

20
23

Annual Report

 **Liberty**
Loans for free thinkers



Corporate Governance

Liberty Group endorses the ASX's Corporate Governance Principles and Recommendations (Fourth Edition). Further information on Liberty Group's compliance with the ASX's Corporate Governance Principles and Recommendations, including our Corporate Governance Statement, can be found at www.lfgroup.com.au/about-us/corporate-governance.

Contents

Letter from the Chair	2
Letter from the CEO	4
Financial Highlights	6
Business Highlights	7
Financial Report	8
Directors' Report	9
Remuneration Report	19
Auditor's Independence Declaration	42
Consolidated Statement of Profit or Loss and Other Comprehensive Income	43
Consolidated Statement of Change in Equity	44
Consolidated Statement of Financial Position	45
Consolidated Statement of Cash Flow	46
Notes to the Financial Statements	47
Directors' Declaration	106
Independent Auditor's Report	107
Securityholder Information	113
Corporate Directory	III

Letter from the Chair

We are strongly positioned to take advantage of future opportunities

The past year has been one of sound results given the current economic and competitive environment and the challenges faced in absorbing higher interest rates and costs of living. We are also conscious of the impact that the rapid increase in interest costs has on our customers.

Our securityholders

Liberty Group achieved statutory net profit after tax for the year ended 30 June 2023 of \$181 million or \$0.60 per stapled security. This result is 17% lower than FY22 reflecting challenging capital market conditions.

The Group distributed earnings of \$0.45 per stapled security to securityholders at a payout ratio of 75%. This distribution equates to an unfranked yield of 12% based on the security price as at 30 June 2023. We affirm our current policy to distribute 40% to 80% of annual Group net profit after tax to securityholders.

Our broker partners

In an environment of lower demand for home loans, brokers are more than ever seeking to diversify their income stream. At Liberty, we provide brokers with broad product options for their customers. Providing customers with choice enables our broker partners to diversify their income sources which supports their business. For example, we continue to offer solutions that many do not have the capabilities to offer such as business lending and floorplan finance. We finished the year with an increased broker Net Promoter Score of 82 which reflects our focus on exceptional service delivery.

Our customers

Liberty has successfully supported customers through a number of challenging economic cycles over the last 26 years. Supporting customers in their time of financial need is a core competency of Liberty and we were able to apply our skills and experience to benefit our customers during this year. We are well positioned to continue this work into the coming year as necessary.

Looking ahead

The likely continuation of lower demand for home finance and capital market pressures will continue to impact profitability for the next Financial Year. However, the Company is in a strong financial position and has the capabilities needed to diversify its products and services to customers and to add value through the cycle. We are optimistic about new opportunities emerging over the coming years and believe that there are many more customers that we can help.

As an investment grade rated financial institution, we have the capital strength to support our growth ambitions and to absorb and adapt into any headwinds that may eventuate.

I would like to thank the entire Liberty Group staff and my Board colleagues each of whom contributed to delivering the sound results for FY23 and ensuring the company is in a financially strong position as we progress into FY24.

Finally, thanks to you, the securityholders for your support.



Richard Longes

Chair



Letter from the CEO

Over the past year, we have again produced distinguished results

Our vision is to be the leading finance group that champions free thinking. We have never been clearer about our purpose of helping more people get and stay financial. We believe this purpose and the continued focus on providing customers with diverse products and services will result in the continued delivery of distinguished outcomes for stakeholders into the future.

Helping our Customers

As a smaller lender relative to the major banks, we have always sought to provide valuable and differentiated services to our customers and business partners. Fast and responsive service is core to our market position. We continued to make improvements in our service with a focus on fast and responsive answers, and will continue to invest in this experience in the coming year.

Given the increase in interest rates and cost of living during FY23, we assisted more customers with loan repayment variations ensuring they retained their homes and cars and places of business. We will continue to provide this support in FY24 to help our customers navigate the consequences of higher inflation.

Reflecting our focus on customers and business partners, we are very proud of our net promoter scores for brokers (82) and customers (59). We aspire to maintain the same high standards in FY24 by continuing to improve the delivery of our products and services.

Supporting our People

We know that without a fully engaged team, we cannot support and service business partners and customers to our aspirational standards. That's why we spend time investing in and supporting our people.

We continue to champion the importance and value of diversity in all its forms. For example, during FY23 all leaders were trained

in neurodiversity to acknowledge and empower neurodivergent team members and to foster stronger belonging.

Our efforts in developing and nurturing a unique culture were externally recognised again this year when we were awarded the Australian Business Awards Employer of Choice Winner for the second year running. These efforts are reflected in our internal team surveys where 95% of our team are proud to work at Liberty.

Contributing to our Community

Our commitment to supporting and promoting diversity and inclusion extends both inside and outside Liberty.

We are the Principal Partner of the Melbourne Renegades supporting both the male and female cricket teams. We continued our association with the Essendon Football Club male and female teams as their official financial services partner. And we are thrilled to have extended our role as naming rights partner of the Liberty Women's A League. We were also the proud principal sponsor of the annual Run the Tan event in 2023, which raises funds and awareness for mental health charities.

We continue to implement improved ESG practices which was recognised by B Corp with a 30% improvement in our B Impact score to 107. During FY23 we launched environmentally conscious loan solutions in each of our product categories.

We aspire to being carbon neutral by 2030 and have now completed two carbon audits to learn about our carbon footprint and how it can be reduced.

Creating value for Securityholders

We created value for securityholders in FY23 by generating results that distinguishes us from other lenders. We delivered portfolio growth (unlike other peer non-banks), a peer leading net interest margin (2.76%) and return on equity (15%) whilst maintain the lowest leverage ratio (13.4).

These results collectively differentiate us from other ADIs and non-ADIs.

We delivered loan originations of \$5.4 billion marginally below FY22 which we believe to be a tremendous outcome in a period of lower credit demand and heightened ADI competition.

The impairment cost was 13bps in FY23, reflecting an increase of provisions necessary to support growth in the loan portfolio. Total provisions at \$74 million or 55 basis points of average financial assets is 6 times more than the annualised level of realised losses. As such, we feel we remain very strongly provisioned at 30 June 2023.

We remain a strongly capitalised and durable financial institution. Liberty Financial Pty Ltd, the principal operating company in the Liberty Group, had its investment grade rating with a positive outlook affirmed. And we were successful in raising \$4.7 billion in new funding during FY23, placing us in a strong liquidity position leading into FY24.

Confident in the year ahead

Given the changing economic environment we all face, we remain cautious yet optimistic. Cautious that consumer needs will evolve and competitor practices will moderate in the next 12 months. Optimistic that our people, culture, operating systems, balance sheet strength and free-thinking approach will enable us to successfully manage through the inevitable changes.

We will focus on sustainable and profitable portfolio growth, while investing in improving our customer experience through digital and online solutions.

We will continue with disciplined execution and care for our people and our customers. In so doing, I am confident that we will continue to deliver value to all our stakeholders in the year ahead.

In closing, I would like to acknowledge the professional and dedicated work of the Liberty team members. Without their efforts, we would not be where we are today.



Thank you.

A handwritten signature in black ink, appearing to read 'James Boyle', written over a light blue background.

James Boyle
Chief Executive Officer

Financial Highlights



Underlying NPATA

\$187m (\$231m)

(19%)



Net revenue

\$610m (\$635m)

(4%)



NIM

2.76% (3.08%)

(32bps)



BDD

13bps (0bps)

+13bps



Cost to income

26.6% (22.7%)

+390bps



Distribution

45bps (49bps)

(8%)

*Balances represent: FY23 (FY22) change between the periods

Business Highlights



Average financial assets

\$13.2b (\$12.6b)

+5%



New assets originated

\$5.4b (\$5.6b)

(2%)



Impaired loans

\$198m (\$152m)

+31%



FTE Staff

546 (524)

+4%



Broker NPS

82 (81)

+1%



Customer NPS

59 (64)

(8%)

*Balances represent: FY23 (FY22) change between the periods

Financial Report 2023

Directors' Report

For the year ended 30 June 2023

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 year ended 30 June 2023 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 year were:

James Boyle
Chief Executive Officer

James Boyle was appointed as a director in November 2020 and is the Liberty Group Chief Executive Officer and has been responsible for Liberty's strategy and execution for over five years. James oversees the Liberty's performance while ensuring the company remains agile, free thinking and curious. James has been part of the Liberty group for more than 15 years and brings invaluable insight into the changing landscape of the financial services industry.

James received an MBA from INSEAD Graduate Business School in France, and also holds a Masters of Applied Finance from Macquarie University and a Bachelor of Business from the Australian Catholic University.

Peter Hawkins
Independent Non-Executive Director

Peter Hawkins was appointed as a Director of the Company in 2006. Peter's 34-year career with the Australia and New Zealand Banking Group Ltd spanned the highest levels of management. His previous roles included Group Managing Director of Group Strategic Development and Group Managing Director of Personal Financial Services. He was formerly a director of Clayton Utz, ING Australia Limited, ING (NZ) Limited, Visa International,

Westpac Banking Corporation Ltd, Mirvac Limited (January 2006 to November 2020) and Crestone Holdings (February 2017 to May 2022).

Peter has a Bachelor of Commerce and Administration with First Class Honours from Victoria University, is a fellow of the Australian Institute of Company Directors and the Australian Institute of Bankers and is an Associate Chartered Accountant (New Zealand).

Richard Longes
Chair
Independent Non-Executive Director

Richard Longes was appointed as Chair in 2005. Richard was a Partner in the leading law firm Freehill Hollingdale & Page (now Herbert Smith Freehills) from 1971 to 1988 and a founding principal of the corporate advisory and private equity group Wentworth Associates. His prior directorships have included Chair of MLC, GPT, Austbrokers and Irongate Funds Management Ltd (February 2005 to July 2022), Deputy Chairman of Lend Lease Corporation and a Director of Boral, Metcash and Investec Bank Australia.

Richard has held positions with Government advisory boards as well as significant non-profit organisations, including Pain Management Research Institute, Bangarra Dance and NIDA.

Richard has Arts and Law degrees from the University of Sydney and an MBA from the University of New South Wales.

Sherman Ma
Executive Director

Sherman Ma founded the Liberty Group in 1997. Prior to that he gathered financial services experience whilst working in investment banking with the First Boston Corporation (now Credit Suisse), investment management with BlackRock Financial Management and management consulting with McKinsey & Company.

Sherman earned an MBA from the Wharton School and won the Management & Technology award for being first-in-program with dual disciplines in Economics and Operations Research at the University of Pennsylvania.

Directors' Report (continued)

For the year ended 30 June 2023

Leona Murphy

Independent Non-Executive Director

Leona Murphy was appointed as a Director of the Company in 2016. Leona joined the Liberty Group from leading insurer IAG Ltd, where she performed a number of group executive roles including Chief Strategy Officer and Chief Transformation Officer. Prior to IAG she was an Executive General Manager with Promina Group and Vero Insurance.

Leona is currently Chair of RACQ Ltd, RACQ Bank and RACQ Insurance, Director of Helia Group Ltd (appointed November 2022) and Director of The Climate Ready Initiative Advisory Board. Leona is formerly an independent director of Australian Insurance Association and Co-Chair of the UN Environmental Programs' Financial Initiative for Sustainable Insurance, the NZ Accident Compensation Commission and Chair of Stone & Chalk and Royal Brisbane and Women's Hospital Foundation.

Leona has a Bachelor of Commerce degree in Accounting and Law from Griffith University.

Jane Watts

Independent Non-Executive Director

Dr Jane Watts was appointed as a director of the Company in July 2022. Jane has over 30 years' experience across banking and financial services, holding senior executive positions in Westpac (including BT Financial Group), Macquarie and Lendlease. Most recently Jane was the Chief Customer Engagement Officer for the Business Bank of Westpac.

Jane was formerly a non-executive director on the financial advisory and accounting boards of Findex and Lachlan Partners. Jane is currently on the boards of Family Zone Cyber Safety Limited (appointed June 2022) (ASX: FZO), Orygen Youth Mental Health Foundation and Westpac Foundation.

Jane has a Bachelor of Social Sciences (Honours, cum laude) in Psychology and a PhD in Organisational Psychology from the University of Natal, South Africa and was a Post-Doctoral Fellow at the University of Manchester Institute of Science & Technology and University of Michigan, Ann Arbor, Business School.

All Directors held office throughout the year ended 30 June 2023 unless otherwise stated.

Company Secretary

Peter Riedel is the Liberty Group's Company Secretary and Chief Financial Officer, and is responsible for managing access to and control over capital for the wider Liberty group. Passionate about delivering efficient and effective financial solutions, Peter draws on his extensive knowledge to identify key insights to enhance business performance.

Before joining Liberty, Peter spent 16 years at Deloitte providing merger and acquisition, valuation and capital raising advice to companies in the financial services industry. Peter is a Chartered Accountant and holds a Bachelor of Economics from Monash University. Peter was appointed Company Secretary in 2008.

Directors' Meetings

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

The Directors of the Company met as a Board eight times during the year. All eight meetings were main meetings.

Directors' Board Meetings - Company

	Main meetings held	Main meetings attended	Special meetings held	Special meetings attended
James Boyle	8	8	-	-
Peter Hawkins	8	8	-	-
Richard Longes ^C	8	8	-	-
Sherman Ma	8	8	-	-
Leona Murphy	8	8	-	-
Jane Watts	8	8	-	-

C - Chair

The Directors of the RE, met as a Board seven times during the year. All seven meetings were main meetings.

Directors' Board Meetings - RE

	Main meetings held	Main meetings attended	Special meetings held	Special meetings attended
Peter Hawkins ^C	7	7	-	-
Richard Longes	7	7	-	-
Sherman Ma	7	7	-	-
Leona Murphy	7	7	-	-

C - Chair

Directors' Report (continued)

For the year ended 30 June 2023

Directors' Interests

Please see the Remuneration Report for the details of Directors' interests in the Liberty Group.

Committee Membership

The Liberty Group has an Audit, Risk and Compliance Committee and a Remuneration and Nomination Committee. Members acting on the Committees and meetings held are set out in the below tables:

Audit, Risk and Compliance Committee

	Meetings held	Meetings attended
Peter Hawkins ^C	4	4
Richard Longes	4	4
Leona Murphy	4	4
Jane Watts	4	4

Remuneration and Nomination Committee

	Meetings held	Meetings attended
Peter Hawkins	3	3
Richard Longes	3	3
Leona Murphy ^C	3	3
Jane Watts	3	3

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 year ended 30 June 2023.

Results and Review of Operations

The consolidated profit after income tax amounted to \$181.1 million (2022: \$219.3 million). The Liberty Group had financial assets under management of \$13.6 billion (2022: \$12.9 billion).

Total operating income increased by \$363.5 million (41.8%) from \$869.2 million in FY22 to \$1,232.7 million in FY23 as a result of the following:

- Interest income increased by \$342.5 million (55.1%) from \$622.0 million in FY22 to \$964.5 million in FY23 due to:
 - an increase in average financial assets of 5.1%, from \$12.6 billion to \$13.2 billion; and
 - an increase in interest income yield from 4.9% to 7.3%, as a result of the pass on of RBA cash rate increases to existing customers, asset mix benefit towards higher yielding Secured and Financial Services segments and the mix of originations and discharges.
- Fee, commission and other income increased by \$21.2 million (8.5%) from \$247.1 million to \$268.2 million primarily due to:
 - higher commission income of \$16.7 million, comprising \$27.2 million from ALI (including \$23.1 million due to the revaluation of commission receivable when the Liberty Group acquired the remaining 40% of the equity in ALI Corporate Pty Ltd in December 2022); partially offset by \$10.6 million lower commission income from the Australian and New Zealand distribution businesses due to lower activity; and
 - higher lending fee income (\$3.7 million).

Total expenses increased by \$416.4 million (67.4%) from \$618.2 million in FY22 to \$1,034.6 million in FY23 as a result of the following:

- Interest expense increased by \$366.2 million (156.6%) from \$233.8 million to \$600.0 million due to:
 - an increase in average borrowings of 7.2%, from \$12.5 billion to \$13.4 billion, driven by the increase in average financial assets; and

- an increase in the weighted average cost of borrowing from 1.87% to 4.46% due to an increase in the average effective BBSW rate (253bps) and higher average margin paid on borrowings (6bps).
- Fee and commission expenses increased by \$3.4 million (1.5%) from \$228.9 million to \$232.3 million due to:
 - higher commission expense of \$9.5 million comprising \$8.9 million from ALI (including \$7.5 million due to the revaluation of commission payable when the Liberty Group acquired the remaining 40% of the equity in ALI Corporate Pty Ltd in December 2022), and \$8.4 million from origination activities due to origination mix shift towards Secured and Financial Services segments; partially offset by \$7.8 million lower commission expense from the Australian and New Zealand distribution businesses due to lower activity; and
 - lower lending costs (\$4.5 million) and effective yield expenses (\$1.7 million).
- Impairment of financial assets increased from a \$0.2 million recovery in FY22 to a \$18.3 million impairment in FY23 due to:
 - a decrease in the Collective Provision for expected losses of \$1.5 million in FY22 compared to an increase of \$9.2 million in FY23, due primarily to a mix shift towards higher yielding Secured and Financial Services assets;
 - net realised losses in FY22 of \$17.1 million, against which existing provisions of \$22.9 million were released, compared to net realised losses in FY23 of \$13.2 million, against which existing specific provisions of \$12.1 million were released; and
 - an increase in specific provisions on the continuing portfolio in FY22 of \$7.1 million, compared to \$8.0 million in FY23.
- Personnel expenses increased by \$9.1 million (10.8%) from \$83.8 million to \$92.9 million due to an increase in FTE staff from 524 to 546 to support continued business growth, and wage inflation.

Directors' Report (continued)

For the year ended 30 June 2023

- Other expenses increased by \$19.4 million (27.0%), from \$71.8 million to \$91.2 million due to:
 - an increase in contingent consideration due to \$9.9 million on acquisition of the remaining 40% of equity in ALI Corporate Pty Ltd in December 2022; and
 - an increase in marketing (\$3.7 million) and technology (\$0.6 million) expenditure to support continued business growth.

Profit after tax decreased by \$38.2 million (17.4%) from \$219.3 million in FY22 to \$181.1 million in FY23 due to the reasons indicated above.

The Liberty Group originated \$5.4 billion in new financial assets in FY23 resulting in an increase of \$647.2 million in total financial assets to \$13.5 billion. 7 new securitisation vehicles were established totalling \$5.2 billion.

In FY23 the Liberty Group's total assets of \$15.7 billion was 13.4 times total equity of \$1.2 billion, an increase of 0.6 times compared to FY22.

Strategy and Outlook

The Liberty Group will drive profitability growth through continuing to execute on its strategy of consistently and sustainably improving its three disciplines: Customer Experience, Customer Choice and Risk Adjusted Returns.

Customer Experience

- Faster approvals by leveraging Liberty's proprietary technology to reduce uncertainty and provide fast answers while maintaining quality;
- Build advocacy by providing stakeholders with timely and helpful answers to their queries; and
- Self-service by providing customers and business partners access to their information online anytime.

Customer Choice

- Drive Liberty flow by increasing ways that customers and business partners are able to choose Liberty for their financial needs; and
- Champion custom by making options available for customers who are otherwise excluded from financial choices.

Risk Adjusted Returns

- Simplify applications by making the application process quicker and easier, with less effort for customers and business partners;
- Loss management by working proactively and in cooperation with customers if things don't go to plan; and
- Company health by behaving like owners of the business, being responsible with costs, and fair with customers.

Inflation and Interest Rates

The Reserve Bank of Australia's (RBA) current outlook anticipates economic growth to remain subdued until the end of 2023, before increasing through to the end of 2025. While domestic inflation appears to have peaked, it remains well above the RBA's target range and is not expected to reduce to within the range until 2025. In an attempt to address domestic inflation, the RBA has raised the official cash rate by 400bps since May 2022 and further rate rises remain a possibility. Despite slowing activity, the domestic economy continues to be supported by strong employment markets and increasing net migration.

The Liberty Group has recently seen an increase in arrears on its loan portfolio as a result of higher customer repayment obligations stemming from interest rate increases. The arrears level remains below the Liberty Group's historic averages and have not yet translated into increases in hardship requests by customers. Of those customers in Stage 3 of the ECL impairment model, 58% continue to make active repayments representing 89% of their contractual repayment amounts. The Liberty Group is working closely with its customers to manage the impact of these higher arrears levels, while ensuring appropriate customer outcomes.

At the date of signing of the financial statements, there is still significant uncertainty on the ultimate impact of inflation and increased interest rates 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.

Risks

The Liberty Group is subject to risks that are both specific to its business activities and others that are more general in nature. Any, or a combination, of these risk factors may have a material adverse impact on the Liberty Group's financial performance, financial position, cash flows, the size and timing of distributions, growth prospects or the value of LFG securities.

The Board has overall responsibility for the establishment and oversight of the Liberty Group's Risk Management Framework (RMF). 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 RMF and the material risks faced by the Liberty Group. The Committee is assisted in its oversight by the Group Risk and Compliance (GRC) function which coordinates, sets policy and monitors the Liberty Group's effectiveness in relation to the various material risks, both financial and non-financial in nature. 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.

The Liberty Group's Risk Appetite Statement (RAS) outlines risk appetite, the quantitative and qualitative tolerance levels for each risk type and the regular reporting processes. The RAS is a component of the RMF. The Board is responsible for the RAS and oversight of its operation by management. Actual performance is monitored against the risk tolerances and presented to the Board at each meeting.

Strategic Risk

Strategic risk is the potential impact on earnings and capital arising from business decisions, implementing the business strategy, monitoring competitor activity and responsiveness to external change, including reputational and regulatory risk.

The business strategy is monitored by management and any changes arising in the business environment, new business opportunities, product development and/or acquisition includes a formal risk assessment as part of the planning process.

Financial Risk

Financial risks identified by the Liberty Group are credit risk, liquidity risk and market risk. These risks are covered by the Liberty Group's RMF, and are supported by an established network of systems, policies, standards and procedures which are overseen by the Board and the Committee.

The definition and management of these financial risks are outlined in further detail in Note 6 of the Financial Report.

Operational Risk

Operational risk is the risk associated with loss resulting from inadequate or failed internal processes and systems. The Liberty Group has identified the following material operational risks in the RMF:

- Technology failure, cyber, cloud computing and data breach risk
- Reputational risk
- Loss of key persons risk
- External, internal and introducer fraud
- Regulatory and compliance risk
- Staff competency, discrimination and harassment, OHS risk
- Financial crime/anti-money laundering risk
- State of emergency risk
- Third party risk

Directors' Report (continued)

For the year ended 30 June 2023

Operational risk is managed by the Group Manager Risk and Compliance through the implementation of appropriate policies and plans.

In relation to technology risks, the Liberty Group has processes in place to mitigate the threat of technology infrastructure failures and potential cyber-attacks. These include continuous monitoring and reporting of the Liberty Group's attack surface, internal device controls, Cloud controls and data-protection controls to Board. All Liberty Group staff undertake annual cyber-security awareness training and are given regular phishing simulations.

Technology related risks are managed by the Group Manager Customer Experience.

Dividends and Distributions

The Company did not declare or pay a dividend during the year ended 30 June 2023 (2022: nil).

LFGT paid an interim distribution of \$63,756,000 on 15 December 2022 (2022: \$63,756,000). A final distribution of \$72,157,000 is due to be paid on 31 August 2023 (2022: \$85,525,000).

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 year under review.

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.

Environmental Regulation

The Liberty Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Indemnification of Officers

Indemnification

The Liberty Group has agreed to indemnify the Directors, company secretary and public officers of the Liberty Group against all liabilities to another person (other than the Liberty Group or a related body corporate) that may arise from their position in the Liberty Group and its controlled entities, except where prohibited by law including where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Liberty Group will meet the full amount of any such liabilities, including costs and expenses.

Insurance Premiums

The Liberty Group pays a premium each year in respect of a contract insuring the Directors, company secretary and public officers of the Liberty Group against liabilities past, present and future. In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of the liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract. No such insurance cover has been provided for the benefit of any external auditor of the Liberty Group.

Special Rules for Registered Schemes

There were no fees paid to the RE during the financial year. In addition, there were no interests in the scheme issued, no withdrawals from the scheme and no interests in the scheme held by the RE or associates during the financial year. Details of the number of Securities (a combination of a share in the Company and a unit in LFGT) are set out in note 25(a) to the financial statements.

Non-audit Services

During the year KPMG, the Liberty Group's auditor, has performed certain services in addition to their statutory duties. The directors of the Liberty Group have considered the non-audit services provided by the auditor during the year, and are satisfied that the provision of those non-audit services are compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* or as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the Auditor's own work, acting in a management or decision-making capacity of the Liberty Group, acting as an advocate of the Liberty Group or jointly sharing risks or rewards. Fees for non-audit services were \$73,000 for the year ended 30 June 2023. Refer to note 7 of the financial statements for Auditor's remuneration.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 42 and forms part of the directors' report for the financial year ended 30 June 2023.

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 financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

This page has been left blank intentionally.

Remuneration Report

For the year ended 30 June 2023

Contents

Letter from the Remuneration and Nomination Committee Chair	20
1. Introduction	22
2. Remuneration Framework	23
3. FY23 Executive KMP Remuneration Outcomes	25
4. Executive Employment Agreements	34
5. Non-executive Director Remuneration	35
6. Statutory Remuneration Disclosures	36
7. Other Transactions with Key Management Personnel	41

Letter from the Chair

FY23 incentives provide a fair balance between financial outcome and securityholder value

On behalf of the LFG Board, I am pleased to present you with the Liberty Group FY23 Remuneration Report. The Liberty Group is committed to attracting, aligning and retaining team members that share our cultural values and have the skills to contribute to our strategic progress. As such, we seek to create a link between team member's remuneration, performance, organisational performance and organisational values.

FY23 Performance

The Liberty Group financial result for the year ended 30 June 2023, whilst below expectation, was sound in the context of increasing interest rates, emerging macro-economic headwinds and a very competitive landscape in residential lending. Liberty Group achieved underlying net profit after tax and amortisation of \$187 million, a decrease of 19% compared to FY22.

During the year we continued to focus on delivering exceptional service to our broker partners and customers. Seeking and implementing customer feedback is a critical element in delivering exceptional service. We measure Net Promoter Score (NPS) from our broker partners and customers and these measures were stable in FY23 compared to FY22 and importantly exceeded target.

At Liberty we recognise our people are our greatest asset. As you will read in our ESG Report, our Culture and Community team continued to invest in our culture and in particular our diversity and inclusion initiatives. Additionally, we expanded the support and benefits provided to our people. We are thrilled that 97% of Liberty Group staff are proud to work at Liberty.

Before awarding or releasing incentives to Executive KMP, the Board considers whether any circumstances have arisen that would warrant a discount to the award or payment. No such circumstances arose during FY23.

Medium-Term Incentive (MTI)

Having regard to the performance in FY23, Executive KMP were allocated 40% of their maximum medium-term incentive. This outcome demonstrates a significant weighting toward financial outcomes thereby aligning to Securityholder value.

Consistent with the approach for the year ended 30 June 2022, the MTI will be provided 1/3 in cash and 2/3 in MTI Security Rights. Approval from Securityholders for the allocation of MTI Security Rights to Executive Directors will be sought at the AGM for allocation in December 2023. MTI Security Rights vest in equal portions 12 months and 24 months following award.

Long-Term Incentive (LTI)

The Board awarded Executive KMP with LTI Security Rights for the first time in December 2022 relating to the year ending 30 June 2023. These LTI Security Rights will be adjusted at vesting in December 2025 based on the performance during the three years ended 30 June 2025.

The LTI Key Performance Indicators (KPIs) combine financial performance, total securityholder return and ESG metrics.

Performance in FY23 against the FY23 KPIs and the proposed targets for FY24 are shown in the below table.

KPI	Weight	FY23 Actual	FY23 Target	FY24 Target
3-year relative Total Shareholder Return	40%	50th percentile	75th percentile	75th percentile
3-year EPS growth	40%	(17%)	8%	8%
B Corp Score	20%	107	110	75th percentile

The financial performance and total securityholder return LTI KPIs for FY24 are proposed to be retained unchanged from FY23. The ESG metric is proposed to be changed to a relative performance measure in order to compare performance against a peer group. Approval from Securityholders for the allocation of FY24 LTI Security Rights to Executive Directors will be sought at the AGM for allocation in December 2023.

Conclusion

The Board believe the Liberty Group's remuneration framework aligns the interests of staff and securityholders to the achievement of long-term sustainable value.



Leona Murphy
Chair



Remuneration Report (continued)

For the year ended 30 June 2023

1. Introduction

The Remuneration Report (Report) outlines the Liberty Group's remuneration information and outcomes for Key Management Personnel (KMP).

The Report is presented in accordance with the requirements of the *Corporations Act 2001* and its Regulations. The information in the Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Key Management Personnel

In this Report, KMP are defined as those persons who have specific responsibility for planning, directing and controlling the activities of the Liberty Group, including any Director (whether Executive or otherwise).

The KMPs of the Liberty Group for the year ended 30 June 2023 were as follows:

Non-executive Directors

Richard Longes	Chair and Non-executive Director
Peter Hawkins ¹	Non-executive Director
Leona Murphy	Non-executive Director
Jane Watts ²	Non-executive Director

Executive KMP

James Boyle	Director and Chief Executive Officer (CEO)
Peter Riedel	Chief Financial Officer (CFO) and Company Secretary
Sherman Ma	Executive Director

1. P Hawkins retired by rotation from his office as Director and was re-elected at the AGM on 9 November 2022.
2. J Watts was appointed Director on 4 July 2022 and was approved at the AGM on 9 November 2022.

2. Remuneration Framework

2.1 Governance

The Liberty Group's Remuneration and Nomination Committee (Committee) comprises four independent Non-executive Directors.

Committee members

Leona Murphy	Chair
Peter Hawkins	
Richard Longes	
Jane Watts	

The Board maintains oversight of the Liberty Group's remuneration framework.

The Committee assists the Board in its oversight by (i) recommending the Liberty Group's remuneration framework and remuneration of KMP and (ii) developing processes relating to the evaluation, succession and nomination of Directors.

The Committee's charter is available at www.lfgroup.com.au/about-us/corporate-governance.

The Board will apply discretion as necessary to ensure that remuneration outcomes are appropriate in the context of the Liberty Group's performance, our customer's experience and securityholder expectations. The Board reviews recommendations from the Committee and has discretion in evaluating outcomes against performance measures.

Remuneration advisors

No remuneration recommendations, as defined by the *Corporations Act 2001*, were provided by remuneration consultants.

2.2 Remuneration Strategy

The Liberty Group's remuneration strategy is designed to attract, motivate and retain staff that share our purpose and values and to ensure the sustainable success of the Liberty Group.

The Board reviews the remuneration framework annually to ensure it is fit for purpose. This ensures remuneration is competitive and fair and is aligned with the achievements of the Liberty Group.

The remuneration structure is driven by four principles and comprises a mix of fixed and variable (at risk) remuneration components.

Competitive remuneration	Performance based	Fair and equitable	Aligned to securityholder value
Attract, motivate and retain executives that share our values and have the skills to contribute to the Liberty Group's progress	A balance of fixed and variable components creating a link between individual performance, organisational performance and Liberty Group values	Fair and equitable remuneration is applied to all staff regardless of gender or sexual identity, age, religion, ethnicity or disability	Key performance indicators linked to financial and non-financial measures, and are designed to be in the best interests of customers, securityholders, staff and the community

Remuneration Report (continued)

For the year ended 30 June 2023

Remuneration component	Structure and opportunity	Purpose and link to strategy
Fixed remuneration	<i>Fixed Salary (cash), superannuation and benefits 1 year</i> Fixed remuneration reflects executives' shared accountability, responsibility, qualifications, skills, experience and contribution.	To attract, motivate and retain key talent through competitive, fair and equitable remuneration reflecting individual performance requirements.
Variable component, performance based	<i>Medium-term incentive (MTI) 1 to 3 years</i> Awarded as one third cash in December and two thirds as zero cost MTI Security Rights, vesting on 1 December 1 and 2 years from the award date. Exercise in cash or Securities at discretion of recipient assuming continued employment. No performance adjustment following grant. Forfeiture and clawback provisions apply. Executive KMP Opportunity: 0 to 100% of fixed remuneration. Allocation subject to achievement against Key Performance Indicators (KPIs) and Board determined risk adjustment and gateways based on regulatory compliance and achievement of group priorities.	The aim of the MTI is to recognise contribution to current period business principles and performance. MTI is available to all staff and allocated in December based on performance for the preceding financial year. Performance is measured against KPIs set by the Board. KPIs include a range of strategic, financial and non-financial measures. The MTI incentive is allocated to Executive KMP by the Board and to staff by Executive KMP based on individual performance and contribution. Deferred vesting dates to manage risk, retention and align interests.
Variable component, performance based	<i>Long-term incentive (LTI) 3 to 5 years</i> Awarded as LTI Security Rights performance adjusted on the third anniversary of the award. Vesting in thirds on 1 December 3, 4 and 5 years following grant assuming continued employment. Exercise price equal to Security value at grant date. Forfeiture and clawback provisions apply. Executive KMP Opportunity: 0 to 125% of fixed remuneration. Allocation and release subject to Board determined risk adjustment and gateways based on regulatory compliance and achievement of group priorities.	The aim of the LTI is to support retention of key personnel and to align longer-term performance with securityholder value. LTI is available to Executive KMP and Group Managers and allocated in December based on performance for the preceding financial year. Performance is measured against KPIs set by the Board. KPIs include earnings growth, securityholder value and ESG measures. The LTI incentive is allocated to Executive KMP by the Board and to Group Managers by Executive KMP based on individual performance and contribution. LTI vesting is adjusted based on performance against KPIs during the subsequent three financial years. Deferred vesting dates to manage risk, retention and align interests.

3. FY23 Executive KMP Remuneration Outcomes

3.1 Company Performance

This section of the Report provides an overview of how the Liberty Group's performance in FY23 has driven remuneration outcomes for Executive KMP.

In considering the Liberty Group's performance and benefits for securityholder interests, the Committee and the Board have regard to certain statutory company performance measures set out in Table 1 below.

Table 1 Statutory company performance measures¹

	2023	2022	2021	2020	2019
Profit attributable to the equity holders of the Liberty Group	\$181,060,000	\$219,309,000	\$185,377,000	\$134,710,000	\$89,030,000
Dividends and distributions	\$135,913,000	\$149,281,000	\$198,422,000	\$89,013,000	\$33,140,000
Change in security price ²	(\$0.39)	(\$3.84)	\$1.86	-	-
Return on equity ³	15.84%	20.44%	18.05%	14.00%	9.87%
Total shareholder return⁴	1.43%	(42.60%)	35.07%	-	-

1. The Liberty Group listed on 15 December 2020. As such, for the year ended 30 June 2023, it is not possible to address the statutory requirement to disclose data for 5 years.
2. For 2021 this represents movement in the security price from IPO to 30 June 2021. The opening security price on listing on the ASX on 15 December 2020 was \$6.00.
3. Return on equity is calculated as net profit after tax for the year divided by the average of opening and closing equity. For 2019 return on equity is calculated using closing equity balance, due to a capital reorganisation in 2018.
4. Total shareholder return is calculated as: ((closing security price - opening security price) + distributions declared) / opening security price. For 2021 this reflects the movement in security price from IPO (\$6.00) to 30 June 2021, and distributions declared post IPO.

3.2 Total Fixed Remuneration (TFR)

The Total Fixed Remuneration (TFR) is designed to attract, motivate and retain key talent that share our values and have the skills to contribute to the Liberty Group's progress.

The TFR for Executive KMPs is set each year on 1 January. Executive KMP TFR did not change during the year ended 30 June 2023. See Tables in section 6 for further detail.

Remuneration Report (continued)

For the year ended 30 June 2023

3.3 Medium Term Incentive (MTI)

The Liberty Group has designed the MTI plan so that a portion of Executive KMP remuneration is variable and at risk. MTI awards are based on achievement of annual targets against key performance indicators and conduct set by the Board. Incentive is awarded on a sliding scale between threshold and maximum. The Board has discretion to adjust the award or release of MTI awards for adverse, material or significantly negative business outcomes.

The Liberty Group assesses performance for each KPI based on actual outcomes compared to performance levels defined in Table 2 below.

Table 2 MTI Performance Hurdles

Performance level	Threshold	Maximum
Definition	Achievement of 50% of Target	Achievement of 125% of Target
Result	0%	100%

MTI awarded to Executive KMPs

MTI was awarded during the year ended 30 June 2023 (in December 2022) based on performance of the Liberty Group for the year ended 30 June 2022. At the commencement of FY23, the Board set the FY23 MTI KPIs for Executive KMP. At the conclusion of FY23, the Committee and the Board assessed actual performance against KPIs to determine the MTI Outcome for Executive KMP. There were no risk matters that required adjustment to calculated MTI outcomes in either the year ended 30 June 2022 or 2023. Details of the Executive KMP calculated KPIs are set out in Table 3 below.

Table 3 MTI Financial and Non-Financial KPIs

KPI category	KPI	Weight	FY23			FY22		
			Target	Actual	Outcome	Target	Actual	Outcome
Financial	NPATA ¹	60%	\$214m	\$187m	0%	\$244m	\$231m	0%
Non-financial	Broker NPS ²	10%	50	82	100%	50	81	100%
	Customer NPS ²	10%	50	59	100%	50	64	100%
	Proud Team ³	10%	75%	95%	100%	75%	97%	100%
	Specialty share ⁴	10%	10%	11%	100%	10%	15%	100%
MTI KPI outcome		100%	40%			40%		

1. Net profit after tax and amortisation on an underlying basis.

2. NPS is Net Promoter Score.

3. Proud Team means the percentage of team members that agree they are proud to work for the Liberty Group in a quarterly team survey.

4. Specialty Share means non-prime business as reported to the Board at each Board meeting.

The table below shows the actual MTI Outcomes and amounts paid to Executive KMPs for their performance in FY22; and the actual MTI outcomes and amounts payable to Executive KMPs for their performance in FY23.

Table 4 Executive KMP MTI Outcomes

		FY23				FY22			
Name	Maximum MTI Available	Actual MTI Outcome Available	MTI as a % of TFR	MTI cash ¹	MTI security rights ²	Actual MTI Outcome Available	MTI as a % of TFR	MTI cash ³	MTI security rights ⁴
James Boyle	\$840,000	\$336,000	40%	\$112,000	\$224,000	\$336,000	40%	\$112,000	\$224,000
Peter Riedel	\$840,000	\$336,000	40%	\$112,000	\$224,000	\$336,000	40%	\$112,000	\$224,000
Sherman Ma	\$420,000	\$168,000	40%	\$56,000	\$112,000	\$168,000	40%	\$56,000	\$112,000

1. The FY23 MTI will be put to the Liberty Group AGM for approval on 25 October 2023. If approved, the cash component will be paid in December 2023.
2. The FY23 equity component of the MTI will be granted in MTI Security Rights using a 5-day Volume Weighted Average Price (VWAP) for the period up to the date of the approval of the grant. The issue will occur in December 2023.
3. The FY22 cash component was paid in December 2022.
4. The FY22 equity components of the MTI were approved to be granted in MTI Security Rights following the Liberty Group 2022 AGM, using a 5-day Volume Weighted Average Price (VWAP) for the period up to the date of the approval of the grant. The date of the issue was 23 December 2022.

Remuneration Report (continued)

For the year ended 30 June 2023

Key terms of the FY23 Medium Term Incentive (MTI)

Performance period	1 July 2022 to 30 June 2023
Delivery	The FY23 MTI will be put to the Liberty Group AGM for approval on 25 October 2023. If approved, it will be paid in December 2023 as follows: • one-third of the MTI Outcome delivered via a cash payment in December 2023; and • two-thirds of the MTI Outcome in security rights granted in December 2023 under the Liberty Group Equity Incentive Plan (MTI Security Rights) at the discretion of the Board.
MTI opportunity	Executive KMPs have an MTI opportunity of between 0% and 100% of their TFR. We determine the number of MTI Security Rights by dividing the MTI Outcome by the Allocation Value of the MTI Security Rights. The Allocation Value will be determined using a conventional Black Scholes Model (BSM).
When will the FY23 MTI Security Rights be issued?	The MTI Security Rights will be issued to the Chief Executive Officer and the Executive Director following the Liberty Group 2023 AGM, where securityholder approval will be sought for the grant to the Chief Executive Officer and the Executive Director.
Gateway conditions	MTI Security Rights are issued, subject to the satisfaction of the following 'gateway' conditions: • no serious regulatory breaches, infringements or compliance issues having occurred in relation to the Liberty Group as assessed by the Risk, Audit and Compliance Committee against consequence framework; and • achievement of a minimum diversity measures of Group Managers, Leaders and all staff of the Liberty Group as determined by the Board.
Risk adjustment	Board discretion before awarding or releasing MTI Security Rights for adverse, material or significantly negative outcomes attributable to (i) risk management, (ii) regulatory compliance, (iii) customer outcomes or (iv) financial mis-statement.
Security right vehicle	MTI Security Rights granted have a nil exercise price (i.e., zero-exercise price option). Each MTI Security Right entitles the holder to one fully paid Security in the Liberty Group. Unexercised MTI Security Rights expire on the earlier of: • the 15th anniversary of the date of grant; and • if a participant ceases employment with the Liberty Group, the second anniversary of the date of cessation (or such later date that the Board may determine). Once vested, an MTI Security Right may be exercised by the participant subject to the Liberty Group Securities Trading Policy. A vested MTI Security Right that has been exercised may be settled by way of an issue, allocation or transfer of a Security or by way of a cash payment (equal to the value of a Security that would have been issued, allocated or transferred had the MTI Security Right been settled with a Security).
Vesting dates/ conditions	December 2024 and December 2025, subject to ongoing employment.
Cessation of employment	If a participant ceases to be employed with Liberty prior to their MTI Outcome being determined, they will not be entitled to receive any value in respect of their MTI opportunity unless the Board determines otherwise. If a participant ceases to be employed with Liberty while they hold MTI Security Rights, unless the Board determines otherwise, all of their unvested MTI Security Rights will be forfeited, and they will be entitled to retain all of their vested but unexercised MTI Security Rights.

3.4 Long Term Incentive (LTI)

The LTI plan is designed to enhance tenure and reward Executive KMPs for the achievement of sustainable securityholder value over a three-year performance period.

FY22 LTI Awards

FY22 LTI Security Rights were allocated to Executive KMP in December 2022.

The FY22 LTI (performance period 1 July 2022 to 30 June 2025) will be assessed at the end of the performance period against the balanced scorecard to determine the number of LTI Security Rights that vest.

FY23 LTI Awards

At the commencement of FY23, the Board established the FY23 LTI KPIs for Executive KMP, which are outlined in the below table.

Table 5 FY23 LTI Financial and Non-Financial KPIs

KPIs	FY23		FY22	
	Target	Weight	Target	Weight
3-year relative total shareholder return (Relative TSR) - comparator group being ASX listed Non-Bank Financial companies (ex Insurance)	75th percentile	40%	75th percentile	40%
3-year earnings per share (EPS) growth	8%	40%	8%	40%
B Corp score calculated internally using B Corp framework unless re-certified by B Corp ¹	110	20%	100	20%
Total		100%		100%

1. A certified B Corporation (B Corp) is a business, independently assessed and verified, that achieves a high standard of environmental, social and corporate governance performance. LFG was B Corp accredited in June 2023.

The Board will seek approval from securityholders at Liberty Group's AGM on 25 October 2023, to allocate LTI Security Rights to the Chief Executive Officer and the Executive Director to the value of 125% of their TFR.

Remuneration Report (continued)

For the year ended 30 June 2023

The table below shows the actual LTI Outcomes and amounts paid to Executive KMPs for their performance in FY22; and the actual LTI outcomes and amounts payable to Executive KMPs for their performance in FY23.

Table 6 FY22 and FY23 Executive KMP LTI Outcomes

Name	Maximum LTI opportunity	FY23			FY22		
		Actual LTI outcome	LTI as a % of TFR	LTI security rights ¹	Actual LTI outcome	LTI as a % of TFR	LTI security rights ¹
James Boyle	\$1,050,000	\$1,050,000	125%	\$1,050,000	\$1,050,000	125%	\$1,050,000
Peter Riedel	\$1,050,000	\$1,050,000	125%	\$1,050,000	\$1,050,000	125%	\$1,050,000
Sherman Ma	\$525,000	\$525,000	125%	\$525,000	\$525,000	125%	\$525,000

1. The FY22 LTI was granted in LTI Security Rights in December 2022. The FY23 LTI will be granted in LTI Security Rights in December 2023. See section 3.4 for further information.

Award of FY23 LTI Security Rights

The number of awarded FY23 LTI Security Rights will be adjusted in December 2026 three years after grant date based on actual performance against the LTI KPIs. The final number of vested LTI Security Rights will be released in equal thirds in December 2026, 2027 and 2028.

The LTI Outcome calculation is shown below. Incentive is awarded on a sliding scale between threshold and maximum.

Table 7

Performance KPIs	Liberty Group Rank	Percentage of LTI Security Rights Awarded
3-year Relative TSR	Up to 50th percentile	Nil
	Greater than 50th and up to 75th percentile	Straight line pro rata award between 50% and 100%
	75th percentile and above	125%
3-year EPS growth	Up to and including 50% of target	Nil
	Greater than 50% and up to and including 100%	Straight line pro rata award between 50% and 100%
	Greater than 100%	125%
B Corp score	Up to and including 50% of target	Nil
	Greater than 50% and up to and including 100%	Straight line pro rata award between 50% and 100%
	Greater than 100%	125%

Key terms of the FY23 Long Term Incentive (LTI)

Performance period	1 July 2023 to 30 June 2026
Delivery	The LTI Outcome is allocated in security rights granted under the Liberty Group Equity Incentive Plan (LTI Security Rights) at the discretion of the Board.
LTI opportunity	Executive KMPs have an LTI opportunity of between 0% and 125% of their TFR. We determine the number of LTI Security Rights by dividing the maximum LTI Outcome by the Allocation Value of the LTI Security Rights. The Allocation Value will be determined using the Monte Carlo option pricing simulation and conventional Black Scholes Model (BSM).
When will the FY23 LTI Security Rights be issued?	The LTI Security Rights will be issued to the Chief Executive Officer and the Executive Director following the Liberty Group 2023 AGM, where securityholder approval will be sought for the grant to the Chief Executive Officer and the Executive Director.
How is performance assessed?	At the end of the performance period, the Board assess the performance against the balanced scorecard and determines the number of LTI Security Rights that vest. No retesting is available. LTI Security Rights are only tested once at the end of the performance period.
Vesting dates/ conditions	1 December 2026 subject to performance adjustment, then 1 December 2027 and 1 December 2028 subject to ongoing employment, in equal thirds.
Gateway conditions	LTI Security Rights are issued, subject to the satisfaction of the following 'gateway' conditions: • no serious regulatory breaches, infringements or compliance issues having occurred in relation to the Liberty Group as assessed by the Risk, Audit and Compliance Committee against consequence framework; and • achievement of a minimum diversity measures of Group Managers, Leaders and all staff of the Liberty Group as determined by the Board.
Risk adjustment	Board discretion before awarding or releasing LTI Security Rights for adverse, material or significantly negative outcomes attributable to (i) risk management, (ii) regulatory compliance, (iii) customer outcomes or (iv) financial mis-statement.
Security right vehicle	LTI Security Rights have an exercise price equal to the Security price at grant date. Each LTI Security Right entitles the holder to one fully paid Security in the Liberty Group. Unexercised LTI Security Rights expire on the earlier of: • the 15th anniversary of the date of grant; and • if a participant ceases employment with the Liberty Group, the second anniversary of the date of cessation (or such later date that the Board may determine). Once vested, an LTI Security Right may be exercised by the participant subject to the Liberty Group Securities Trading Policy. A vested LTI Security Right that has been exercised may be settled by way of an issue, allocation or transfer of a Security or by way of a cash payment (equal to the value of a Security that would have been issued, allocated or transferred had the LTI Security Right been settled with a Security).

Remuneration Report (continued)

For the year ended 30 June 2023

Key terms of the FY23 Long Term Incentive (LTI)

Cessation of employment	If a participant ceases to be employed with Liberty prior to their LTI Outcome being determined, they will not be entitled to receive any value in respect of their LTI variable remuneration opportunity unless the Board determines otherwise. If a participant ceases to be employed with Liberty while they hold LTI Security Rights, unless the Board determines otherwise, all of their unvested LTI Security Rights will be forfeited, and they will be entitled to retain all of their vested but unexercised LTI Security Rights.
Types of Securities	The Plan provides the flexibility for Liberty to grant Security Rights to eligible participants. A Security Right is an entitlement to receive a Security upon satisfaction of the applicable vesting and exercise conditions, the exercise of the Security Right and the payment of an exercise price (if applicable).

3.5 Summary of Material Terms of the LTI and MTI Plan

Eligibility	Security Rights may be granted under the Plan to eligible participants from time to time in the absolute discretion of the Company. Eligible participants will include employees (including Executive Directors) as selected by the Company from time to time. If permitted by the Company, participants will be able to nominate a third party to be issued the Security Rights on their behalf.
Issue price of Security Rights	No payment is required for the grant of Security Rights unless the Company determines otherwise.
Terms and conditions	The Company has the absolute discretion to determine the terms and conditions (including in relation to vesting, exercise, forfeiture, disposal and pricing) on which it will make offers under the Plan and it may set different terms and conditions for different participants in the Plan.
Vesting and exercise of Security Rights	Security Rights will vest if and to the extent that any applicable performance, service and other vesting conditions specified at the time of the grant (collectively the "Vesting Conditions") are satisfied or waived and the Company has given the participant a vesting notice. Vested Security Rights will be exercisable if and to the extent that any applicable exercise conditions specified at the time of the grant (collectively the "Exercise Conditions") are satisfied or waived and the Company has given the participant a confirmation notice. If no Exercise Conditions apply to a grant of Security Rights, a vesting notice will be deemed to also be a confirmation notice.
Exercise price	As a condition of the grant of the Security Rights, the Company may require a participant to pay an exercise price to exercise those Security Rights.
Issue, allocation or acquisition of securities	Subject to applicable laws, Securities to be delivered to participants upon the exercise of vested Security Rights may be issued by the Company, acquired on or off market and transferred, and/or allocated within an employee securities trust. The Company may, but is not obliged to, limit the manner in which it delivers Securities to a participant that has exercised a Security Right. For example, to obtain the benefit of ASX Listing Rule 10.16(b), the Company may limit itself to only sourcing Securities from on-market to fulfil particular vested Security Rights.
Equity or cash settlement	The Plan has the flexibility for Security Rights to be settled in either Securities or cash as determined by the Company.

Expiry date	Security Rights will be issued with an expiry date. If no date is specified, the expiry date will be the business day prior to the 15-year anniversary of the date of grant.
Restrictions on dealing of Security Rights	Subject to applicable laws and the ASX Listing Rules, Security Rights may not be sold, transferred, encumbered, hedged or otherwise dealt with other than in accordance with the rules of the Plan and the relevant invitation. Participants may not enter into any arrangement which hedges or otherwise affects the participant's economic exposure to the Security Rights granted to them.
Lapse/forfeiture of Security Rights	The Plan contains provisions which set out the treatment of Security Rights and any Securities issued, allocated or transferred following the exercise of Security Rights, including in the event that: • the participant ceases employment; • the Vesting Conditions or Exercise Conditions attaching to the relevant Security Rights are not satisfied or the Company Board forms the view they cannot be satisfied; • a participant acts fraudulently or dishonestly, or wilfully breaches the obligations that they owe to Liberty; • a participant becomes insolvent; • a participant breaches (without remedy) the obligation that are owed to the Liberty Group in respect of the Plan; • a participant's nominated affiliate has undergone a change of control without the prior written consent of the Company Board; and • the Security Rights are not exercised before the applicable expiry date. The Plan also contains provisions which provide the Company with the ability to reduce Security Rights and/or impose claw-back in the following circumstances: • if the participant joins a competitor; and • in the event of fraudulent or dishonest actions to ensure that no benefit is obtained by the participant.
Change of control impact on Security Rights	If a change of control event in relation to the Company or the Trust occurs (or if the Company resolves for the purpose of the Plan that a change of control event will occur), the Company will have the absolute discretion to determine the manner in which Security Rights (whether vested or unvested) will be dealt with.
Employees securities trust	The Company may establish and operate an employee securities trust to assist with operation of the Plan, including facilitating the provision of Securities to participants when Security Rights are exercised, the sale of Securities on behalf of a participant and remission of the proceeds of sale to the participant, and the retention of unvested or forfeited Securities if vesting conditions (if any) are not met.

Remuneration Report (continued)

For the year ended 30 June 2023

3.6 Executive KMP Remuneration Mix

The table below represents the remuneration mix for executives in the year ended 30 June 2023.

	Fixed remuneration	Performance related at risk		
		Short-term variable remuneration ¹	Medium-term variable remuneration ²	Long-term variable remuneration ³
CEO	40%	5%	10%	45%
CFO	40%	5%	10%	45%
Executive Director	38%	5%	10%	47%

1. Represents the cash component of the FY22 MTI paid in December 2022.

2. Represents the MTI Security Right component of the FY22 MTI Outcome approved at the 2022 AGM for the Chief Executive Officer and the Executive Director (based on fair value at approval date).

3. Represents the LTI Security Rights approved at the 2022 AGM for the Chief Executive Officer and the Executive Director (based on fair value at approval date).

4. Executive Employment Agreements

Remuneration and other terms of employment for Executive KMPs are formalised in Executive Service Agreements (ESA).

All ESAs are unlimited in term but capable of termination at defined notice period by either the Liberty Group or the Executive KMP. The notice period is determined based on tenure and age and may be increased by an additional 10 weeks at the discretion of the Liberty Group. The ESAs also contain confidentiality and restraint of trade clauses.

	Position	Notice period	Termination payments
James Boyle	CEO	4 Months	-
Peter Riedel	CFO	4 Months	-
Sherman Ma	Executive Director	4 Months	-

5. Non-executive Director Remuneration

The annual Non-executive Directors' fees currently agreed to be paid are \$270,000 to the Chair of the Board and \$540,000 in total for the other Non-executive Directors. Non-executive Directors are paid an additional \$30,000 for each of the roles of Chair of the Audit and Risk Committee and Chair of the Remuneration and Nomination Committee. The annual Non-executive Directors' fees include the participation of all Non-executive Directors as members of each committee. Superannuation payments are included in the fees. Fees have not been amended since 1 January 2021.

Non-executive Directors do not receive performance-related compensation and are not provided with retirement benefits apart from statutory superannuation.

Elements	Details			
Board/committee fees		Year	Chair	Members
	Board fees	2023	\$270,000	\$600,000
		2022	\$270,000	\$420,000
Post employment benefits	The NED base fee structure (included above) are inclusive of superannuation contributions.			

Remuneration Report (continued)

For the year ended 30 June 2023

6. Statutory Remuneration Disclosures

6.1 Statutory Remuneration Outcomes

Details of the remuneration of the KMP of the Liberty Group is set out in the following tables.

	Financial Year	Short-term employee benefits							Long-term employee benefits			Proportion of remuneration performance related
		Salary & Fees	Annual leave accrued	Cash bonus	Non-monetary benefits	Total	Superannuation	Long service leave accrued	Security Rights ¹	Termination benefits ²	Total	
Current Disclosed KMP		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
J Boyle	2023	812,500	62,500	112,000	-	987,000	27,500	13,534	1,271,387	-	2,299,421	60%
CEO and Executive Director	2022	812,500	62,500	411,000	-	1,286,000	27,500	13,534	532,000	-	1,859,034	51%
P Riedel	2023	812,500	62,500	112,000	-	987,000	27,500	13,534	1,271,387	-	2,299,421	60%
CFO and Company Secretary	2022	814,792	62,500	411,000	-	1,288,292	25,208	13,534	532,000	-	1,859,034	51%
S Ma	2023	420,000	-	56,000	-	476,000	-	-	635,692	-	1,111,692	62%
Executive Director	2022	420,000	-	133,000	-	553,000	-	-	266,000	-	819,000	49%
R Longes	2023	270,000	-	-	-	270,000	-	-	-	-	270,000	-
Non-executive Director and Chair	2022	270,000	-	-	-	270,000	-	-	-	-	270,000	-
P Hawkins ³	2023	190,045	-	-	-	190,045	19,955	-	-	-	210,000	-
Non-executive Director	2022	190,909	-	-	-	190,909	19,091	-	-	-	210,000	-
L Murphy ³	2023	190,045	-	-	-	190,045	19,955	-	-	-	210,000	-
Non-executive Director	2022	190,909	-	-	-	190,909	19,091	-	-	-	210,000	-
J Watts	2023	162,896	-	-	-	162,896	17,104	-	-	-	180,000	-
Non-executive Director	2022	-	-	-	-	-	-	-	-	-	-	-
Total												
Remuneration	2023	2,857,986	125,000	280,000	-	3,262,986	112,014	27,068	3,178,466	-	6,580,534	
	2022	2,699,110	125,000	955,000	-	3,779,110	90,890	27,068	1,330,000	-	5,227,068	

1. The fair value of security rights are calculated at the date of grant using the Black-Scholes model for the MTI and the Monte Carlo option pricing simulation model and the Black-Scholes model for the LTI.

2. No KMP received a termination benefit during the reporting period.

3. P Hawkins and L Murphy are Committee Chair of the Risk, Audit and Compliance Committee and the Remuneration and Nomination Committee, respectively.

Remuneration Report (continued)

For the year ended 30 June 2023

6.2 Rights over Equity Instruments Granted as Compensation

Details of rights over ordinary Stapled Securities in the Liberty Group that were granted as compensation to each KMP during the reporting period and details on options that vested during the reporting period are as follows.

Year-on-year remuneration awarded for the disclosed KMP is disclosed in the table below. Variable remuneration continues to differ both year-on-year between different executives at nature of the variability in the Liberty Group and individual performance year-on-year.

Rights	Type of equity	Number held at 1 July 2022	Number granted	Grant date	at grant/ approval date	First exercisable date	Date of expiry	Vested				Lapsed/Forfeited				Exercised/Sold				Non-Exercisable as at 30 June 2023			
								Number	%	Value	Number	%	Value	Number	%	Value	Number	%	Value	Number	%	Value	Number
J Boyle	Security rights (FY22 LTI T1)	-	1,707,317	23-Dec-22	\$0.21	01-Dec-25	01-Dec-37	-	-	-	-	-	-	-	-	-	1,707,317	-	-	-	-	-	1,707,317
	Security rights (FY22 LTI T2)	-	1,707,317	23-Dec-22	\$0.21	01-Dec-26	01-Dec-37	-	-	-	-	-	-	-	-	-	1,707,317	-	-	-	-	-	1,707,317
	Security rights (FY22 LTI T3)	-	1,707,317	23-Dec-22	\$0.21	01-Dec-27	01-Dec-37	-	-	-	-	-	-	-	-	-	1,707,317	-	-	-	-	-	1,707,317
	Security rights (FY22 MTI T1)	-	37,333	23-Dec-22	\$3.11	01-Dec-23	01-Dec-37	-	-	-	-	-	-	-	-	-	37,333	-	-	-	-	-	37,333
	Security rights (FY22 MTI T2)	-	37,334	23-Dec-22	\$2.82	01-Dec-24	01-Dec-37	-	-	-	-	-	-	-	-	-	37,334	-	-	-	-	-	37,334
	Security rights (FY21 MTI T1)	53,200	-	22-Dec-21	\$5.20	01-Dec-22	01-Dec-36	53,200	100%	\$276,640	-	-	-	53,200	100%	\$276,640	-	-	-	-	-	-	-
	Security rights (FY21 MTI T2)	53,200	-	22-Dec-21	\$4.80	01-Dec-23	01-Dec-36	-	-	-	-	-	-	-	-	-	53,200	-	-	-	-	-	53,200
	Security rights (FY20 MTI T2)	32,491	-	10-Dec-20	\$5.39	10-Dec-22	15-Dec-35	32,491	100%	\$175,126	-	-	-	32,491	100%	\$175,126	-	-	-	-	-	-	-
	Security rights (IPO Bonus)	222,692	-	15-Dec-20	\$0.91	15-Dec-23	15-Dec-35	222,692	100%	\$1,336,154	-	-	-	-	-	-	222,692	-	-	-	-	-	222,692
	Security rights (IPO Bonus)	222,692	-	15-Dec-20	\$0.90	15-Dec-24	15-Dec-35	222,692	100%	\$1,336,154	-	-	-	-	-	-	222,692	-	-	-	-	-	222,692
	Security rights (IPO Bonus)	222,692	-	15-Dec-20	\$0.89	15-Dec-25	15-Dec-35	222,692	100%	\$1,336,154	-	-	-	-	-	-	222,692	-	-	-	-	-	222,692

Rights	Type of equity	Number held at 1 July 2022	Number granted	Grant date	Fair value per right at grant/ approval date	First exercisable date	Date of expiry	Vested			Lapsed/Forfeited			Exercised/Sold			Non-Exercisable as at 30 June 2023		
								Number	%	Value	Number	%	Value	Number	%	Value	Number held at 30 June 2023	Exercisable at 30 June 2023	Non-Exercisable as at 30 June 2023
P Riedel	Security rights (FY22 LTI T1)	-	1,707,317	23-Dec-22	\$0.21	01-Dec-25	01-Dec-37	-	-	-	-	-	-	-	-	-	1,707,317	-	1,707,317
	Security rights (FY22 LTI T2)	-	1,707,317	23-Dec-22	\$0.21	01-Dec-26	01-Dec-37	-	-	-	-	-	-	-	-	-	1,707,317	-	1,707,317
	Security rights (FY22 LTI T3)	-	1,707,317	23-Dec-22	\$0.21	01-Dec-27	01-Dec-37	-	-	-	-	-	-	-	-	-	1,707,317	-	1,707,317
	Security rights (FY22 MTI T1)	-	37,333	23-Dec-22	\$3.11	01-Dec-23	01-Dec-37	-	-	-	-	-	-	-	-	-	37,333	-	37,333
	Security rights (FY22 MTI T2)	-	37,334	23-Dec-22	\$2.82	01-Dec-24	01-Dec-37	-	-	-	-	-	-	-	-	-	37,334	-	37,334
	Security rights (FY21 MTI T1)	53,200	-	24-Dec-21	\$5.20	01-Dec-22	01-Dec-36	53,200	100%	\$276,640	-	-	-	53,200	100%	\$276,640	-	-	-
	Security rights (FY21 MTI T2)	53,200	-	24-Dec-21	\$4.80	01-Dec-23	01-Dec-36	-	-	-	-	-	-	-	-	-	53,200	-	53,200
	Security rights (FY20 MTI T1)	32,491	-	10-Dec-20	\$5.69	10-Dec-21	15-Dec-35	32,491	100%	\$184,874	-	-	-	32,491	100%	\$184,874	-	-	-
	Security rights (FY20 MTI T2)	32,491	-	10-Dec-20	\$5.39	10-Dec-22	15-Dec-35	32,491	100%	\$175,126	-	-	-	32,491	100%	\$175,126	-	-	-
	Security rights (IPO Bonus)	222,692	-	15-Dec-20	\$0.91	15-Dec-23	15-Dec-35	222,692	100%	\$1,336,154	-	-	-	-	-	-	222,692	-	222,692
	Security rights (IPO Bonus)	222,692	-	15-Dec-20	\$0.90	15-Dec-24	15-Dec-35	222,692	100%	\$1,336,154	-	-	-	-	-	-	222,692	-	222,692
	Security rights (IPO Bonus)	222,692	-	15-Dec-20	\$0.89	15-Dec-25	15-Dec-35	222,692	100%	\$1,336,154	-	-	-	-	-	-	222,692	-	222,692

Remuneration Report (continued)

For the year ended 30 June 2023

Rights	Type of equity	Number held at 1 July 2022	Number granted	Grant date	Fair value per right at grant/ approval date	First exercisable date	Date of expiry	Vested			Lapsed/Forfeited			Exercised/Sold			Non-exercisable as at 30 June 2023		
								Number	%	Value	Number	%	Value	Number	%	Value	Number held at 30 June 2023	Exercisable at 30 June 2023	Non-exercisable as at 30 June 2023
S Ma	Security rights (FY22 LTI T1)	-	853,659	23-Dec-22	\$0.21	01-Dec-25	01-Dec-37	-	-	-	-	-	-	-	-	-	853,659	-	853,659
	Security rights (FY22 LTI T2)	-	853,659	23-Dec-22	\$0.21	01-Dec-26	01-Dec-37	-	-	-	-	-	-	-	-	-	853,659	-	853,659
	Security rights (FY22 LTI T3)	-	853,659	23-Dec-22	\$0.21	01-Dec-27	01-Dec-37	-	-	-	-	-	-	-	-	-	853,659	-	853,659
	Security rights (FY22 MTI T1)	-	18,666	23-Dec-22	\$3.11	01-Dec-23	01-Dec-37	-	-	-	-	-	-	-	-	-	18,666	-	18,666
	Security rights (FY22 MTI T2)	-	18,667	23-Dec-22	\$2.82	01-Dec-24	01-Dec-37	-	-	-	-	-	-	-	-	-	18,667	-	18,667
	Security rights (FY21 MTI T1)	26,600	-	22-Dec-21	\$5.20	01-Dec-22	01-Dec-36	26,600	100%	\$138,320	-	-	-	-	-	-	26,600	-	26,600
	Security rights (FY21 MTI T2)	26,600	-	22-Dec-21	\$4.80	01-Dec-23	01-Dec-36	-	-	-	-	-	-	-	-	-	26,600	-	26,600
	Security rights (IPO Bonus)	111,346	-	15-Dec-20	\$0.91	15-Dec-23	15-Dec-35	111,346	100%	\$668,078	-	-	-	-	-	-	111,346	-	111,346
	Security rights (IPO Bonus)	111,346	-	15-Dec-20	\$0.90	15-Dec-24	15-Dec-35	111,346	100%	\$668,078	-	-	-	-	-	-	111,346	-	111,346
	Security rights (IPO Bonus)	111,346	-	15-Dec-20	\$0.89	15-Dec-25	15-Dec-35	111,346	100%	\$668,078	-	-	-	-	-	-	111,346	-	111,346

Remuneration Report (continued)

For the year ended 30 June 2023

The FY22 MTI Awards and security rights vest as follows:

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

The FY21 MTI Awards and security rights vest as follows:

- 50% of the Awards and security rights vested on 1 December 2022; and
- 50% of the Awards and security rights vest on 1 December 2023, subject to employee remaining continuously employed by a member of the Liberty Group from the grant date until that time.

The FY20 MTI Awards and security rights vest as follows:

- 50% of the Awards and security rights vested on the first anniversary of the Grant Date (15 December 2021), subject to employee remaining continuously employed by a member of the Liberty Group from the grant date until that time; and
- 50% of the Awards and security rights vested on the second anniversary of the Grant Date, subject to employee remaining continuously employed by a member of the Liberty Group from the grant date until that time.

The FY22 LTI Awards will vest in three equal tranches on 1 December 2025, 2026 and 2027 (subject to performance adjustment at the end of the performance period).

The fair value of MTI and IPO Bonus security rights (that vested at \$6 per security at the completion of the IPO) was calculated at the grant date using the Black-Scholes model. FY22 security rights were calculated at approval date using the Black-Scholes model (LTI also used Monte Carlo pricing simulation).

6.3 Securityholding of KMP

The interests of the KMP are aligned with creating long-term value for the Liberty Group. Shown below are the Securities held by KMP (directly, indirectly and beneficially) as at 30 June 2023.

	Number of securities at 1 July 2022	Movements	Number of securities at 30 June 2023	Percentage of Securities
James Boyle	4,070,371	85,691 ¹	4,156,062	1.37%
Peter Hawkins	398,600	-	398,600	0.13%
Richard Longes	365,000	-	365,000	0.12%
Sherman Ma ²	144,235,555	-	144,235,555	47.51%
Leona Murphy	103,000	-	103,000	0.03%
Peter Riedel	3,076,000	118,182 ³	3,194,182	1.05%
Jane Watts	-	-	-	-

1. James Boyle equity settled 85,691 MTI Security Rights for 85,691 Securities
2. Sherman Ma has a relevant interest under section 608(3)(b) of the *Corporations Act 2001* in 235,127,823 Securities by virtue of entities controlled by Sherman Ma having control of Hestia Holdings BV (Hestia). Hestia is the indirect holding company of Vesta Funding BV which is the registered holder of the Securities.
3. Peter Riedel equity settled 118,182 MTI Security Rights for 118,182 Securities.

7. Other Transactions with Key Management Personnel

Sherman Ma holds positions in related entities that result in him having control of those entities. As at June 30 2023, the related party loans between the Liberty Group and related entities that Sherman Ma controls are:

- Net loans receivable of \$121,979,000 from Vesta Funding B.V.; and
- Loan payable of \$457,000 to Hestia Holdings B.V.

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

This report is made with a resolution of the directors of the Liberty Group:



Richard Longes
Chair

Dated at Melbourne on 25 August 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 audit of Liberty Financial Group Limited for the financial year ended 30 June 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

The KPMG logo, consisting of the letters 'KPMG' in a bold, blue, sans-serif font, with a stylized graphic of four squares above the letters.

KPMG

A handwritten signature in blue ink, appearing to read 'Dean Waters'.

Dean Waters
Partner
Melbourne
25 August 2023

Consolidated Statement of Profit or Loss and Comprehensive Income

For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Interest income on financial assets measured at amortised cost		961,909	620,468
Interest income on financial assets measured at fair value		2,568	1,558
Effective yield fee income on financial assets measured at amortised cost		39,864	39,927
Other finance income	9	225,487	205,035
Other income		2,840	2,164
Total operating income		1,232,668	869,152
Finance expense	10	(832,331)	(462,786)
(Impairment)/recoveries on financial assets measured at amortised cost		(18,253)	181
Personnel expenses	11	(92,892)	(83,849)
Other expenses	12	(91,183)	(71,784)
Total operating expense		(1,034,659)	(618,238)
Profit before income tax		198,009	250,914
Income tax expense	13	(16,949)	(31,605)
Profit after income tax		181,060	219,309
Other comprehensive income			
<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		2,903	(17,370)
		2,903	(17,370)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences		2,395	(4,979)
Net change in fair value of cash flow hedges		3,785	34,137
Related income tax		(871)	5,211
		5,309	34,369
Total comprehensive income for the year		189,272	236,308
Profit attributable to:			
Equity holders of the Liberty Group			
Attributable to Liberty Financial Group Limited		45,605	70,346
Attributable to LFGT		135,913	149,281
Non-controlling interests - other		(458)	(318)
Profit for the year		181,060	219,309
Total comprehensive income attributable to:			
Equity holders of the Liberty Group			
Attributable to Liberty Financial Group Limited		47,379	86,517
Attributable to LFGT		142,351	150,109
Non-controlling interests - other		(458)	(318)
Total comprehensive income for the year		189,272	236,308
Earnings per stapled security	26	0.60	0.72
Diluted earnings per stapled security	26	0.59	0.72

The 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 48 to 105.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	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	Members of the Liberty Group \$'000	Non-controlling interests - LFGT \$'000	Non-controlling interests - other \$'000	Total equity \$'000
Balance at 1 July 2021	719,000	13,515	(9,920)	(1,849)	14,240	(136,020)	432,535	1,031,501	-	(1,432)	1,030,069
Modification of share-based payments from equity-settled to cash-settled - note 14	-	(541)	-	-	-	-	-	(541)	-	-	(541)
Settlement of equity-settled share-based payments - note 14	-	(418)	-	-	-	-	-	(418)	-	-	(418)
Other comprehensive income/(expense) for the year	-	-	34,137	(4,979)	(12,159)	-	-	16,999	-	-	16,999
Profit/(loss) for the period	-	-	-	-	-	-	70,346	70,346	149,281	(318)	219,309
Distributions provided for or paid	-	-	-	-	-	-	-	-	(149,281)	-	(149,281)
Balance at 30 June 2022	719,000	12,556	24,217	(6,828)	2,081	(136,020)	502,881	1,117,887	-	(1,750)	1,116,137
Balance at 1 July 2022	719,000	12,556	24,217	(6,828)	2,081	(136,020)	502,881	1,117,887	-	(1,750)	1,116,137
Equity-settled share based payments - note 14	-	900	-	-	-	-	-	900	-	-	900
Settlement of equity-settled share-based payments - note 14	-	(36)	-	-	-	-	-	(36)	-	-	(36)
Other comprehensive income/(expense) for the year	-	-	3,785	2,395	2,032	-	-	8,212	-	-	8,212
Profit/(loss) for the period	-	-	-	-	-	-	45,605	45,605	135,913	(458)	181,060
Distributions provided for or paid	-	-	-	-	-	-	-	-	(135,913)	-	(135,913)
Balance at 30 June 2023	719,000	13,420	28,002	(4,433)	4,113	(136,020)	548,486	1,172,568	-	(2,208)	1,170,360

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 48 to 105.

Consolidated Statement of Financial Position

For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Assets			
Cash and cash equivalents at bank	20	1,219,934	546,898
Restricted cash	20	122,485	107,139
Trade receivables and other assets	16	335,535	316,911
Financial assets	15	13,534,520	12,886,777
Other investments	17	77,064	73,927
Derivative assets	6(g)	39,786	30,595
Property, plant and equipment	19	27,704	22,178
Intangible assets	21	264,092	276,220
Deferred tax assets	18	71,291	64,558
Total Assets		15,692,411	14,325,203
Liabilities			
Payables	22	210,498	210,442
Financing	23	14,081,583	12,802,496
Provisions	24	14,207	14,060
Lease liabilities		9,900	8,578
Derivative liabilities	6(g)	118,477	104,139
Deferred tax liabilities	18	87,386	69,351
Total Liabilities		14,522,051	13,209,066
Net Assets		1,170,360	1,116,137
Equity			
Contributed equity	25	719,000	719,000
Reserves		(94,918)	(103,994)
Retained profits		548,486	502,881
Non-controlling interests - LFGT		-	-
Total equity attributable to equity holders of the Liberty Group		1,172,568	1,117,887
Non-controlling interests - other		(2,208)	(1,750)
Total Equity		1,170,360	1,116,137

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 48 to 105.

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Interest income received		941,644	615,406
Interest expense paid		(578,034)	(229,645)
Fees and commissions received		264,909	234,950
Fees and commissions paid		(225,124)	(221,261)
Insurance premiums received		1,328	941
Cash paid to suppliers and employees		(178,688)	(142,924)
Income taxes paid		(12,937)	(64,592)
Cash flow from operating activities before changes in operating assets		213,098	192,875
<i>Changes in operating assets arising from cash flow movements</i>			
Net increase in financial assets		(648,726)	(673,174)
Net cash used in operating activities	20(b)	(435,628)	(480,299)
Cash flows from investing activities			
Payments for investments		(31,872)	(11,975)
Proceeds from related party loans		28,039	78,243
Payments to related party loans		(2,067)	(6,179)
Acquisition of property, plant and equipment		(7,115)	(3,462)
Proceeds from the sale of property, plant and equipment		164	36
Net cash (used in)/from investing activities		(12,851)	56,663
Cash flows from financing activities			
Net proceeds from financing		1,289,857	614,243
Payment of lease liabilities		(3,754)	(2,664)
Distributions paid		(149,242)	(137,775)
Net cash from financing activities		1,136,861	473,804
Net increase in cash held		688,382	50,168
Cash and cash equivalents at the beginning of the year		654,037	603,869
Cash and cash equivalents at the end of the year	20(a)	1,342,419	654,037

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 48 to 105.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

Contents

Notes	Page	Notes	Page
1. Reporting Entity	48	18. Deferred Tax Assets and Liabilities	87
2. Basis of Preparation	48	19. Property, Plant and Equipment	88
3. Changes in Significant Accounting Policies	49	20. Cash and Cash Equivalents	90
4. Significant Accounting Policies	50	21. Intangible Assets	91
5. Determination of Fair Values	60	22. Payables	93
6. Financial Risk Management	64	23. Financing	93
7. Auditors' Remuneration	77	24. Provisions	94
8. Segment Information	78	25. Capital and Reserves	95
9. Other Finance Income	79	26. Earnings per Stapled Security	97
10. Finance Expenses	80	27. Leases	98
11. Personnel Expenses	80	28. Related Parties	99
12. Other Expenses	80	29. Parent Entity Disclosures	103
13. Income Tax Expenses	81	30. Key Management Personnel	103
14. Share-based Payment Arrangement	81	31. Capital Commitments and Contingent Liabilities	105
15. Financial Assets	85	32. Special Purpose Entities	105
16. Trade Receivables and Other Assets	86	33. Events Subsequent to Balance Date	105
17. Other Investments	87		

Notes to the Financial Statements

For the year ended 30 June 2023

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 year ended 30 June 2023 have been prepared as a consolidation of the financial statements of the Liberty Group. The equity securities of the Company and the units of the Liberty Financial Group Trust are stapled and cannot be sold separately.

AASB 3 Business Combinations and AASB 10 Consolidated Financial Statements require one of the stapled entities of a stapled group to be identified as the parent entity for the purpose of preparing a consolidated 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 the Liberty Financial Group Trust and its controlled entities, together comprising the Liberty Group.

The financial statements were authorised for issue by the Directors of the Company and the RE on 25 August 2023.

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

Parent entity financial information

The financial information for the parent entity, Liberty Financial Group Limited, disclosed in Note 28 has been prepared on the same basis as the consolidated financial statements.

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

(a) Statement of Compliance

The consolidated financial statements are Tier 1 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

These 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.

(e) Use of Estimates and Judgements

The preparation of 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

Information about accounting treatments involving complex or subjective decisions or assessments are described in the following notes:

- Note 4 (g) – Insurance commission revenue and expense recognition
- Note 5 – Determination of fair values
- Note 6 – Financial instruments including credit risk
- Note 18 – Deferred tax assets and liabilities
- Note 21 – Goodwill and intangibles
- Note 24 – Provisions
- Note 31 – Capital commitments and contingent liabilities

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. Based on this annual review, the average life increased for all financial assets and resulted in an increase to profit in the year ended 30 June 2023.

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 30 June 2023 LFI had premium

revenue of \$1,810,000 (2022: \$2,133,000) and contributed a loss before tax of \$438,000 (2022: \$462,000) to the Liberty Group.

The Liberty Group assesses its intangible assets and goodwill 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. Refer to note 21 for further information.

(ii) Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 June 2023 is included in the following notes:

- Note 4 (i) and note 6 – measurement of provision for impairment of financial assets: key assumptions in determining the collective provisions.
- Note 4 (l) and note 21 – 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 obtains and assesses evidence 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 Changes in Significant Accounting Policies

The accounting policies set out in note 4, have been applied consistently to all periods presented in these financial statements.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

AASB 2020-3 Amendments to Australian Accounting Standards (Annual Improvements 2018 to 2020 and Other Amendments) is effective for the first time for the financial year beginning 1 July 2022. The Liberty Group has adopted AASB 2020-3. None of the amendments covered under the Standard have a material impact on the Liberty Group.

4 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except as otherwise disclosed.

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

(a) Basis of Consolidation

(i) Business combinations

The Liberty Group accounts for business combinations using the acquisition method when control is transferred to the Liberty Group (see note 4 (a) (ii)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any gain on a bargain purchase is recognised in the statement of profit or loss and other comprehensive income immediately.

The Liberty Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Liberty Group to the previous owners of the acquiree, and equity interests issued by the Liberty Group. Consideration transferred also includes the fair value of any contingent consideration and share based payments awards of the acquiree that are replaced mandatorily in the business combination. Contingent consideration is measured as the present value of expected future payments, discounted using a risk-adjusted interest rate.

Transaction costs that the Liberty Group incurs in connection with a business combination, such as finders fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

A business combination that occurs between entities under common control is exempt from the typical requirements of AASB 3 to record the acquired assets and liabilities at fair value and measure goodwill based on the difference between the net assets and liabilities acquired and the consideration transferred. The Liberty Group has elected to record common control transactions based on the carrying amount in the transferor's records on the date of the transaction and any difference between the consideration transferred and the equity acquired is taken to equity as a common control reserve.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Liberty Group. The Liberty Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date on which control ceases.

Investments in subsidiaries are measured at cost.

(iii) Special purpose entities

The Liberty Group has established a number of special purpose entities ("SPEs") for securitisation of financial assets. The SPEs are controlled by the Liberty Group as they were established under terms that impose strict limitations on the decision-making powers of the SPEs management relating to the SPEs operations and net assets. The results of the SPEs are included as part of the Liberty Group consolidated financial statements. Refer to note 32 for further details.

(iv) Transactions eliminated on consolidation

Intra-group balances, transactions and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(v) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Liberty Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(b) Foreign Currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognised in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates prevailing at the dates the fair value was determined.

(ii) Foreign currency operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly as a separate component within equity in the foreign currency translation reserve (FCTR).

(iii) Net investment in foreign operations

Unrealised foreign currency differences arising on the investment and related party balances in a foreign operation are recognised in other comprehensive income (OCI) and are presented within equity in the FCTR. When an investment

is disposed of or a related party loan is repaid the relevant amount in the FCTR is transferred to the statement of profit or loss and other comprehensive income as a realised gain or loss.

(c) Non-derivative Financial Instruments

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, investments in equity and debt securities, payables and financing.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the statement of profit or loss and other comprehensive income, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment loss.

A financial instrument is recognised if the Liberty Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Liberty Group's contractual rights to the cash flows from the financial assets expire or if the Liberty Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Cash and cash equivalents comprise cash balances and term deposits. The Liberty Group does not have an overdraft facility other than an overnight overdraft facility which is repayable the following day. The bank overnight overdraft facility is included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(d) Derivative Financial Instruments

The Liberty Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. The Liberty Group is required to hedge these exposures under the terms and conditions of its borrowing facilities and relevant Trust Deeds. Derivative financial instruments are not held for trading.

Derivatives are initially measured at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

The Liberty Group's approach to managing market risk, including interest rate risk, is discussed in note 6 (e).

On entering into a hedging relationship, the Liberty Group formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows. The hedges are assessed on an ongoing basis to determine if they remain highly effective throughout the financial reporting periods for which they are designated.

Cash flow hedges

Changes in the value of the derivative hedging instruments designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedge no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a financial asset the amount recognised in equity is reclassified to profit or loss in the same period that the hedged item affects the statement of profit or loss and other comprehensive income.

The Liberty Group's approach to accounting for hedges is discussed in note 6 (g).

(e) Share Capital

Stapled securities

Stapled securities are classified as equity. Any incremental costs directly attributable to the issue of stapled securities are recognised in equity. Refer to note 25.

(f) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Liberty Group in the management of its short-term commitments.

Cash collection accounts are used to hold all payments received within the various special purpose entities (SPEs) during a payment period. All amounts are transferred into these accounts in accordance with the SPEs' Trust Deeds.

Cash reserves are maintained and utilised to cover shortfall payments of the SPEs to which the Liberty Group acts as Trustee, in the event of liquidation losses as specified in the SPEs' Trust Deeds.

(g) Insurance Commission Revenue and Expense Recognition

The Liberty Group's obligations in relation to insurance products that it distributes under its contract with the underlying insurer are satisfied at the time that the insurance policy is sold. On each policy sold, both upfront and trail commissions are recognised. Upfront commissions are recognised at the fixed transaction price, net of an allowance for clawbacks. Trail commissions are recognised upfront as a contract asset as the net present value of future trail commissions, based on the commission rate in the contract, expected length of time that the policy will remain in force, and discount factor applied. The estimated variable consideration is reassessed at each reporting period to take into consideration changes in circumstances impacting the net present value of forecast future trail commissions during the period. The Liberty Group incurs incremental costs to obtain the contract, represented by the commissions owed to referring brokers. These incremental costs are recognised in line with the related revenue.

(h) Financial Assets

Financial assets, comprising residential mortgages, commercial mortgages, auto receivables, hire purchase contracts, equipment

finance, personal loans and any facilities in Australia and New Zealand, are initially recognised at fair value when the Liberty Group becomes a party to the contract. Depending on the Liberty Group's business model for managing the financial assets and their contractual cash flow characteristics, they are subsequently measured at either amortised cost using the effective interest method where they meet the definition of solely payments of principal and interest, or at fair value through profit or loss. All mortgage assets are secured by registered mortgages. Auto receivables, hire purchase contracts and equipment loans are secured by a registered interest on the vehicle or equipment. Any facility is secured by an interest in the assets of the relevant entity to which the facility is provided.

A financial asset is assessed annually to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

(i) Impairment

At each reporting date the Liberty Group assesses whether financial assets carried at amortised cost are impaired. A financial asset is impaired when credit risk has increased significantly since initial recognition.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Specific provisions relate to loans that are currently known to be impaired, based on objective evidence as a result of one or more events that have occurred after the initial recognition of the asset, otherwise known as a loss event. For loans where a loss event has occurred, the provisioning process involves detailed review and analysis of individual loans. These loans are assessed for impairment based on security

value, loan balance outstanding and other factors deemed relevant to collectability by management. The Liberty Group engages a panel of external valuation experts, as required. Provisions are raised where objective evidence of impairment exists and the negative impact on estimated future cash flows of the asset can be reliably estimated.

The AASB 9 ECL impairment model applies to all financial assets, except for those which are fair value through profit or loss (FVPL), and equity securities designated as at fair value through other comprehensive income (FVOCI), which are not subject to impairment assessment.

Under AASB 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Stage 1: 12 Month ECL – Not Significantly Increased Credit Risk

Where there has been no significant increase in the risk of default since origination, allowances reflect the portion of the lifetime ECL from expected defaults in the following twelve months.

Stage 2: Lifetime ECL – Significant Increase in Credit Risk (SICR)

A financial asset moves from Stage 1 to Stage 2 when there is a SICR since initial recognition.

The Liberty Group applies a combination of quantitative and qualitative factors to assess whether a SICR has occurred. These include:

- forbearance status including provision of repayment variation;
- relevant behavioural attributes exhibited during life of the asset;
- relevant application attributes such as employment type, employment tenure and disposable income that indicate higher risk of default; and
- transferring assets more than 30 days past due into Stage 2.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

The ECL impairment model, which requires judgement, is used to determine whether an exposure's credit risk has increased significantly and requires higher probability of default factors. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, being the difference between the cash flows due to the Liberty Group in accordance with the contract and the cash flows the Liberty Group expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

Stage 3: Lifetime ECL – Credit Impaired

Write-off

Loans are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Liberty Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Macroeconomic scenarios

The assessment of credit risk, and the estimation of ECL, is unbiased and probability weighted, and incorporates all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable information about future events and economic conditions at the assessment date. The Liberty Group has established a process whereby forward-looking macroeconomic scenarios and probability weightings are developed for ECL calculation purposes. The final probability weighted ECL amount will be calculated from a Baseline estimate, an Upside Case and a Downside Case.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Non-financial assets

The carrying amounts of the Liberty Group's non-financial assets, other than deferred tax assets, are reviewed at each assessment date to determine

whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use the recoverable amount is estimated at each reporting date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. A non-financial asset is impaired if the recoverable amount of the asset is less than the carrying amount of the asset.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the statement of profit or loss and other comprehensive income.

(j) Investments

Corporate bonds are categorised as at fair value through profit or loss and are recognised when the Liberty Group becomes a party to the contract. Corporate bonds are initially and subsequently recognised at fair value using the quoted market price for the bonds at reporting date, or if a quoted market price is not available, the fair value is calculated using the applicable market rate of interest for bonds of a similar maturity and credit rating.

Other investments are categorised as fair value through other comprehensive income.

(k) Property, Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing proceeds from the disposal with the carrying amount of the property, plant and equipment and are recognised net within "other expenses" in profit or loss.

(ii) Depreciation

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Liberty Group will obtain ownership by the end of the lease term.

The depreciation and amortisation rates used for each class of assets are as follows:

Furniture, equipment and fittings	3 years
Computer equipment	3 years
Other fixed assets	3 years
Leasehold improvements	10 years
Leased motor vehicles	5 years
Land and buildings	10 - 40 years
Right-of-use assets	3 - 10 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(l) Intangibles

Goodwill, brand name and development costs are measured at cost less accumulated impairment losses. Brand name and development costs are amortised on a straight line basis in the statement of profit or loss and other comprehensive income over their estimated useful life (10-15 years) from the date they are available for use.

Intellectual property acquired by the Liberty Group is measured at cost less accumulated amortisation and any accumulated impairment losses. Intellectual property is amortised on a straight-line basis in the statement of profit or loss and other comprehensive income over the estimated finite life (20 years) from the date available for use.

(m) Leases

At inception of a contract, the Liberty Group assesses whether a contract is, or contains, a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Liberty Group uses the definition of a lease in AASB 16 *Leases*.

Liberty Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of make-good costs.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Liberty Group's incremental borrowing rate. The Liberty Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The Liberty Group presents right-of-use assets in property, plant, and equipment and lease liabilities in the statement of financial position.

(n) Financing

Through its global financing arrangements, the Liberty Group issues asset-backed securities (securitisation notes). Pending the issue of securitisation notes, the Liberty Group has medium term finance facilities maturing within 1 and 2 years with financial institutions to enhance the funding of financial assets.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

The Liberty Group's structured finance vehicles issue securitisation notes in the form of inscribed stock which is multi-tranched, secured, asset-backed floating rate securities, maturing up to 25-30 years. The Custodian of the facilities is Perpetual Trustee Company Ltd for Australia and Guardian Trust Ltd for New Zealand assets.

Debt issues payable and drawings under finance facilities are recognised when issued.

Financing facilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, apart from foreign currency denominated loans, they are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the life of the loans on an effective yield basis.

The Liberty Group has issued and intends to continue issuing unsecured debt. The unsecured debt is initially recognised at fair value when issued and subsequently measured at amortised cost. The amortised cost of debt is adjusted for fair value movements in underlying hedged risk when designated in hedge accounting relationships under the fair value hedge model. Fair value movements in the debt are recognised directly in profit or loss, which is offset by movements in related fair value hedging instruments per note 4 (d).

(o) Deposits and Unitholder Liabilities

Deposits and unitholder liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, deposits and unitholder liabilities are stated at amortised cost with any difference between cost and repayment value being recognised in profit or loss over the life of the loans on an effective yield basis.

(p) Provisions

A provision is recognised if, as a result of a past event, the Liberty Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(q) Employee Benefits

(i) Long term service benefits

The Liberty Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its fair value. Remeasurements are recognised in profit or loss in the period in which they arise. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating to the terms of the Liberty Group's obligations.

(ii) Incentive plan

A liability is recognised for incentives declared but not paid as at reporting date when the Liberty Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date representing present obligations resulting from employees' services provided to the reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Liberty Group expects to pay as at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(iv) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the statement of profit or loss and other comprehensive income as incurred.

(v) Shared-based payment arrangement

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.

The fair value of the amount payable to employees in respect of Medium Term Incentive equity awards, which are accounted for as cash-settled share based payments, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date based on the fair value of the Medium Term Incentive deferred equity awards. Any changes in the liability are recognised in profit or loss.

The fair value of Long Term Incentive equity awards, which are accounted for as equity-settled share based payments, is recognised as an expense with a corresponding increase in equity, over the period during which the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and performance conditions at the vesting date.

(r) Fees and Commissions

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or financial liability are recognised using the effective interest method. Fee and commission income and expenses which are not integral to the effective interest rate on a financial asset or financial liability are recognised in accordance with AASB 15 *Revenue from Contracts with Customers*. When fees or commissions relate to specific transactions or events, they are recognised as the related services are performed. When they are charged for services provided over a period, they are recognised as performance obligations are satisfied.

(s) Finance Income and Expenses

Finance income comprises interest income on financial assets and funds invested, dividend income, changes in the fair value of financial liabilities at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in the statement of profit or loss and other comprehensive income. Interest income is recognised as it accrues in the statement of profit or loss and other comprehensive income, using the effective interest method. The accrual of fee and interest income is suspended at the time at which the financial asset has a specific provision raised (note 4 (i)). Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

Finance expenses comprise interest expense on financing, borrowing costs, foreign currency losses, changes in the fair value of financial assets held at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in the statement of profit or loss and other comprehensive income on an accruals basis.

Interest payments in respect of financial instruments classified as liabilities are included in interest expense. Where interest rates are hedged or swapped and are designated in a hedging relationship, the borrowing costs are recognised net of any effect of the hedge or swap.

(t) Income Tax

Income tax expense comprises current and deferred tax. Income tax is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any known or likely adjustments to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(u) Tax Consolidation

The Company and its wholly-owned Australian resident entities are part of a tax consolidated group. As a consequence, all members of the tax consolidated group are taxed as a single entity. The Company is the head entity.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

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

The Company recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

The members of the tax consolidated group have entered into a tax funding arrangement which sets out the funding obligations of the members of the tax consolidated group with respect to tax amounts. The tax funding arrangements require payments within the tax consolidated group where inter-entity receivables/(payables) are at call.

The members of the tax consolidated group have also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should there be a default on any tax payment obligations. No amounts have been recognised in the financial statements in respect to this agreement, as payment of any default amounts under the tax sharing agreements is considered remote.

(v) Distribution

In accordance with the relevant Trust Constitution, the Trustee distributes income from a subsidiary SPE of the Liberty Group to a unitholder which is a non-controlled related party of the Liberty Group. These distributions have been treated as distributions to a non-controlling interest.

(w) 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 Company in the period of initial application. They are available for early adoption at 30 June 2023, 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) AASB 17 Insurance Contracts

AASB 17 introduces a new general measurement model for accounting for insurance contracts. LFI Group Pty Ltd, a wholly-owned subsidiary of the Liberty Group, has engaged the Appointed Actuary to assess the impact of the new requirements and to assist with implementation. LFI Group Pty Ltd will adopt the modified retrospective approach for implementation of AASB 17.

AASB 17 is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. LFI Group Pty Ltd has not early adopted this standard and is in the process of quantifying the impacts of adopting AASB 17 from 1 July 2023.

Pursuant to AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, LFI Group Pty Ltd remains immaterial at Group level and therefore it is not anticipated there will be any material change to the Liberty Group's consolidated financial statements on the introduction of AASB 17.

(ii) AASB 2021-5 Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences, for example leases and decommissioning liabilities.

The amendments to AASB 1 and AASB 112 are effective for annual reporting periods beginning on or after 1 January 2023, with early adoption permitted.

The Liberty Group has assessed the impact of the new requirements and determined that, pursuant to AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the effect of the changes is immaterial and therefore there will be no change to the Liberty Group's consolidated financial statements on the introduction of the amendments to AASB 1 and AASB 112.

(iii) AASB 2023-2 Amendments to Australian Accounting Standards - International Tax Reform - Pillar Two Model Rules

The amendments to AASB 112 will require entities to disclose separately their current tax expense (income) related to Pillar Two income taxes, as published by the Organisation for Economic Co-operation and Development (OECD). Further, there will be a mandatory temporary exception to accounting for deferred taxes arising from the implementation of the Pillar Two model rules. The Liberty Group will undertake an impact assessment of the new standard.

The amendments to AASB 112 apply for 30 June year ends immediately however disclosure requirements apply only to financial statements beginning 1 January 2023.

(iv) AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates

The amendments to AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2 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 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 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 Liberty Group will undertake an impact assessment of the new standard.

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

(v) AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current

The amendments to AASB 101 aim to clarify the requirements for determining whether a liability is current or non-current. The Liberty Group will undertake an impact assessment of the new standard.

The amendments to AASB 101 are effective for annual reporting periods beginning on or after 1 January 2024, with early adoption permitted.

5 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 are 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.

(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.

CONSOLIDATED
30 June 2023

	Note	Carrying Amount			Fair Value	
		Fair value through profit or loss \$'000	Fair value through OCI \$'000	Financial assets/ (financial liabilities) at amortised cost \$'000	Total \$'000	\$'000
Financial assets measured at fair value						
Other investments	17	25,489	50,747	-	76,236	76,236
Derivative assets	6(g)	39,786	-	-	39,786	39,786
Financial assets not measured at fair value						
Other investments	17	-	-	828	828	828
Cash and cash equivalents	20	-	-	1,342,419	1,342,419	1,342,419
Trade receivables and other assets	16	-	-	189,412	189,412	189,412
Financial assets	15	-	-	13,534,520	13,534,520	13,631,870
Financial liabilities measured at fair value						
Derivative liabilities	6(g)	(118,477)	-	-	(118,477)	(118,477)
Financial liabilities not measured at fair value						
Payables	22	-	-	(157,618)	(157,618)	(157,618)
Financing	23	-	-	(14,081,583)	(14,081,583)	(14,084,695)
		(53,202)	50,747	827,978	825,523	919,761

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

CONSOLIDATED 30 June 2022	Note	Carrying Amount			Fair Value	
		Fair value through profit or loss \$'000	Fair value through OCI \$'000	Financial assets/ (financial liabilities) at amortised cost \$'000	Total \$'000	\$'000
Financial assets measured at fair value						
Other investments	17	25,255	47,844	-	73,099	73,099
Derivative assets	6(g)	30,595	-	-	30,595	30,595
Financial assets not measured at fair value						
Other investments	17	-	-	828	828	828
Cash and cash equivalents	20	-	-	654,037	654,037	654,037
Trade receivables and other assets	16	-	-	208,011	208,011	208,011
Financial assets	15	-	-	12,886,777	12,886,777	12,955,034
Financial liabilities measured at fair value						
Derivative liabilities	6(g)	(104,139)	-	-	(104,139)	(104,139)
Financial liabilities not measured at fair value						
Payables	22	-	-	(170,559)	(170,559)	(170,559)
Financing	23	-	-	(12,802,496)	(12,802,496)	(12,803,636)
		(48,289)	47,844	776,598	776,153	843,270

(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 is 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.

The fair value of investments in equity securities is based on the most recently available unit prices or subscription prices.

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

As at 30 June 2023	Note	\$'000 Level 1	\$'000 Level 2	\$'000 Level 3	Total
Financial assets measured at fair value					
Other investments – equity securities	17	46,703	23,611	-	70,314
Other investments – government and corporate bonds	17	5,922	-	-	5,922
Derivative assets		-	39,786	-	39,786
Financial liabilities measured at fair value					
Derivative liabilities		-	(118,477)	-	(118,477)
		52,625	(55,080)	-	(2,455)

As at 30 June 2022	Note	\$'000 Level 1	\$'000 Level 2	\$'000 Level 3	Total
Financial assets measured at fair value					
Other investments – equity securities	17	43,247	22,597	-	65,844
Other investments – government and corporate bonds	17	7,255	-	-	7,255
Derivative assets		-	30,595	-	30,595
Financial liabilities measured at fair value					
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 2023 (2022: nil).

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

6 Financial Risk Management

(a) Overview

The Liberty Group has exposures to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Exposure to credit, liquidity and market risk arises in the normal course of the 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.

Exposure

(i) Loans by credit risk rating grades

Consolidated \$'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
30 June 2023				
Gross loans				
Prime	9,165,285	181,517	66,136	9,412,938
Non-prime	3,691,298	201,801	132,226	4,025,325
Unrated	93,321	-	-	93,321
Total	12,949,904	383,318	198,362	13,531,584

Consolidated \$'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
30 June 2022				
Gross loans				
Prime	9,165,335	120,742	47,320	9,333,397
Non-prime	3,246,988	141,759	104,524	3,493,271
Unrated	78,076	-	-	78,076
Total	12,490,399	262,501	151,844	12,904,744

Credit quality

The ageing of loans is shown below:

(ii) Loans by credit quality

	2023 \$'000	2022 \$'000
Gross loans		
Neither past due or impaired	12,949,904	12,490,399
Past due but not impaired	383,318	262,501
Impaired	198,362	151,844
Total	13,531,584	12,904,744

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

Provision for impairment loss

(iii) Provision for impairment

Consolidated \$'000	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
30 June 2022				
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
30 June 2023				
Opening balance at 1 July 2022	42,063	6,074	15,252	63,389
Net movement during the year	8,738	265	1,970	10,973
Closing balance at 30 June 2023	50,801	6,339	17,222	74,362

The following tables show the movement in the Liberty Group's impairment provisions and credit exposures by expected credit loss (ECL) stage for the year ended 30 June 2023.

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	11,754,771	42,404	250,508	5,432	243,343	27,472	12,248,622	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)	(736,827)	(5,711)	(7,530)	362	8,120	(13,382)	(736,237)	(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
Closing balance at 30 June 2022	12,490,399	42,063	262,501	6,074	151,844	15,252	12,904,744	63,389

Consolidated \$'000 30 June 2023	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
Opening balance at 1 July 2022	12,490,399	42,063	262,501	6,074	151,844	15,252	12,904,744	63,389
New loans originated	5,356,762	22,409	73,566	2,458	12,760	1,014	5,443,088	25,881
Transfers:								
Transfers to Stage 1	144,463	1,176	(110,977)	(819)	(33,486)	(357)	-	-
Transfers to Stage 2	(244,437)	(2,725)	256,625	2,976	(12,188)	(251)	-	-
Transfers to Stage 3	(87,711)	(2,082)	(34,085)	(911)	121,796	2,993	-	-
Loans repaid	(3,881,588)	(5,813)	(69,882)	(1,066)	(66,274)	(829)	(4,017,744)	(7,708)
Other (a)	(818,164)	(4,047)	8,179	(2,066)	43,784	591	(766,201)	(5,522)
Write-offs	(4,700)	(153)	(2,362)	(302)	(19,734)	(1,190)	(26,796)	(1,645)
Foreign exchange movement	(5,120)	(27)	(247)	(5)	(140)	(1)	(5,507)	(33)
Closing balance at 30 June 2023	12,949,904	50,801	383,318	6,339	198,362	17,222	13,531,584	74,362

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

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

30 June 2023 \$'000	Current	Stage 1	Stage 2	Stage 3	Total
Expected loss rate	-	0.39%	1.65%	2.42%	0.46%
Gross carrying amount	-	12,949,904	383,318	198,362	13,531,584
Loss allowance	-	(50,801)	(6,339)	(4,803)	(61,943)
30 June 2022 \$'000	Current	Stage 1	Stage 2	Stage 3	Total
Expected loss rate	-	0.34%	2.31%	3.00%	0.41%
Gross carrying amount	-	12,490,399	262,501	151,844	12,904,744
Loss allowance	-	(42,063)	(6,074)	(4,555)	(52,692)

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% (2022: 15%) to reflect this uncertainty. This overlay will continue to reduce as the predictions of the model have been monitored for a sufficient amount of time to increase confidence in its reliability.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

30 June 2023

The below table describes the scenarios, weightings and expected outcomes from the various modelled scenarios as at 30 June 2023.

During the year ended 30 June 2023 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 \$21,307,000	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 A 100% weighting to this scenario would result in a decrease to total ECL provision at the reporting date of \$15,922,000	70%	55%	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 \$45,279,000	25%	40%	

The table below shows the forward-looking macro forecasts as at 30 June 2023.

Macro Forecast	Unemployment %	Cash rate %	HVI*	GDP Growth %
Current	3.7%	4.10%	182.0	1.5%
Upside - 2024	4.3%	3.50%	191.0	2.1%
Baseline - 2024	4.8%	4.20%	188.0	0.6%
Downside - 2024	5.2%	5.50%	180.0	0.3%

* HVI - Home Value Index (previously HPI - House Price Index)

The table below shows the impact of forward-looking macro forecasts on security values for the Australian Residential and New Zealand Residential portfolio under each scenario in the year ended 30 June 2023.

Impact on Security value		Upside	Baseline	Downside
Australian Residential	FY24	5%	3%	(1%)
	FY25	7%	7%	(3%)
New Zealand Residential	FY24	4%	(2%)	(25%)
	FY25	3%	7%	(5%)

The table below shows the change in staging between each scenario in the year ended 30 June 2023, for the Australian Residential and Secured portfolio.

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 year ended 30 June 2023, 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 to each scenario in the year ended 30 June 2023, 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%

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

The table below shows the stresses applied to PD and LGD across all stages to each scenario in the year ended 30 June 2023, 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 the Secured portfolio under each scenario in the year ended 30 June 2023.

Stress to Security value	Upside	Baseline	Downside
Secured	(6%)	(13%)	(33%)

30 June 2022

Scenario	Weighting (Australia and New Zealand)	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.
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 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.

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

Macro Forecast	Unemployment %	Cash rate %	HVI*	GDP Growth %
Current	3.9%	0.85%	196.7	3.9%
Upside - 2024	3.5%	2.40%	186.9	3.4%
Baseline - 2024	3.8%	2.85%	177.0	3.2%
Downside - 2024	5.1%	4.00%	157.4	1.8%

* HVI - Home Value Index (previously HPI - House Price Index)

The table below shows the impact of forward-looking macro forecasts on security values for the Australian Residential and New Zealand Residential portfolio under each scenario in the year ended 30 June 2022.

Impact on Security value		Upside	Baseline	Downside
Australian	FY23	(5%)	(10%)	(20%)
Residential	FY24	(8%)	(15%)	(30%)
New Zealand	FY23	(8%)	(12%)	(25%)
Residential	FY24	(11%)	(16%)	(35%)

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	Scenario 1	Scenario 2	Scenario 3
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 year ended 30 June 2022, for the New Zealand Residential portfolio.

Stress to Staging	Scenario 1	Scenario 2	Scenario 3
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 to each scenario in the year ended 30 June 2022, for the Australian Residential and Secured portfolios.

Stress PD and LGD	Scenario 1	Scenario 2	Scenario 3
Stages 1 and 2 PD	0%	0%	20%
All stages LGD	0%	0%	20%

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

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.

Stress PD and LGD	Scenario 1	Scenario 2	Scenario 3
Stages 1 and 2 PD	0%	0%	35%
All stages LGD	0%	0%	35%

The table below shows the stresses applied to the Secured portfolio under each scenario in the year ended 30 June 2022.

Stress to Security value	Upside	Baseline	Downside
Secured	(6%)	(12%)	(33%)

Collateral

(iv) Collateral held

Maximum exposure	2023 %	2022 %
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 and by continuously monitoring cash flows and matching the maturity profiles of financial assets and liabilities. Details of available facilities are outlined in note 23.

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.

30 June 2023	Note	Carrying amount \$'000	Contractual cash flows \$'000	<1 year \$'000	1–5 years \$'000	>5 years \$'000
Non-derivative financial assets						
Cash and cash equivalents	20	1,342,419	1,342,419	1,342,419	-	-
Trade receivables and other assets	16	189,412	189,412	189,412	-	-
Financial assets	15	13,534,520	30,316,130	1,803,092	6,253,827	22,259,211
Corporate bonds	17	5,922	6,165	165	6,000	-
Derivative financial assets						
Derivative assets		39,786	39,980	21,638	17,991	351
Total assets		15,112,059	31,894,106	3,356,726	6,277,818	22,259,562
Non-derivative financial liabilities						
Payables	22	160,851	160,851	160,315	536	-
Debt issues	23	9,803,686	24,530,377	807,078	3,016,528	20,706,771
Finance facilities	23	4,211,883	4,360,587	3,908,344	452,243	-
Deposits and unitholder liabilities	23	61,710	64,425	53,729	10,696	-
Lease liabilities		9,900	9,900	3,577	6,323	-
Loans from related parties	28	4,304	4,304	4,304	-	-
Derivative financial liabilities						
Derivative liabilities		118,477	121,001	90,244	30,757	-
Total liabilities		14,370,811	29,251,445	5,027,591	3,517,083	20,706,771

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

30 June 2022	Note	Carrying amount \$'000	Contractual cash flows \$'000	<1 year \$'000	1-5 years \$'000	>5 years \$'000
Non-derivative financial assets						
Cash and cash equivalents	20	654,037	654,037	654,037	-	-
Trade receivables and other assets	16	208,011	208,011	208,011	-	-
Financial assets	15	12,886,777	23,033,721	1,253,658	4,283,193	17,496,870
Corporate bonds	17	7,255	7,371	7,371	-	-
Derivative financial assets						
Derivative assets		30,595	31,082	9,942	20,654	486
Total assets		13,786,675	23,934,222	2,133,019	4,303,847	17,497,356
Non-derivative financial liabilities						
Payables	22	172,330	172,330	171,907	423	-
Debt issues	23	8,871,206	14,951,172	436,925	1,772,543	12,741,704
Finance facilities	23	3,861,012	4,368,930	1,309,827	3,059,103	-
Deposits and unitholder liabilities	23	66,350	66,927	62,420	4,507	-
Lease liabilities		8,578	8,578	3,120	5,458	-
Loans from related parties	28	3,928	3,928	3,928	-	-
Derivative financial liabilities						
Derivative liabilities		104,139	104,844	12,379	92,465	-
Total liabilities		13,087,543	19,676,709	2,000,506	4,934,499	12,741,704

(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:

	2023 \$'000	2022 \$'000
Fixed rate instruments		
Cash and cash equivalents and restricted cash	2,500	1,500
Financial assets	2,428,800	1,398,106
Financing	(1,868,395)	(881,696)
	562,905	517,910
Variable rate instruments		
Cash and cash equivalents and restricted cash	1,339,919	652,537
Financial assets	11,105,720	11,517,834
Financing	(12,213,188)	(11,920,800)
Net Derivatives	(78,691)	(73,544)
	153,760	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.

Impact of movement in interest rates	2023		2022	
	\$'000 Profit or Loss	\$'000 Equity	\$'000 Profit or loss	\$'000 Equity
+3% increase in interest rates (2022: +3%)	(129)	(74,824)	(224)	(29,717)
-3% increase in interest rates (2022: -3%)	129	74,824	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.

Sensitivity analysis

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% (2022: +2%/-2%) in the ASX 200 average would have increased/decreased equity by \$914,000 (2022: \$856,000).

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

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 year.

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

The average exchange rates were as follows:
EUR: nil outstanding EUR contracts at 30 June 2023 (2022: 1.6252); and JPY: 0.0117 (2022: 0.0127).

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

Cash flow hedges		As at 30 June 2023			During the year ended 30 June 2023			
		Nominal amount - maturity			Carrying amount			
\$'000	1 - 6 months	7 - 12 months	More than one year	Assets	Liabilities	Change in the value of the hedging instrument recognised in OCI	Hedging ineffectiveness recognised in profit or loss	Amounts reclassified from hedging reserve to profit or loss
Interest rate risk								
Interest rate swaps	-	-	1,806,685	39,786	-	6,449	-	-
Currency risk								
Cross currency interest rate swaps	-	103,499	938,776	-	(118,477)	(13,220)	-	10,556
Total hedges	-	103,499	2,745,461	39,786	(118,477)	(6,771)	-	10,556

Cash flow hedges		As at 30 June 2022			During the year ended 30 June 2022			
		Nominal amount - maturity			Carrying amount			
\$'000	1 - 6 months	7 - 12 months	More than one year	Assets	Liabilities	Change in the value of the hedging instrument recognised in OCI	Hedging ineffectiveness recognised in profit or loss	Amounts reclassified from hedging reserve to profit or loss
Interest rate risk								
Interest rate swaps	7,708	4,114	803,524	30,595	(24)	28,641	-	-
Currency risk								
Cross currency interest rate swaps	20,923	-	682,018	-	(104,115)	(36,653)	-	42,149
Total hedges	28,631	4,114	1,485,542	30,595	(104,139)	(8,012)	-	42,149

7 Auditors' Remuneration

	2023 \$'000	2022 \$'000
Audit Services		
Auditor of the Liberty Group - KPMG		
Audit of the financial statements	1,645	1,559
Other regulatory services	141	142
	1,786	1,701
Other services		
Auditor of the Liberty Group - KPMG		
Advisory services	30	40
Other services	43	37
	73	77
Total auditor's remuneration	1,859	1,778

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

8 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 year ended 30 June 2023, \$1,177 million of external revenue was generated within Australia (2022: \$805 million) and \$64 million of external revenue was generated within New Zealand (2022: \$64 million). At 30 June 2023 there were \$13,466 million non-current assets in Australia (2022: \$12,791 million) and \$378 million non-current assets in New Zealand (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.

(b) Segment Overview

	Residential Finance \$'000	Secured Finance \$'000	Financial Services \$'000	Corporate \$'000	Total \$'000
2023					
Interest income	539,640	337,403	48,666	38,768	964,477
Effective yield fee income	22,442	17,251	171	-	39,864
Other finance income	8,888	12,658	201,899	2,042	225,487
Other operating income	-	811	1,869	160	2,840
Interest expense	(381,833)	(177,597)	(22,584)	(18,011)	(600,025)
Recoveries/(impairment expense)	5,013	(16,754)	(6,512)	-	(18,253)
Other finance expenses	(39,905)	(32,469)	(140,528)	(19,404)	(232,306)
Net margin as reported by the Liberty Group	154,245	141,303	82,981	3,555	382,084
Operating expenses	(28,650)	(13,046)	(40,531)	(82,669)	(164,896)
Depreciation and amortisation	-	-	-	(19,179)	(19,179)
Tax expense	-	-	-	(16,949)	(16,949)
Profit from continuing operations	125,595	128,257	42,450	(115,242)	181,060
Segment Balance Sheet Information					
Total Segment Assets	8,624,298	5,253,637	823,772	990,704	15,692,411
Total Assets reported by the Liberty Group	8,624,298	5,253,637	823,772	990,704	15,692,411
Total Segment Liabilities	8,456,226	4,642,771	614,731	808,323	14,522,051
Total Liabilities reported by the Liberty Group	8,456,226	4,642,771	614,731	808,323	14,522,051

2022	Residential Finance \$'000	Secured Finance \$'000	Financial Services \$'000	Corporate \$'000	Total \$'000
Interest income	345,664	226,803	36,680	12,879	622,026
Effective yield fee income	22,856	16,755	316	-	39,927
Other finance income	8,275	13,500	181,307	1,953	205,035
Other operating income	46	(25)	1,779	364	2,164
Interest expense	(144,682)	(66,719)	(9,125)	(13,316)	(233,842)
Recoveries/(impairment expense)	4,462	1,420	(5,701)	-	181
Other finance expenses	(41,042)	(25,323)	(138,589)	(23,990)	(228,944)
Net margin as reported by the Liberty Group	195,578	166,410	66,667	(22,110)	406,547
Operating expenses	(20,567)	(10,612)	(36,963)	(69,597)	(137,739)
Depreciation and amortisation	-	-	-	(17,894)	(17,894)
Tax expense	-	-	-	(31,605)	(31,605)
Profit from continuing operations	175,011	155,798	29,704	(141,206)	219,309
Segment Balance Sheet Information					
Total Segment Assets	8,967,073	3,914,947	580,652	862,531	14,325,203
Total Assets reported by the Liberty Group	8,967,073	3,914,947	580,652	862,531	14,325,203
Total Segment Liabilities	8,528,853	3,339,191	384,644	956,378	13,209,066
Total Liabilities reported by the Liberty Group	8,528,853	3,339,191	384,644	956,378	13,209,066

9 Other Finance Income

	Note	2023 \$'000	2022 \$'000
Lending fee income		37,607	33,907
Commission income		185,838	169,175
External dividend income		2,042	1,953
		225,487	205,035

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

10 Finance Expense

	Note	2023 \$'000	2022 \$'000
Interest expense on financial liabilities measured at amortised cost		608,235	223,683
Net interest (income)/expense on interest rate swaps		(8,210)	10,159
Effective yield costs on financial liabilities measured at amortised cost		13,613	15,297
Interest on lease liabilities		392	275
Lending costs		12,647	17,151
Commission expense		205,547	195,998
Unrealised loss on assets and liabilities		58	8
Net foreign exchange loss		49	215
		832,331	462,786

11 Personnel Expenses

	Note	2023 \$'000	2022 \$'000
Wages, salaries and on-costs		71,758	68,837
Share-based payment expense - cash settled	14	2,995	1,334
Share-based payment expense - equity settled	14	864	-
Superannuation	24	6,455	5,636
Long service leave		1,240	712
Annual leave		4,562	3,745
Other personnel expenses		5,018	3,585
		92,892	83,849

12 Other Expenses

	Note	2023 \$'000	2022 \$'000
Occupancy expenses		3,457	3,493
Loan establishment and management		14,449	13,818
Technology, communications and marketing		20,764	16,326
Depreciation	19	6,501	5,259
Amortisation and impairment	21	12,678	12,635
Contingent consideration		9,944	2,199
Other operating expenses and professional fees		23,390	18,054
		91,183	71,784

13 Income Tax Expense

	Note	2023 \$'000	2022 \$'000
Recognised in profit or loss			
Current year		7,844	22,946
Prior year adjustments		281	309
		8,125	23,255
Deferred tax expense			
Origination and reversal of temporary differences		13,862	8,383
Tax cost base reset		(5,299)	-
Tax losses		-	129
Prior year adjustments		261	(162)
Income tax expense		16,949	31,605
Recognised in other comprehensive income			
Unrealised loss/(gain) on fair value of financial assets at FVOCI		871	(5,211)
		17,820	26,394
Reconciliation between tax expense and profit			
Profit before income tax		198,009	250,914
Income tax using domestic corporation tax rate of 30% (2022: 30%)		59,403	75,274
Net movement in income tax due to:			
International differential in tax rate		(22)	(164)
Non-deductible expenses		3,871	2,272
Non-assessable income (distribution income)		(40,781)	(45,273)
Fees transferred		(765)	(651)
Tax cost base reset		(5,299)	-
Prior year adjustments		542	147
Income tax expense on profit		16,949	31,605

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 \$5,299,168, with a corresponding income tax benefit.

14 Share-Based Payment Arrangement

(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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

During the year ended 30 June 2023, 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:

Grant date/employees entitled	Number of awards	Vesting conditions	Contractual life of awards
Awards granted to Executive KMP on 23 December 2022	12,804,879	Refer to vesting conditions of the Long Term Incentive Plan.	15 years

The Liberty Group did not grant any Long Term Incentive deferred equity awards during the year ended 30 June 2022.

(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:

Grant date/employees entitled	Number of awards	Vesting conditions	Contractual life of awards
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

During the year to 30 June 2022, the Liberty Group made the following share-based payment arrangements.

(iii) Medium Term Incentive Plan (cash settled)

On 22 December 2021 and 24 December 2021 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 2021. In total 790,040 awards were granted with a total value at grant date of \$3,950,200. 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 \$1,975,100 was paid to employees in cash in December 2021.

The awards will vest as follows:

- 50% of the Awards will vest on 1 December 2022, 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 2023, 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 key management personnel are as follows:

Grant date/employees entitled	Number of awards	Vesting conditions	Contractual life of awards
Awards granted to key management personnel on 22 December 2021	159,600	Refer to vesting conditions of the Medium Term Incentive Plan.	15 years
Awards granted to key management personnel on 24 December 2021	106,400		

The fair value of the amount payable to employees in respect of Medium Term Incentive equity awards, which are accounted for as cash-settled share based payments, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date based on the fair value of the medium term incentive deferred equity awards. Any changes in the liability are recognised in profit or loss.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

(b) Measurement of Grant Date and Measurement 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 year ended 30 June 2023.

	Long Term Incentive Plan		
	Tranche 1 (see (a)(i))	Tranche 2 (see (a)(i))	Tranche 3 (see (a)(i))
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%

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 year ended 30 June 2023.

	Long Term Incentive Plan		
	Tranche 1 (see (a)(i))	Tranche 2 (see (a)(i))	Tranche 3 (see (a)(i))
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 and measurement date fair values, for Medium Term Incentive deferred equity awards granted to all eligible employees, including Executive KMP and Group Managers, during the year ended 30 June 2023.

	Medium Term Incentive Plan			
	Grant Date		Measurement Date	
	Tranche 1 (see (a)(ii))	Tranche 2 (see (a)(ii))	Tranche 1 (see (a)(ii))	Tranche 2 (see (a)(ii))
Dates	23-Dec-22	23-Dec-22	30-Jun-23	30-Jun-23
Fair value	\$3.11	\$2.82	\$3.49	\$3.19
Security price	\$3.44	\$3.44	\$3.63	\$3.63
Exercise price	-	-	-	-
Expected volatility (Weighted average volatility)	32.5%	32.5%	32.5%	32.5%
Security right life (expected weighted average life)	1 year	2 years	1 year	2 years
Expected distributions	9.61%	9.61%	9.08%	9.08%
Risk-free interest rate (based on government bonds)	3.24%	3.31%	4.28%	4.13%

Annualised volatility is based on the historical volatility of the Liberty Group and benchmark listed companies.

(c) Measurement of Grant Date and Measurement Date Fair Values

	Note	2023 \$'000	2022 \$'000
Total carrying amount of liabilities for share-based payments	22	3,233	1,771
Total intrinsic value of liabilities for vested benefits		-	-

15 Financial Assets

(a) Financial Assets Comprises:

	2023 \$'000	2022 \$'000
Gross financial assets at amortised cost	13,531,584	12,904,744
Net financial assets at amortised cost	13,608,882	12,950,166
Less:		
Specific provision for financial asset impairment	(12,419)	(10,697)
Collective provision for financial asset impairment	(61,943)	(52,692)
	13,534,520	12,886,777

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

(b) Contractual Maturity Analysis

	2023 \$'000	2022 \$'000
Not longer than 12 months	249,885	245,258
Longer than 12 months and less than 5 years	1,701,730	1,703,032
Greater than 5 years	11,582,905	10,938,487
	13,534,520	12,886,777

(c) Geographic Concentration of Financial Assets

	2023 \$'000	2022 \$'000
New South Wales/ACT	3,924,787	3,954,967
Victoria/Tasmania	4,957,670	4,737,007
Queensland	2,490,334	2,357,845
Western Australia	1,208,539	1,011,354
South Australia/Northern Territory	582,052	533,144
New Zealand	371,138	292,460
	13,534,520	12,886,777

16 Trade Receivables and Other Assets

	Note	2023 \$'000	2022 \$'000
Loans to related parties	28	122,276	140,486
Commission receivable		146,123	108,900
Other assets		37,811	38,012
Income tax receivable		28,855	29,056
Other loans		470	457
		335,535	316,911

Current trade receivables and other assets are \$207,472,000 (2022: \$224,181,000) and non-current are \$128,063,000 (2022: \$92,545,000). Loans to related parties are unsecured.

17 Other Investments

	2023 \$'000	2022 \$'000
Corporate bonds	5,922	7,255
Other equity investments	71,142	66,672
	77,064	73,927

Current other investments are \$40,000 (2022: \$7,295,000) and non-current other investments are \$77,024,000 (2022: \$66,632,000). Other equity investments are included within non-current other investments.

18 Deferred Tax Assets and Liabilities

	Assets		Liabilities		Net	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Recognised deferred tax assets and liabilities						
Property, plant and equipment	(9,432)	(8,383)	5,851	5,310	(3,581)	(3,073)
Employee benefits	(9,889)	(9,212)	4	8	(9,885)	(9,204)
Provisions	(23,281)	(20,154)	-	-	(23,281)	(20,154)
Capitalised costs	(2,343)	(3,511)	-	-	(2,343)	(3,511)
Acquisition costs	-	-	28,514	17,811	28,514	17,811
Effective yield adjustment	(19,629)	(16,972)	20,635	19,267	1,006	2,295
Other items	(2,567)	(2,196)	32,382	26,955	29,815	24,759
Tax losses	(4,150)	(4,130)	-	-	(4,150)	(4,130)
Deferred tax (assets)/liabilities	(71,291)	(64,558)	87,386	69,351	16,095	4,793

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

	Balance 1-Jul-22 \$'000	Transfer \$'000	Recognised in income \$'000	Recognised in equity \$'000	Balance 30-Jun-23 \$'000
Movement in temporary differences during the year					
Property, plant and equipment	(3,073)	-	(508)	-	(3,581)
Employee benefits	(9,204)	-	(681)	-	(9,885)
Provisions	(20,154)	-	(3,127)	-	(23,281)
Capitalised costs	(3,511)	-	1,168	-	(2,343)
Acquisition costs	17,811	-	10,703	-	28,514
Effective yield adjustment	2,295	-	(1,289)	-	1,006
Other items	24,759	-	2,578	2,478	29,815
Tax losses	(4,130)	-	(20)	-	(4,150)
Deferred tax (assets)/liabilities	4,793	-	8,824	2,478	16,095

19 Property, Plant and Equipment

	Furniture, equip. and fittings \$'000	Computer equip. \$'000	Other fixed assets \$'000	Leasehold improve- ments \$'000	Leased motor vehicles \$'000	Land and buildings \$'000	Total \$'000
Cost							
Balance at 1 July 2021	1,186	7,199	314	8,201	1,914	19,506	38,320
Acquisitions	296	996	48	1,846	184	92	3,462
Disposals	-	(195)	-	(4)	(37)	-	(236)
Additions to right-of-use assets	-	-	-	-	-	2,057	2,057
Foreign exchange movements	(4)	(28)	(5)	(24)	(5)	-	(66)
Balance at 30 June 2022	1,478	7,972	357	10,019	2,056	21,655	43,537
Balance at 1 July 2022	1,478	7,972	357	10,019	2,056	21,655	43,537
Acquisitions	682	1,425	-	4,849	78	81	7,115
Disposals	(72)	(1,529)	-	-	(116)	-	(1,717)
Additions to right-of-use assets	-	-	-	-	-	5,076	5,076
Foreign exchange movements	2	18	3	14	3	-	40
Balance at 30 June 2023	2,090	7,886	360	14,882	2,021	26,812	54,051

	Furniture, equip. and fittings \$'000	Computer equip. \$'000	Other fixed assets \$'000	Leasehold improve- ments \$'000	Leased motor vehicles \$'000	Land and buildings \$'000	Total \$'000
Depreciation							
Balance at 1 July 2021	882	4,915	220	3,465	598	6,290	16,370
Depreciation charge for the year	151	1,385	54	633	402	371	2,996
Disposals	-	(195)	-	(1)	(24)	-	(220)
Depreciation of right- of-use asset	-	31	-	-	-	2,232	2,263
Foreign exchange movements	(2)	(29)	(3)	(21)	(3)	8	(50)
Balance at 30 June 2022	1,031	6,107	271	4,076	973	8,901	21,359
Balance at 1 July 2022	1,031	6,107	271	4,076	973	8,901	21,359
Depreciation charge for the year	260	1,327	45	945	398	386	3,361
Disposals	(53)	(1,391)	-	-	(116)	-	(1,560)
Depreciation of right- of-use asset	-	38	-	-	-	3,102	3,140
Foreign exchange movements	2	13	2	13	2	15	47
Balance at 30 June 2023	1,240	6,094	318	5,034	1,257	12,404	26,347
Carrying amounts							
At 1 July 2021	304	2,284	94	4,736	1,316	13,216	21,950
At 30 June 2022	447	1,865	86	5,943	1,083	12,754	22,178
At 1 July 2022	447	1,865	86	5,943	1,083	12,754	22,178
At 30 June 2023	850	1,792	42	9,848	764	14,408	27,704

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

20 Cash and Cash Equivalents

Restricted cash is cash reserves, maintained in accordance with the legal requirements of relevant SPE 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 of \$22,297,000 (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.

(a) Reconciliation of Cash and Cash Equivalents

	2023 \$'000	2022 \$'000
Cash and cash equivalents at bank	1,219,934	546,898
Restricted cash	122,485	107,139
Total as disclosed in the statement of cash flows	1,342,419	654,037

(b) Reconciliation of Cash Flows from Operating Activities

	2023 \$'000	2022 \$'000
Profit after tax	181,060	219,309
<i>Adjustments for:</i>		
Movement in share-based payments	864	(959)
Depreciation	6,501	5,259
Amortisation of intangible assets	12,678	12,635
Other non cash items within the statement of profit or loss and other comprehensive income	-	(4)
Net change in financial assets and liabilities designated at fair value through profit or loss	58	8
Income in relation to related parties	(6,059)	(3,738)
Foreign exchange movement	49	216
	14,091	13,417
Profit before changes in working capital and provisions	195,151	232,726
Increase in financial assets	(647,743)	(677,377)
Increase in trade receivables and other assets	(38,001)	(13,248)
Increase in interest and other payables	50,806	9,052
Increase/(decrease) in income taxes payable	4,012	(32,987)
Increase in provisions	147	1,535
	(630,779)	(713,025)
Net cash used in operating activities	(435,628)	(480,299)

21 Intangible Assets

(a) Carrying Value

	Goodwill \$'000	Brand Name \$'000	Development costs \$'000	Intellectual property \$'000	Total \$'000
30 June 2022					
Cost and carrying value					
Balance at 1 July 2021	39,494	992	3,253	245,248	288,987
Additions	-	-	161	-	161
Amortisation	-	(143)	(657)	(11,835)	(12,635)
Foreign exchange movements	(268)	(25)	-	-	(293)
Balance at 30 June 2022	39,226	824	2,757	233,413	276,220
30 June 2023					
Cost and carrying value					
Balance at 1 July 2022	39,226	824	2,757	233,413	276,220
Additions	-	-	377	-	377
Amortisation	-	(139)	(704)	(11,835)	(12,678)
Foreign exchange movements	158	15	-	-	173
Balance at 30 June 2023	39,384	700	2,430	221,578	264,092

\$195,278,000 (2022: \$207,113,000) of the intellectual property intangible asset relates to a separately identifiable copyright with a useful life of 20 years. \$26,300,000 (2022: \$26,300,00) is not separately identifiable and has been classified as an indefinite life intangible asset.

(b) Impairment Testing for Cash Generating Units Containing Goodwill

Cash generating units	2023 \$'000	2022 \$'000
ALI	14,223	14,223
nMB	10,095	10,095
MoneyPlace	6,541	6,541
MPMH	1,642	1,612
MPRE	6,883	6,755
	39,384	39,226

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

The carrying amount of goodwill of each CGU is tested for impairment at each statutory reporting date and whenever there is an indicator that the asset may be impaired. If an asset is impaired, it is written down to its recoverable amount. The recoverable amount is based on a value in use calculation using cash flow projections based on the Board approved three-year plan. The cash flow projections are derived from running a number of budget scenarios to arrive at the single most likely view over the next three years, which is incorporated in the value in use model. Cash flows for a further two-year period were extrapolated using declining growth rates and the long-term terminal growth was determined at 3.0% (2022: 2.5% - 3.0%).

The key assumptions used in determining value in use are:

Assumption	How Determined
Forecasted revenue and expenses	Forecast revenues and expenses beyond the three year financial year forecast period have been extrapolated using long-term terminal growth rates as follows: • ALI 3% (2022: 3%) • nMB 3% (2022: 3%) • MoneyPlace 3% (2022: 3%) • MPRE 3% (2022: 3%) • MPMH 3% (2022: 3%)
Long term growth rate	The above long-term growth rate for each of the CGUs does not exceed the long-term average growth rate for the sector/industry in which the CGU operates.
Discount rate	The pre-tax discount rate used reflects the CGU's pre-tax nominal weighted average cost of capital (WACC) as follows: • ALI 8% (2022: 8%) • nMB 11% (2022: 14%) • MoneyPlace 12% (2022: 11%) • MPRE 13% (2022: 12%) • MPMH 11% (2022: 14%)

Sensitivity conclusion

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

(c) Impairment Testing for Intellectual Property

The carrying amount of intellectual property is tested for impairment at each statutory reporting date and whenever there is an indicator that the asset may be impaired. If an asset is impaired, it is written down to its recoverable amount. The recoverable amount is based on a value in use calculation, using the relief from royalty method to derive cash flow projections based on the Board approved three-year plan. Cash flows over the remaining forecast period were extrapolated using the long terminal growth rate of 3% (2022: 3%).

The key assumptions used in determining value in use are:

Assumption	How Determined
Forecasted revenue and expenses	Forecast cash flows beyond the three year financial year forecast period have been extrapolated using long-term terminal growth rates of 3%.
Long term growth rate	The above long-term growth rate does not exceed the long-term average growth rate for the sector/industry in which the Liberty Group operates.
Discount rate	The pre-tax discount rate used is 9%, reflecting the IP's pre-tax nominal weighted average cost of capital (WACC), plus a discount rate premium of 2% to reflect the intangible nature of the IP.

22 Payables

	2023 \$'000	2022 \$'000
Distribution payable	72,285	85,614
Share-based payment liability	3,233	1,771
Interest payable	36,567	14,576
Commission payable	49,647	38,112
Contingent consideration	-	21,610
Payables and accruals	48,766	48,759
	210,498	210,442

Current payables are \$166,976,000 (2022: \$178,127,000) and non-current are \$43,522,000 (2022: \$32,315,000).

23 Financing

	Note	2023 \$'000	2022 \$'000
Debt issues		9,803,686	8,871,206
Finance facilities		4,211,883	3,861,012
Deposits and unitholder liabilities		61,710	66,350
Loans from related parties	28	4,304	3,928
		14,081,583	12,802,496

Current financing are \$4,031,318,000 (2022: \$1,448,668,000) and non-current are \$10,050,265,000 (2022: \$11,353,828,000).

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

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 \$1,075,000,000 (2022: \$1,100,000,000) which is due to mature between 2024 and 2028 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 Liberty Group has access to the following lines of credit:

	2023 \$'000	2022 \$'000
Total facilities available	7,252,131	6,649,682
Facilities utilised at balance date	4,211,883	3,861,012
Facilities not used at balance date	3,040,248	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 \$1,599,000 (2022: \$1,580,000) have been provided by the Liberty Group in relation to credit card facilities, leases on premises and other matters. These guarantees are secured by the assets of the Liberty Group.

24 Provisions

	2023 \$'000	2022 \$'000
Liability for annual leave and bonus	8,734	9,541
Liability for long service leave	5,143	4,306
Employee entitlements	13,877	13,847
Other provisions	330	213
	14,207	14,060
Employee entitlements discount rate	5.46%	5.07%

Superannuation Plans

The Liberty Group contributes to a complying superannuation fund nominated by the employees and approved by the Liberty Group. The fund is a defined contribution fund. Details of contributions to these plans during the year and contributions payable at reporting date are as follows:

	2023 \$'000	2022 \$'000
Employer superannuation contributions	6,455	5,636
Employee entitlements		
Opening balance	13,847	12,267
Provisions made during the year	6,583	7,779
Provisions used during the year	(6,553)	(6,199)
Closing balance	13,877	13,847
Other provisions		
Opening balance	213	258
Provisions made during the year	206	208
Provisions used during the year	(89)	(253)
Closing balance	330	213

25 Capital and Reserves

(a) Capital

Contributed equity

	2023 \$	2022 \$
Liberty Financial Group Limited - 303,600,000 ordinary shares, fully paid (2022: 303,600,000 ordinary shares, fully paid)	719,000,100	719,000,100
Liberty Financial Group Trust - 303,600,000 units, fully paid (2022: 303,600,000 units, fully paid)	100	100
303,600,000 stapled securities, fully paid (2022: 303,600,000 stapled securities, fully paid)	719,000,200	719,000,200

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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

(b) Dividends and Distributions

Distributions are paid from the Liberty Financial Group Trust (ARSN 644 813 847).

2023

Distribution information	Cents per stapled security	Total amount (\$'000)	Date of payment
Interim 2023 distribution per stapled security	21.000000	63,756	15 December 2022
Final 2023 distribution per stapled security	23.767285	72,157	31 August 2023
Total		135,913	

2022

Distribution information	Cents per stapled security	Total amount (\$'000)	Date of payment
Interim 2022 distribution per stapled security	21.000000	63,756	15 December 2021
Final 2022 distribution per stapled security	28.170284	85,525	31 August 2022
Total		149,281	

No interim or final dividend was declared or paid by the Company during the years ended 30 June 2022 or 2023.

Dividend franking account

The amount of Australian franking credits available at the 30% tax rate to the Liberty Group for subsequent years is \$40.7 million (2022: \$33.3 million).

This is calculated from the franking account at year end adjusted for franking credits and debits that will arise from the payments and refunds, respectively, 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

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

26 Earnings Per Stapled Security (EPS)

Basic Earnings Per Stapled Security

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary securityholders of the Liberty Group by the weighted average number of stapled securities outstanding during the year.

Diluted Earnings Per Stapled Security

Diluted EPS amounts are calculated by dividing the profit attributable to securityholders of the Liberty Group by the weighted average number of stapled securities during the year plus the weighted average number of stapled securities that would be issued on conversion of all the dilutive potential stapled securities into stapled securities.

	2023 \$'000	2022 \$'000
Profit attributable to securityholders of the Liberty Group	181,060	219,309
Weighted average number of stapled securities for basic EPS (thousands)	303,600	303,600
Weighted average number of dilutive stapled securities (thousands)	1,348	725
Weighted average number of stapled securities adjusted for the effect of dilution (thousands)	304,948	304,325

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

	2023 Cents	2022 Cents
Basic earnings per stapled security	0.60	0.72
Diluted earnings per stapled security	0.59	0.72

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

27 Leases

The Liberty Group leases office space throughout Australia and New Zealand. None of the leases include contingent rentals.

The Liberty Group also has finance lease liabilities that are secured by the leased assets.

Information about the Liberty Group's leases is as follows:

(a) Right-of-use Assets

	Land and buildings \$'000	Leased equipment \$'000	Total \$'000
Balance at 1 July 2021	6,977	192	7,169
Additions to right-of-use assets	2,057	-	2,057
Depreciation charge for the year	(2,232)	(31)	(2,263)
Foreign exchange movements	(8)	-	(8)
Balance at 30 June 2022	6,794	161	6,955
Balance at 1 July 2022	6,794	161	6,955
Additions to right-of-use assets	5,076	-	5,076
Depreciation charge for the year	(3,102)	(38)	(3,140)
Foreign exchange movements	(15)	-	(15)
Balance at 30 June 2023	8,753	123	8,876

(b) Amounts Recognised in Profit or Loss

	2023 \$'000	2022 \$'000
Depreciation of right-of-use asset	3,140	2,263
Interest expense on lease liabilities	393	274
Expense of short-term leases	6	6

(c) Amounts Recognised in Statement of Cash Flows

	2023 \$'000	2022 \$'000
Total cash outflows for leases	3,754	2,664

28 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 the Liberty Group:

Entity name	Ownership interest	
	2023 %	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 Ltd	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

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

	Ownership interest	
	2023 %	2022 %
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
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
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 Series 2023-1 Auto Trust	100	-
Liberty Series 2023-1 Trust	100	-
Liberty Series 2023-2 Trust	100	-
Liberty Series 2023-3 Trust	100	-
Liberty Sirius Trust	100	100
Liberty Term Investment Fund	62	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

	Ownership interest	
	2023 %	2022 %
Mike Pero Group Limited	100	100
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 Limited	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	2	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, the 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

(b) Transactions with Related Parties

	2023 \$	2022 \$
Statement of profit or loss and other comprehensive income items arising from related party transactions		
Distribution paid/payable to the immediate parent of the Liberty Group	(105,176,044)	(115,520,428)
Interest income from the immediate parent of the Liberty Group	6,141,805	3,558,959
Assets and liabilities arising from related party transactions		
Aggregate loans to related parties:		
Immediate parent entity	121,978,779	139,988,878
Other related parties	296,783	496,843
	122,275,562	140,485,721
Aggregate loans from related parties:		
Ultimate parent entity	456,673	430,795
Other related parties	3,706,329	3,389,683
Controlled entities	140,620	107,298
	4,303,622	3,927,776

Loans to immediate parent entity are unsecured and repayable in cash by 30 September 2025. Interest is calculated at the rate of 180-day BBSW plus a margin of 2.5% and is compounded semi-annually.

Loans from ultimate parent entity are unsecured and repayable in cash on demand. Interest is calculated at the rate of 2.0% per annum and is compounded semi-annually.

Loans to/from other related parties are non-interest bearing, unsecured and payable in cash on demand.

29 Parent Entity Disclosures

As at, and throughout, the financial year ended 30 June 2023 the parent entity of the Liberty Group was Liberty Financial Group Limited.

(a) Summary of Financial Information

The individual financial statements for the parent entity show the following aggregate amounts:

	2023 \$	2022 \$
Result of parent entity		
Profit for the year	14,494,957	10,741,363
Other comprehensive income	–	–
Total comprehensive income for the year	14,494,957	10,741,363
Financial position of the parent entity at year end		
Current assets	28,735,744	31,273,908
Total assets	1,251,606,927	1,267,314,916
Current liabilities	(525,955)	(501,941)
Total liabilities	(500,812,217)	(527,775,208)
Shareholders' equity		
Issued capital	719,000,100	719,000,100
Reserves	31,794,610	20,539,608
Total equity	750,794,710	739,539,708

(b) Contingent Liabilities of the Parent Entity

The parent entity did not have any contingent liabilities as at 30 June 2023 (2022: nil).

30 Key Management Personnel

(a) Directors

The following persons were Directors of the Company during the financial year:

James Boyle	Executive Director
Richard Longes	Non-Executive Director and Chair
Peter Hawkins	Non-Executive Director
Sherman Ma	Executive Director
Leona Murphy	Non-Executive Director
Jane Watts	Non-Executive Director (appointed 4 July 2022)

Notes to the Financial Statements (continued)

For the year ended 30 June 2023

The following persons were Directors of the RE during the financial year:

Richard Longes	Non-Executive Director
Peter Hawkins	Non-Executive Director and Chair
Sherman Ma	Executive Director
Leona Murphy	Non-Executive Director

(b) Other Key Management Personnel

The following persons were key management personnel (KMP) that had authority and responsibility for planning, directing and controlling activities of the Liberty Group during the financial year:

James Boyle	Chief Executive Officer
Peter Riedel	Chief Financial Officer
Sherman Ma	Executive Director

(c) Key Management Personnel Compensation

The KMP compensation included in personnel expenses (refer note 11) is as follows:

	2023 \$	2022 \$
Short-term employee benefits	3,262,986	3,779,110
Superannuation	112,014	90,890
Long service leave	27,068	27,068
Share-based payments	1,059,489	443,333
	4,461,557	4,340,402

(d) Loans to Key Management Personnel

There were no loans made to, repaid from, or outstanding from, KMP during the year ended 30 June 2023 (2022: nil).

(e) Deposits from Key Management Personnel

As at 30 June 2023 certain KMP have deposited, in aggregate, \$247,000 (2022: \$539,000) in the Liberty Term Investment Fund. During the year ended 30 June 2023 \$446,000 was redeemed from the Fund (2022: nil). The terms and conditions of these deposits were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-KMP on an arm's length basis.

31 Capital Commitments and Contingent Liabilities

There are no capital commitments as at 30 June 2023 (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.

32 Special Purpose Entities

The Liberty Group enters into transactions in the normal course of business that transfers financial assets to special purpose entities. The special purpose entities are consolidated as the Liberty Group is exposed or has rights to variable returns and has the ability to affect its return through its power over the special purpose entities.

The Liberty Group may serve as a servicer, manager, liquidity provider, purchaser of notes and/or purchaser of residual interest and capital units with respect to these special purpose entities.

The table below presents assets securitised and the underlying borrowings as a result of the securitisations.

	2023 \$	2022 \$
Receivables	41,546,304	24,276,263
Customer loans	12,858,760,223	11,828,384,175
Cash held by securitisation vehicles	971,041,368	408,590,212
Total	13,871,347,895	12,261,250,650
Borrowings related to receivables and customer loans	12,491,660,886	11,410,189,862

33 Events Subsequent to Balance Date

There has not arisen in the interval between the end of the annual 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.

Directors' Declaration

For the year ended 30 June 2023

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 43 to 105 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 30 June 2023 and of its performance for the financial year ended 30 June 2023; and

(ii) complying with the Australian Accounting Standards 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 have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2023.

The Directors of the Liberty Group draw attention to note 2 (a) 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 25 August 2023



Independent Auditor's Report

To the stapled security holders of Liberty Financial Group (Liberty Group)

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Liberty Financial Group (the Stapled Group Financial Report).

In our opinion, the accompanying Stapled Group Financial Report is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Stapled Group's** financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

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

- Consolidated statement of financial position as at 30 June 2023
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Stapled Group** consists of Liberty Financial Group Limited and the entities it controlled at the year-end or from time to time during the financial year and Liberty Financial Group Trust.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

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



Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Expected credit loss provisioning

Refer to Note 4(i), Note 6(c) and Note 15(a) to the Financial Report

The key audit matter	How the matter was addressed in our audit
Expected credit loss (ECL) provisioning is a Key Audit Matter due to the: - significance of Financial assets balances at amortised cost to the Stapled Group. - high degree of complexity and judgement applied by the Stapled Group in determining the specific and collective provisions related to expected credit losses on Financial assets at amortised cost, and the resulting judgements and audit effort required by us to challenge these estimates. - the comprehensive and complex ECL disclosures the Stapled Group is required to make, and the associated audit effort for us to assess these disclosures in accordance with Accounting Standard requirements. <i>Collective provision for financial asset impairment - \$61,943,000</i> AASB 9 <i>Financial Instruments</i> requires the Stapled Group to measure ECLs on a forward-looking basis reflecting a range of macroeconomic conditions, such as unemployment rates, cash rates, GDP growth rates and the home value index, representing the Stapled Group's view of future economic state. The Stapled Group apply a model overlay to deal with measurement uncertainty and bias in their models. The Stapled Group also exercised	Our procedures included: - Assessing the Stapled Group's accounting policies relevant to ECL provisioning against the requirements of the accounting standards. - Testing key controls relating to the Stapled Group's lending and provisioning processes including: - ECL model governance and validation processes which involved assessment of model performance and assessment and approval of the forward-looking macroeconomic assumptions and scenario weightings through challenge applied by the Group's internal governance processes - Review and approval by Management of loan applications against the Stapled Group's lending policies. - Review and approval by Management of specific provisions for credit impaired loans. - Working with our IT specialists, we tested the relevant General Information Technology Controls of the Stapled Group and IT system application controls in relation to the key IT applications used by the Group in ECL provisioning. <i>Collective provision for financial asset impairment</i> - Working with our valuation specialists: - Assessing the appropriateness of the Stapled Group's provisioning methodology used to estimate the probability of default, loss given default in the ECL models, including the model overlays, against the criteria in the Accounting Standards and industry practice. - Assessing the accuracy of the Stapled Group's



judgement in defining indicators of what they consider represents a significant increase in credit risk ("SICR") and in determining the loss estimates using ECL models. This estimation is inherently challenging and uses complex models based on the Stapled Group's historical loss experience to predict probability of default and loss given default.

We applied a significant level of judgement to assess the key forward-looking macroeconomic conditions and scenarios, including the model overlay used in the ECL models.

Complex modelling, using forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.

In assessing this Key Audit Matter, we involved our valuation specialists to supplement our senior team members.

Specific provision for financial asset impairment - \$12,419,000

For credit impaired loans, the Stapled Group identifies specific ECL estimates based on their judgement of expected future cash flows which have a high risk of default. We focused our audit effort on those higher risk loans and the Stapled Groups' specific identification of loans for provisioning which contains significant judgement.

The Stapled Group engages a panel of external valuation experts.

ECL model predictions by re-performing the ECL allowance calculations and comparing this to the amount recorded by the Stapled Group.

- Testing the implementation of the Stapled Group's SICR methodology by re-performing the staging calculation for a sample of loans taking into consideration movements in the arrears days and comparing our expectation to actual staging applied on an individual account level in the Stapled Group's ECL model.
- Assessing the model overlay and overall ECL provisioning by performing industry comparisons of the Stapled Group's ratio of ECL to total exposure (financial assets balances at amortised cost). We did this by using our knowledge of the loan portfolios and comparing the outputs of the models to publicly available data of a group of comparable entities, adjusted for factors specific to the Group and against our industry experience.
- Testing the completeness and accuracy of relevant data elements used within ECL models for a sample of loans, such as checking year end balances to the general ledger, arrears and risk ratings to source systems.
- Challenging the key assumptions and scenarios used in the ECL models relating to forward-looking information such as unemployment rates, cash rates, GDP growth rates and house price movements with reference to publicly available macroeconomic information and considered other known variables and information obtained through our other audit procedures to identify contradictory indicators.
- Performing sensitivity analysis of the models by varying key macroeconomic assumptions, such as unemployment rates, cash rates, GDP growth rates and home value index, within a reasonably possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures.

Specific provision for financial asset impairment

- Assessing the appropriateness of the Stapled Group's specific provisioning methodology against the requirements of the accounting standards and industry practice.



	- Re-calculating the specific provision for a sample of loans and compared this to the amount recorded by the Stapled Group. - Assessing the scope, competency and objectivity of the Stapled Group's panel of valuation experts to value the specific assets. - Performing our own assessment of recoverability on a sample of credit impaired loans and compared this to the specific provision recorded by the Stapled Group. To do this, we used current external valuations, publicly available data relating to property price, information from the customers loan file such as security valuation and current arrears level. • Assessing the appropriateness of disclosures in the Financial Report using our understanding obtained from our testing and against the requirements of the accounting standards.
--	---



Other Information

Other Information is financial and non-financial information in Liberty Financial Group's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Liberty Financial Group Limited and the Directors of Liberty Fiduciary Ltd as responsible entity of the Liberty Financial Group Trust are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report, the Securityholder Information, and Corporate Directory. The Letter from the Chair, the Letter from the CEO, Financial Highlights and Business Highlights are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of Liberty Financial Group Limited and the Directors of Liberty Fiduciary Ltd as responsible entity of the Liberty Financial Group Trust are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Stapled Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Stapled Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken



on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Liberty Financial Group Limited for the year ended 30 June 2023, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of Liberty Financial Group Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in page 8 to 20 of the Directors' report for the year ended 30 June 2023.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Dean Waters
Partner
Melbourne
25 August 2023

Securityholder Information

For the year ended 30 June 2023

Additional information required by the Australian Securities Exchange Ltd (ASX) and not disclosed elsewhere in this report is set out below. The information is current as at 31 July 2023.

a) Number of Holders of Equity Securities

Contributed equity

303,600,000 fully paid stapled securities are held by 1,322 individual security holders.

All issued stapled securities carry one vote per stapled security.

b) Distribution of Holders of Equity Securities

Fully Paid Securities

Range	Number of securities	%	Number of holders	%
100,001 and over	296,121,094	97.6%	26	2.0%
10,001 to 100,000	5,213,520	1.7%	182	13.8%
5,001 to 10,000	965,974	0.3%	130	9.8%
1,001 to 5000	1,071,404	0.4%	426	32.2%
1 to 1000	228,008	-	558	42.2%
Total	303,600,000	100.0%	1,322	100.0%

Security Rights (Medium-term Incentive)

Range	Number of securities	%	Number of holders	%
100,001 and over	-	-	-	-
10,001 to 100,000	542,936	34.5%	23	1.6%
5,001 to 10,000	400,470	25.5%	50	3.5%
1,001 to 5,000	174,889	11.1%	73	5.2%
1 to 1000	454,306	28.9%	1,275	89.7%
Total	1,572,601	100.0%	1,421	100.0%

Securityholder Information (continued)

For the year ended 30 June 2023

c) Substantial Securityholders

	Number of securities	%
Vesta Funding BV ¹	235,127,823	77.4%

1. Hestia Holdings BV has a relevant interest under section 608(3)(b) of the Corporations Act 2001 as the indirect holding company of Vesta Funding BV

d) Twenty Largest Holders of Quoted Equity Securities

	Number of securities	%
1 Citicorp Nominees Pty Limited	243,459,049	80.2%
2 JP Morgan Nominees Australia Pty Limited	10,303,028	3.4%
3 National Nominees Limited	10,069,247	3.3%
4 HSBC Custody Nominees (Australia) Limited	9,891,880	3.3%
5 UBS Nominees Pty Ltd	6,018,170	2.0%
6 Hollypark Holding Pty Ltd	4,156,062	1.4%
7 Roussillon Investments Pty Ltd	3,036,000	1.0%
8 Ridemax Investments Pty Ltd	2,967,676	1.0%
9 Bastajc Pty Ltd	1,248,974	0.4%
10 Washington H Soul Pattinson and Company Limited	725,000	0.2%
11 Helen Toy	647,680	0.2%
12 Pacific Custodians Pty Ltd	467,742	0.2%
13 Neweconomy Com AU Nominees Pty Ltd	432,222	0.1%
14 Lynne Jordan	394,680	0.1%
15 HSBC Custody Nominees (Australia) Limited Account 2	330,163	0.1%
16 Petlyn Holdings Pty Ltd	328,600	0.1%
17 Mr Richard Anthony Longes	323,600	0.1%
18 Stanton Wisteria Pty Ltd	200,233	0.1%
19 Marian and EH Flack Nominees Pty Ltd	200,000	0.1%
20 Netwealth Investments Limited	186,003	0.1%
	295,386,009	97.3%

Securities purchased on market

356,345 Securities at an average Security price of \$3.9132 were purchased on-market during the financial year for the purpose of funding the equity settlement of Medium Term Incentive awards under the Equity Incentive Plan.

Voting rights

Subject to the constitutions of the Company and LFGT and to any rights or restrictions for the time being attached to any class or classes of shares, units or stapled securities, on a show of hands, each securityholder present in person or by proxy, representative or attorney has one vote and, on a poll, in the case of a resolution of the Company, one vote for each share in the Company held and, in the case of a resolution of LFGT, one vote for each one dollar of unit value in LFGT.

Company Secretary

Mr Peter Riedel

Registered Office

Level 16, 535 Bourke Street, Melbourne VIC 3000

Share Registry

Link Market Services – Tower 4, 727 Collins Street, Docklands VIC 3008

This page has been intentionally left blank.

Corporate Directory

Principal Registered Office

Liberty Group

Level 16, 535 Bourke Street

Melbourne VIC 3000

Telephone

(03) 8635 8888

Email

service@liberty.com.au

Facsimile

(03) 8635 8888

Website

www.lfgroup.com.au

Notice of AGM

The Annual General Meeting of the Liberty Group will be held on 25 October 2023.

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)

