies other than the AUD, for which the exposures are immaterial, the Liberty Group elects not to enter into foreign exchange contracts to hedge the translation exposure, except for Euro and Yen denominated securitisation notes for which the Liberty Group has entered into cross currency interest rate swaps. The foreign exchange translation on the Euro and Yen denominated securitisation notes is perfectly hedged by the foreign exchange hedging effect from the cross currency interest rate swaps, therefore there is no currency risk exposure.

**(f) Capital management**

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

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

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

**(g) Derivative assets and liabilities**

*Hedge accounting*

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

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

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

Source of hedge ineffectiveness affecting hedge accounting are:

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

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

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

The average exchange rates were as follows: EUR: no EUR cross-currency hedges as at 31 December 2022 (June 2022: 1.6252); and JPY: 0.0126 (June 2022: 0.0127).

The average fixed interest rate was 4.5% (June 2022: 4.7%).

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**5 FINANCIAL RISK MANAGEMENT (cont.)**

**(g) Derivative assets and liabilities (cont.)**

Cash flow hedges	As at 31 December 2022			During the period ended 31 December 2022					
	Nominal amount - maturity			Carrying amount		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	
\$'000	1-6 months	7 -12 months	More than one year	Assets	Liabilities				
<b>Interest rate risk</b>									
Interest rate swaps	425	-	1,683,701	33,590	(185)	1,979	-	-	
<b>Currency risk</b>									
Cross currency interest rate swaps	-	-	640,623	-	(69,874)	35,397	-	(38,096)	
<b>Total hedges</b>	<b>425</b>	<b>-</b>	<b>2,324,324</b>	<b>33,590</b>	<b>(70,059)</b>	<b>37,376</b>	<b>-</b>	<b>(38,096)</b>	
Cash flow hedges	As at 30 June 2022			During the year ended 30 June 2022					
	Nominal amount - maturity			Carrying amount		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	
\$'000	1-6 months	7 -12 months	More than one year	Assets	Liabilities				
<b>Interest rate risk</b>									
Interest rate swaps	7,708	4,114	803,524	30,595	(24)	28,641	-	-	
<b>Currency risk</b>									
Cross currency interest rate swaps	20,923	-	682,018	-	(104,115)	(36,653)	-	42,149	
<b>Total hedges</b>	<b>28,631</b>	<b>4,114</b>	<b>1,485,542</b>	<b>30,595</b>	<b>(104,139)</b>	<b>(8,012)</b>	<b>-</b>	<b>42,149</b>	

**6 SEGMENT INFORMATION**

**(a) Description of Segments**

The Liberty Group has identified three operating segments:

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

The Liberty Group's segments operate principally in Australia and New Zealand. A segment overview is presented below. During the half-year ended 31 December 2022, \$559 million of external revenue was generated within Australia (31 December 2021: \$407 million) and \$31 million of external revenue was generated within New Zealand (31 December 2021: \$34 million). At 31 December 2022 there were \$12,928 million non-current assets in Australia (June 2022: \$12,791 million) and \$351 million non-current assets in New Zealand (June 2022: \$297 million).

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

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
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**6 SEGMENT INFORMATION (cont.)**

<b>(b) Segment Overview</b>	<b>Residential Finance \$'000</b>	<b>Secured Finance \$'000</b>	<b>Financial Services \$'000</b>	<b>Corporate \$'000</b>	<b>Total \$'000</b>
<b>31 December 2022</b>					
Interest income	253,475	152,082	21,659	14,472	441,688
Other finance income	16,350	18,542	111,196	-	146,088
Other operating income	-	-	925	1,317	2,242
Interest expense	(165,351)	(74,098)	(8,932)	(7,119)	(255,500)
Recoveries/(impairment expense)	4,373	(5,650)	(2,402)	-	(3,679)
Other finance expenses	(20,861)	(15,347)	(74,741)	(8,910)	(119,859)
<b>Net margin as reported by the Liberty Group</b>	<b>87,986</b>	<b>75,529</b>	<b>47,705</b>	<b>(240)</b>	<b>210,980</b>
Operating expenses	(14,574)	(6,067)	(19,836)	(46,558)	(87,035)
Depreciation and amortisation	-	-	-	(9,240)	(9,240)
Tax expense	-	-	-	(10,755)	(10,755)
<b>Profit from continuing operations</b>	<b>73,412</b>	<b>69,462</b>	<b>27,869</b>	<b>(66,793)</b>	<b>103,950</b>
<b>31 December 2022 Segment Balance Sheet Information</b>					
Total Segment Assets	8,668,655	4,401,754	687,768	716,196	14,474,373
<b>Total Assets reported by the Liberty Group</b>	<b>8,668,655</b>	<b>4,401,754</b>	<b>687,768</b>	<b>716,196</b>	<b>14,474,373</b>
Total Segment Liabilities	8,453,265	3,708,685	533,762	617,518	13,313,230
<b>Total Liabilities reported by the Liberty Group</b>	<b>8,453,265</b>	<b>3,708,685</b>	<b>533,762</b>	<b>617,518</b>	<b>13,313,230</b>
<b>Segment Overview</b>					
	<b>Residential Finance \$'000</b>	<b>Secured Finance \$'000</b>	<b>Financial Services \$'000</b>	<b>Corporate \$'000</b>	<b>Total \$'000</b>
<b>31 December 2021</b>					
Interest income	173,575	113,898	17,824	6,363	311,660
Other finance income	15,478	16,269	95,039	-	126,786
Other operating income	-	-	1,197	974	2,171
Interest expense	(72,021)	(32,832)	(4,085)	(6,792)	(115,730)
Impairment expense	3,677	1,117	(3,109)	-	1,685
Other finance expenses	(19,919)	(12,342)	(72,102)	(11,738)	(116,101)
<b>Net margin as reported by the Liberty Group</b>	<b>100,790</b>	<b>86,110</b>	<b>34,764</b>	<b>(11,193)</b>	<b>210,471</b>
Operating expenses	(11,494)	(5,189)	(18,478)	(33,190)	(68,351)
Depreciation and amortisation	-	-	-	(8,856)	(8,856)
Tax expense	-	-	-	(16,814)	(16,814)
<b>Profit from continuing operations</b>	<b>89,296</b>	<b>80,921</b>	<b>16,286</b>	<b>(70,053)</b>	<b>116,450</b>
<b>30 June 2022 Segment Balance Sheet Information</b>					
Total Segment Assets	8,967,073	3,914,947	580,652	862,531	14,325,203
<b>Total Assets reported by the Liberty Group</b>	<b>8,967,073</b>	<b>3,914,947</b>	<b>580,652</b>	<b>862,531</b>	<b>14,325,203</b>
Total Segment Liabilities	8,528,853	3,339,191	384,644	956,378	13,209,066
<b>Total Liabilities reported by the Liberty Group</b>	<b>8,528,853</b>	<b>3,339,191</b>	<b>384,644</b>	<b>956,378</b>	<b>13,209,066</b>

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	Six months to 31 December 2022 \$'000	Six months to 31 December 2021 \$'000
<b>7 OTHER FINANCE INCOME</b>		
Effective yield fee income on financial assets measured at amortised cost	21,779	20,585
Net interest income on interest rate swaps including break and restructuring costs	2,692	-
Lending fee income	18,008	17,676
Commission income	103,609	88,525
	<u>146,088</u>	<u>126,786</u>
Effective yield fee income on financial assets measured at amortised cost is considered part of interest income. Lending fee income and commission income is recognised in accordance with AASB 15 <i>Revenue from Contracts with Customers</i> .		
<b>8 FINANCE EXPENSE</b>		
Interest expense on financial liabilities measured at amortised cost	255,500	110,003
Net interest expense on interest rate swaps including break and restructuring costs	-	5,727
Effective yield costs on financial liabilities measured at amortised cost	7,349	7,757
Net foreign exchange loss	5	212
Lending costs	5,714	8,287
Commission expense	106,773	99,843
Unrealised loss on assets and liabilities	18	2
	<u>375,359</u>	<u>231,831</u>
<b>9 PERSONNEL EXPENSE</b>		
Wages, salaries and on-costs	35,235	33,509
Share-based payment expense	1,826	2,241
Superannuation	3,172	2,776
Long service leave	180	231
Annual leave	2,260	1,931
Other personnel expenses	2,652	1,668
	<u>45,325</u>	<u>42,356</u>
<b>10 OTHER EXPENSES</b>		
Occupancy expenses	1,703	1,868
Loan establishment and management	7,419	7,637
Technology, communications and marketing	10,857	6,817
Depreciation	2,938	2,544
Amortisation and impairment	6,302	6,312
Contingent consideration	9,944	600
Other operating expenses and professional fees	11,787	9,073
	<u>50,950</u>	<u>34,851</u>
<b>11 INCOME TAX EXPENSE</b>		
<b>Recognised in profit or loss</b>		
<i>Current period</i>	5,681	10,933
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	4,866	5,975
Tax losses	-	(327)
Prior year adjustments	208	233
	<u>10,755</u>	<u>16,814</u>
<b>Recognised in other comprehensive income</b>		
Unrealised gain on fair value of financial assets at FVOCI	(201)	(438)
	<u>10,554</u>	<u>16,376</u>

**LIBERTY GROUP**  
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**Six months to**                      **Six months to**  
**31 December 2022**    **31 December 2021**  
**\$'000**                                      **\$'000**

**11 INCOME TAX EXPENSE (cont.)**

**Reconciliation between tax expense and profit**

Profit before income tax	114,705	133,264
Income tax using domestic corporation tax rate of 30% (2021: 30%)	34,412	39,979
Net movement in income tax due to:		
International differential in tax rate	7	219
Non-deductible expenses	3,537	749
Non-assessable income	(22,921)	(24,224)
Tax cost base reset	(4,044)	-
Fees transferred	(444)	(142)
Prior year adjustments	208	233
Income tax expense on profit	10,755	16,814

In December 2022 the Liberty Group acquired the remaining 40% of equity in ALI Corporate Pty Ltd, bringing its ownership to 100%. As a result ALI Corporate Pty Ltd became a member of the Liberty Group's tax consolidated group. This necessitated a tax cost base reset, which resulted in a reduction in the Liberty Group's deferred tax liability of \$4,043,721, with a corresponding income tax benefit.

**12 SHARE-BASED PAYMENT ARRANGEMENTS**

**(a) Description of share-based payment arrangements**

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

During the period ended 31 December 2022, the Liberty Group made the following share-based payment arrangements.

**(i) Long Term Incentive Plan (equity settled)**

On 23 December 2022 the Liberty Group granted Long Term Incentive deferred equity awards to Executive Key Management Personnel (KMP) and Group Managers under the Company's Equity Incentive Plan. This award represents the Long Term Incentive for the financial year ended 30 June 2022. In total 23,251,320 awards were granted with a total value at grant date of \$4,380,002. Each award represents a right to receive one stapled security in the capital of the Liberty Group at an exercise price of \$3.45 per stapled security.

Each award is subject to gateway vesting conditions, which will be tested on 1 December 2025. Those awards that meet the gateway vesting conditions are then subject to service vesting conditions as follows:

- 1/3 of the Awards will vest on 1 December 2025;
- 1/3 of the Awards will vest on 1 December 2026;
- 1/3 of the Awards will vest on 1 December 2027.

The fair value of the Long Term Incentive plan was determined using the Monte Carlo simulation option pricing model and the Black-Scholes model.

Details of awards granted to Executive KMP are as follows:

<b>Grant date/employees entitled</b>	<b>Number of awards</b>	<b>Vesting conditions</b>	<b>Contractual life of awards</b>
Awards granted to Executive KMP on 23 December 2022	12,804,879	Refer to vesting conditions of the Long Term Incentive Plan. The Plan is unchanged from the year ended 30 June 2022.	15 years



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**12 SHARE-BASED PAYMENT ARRANGEMENTS (cont.)**

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

**(ii) Medium Term Incentive Plan (cash settled)**

On 23 December 2022 the Liberty Group granted Medium Term Incentive deferred equity awards to employees under the Company's Equity Incentive Plan. This award represents the two-thirds deferred equity portion of the Medium Term Incentive for the financial year ended 30 June 2022. In total 1,033,332 awards were granted with a total value at grant date of \$3,063,844. Each award represents a right to receive one stapled security in the capital of the Liberty Group at no cost. The Liberty Group has the discretion to make a cash payment of equivalent value instead of issuing the stapled securities. The remaining one-third totalling \$1,549,998 was paid to employees in cash in December 2022.

The awards will vest as follows:

- 50% of the Awards will vest on 1 December 2023, subject to the relevant employee remaining continuously employed by a member of the Liberty Group from the grant date until that time; and
- 50% of the Awards will vest on 1 December 2024, subject to the relevant employee remaining continuously employed by a member of the Liberty Group from the grant date until that time.

The fair value of the Medium Term Incentive plan was determined using the Black-Scholes model.

Details of awards granted to Executive KMP are as follows:

<b>Grant date/employees entitled</b>	<b>Number of awards</b>	<b>Vesting conditions</b>	<b>Contractual life of awards</b>
Awards granted to Executive KMP on 23 December 2022	186,667	Refer to vesting conditions of the Medium Term Incentive Plan. The Plan is unchanged from the year ended 30 June 2022.	15 years

**(b) Measurement of grant date fair values**

The following table discloses the metrics relevant to the measurement of grant date fair values, for Long Term Incentive deferred equity awards granted to Executive KMP during the period ended 31 December 2022.

	<b>Long Term Incentive Plan</b>		
	<b>Tranche 1 (see (a)(i))</b>	<b>Tranche 2 (see (a)(i))</b>	<b>Tranche 3 (see (a)(i))</b>
Grant dates	23-Dec-22	23-Dec-22	23-Dec-22
Fair value	\$0.21	\$0.21	\$0.21
Security price	\$3.44	\$3.44	\$3.44
Exercise price	\$3.45	\$3.45	\$3.45
Expected volatility (Weighted average volatility)	32.5%	32.5%	32.5%
Security right life (expected weighted average life)	8 years	8 years	8 years
Expected distributions	9.61%	9.61%	9.61%
Risk-free interest rate (based on government bonds)	3.80%	3.80%	3.80%

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**12 SHARE-BASED PAYMENT ARRANGEMENTS (cont.)**

**(b) Measurement of grant date fair values (cont.)**

The following table discloses the metrics relevant to the measurement of grant date fair values, for Long Term Incentive deferred equity awards granted to Group Managers during the period ended 31 December 2022.

	<b>Long Term Incentive Plan</b>		
	<b>Tranche 1 (see (a)(i))</b>	<b>Tranche 2 (see (a)(i))</b>	<b>Tranche 3 (see (a)(i))</b>
Grant dates	23-Dec-22	23-Dec-22	23-Dec-22
Fair value	\$0.17	\$0.17	\$0.17
Security price	\$3.44	\$3.44	\$3.44
Exercise price	\$3.45	\$3.45	\$3.45
Expected volatility (Weighted average volatility)	32.5%	32.5%	32.5%
Security right life (expected weighted average life)	8 years	8 years	8 years
Expected distributions	9.61%	9.61%	9.61%
Risk-free interest rate (based on government bonds)	3.80%	3.80%	3.80%

The following table discloses the metrics relevant to the measurement of grant date fair values, for Medium Term Incentive deferred equity awards granted to all eligible employees, including Executive KMP and Group Managers, during the period ended 31 December 2022.

	<b>Medium Term Incentive Plan</b>	
	<b>Tranche 1 (see (a)(ii))</b>	<b>Tranche 2 (see (a)(ii))</b>
Grant dates	23-Dec-22	23-Dec-22
Fair value	\$3.11	\$2.82
Security price	\$3.44	\$3.44
Exercise price	-	-
Expected volatility (Weighted average volatility)	32.5%	32.5%
Security right life (expected weighted average life)	1 year	2 years
Expected distributions	9.61%	9.61%
Risk-free interest rate (based on government bonds)	3.24%	3.31%

**(c) Liabilities arising from share-based payment transactions**

Details of liabilities arising from share-based payment transactions are as follows:

	<b>Note</b>	<b>31 December 2022 \$'000</b>	<b>30 June 2022 \$'000</b>
Total carrying amount of liabilities for share-based payments	18	2,560	1,771
Total intrinsic value of liabilities for vested benefits		-	-

**LIBERTY GROUP**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

**13 CASH AND CASH EQUIVALENTS**

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

In addition to cash reserves, the Liberty Group held liquidity facilities at 31 December 2022 of \$19,585,000 (June 2022: \$13,399,000) with third parties. These liquidity facilities are available to meet liquidity shortfalls from time to time. To date, no reserves available to the Liberty Group have ever been utilised for the abovementioned purposes.

	<b>Note</b>	<b>31 December 2022</b> <b>\$'000</b>	<b>30 June 2022</b> <b>\$'000</b>
<b>Reconciliation of cash and cash equivalents</b>			
Cash and cash equivalents at bank		476,311	546,898
Restricted cash		118,075	107,139
		<hr/>	<hr/>
Total as disclosed in the statement of cash flows		594,386	654,037

**14 TRADE RECEIVABLES AND OTHER ASSETS**

Loans to related parties	21	69,897	140,486
Insurance commission		136,099	108,900
Other assets		40,013	38,012
Income tax receivable		31,107	29,056
Other loans		462	457
		<hr/>	<hr/>
		277,578	316,911

Current trade receivables and other assets are \$158,735,000 (June 2022: \$224,366,000) and non-current are \$118,843,000 (June 2022: \$92,545,000). Loans to related parties are unsecured.

**15 FINANCIAL ASSETS**

**(a) Financial assets comprises:**

Gross financial assets		13,171,195	12,933,907
Net financial assets		13,231,591	12,979,329
		<hr/>	<hr/>
Less:			
Specific provision for financial asset impairment		(10,731)	(10,697)
Collective provision for financial asset impairment		(53,883)	(52,692)
		<hr/>	<hr/>
		13,166,977	12,915,940

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

**(b) Contractual maturity analysis**

Not longer than 12 months		333,569	250,258
Longer than 12 months and less than 5 years		1,958,666	1,703,032
Greater than 5 years		10,874,742	10,962,650
		<hr/>	<hr/>
		13,166,977	12,915,940

**(c) Geographic concentration of financial assets**

New South Wales/ACT		3,926,591	3,954,967
Victoria/Tasmania		4,864,968	4,766,170
Queensland		2,410,030	2,357,845
Western Australia		1,080,562	1,011,354
South Australia/Northern Territory		540,757	533,144
New Zealand		344,069	292,460
		<hr/>	<hr/>
		13,166,977	12,915,940

**LIBERTY GROUP**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

**31 December 2022**   **30 June 2022**  
**\$'000**   **\$'000**

**16 OTHER INVESTMENTS**

Corporate bonds	7,211	7,255
Other equity investments	36,830	37,509
	44,041	44,764

Current other investments are \$3,279,000 (June 2022: \$7,295,000) and non-current other investments are \$40,762,000 (June 2022: \$37,469,000) for the Liberty Group. Other equity investments are included within non-current other investments.

**17 INTANGIBLE ASSETS**

	Goodwill \$'000	Brand Name \$'000	Development costs \$'000	Intellectual property \$'000	Total \$'000
<b>(a) Carrying value</b>					
<b>30 June 2022</b>					
<b>Cost and carrying value</b>					
Balance at 1 July 2021	39,494	992	3,253	245,248	288,987
Additions/(disposals)	-	-	161	-	161
Amortisation	-	(143)	(657)	(11,835)	(12,635)
Foreign exchange movements	(268)	(25)	-	-	(293)
	39,226	824	2,757	233,413	276,220
	Goodwill \$'000	Brand Name \$'000	Development costs \$'000	Intellectual property \$'000	Total \$'000
<b>31 December 2022</b>					
<b>Cost and carrying value</b>					
Balance at 1 July 2022	39,226	824	2,757	233,413	276,220
Additions/(disposals)	-	-	78	-	78
Amortisation	-	(69)	(314)	(5,918)	(6,301)
Foreign exchange movements	294	27	-	-	321
	39,520	782	2,521	227,495	270,318

**(b) Impairment testing for cash generating units containing goodwill**

	31 December 2022 \$'000	30 June 2022 \$'000
<b>Cash generating units</b>		
ALI	14,223	14,223
nMB	10,095	10,095
MoneyPlace	6,541	6,541
MPMH	1,670	1,612
MPRE	6,991	6,755
	39,520	39,226

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

**18 PAYABLES**

Distribution payable	196	85,614
Share-based payment liability	2,560	1,771
Interest payable	27,262	14,576
Commission payable	46,408	38,112
Contingent consideration	-	21,610
Payables and accruals	49,841	48,759
	126,267	210,442

Current payables are \$85,667,000 (June 2022: \$178,127,000) and non-current are \$40,600,000 (June 2022: \$32,315,000).

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	<b>31 December 2022</b>	<b>30 June 2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>19 FINANCING</b>		
Debt issues	8,356,250	8,871,206
Finance facilities	4,600,730	3,861,012
Deposits and unitholder liabilities	60,122	66,350
Loans from related parties	4,310	3,928
	<u>13,021,412</u>	<u>12,802,496</u>

Current financing are \$3,186,566,000 (June 2022: \$1,448,668,000) and non-current are \$9,834,846,000 (June 2022: \$11,353,828,000).

**Debt issuances**

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

The Liberty Group has issued unsecured debt of \$1,100,000,000 (June 2022: \$1,100,000,000) which is due to mature between 2023 and 2027 and is recorded at fair value.

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

**Finance facilities**

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

Total facilities available	7,138,466	6,649,682
Facilities utilised at balance date	4,600,730	3,861,012
Facilities not used at balance date	2,537,736	2,788,670

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

**Bank guarantees**

Bank guarantees totalling \$1,699,000 (June 2022: \$1,580,000) have been provided by the Liberty Group in relation to credit card facilities, lease on premises and other matters. These guarantees are secured by the assets of the Liberty Group.

	<b>31 December 2022</b>	<b>30 June 2022</b>
	<b>\$</b>	<b>\$</b>
<b>20 CAPITAL AND RESERVES</b>		
<b>(a) Capital</b>		
<b>Contributed equity</b>		
303,600,000 stapled securities, fully paid (June 2022: 303,600,000 stapled securities, fully paid)	719,000,100	719,000,100

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

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

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

**LIBERTY GROUP**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
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**20 CAPITAL AND RESERVES (cont.)**

**(b) Dividends and distributions**

<b>31 December 2022</b>	<b>Cents per stapled security</b>	<b>Total amount \$'000</b>	<b>Date of payment</b>
<b>Distribution information</b>			
Interim 2023 distribution per stapled security	21.0	<u>63,756</u>	15 December 2022
Total		<u>63,756</u>	

No interim dividend was declared or paid during the period ending 31 December 2022 (30 June 2022: nil).

<b>30 June 2022</b>	<b>Cents per stapled security</b>	<b>Total amount \$'000</b>	<b>Date of payment</b>
<b>Distribution information</b>			
Interim 2022 distribution per stapled security	21.0	63,756	15 December 2021
Final 2022 distribution per stapled security	28.2	<u>85,525</u>	31 August 2022
Total		<u>149,281</u>	

**Dividend franking account**

The amount of Australian franking credits available at the 30% tax rate to the Liberty Group for subsequent years is \$32.8 million (June 2022: \$33.3 million).

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

**(c) Reserves**

**Translation reserve**

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

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

**Cash flow hedge reserve**

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

**Revaluation reserve**

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

**Common control reserve**

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

**Share-based payment reserve**

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

**LIBERTY GROUP**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

**21 RELATED PARTIES**

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

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

Entity name	31 December 2022	Ownership interest
	%	30 June 2022 %
A.L.I. Group Pty Ltd	100	60
ALI Corporate Pty Ltd	100	60
ALI Equity Pty Ltd	100	60
Assured Credit Management Pty Ltd	100	100
Australian Life Insurance Administration Pty Ltd	100	60
Australian Life Insurance Distribution Pty Ltd	100	60
Australian Life Insurance Pty Ltd	100	60
Hero Trust	-	-
LFI Group Pty Ltd	100	100
Liberty 2022-1 Wholesale Auto Trust	100	-
Liberty Borrowdale Trust	100	100
Liberty Charlotte Trust	100	100
Liberty Credit Enhancement Company NZ Limited	100	100
Liberty Credit Enhancement Company Pty Ltd	100	100
Liberty Dealer Finance Pty Ltd	100	100
Liberty Fiduciary Limited	100	100
Liberty Financial Limited	100	100
Liberty Financial Pty Ltd	100	100
Liberty Funding Pty Ltd	100	100
Liberty High Yield Fund	100	100
Liberty Network Services Pty Ltd	100	100
Liberty NZ Warehouse Trust No.1	100	100
Liberty PRIME Series 2021-1 Trust	100	100
Liberty PRIME Series 2021-2 Trust	100	100
Liberty PRIME Series 2022-1 Trust	100	100
Liberty Reps Funding Trust	100	100
Liberty Scarborough Trust	100	100
Liberty Series 2018-1 Auto Trust	-	100
Liberty Series 2018-1 SME Trust	-	100
Liberty Series 2018-3 Trust	-	100
Liberty Series 2018-4 Trust	-	100
Liberty Series 2019-1 SME Trust	100	100
Liberty Series 2019-2 Trust	100	100
Liberty Series 2020-1 Auto Trust	100	100
Liberty Series 2020-1 SME Trust	100	100
Liberty Series 2020-1 Trust	100	100
Liberty Series 2020-2 Trust	100	100
Liberty Series 2020-3 Trust	100	100
Liberty Series 2020-4 Trust	100	100
Liberty Series 2021-1 SME Trust	100	100
Liberty Series 2021-1 Trust	100	100
Liberty Series 2022-1 Auto Trust	100	100
Liberty Series 2022-1 SME Trust	100	-
Liberty Series 2022-1 Trust	100	100
Liberty Series 2022-2 Trust	100	-
Liberty Sirius Trust	100	100
Liberty Term Investment Fund	60	66
Liberty Warehouse Trust 2012-1	100	100
Liberty Warehouse Trust No.1	100	100
Liberty Wholesale Series 2021-1 Trust	100	100
Liberty Wholesale Series 2021-2 Trust	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

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**LIBERTY GROUP**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

**21 RELATED PARTIES (cont.)**

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

Entity name	31 December 2022	Ownership interest
	%	30 June 2022 %
Mike Pero Insurances Limited	100	100
Mike Pero Mortgages Limited	100	100
Mike Pero Real Estate 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 ACL Pty Ltd	100	100
Money Place Assets Pty Ltd	100	100
Money Place Australia Pty Ltd	100	100
Money Place Holdings Pty Ltd	100	100
MoneyPlace Lending Platform	7	11
MoneyPlace Pty Ltd	100	100
Mosaic Financial Services Pty Ltd	100	100
MPMH Limited	100	100
MPRE Limited	100	100
National Mortgage Brokers (WA) Pty Ltd	100	100
National Mortgage Brokers Pty Ltd	100	100
Priceware Pty Ltd	50	50
Secure Credit Pty Ltd	100	100
Secure Funding Limited	100	100
Secure Funding Pty Ltd	100	100

*ALI Corporate Pty Ltd*

On 15 November 2017, the Liberty Group acquired preference shares in ALI Corporate Pty Ltd. In November 2020, all preference shares were converted to ordinary shares, resulting in the Liberty Group owning 60% of the equity in ALI Corporate Pty Ltd and its subsidiaries. In December 2022 the Liberty Group acquired a further 40% of ordinary shares in ALI Corporate Pty Ltd, resulting in the Liberty Group owning 100% of the equity in ALI Corporate Pty Ltd and its subsidiaries.

*Hero Trust and Priceware Pty Ltd*

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

**(b) Transactions with related parties**

	Six months to 31 December 2022	Six months to 31 December 2021
	\$	\$
<b>Statement of profit or loss and other comprehensive income items arising from related party transactions</b>		
Distribution paid/payable to related parties of the Liberty Group	(49,337,299)	(49,337,299)
Interest income from related parties of the Liberty Group	2,757,968	2,093,181
	<b>31 December 2022</b>	<b>30 June 2022</b>
	\$	\$
<b>Assets and liabilities arising from related party transactions</b>		
Aggregate loans to related parties:		
Controlling entities	69,614,521	139,988,878
Other related parties	282,659	496,843
	<u>69,897,180</u>	<u>140,485,721</u>
Aggregate loans from related parties:		
Controlling entities	442,508	430,795
Other related parties	3,867,136	3,496,981
	<u>4,309,644</u>	<u>3,927,776</u>

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**LIBERTY GROUP**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

**22 CAPITAL COMMITMENTS AND CONTINGENCIES**

There are no capital commitments as at 31 December 2022 (30 June 2022: nil). Contingent liabilities exist in relation to claims and/or possible claims against the Liberty Group which have not yet been resolved. An assessment of the likely outcome and potential loss to the Liberty Group has been made in respect of the identified claims, on a claim by claim basis, and specific provision has been made where it is considered probable that an outflow of economic benefits will occur and the amount can be reliably estimated. The Liberty Group does not consider that the outcome of any current known or potential claim or proceedings, either individually or in aggregate, is likely to materially affect its operations or financial position.

**23 EVENTS SUBSEQUENT TO BALANCE DATE**

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

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**LIBERTY GROUP  
DIRECTORS' DECLARATION  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

In the opinion of the Directors of the Liberty Financial Group Limited and the directors of Liberty Fiduciary Ltd as responsible entity of the Liberty Financial Group Trust (Liberty Group):

- (a) the consolidated financial statements and notes, set out on pages 6 to 38 are in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Liberty Group's financial position as at 31 December 2022 and of its performance for the half-year ended 31 December 2022; and
  - (ii) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Liberty Group will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of the Directors of the Liberty Group:

  
\_\_\_\_\_  
Richard Longes  
Chair

Dated at Melbourne on 24 February 2023.

**LIBERTY GROUP  
CORPORATE DIRECTORY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022**

**Principal Registered Office**

**Liberty Group**

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**Telephone**

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**Email**

service@liberty.com.au

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(03) 8635 8888

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www.lfgroup.com.au

**Share Registry**

**Link Market Services**

Tower 4, 727 Collins Street  
Docklands VIC 3008

**Telephone**

1300 554 474

**Email**

registrars@linkmarketservices.com.au

**Stock Listing**

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

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# Independent Auditor's Review Report

To the security holders of Liberty Financial Group

## Report on the Interim Financial Report

### Conclusion

We have reviewed the accompanying **Interim Financial Report** of Liberty Financial Group (the Liberty 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 Liberty Group does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Liberty Group's** financial position as at 31 December 2022 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 Liberty Group comprises:

- Consolidated statement of financial position as at 31 December 2022;
- 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 2022;
- Notes 1 to 23 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

The **Interim Period** is the six months ended on 31 December 2022.

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

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## Responsibilities of the Directors for the Interim Financial Report

The Directors of Liberty Financial Group Limited are responsible for:

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

## Auditor's Responsibilities for the Review of the [Half-year/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 Liberty Group's financial position as at 31 December 2022 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 2023