AFG

PROSPECTUS

ACN 066 385 822

Australian Finance Group Ltd initial public offering of ordinary shares.

MACQUARIE
LEAD MANAGER

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This Prospectus is issued by Australian Finance Group Ltd (ACN 066 385 822) ("**AFG**") and AFG Saleco Pty Ltd (ACN 605 518 090) ("**SaleCo**") for the purpose of Chapter 6D of the Corporations Act. The Offer contained in this Prospectus is an invitation to apply for fully paid ordinary shares in AFG ("**Shares**") that will be in part issued by AFG and in part sold by SaleCo. Refer to Section 7 of this Prospectus for further information.

Lodgement and listing

This Prospectus is dated 4 May 2015 and was lodged with ASIC on that date. Neither ASIC nor ASX take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. AFG will apply within seven days after the date of this Prospectus to ASX for admission of AFG to the official list of ASX and quotation of the Shares on ASX.

Expiry date

This Prospectus expires on 4 June 2016, which is 13 months after the date of this Prospectus and no Shares will be issued or transferred on the basis of this Prospectus after the Expiry Date.

Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs (including financial and tax issues) of any prospective investor.

It is important that you read this Prospectus carefully and in full before deciding whether to invest in AFG. In particular, in considering the prospects of AFG, you should consider best estimate assumptions underlying the Forecast Financial Information (as defined in Section 4.12), sensitivities associated with that information set out in Section 4.13 and the risks that could affect the business, financial performance or results of operations of AFG. You should carefully consider these risks in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in AFG. Some of the risks that should be considered by prospective investors are set out in Section 5. There may be risks in addition to the risks set out in Section 5 that should be considered in light of your personal circumstances.

No person named in this Prospectus, nor any other person, guarantees the performance of AFG, the repayment of capital by AFG or the payment of a dividend or other distribution on the Shares.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by AFG or SaleCo's directors or any other person in connection with the Offer. You should rely only on information in this Prospectus.

Disclosing entity

Once admitted to the official list of the ASX, AFG will be a disclosing entity for the purpose of the Corporations Act and as such will be subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. Refer to Sections 6.5 and 7 for further information.

Exposure period

The Corporations Act prohibits AFG and SaleCo from processing Applications to subscribe for Shares under this Prospectus in the Exposure Period, being the seven day period after lodgement with ASIC. The Exposure Period may be extended by ASIC by up to a further seven days. The Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

During the Exposure Period, this Prospectus will be made available to Australian residents, without the Application Forms, at AFG's website (http://www.afgonline.com.au).

Disclaimer and forward-looking statements

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by AFG, SaleCo, the Directors (or the directors of SaleCo), the Lead Manager (or the Lead Manager's affiliates, officers or employees) or any other person in connection with the Offer. You should rely only on information contained in this Prospectus. Except to the extent required by law, neither AFG nor any other person warrants or guarantees the future performance of AFG, the repayment of capital by AFG or any return on any investment made pursuant to this Prospectus.

The Lead Manager has not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by it or by any of its affiliates, officers or employees.

This Prospectus contains forward-looking statements, which are statements that may be identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words, that involve risks and uncertainties. Certain statements, beliefs and opinions contained in this Prospectus, particularly those regarding the possible or assumed future financial or other performance of AFG, industry growth or other trend projections are or may be forward-looking statements. In addition, consistent with customary market practice in securities offerings in Australia, Forecast Financial Information has been prepared and included in this Prospectus in Section 4. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the date of this Prospectus, are expected to take place (including the assumptions set out in Section 4.12).

Such forward-looking statements are not guarantees of future performance and involve uncertainties, assumptions and known and unknown risks, including the risks set out in Section 5, many of which are beyond the control of AFG, SaleCo, the Directors and Management. The Forecast Financial Information and the forward-looking statements should therefore be read in conjunction with, and are qualified by reference to, Sections 4.3 and 4.12 and the other information in this Prospectus. The Directors and directors of SaleCo cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements. Except to the extent required by law, AFG and SaleCo have no intention of updating or revising forward-looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus.

As set out in Section 7.10.3, it is expected that the Shares will be quoted on ASX, initially on a deferred settlement basis.

To the extent permitted by law, each of AFG, SaleCo, Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements, whether on the basis of a confirmation of allocation provided by any of them, by a Broker or otherwise.

Statements of past performance

This Prospectus includes information regarding the past performance of AFG. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Financial information presentation

All references to FY2012, FY2013, FY2014, FY2015 and FY2016 appearing in this Prospectus are to the historical financial years ended 30 June 2012, 30 June 2013 and 30 June 2014 and the forecast financial years ending 30 June 2015 and 30 June 2016, respectively, unless otherwise indicated.

All references to 1HFY2015 appearing in this Prospectus are to the six months ending 31 December 2015.

All financial amounts contained in this Prospectus are expressed in Australian currency unless otherwise stated. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

Section 4 sets out the Financial Information referred to in this Prospectus. The basis of preparation of the Financial Information is also set out in Section 4. The Pro Forma Historical Financial Information and the Forecast Financial Information in this Prospectus should be read in conjunction with, and are qualified by reference to, the information contained in Sections 2, 3 and 5.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

This Prospectus includes Forecast Financial Information based on the best estimate assumptions of the Directors. The Forecast Financial Information presented in this Prospectus is unaudited. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Pro Forma Historical Financial Information (as defined in Section 4.1).

The Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Section 4.

Unless otherwise stated or implied, all pro forma data in this Prospectus gives effect to the pro forma adjustments referred to in Section 4.2.2. Readers should be aware that certain financial data included in this Prospectus is 'non-AAS financial information' under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. For the purpose of this Prospectus, non-AAS financial information is the equivalent of non-IFRS financial information. AFG believes this non-AAS financial information provides useful information to users in measuring the financial performance and condition of AFG. The non-AAS financial information does not have standardised meanings prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should it be construed as an alternative to other financial information determined in accordance with Australian Accounting Standards. Readers are cautioned, therefore, not to place undue reliance on any non-AAS financial information or ratios included in this Prospectus.

Market and Industry Information

This Prospectus contains statistics, data and other information relating to mortgage brokers' market share of the overall Australian mortgage market, AFG's relative market positioning within and market share of this market and other industry data pertaining to AFG's business and markets.

The Chairman's Letter and Sections 1, 2, 3, and 4 of this Prospectus contain information sourced from the MFAA Mortgage Broker Market Survey, as well as AFG's analysis of such information. The information contained in the MFAA Mortgage Broker Market Survey has been accurately reproduced and, as far as AFG is aware, no facts have been omitted which would render the information provided inaccurate or misleading.

Data for the MFAA Mortgage Broker Market Survey was sourced by Comparator from Australia's leading mortgage brokers and aggregators at the invitation of the MFAA. Each broker group consented to the provision of their data to Comparator voluntarily. The MFAA Mortgage Broker Market Survey derives its content from data provided by broker groups who responded to the MFAA Mortgage Broker Market Survey and has not been subject to any change, manipulation or adjustment by Comparator.

AFG has not independently verified, and cannot give any assurances as to the accuracy and completeness of the market and industry data contained in this Prospectus that has been extracted or derived from the MFAA Mortgage Broker Market Survey or other publically available statistics. Accordingly, the accuracy and completeness of such information is not guaranteed.

Investors should note that market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions.

Obtaining a copy of this Prospectus

A hard copy of this Prospectus is available free of charge to any Applicant in Australia by calling the AFG Offer Information Line on 1800 129 431 (within Australia) or +61 1800 129 431 (outside Australia) from 8.30am to 5.30pm (Perth Time) Monday to Friday. This Prospectus is also available in electronic form to Australian residents on AFG's website (http://www.afgonline.com.au). The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website within Australia. During the Exposure Period, this Prospectus will be made available to Australian residents, without the Application Forms, at AFG's website (http://www.afgonline.com.au). Hard copy and electronic versions of this Prospectus are generally not available to persons in other jurisdictions.

No cooling off rights

Cooling off rights do not apply to an investment in Shares issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Applications

Applications for Shares may only be made during the Offer period on the Application Form included in, or accompanying, this Prospectus in its hard copy form, or in its soft copy form which must be downloaded in its entirety from http://www.afgonline.com.au together with an electronic copy of this Prospectus. Applicants under the Priority Offer must apply electronically at https://events.miraqle.com/afg-ipo/. By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is included in, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus. Refer to Section 7 for further information.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by AFG. Diagrams and maps used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available as at the date of this Prospectus.

AFG website

Any references to documents included on AFG's website are provided for convenience only, and none of the documents or other information on AFG's website (except for AFG's statutory accounts for FY2012, FY2013 and FY2014 which are incorporated by reference into this Prospectus (see Section 9.12)), or any other website referred to in the sources contained in this Prospectus, is incorporated in this Prospectus by reference.

Defined terms and abbreviations

Defined terms and abbreviations used in this Prospectus, unless specified otherwise, have the meanings defined in the Glossary set out in Appendix B. Unless otherwise stated or implied, references to times in this Prospectus are to the time in Perth, Australia. Unless otherwise stated or implied, references to dates or years are calendar year references.

Selling restrictions

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed to, or relied upon by, persons in the United States or US Persons. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, US Persons, unless the Shares are registered under the US Securities Act, or an exemption from the registration requirements of the US Securities Act and any other applicable securities laws is available. The Shares are being offered and sold only outside the United States in offshore transactions (as defined in Regulation S) in accordance with Regulation S under the US Securities Act.

See Section 7.12 for more detail on selling restrictions that apply to the offer and sale of Shares in jurisdictions outside of Australia.

Privacy

By completing an Application Form, you are providing personal information to AFG through the Share Registry, which is contracted by AFG to manage Applications. AFG, and the Share Registry on its behalf, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and administer AFG.

If you do not provide the information requested in the Application Form, AFG and the Share Registry may not be able to process or accept your Application.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included in the Share register. In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by members of the public. The information must continue to be included in the Share register if you cease to be a Shareholder.

AFG and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1998 (Cth)*:

- the Share Registry for ongoing administration of the Shareholder register;
- the Lead Manager in order to assess your Application;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

AFG's agents and service providers of AFG may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

You may request access to your personal information held by or on behalf of AFG. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry as follows.

Telephone (within Australia): 1300 554 474
Telephone (outside Australia): +61 1300 554 474
Email: registrars@linkmarketservices.com.au
Address: Locked Bag A14, Sydney South New South Wales 1235

AFG aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, contact AFG or the Share Registry if any of the details you have provided change.

Offer management

The Offer is being arranged and managed by Macquarie.

Investigating Accountant's Report on Financial Information and financial services guide

The provider of the Investigating Accountant's Report is required to provide Australian retail clients with a financial services guide in relation to the review under the Corporations Act.

The Investigating Accountant's Report and accompanying financial services guide is provided in Section 8.

Questions

If you have any questions about how to apply for Shares, please call 1800 129 431 (within Australia) or +61 1800 129 431 (outside Australia) from 8.30am to 5.30pm (Perth Time) Monday to Friday. If you have any questions about whether to invest in AFG you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in AFG.

This Prospectus is important and should be read in its entirety.

AFG IS ONE OF AUSTRALIA'S LARGEST MORTGAGE BROKING GROUPS*

* *By value of the AFG Loan Book and by market share of residential mortgage originations in CY2014.*

Chairman's Letter

4 May 2015

Dear Investor,

On behalf of the Board, it is my pleasure to invite you to become a shareholder in Australian Finance Group Ltd.

AFG was founded in 1994 and has grown to become one of Australia's largest mortgage broking groups[1]. AFG has in excess of 2,300 AFG Brokers who help their customers to obtain residential and commercial mortgages and other loan products. AFG is currently originating approximately 9,500 applications for approximately $4.4 billion in loan finance per month. AFG accounted for around one in every twelve mortgages in Australia in CY2014[2] and is expecting settlements of almost $33.0 billion in FY2015[3]. AFG provides its AFG Brokers with access to over 1,400 loan products from a panel of over 30 lenders. The AFG Loan Book surpassed $100 billion in December 2014.

AFG, through its AFG Brokers, provides benefits for both borrowers and lenders. AFG is of the view that it provides a low-cost distribution network for its lenders, generating significant volume and access to new customers. Further, we believe that AFG facilitates superior outcomes for Australian residential borrowers and AFG Brokers by:

- Helping borrowers access a range of loan products from Australia's leading lending and financial services institutions;
- Offering one point of contact in the loan origination process, saving time and reducing the administrative burden on the residential borrower;
- Providing a customised approach to each individual borrower's needs;
- Offering flexibility and convenience for the borrower in being able to talk to a mortgage broker outside bank opening hours;
- Offering attractive pricing, commissions and contract terms to our AFG Brokers;
- Helping AFG Brokers focus on customer service by providing marketing, training and technology platforms for the on-going management of borrowers and their loans; and
- Facilitating competition amongst institutional lenders for the benefit of the Australian residential home borrower.

The Australian housing sector continues to demonstrate robust growth supported by a combination of favourable macro-economic conditions, low interest rates, sustained population growth, and increased investor and foreign investment. Although rates of growth have moderated in recent years, AFG expects the total value of residential mortgage loans outstanding to grow by 5% in FY2015 and mortgage brokers' share of this market to continue to grow beyond the level of 50.4% recorded in CY2014. With AFG's market leading position, AFG expects the AFG Loan Book to grow by 12% CAGR between FY2014 and FY2016 year ends, respectively[3].

With continued strong demand for the loan products available through AFG Brokers, the Directors are forecasting pro forma NPAT to grow 10.6% in FY2015 to $17.8 million and by a further 10.3% in FY2016 to $19.7 million[3]. AFG is also progressively introducing its own branded mortgages and new product lines through its extensive distribution network of AFG Brokers, which provides further growth potential at improved margins for the business.

The Offer

The Offer will raise up to $140.1 million which will be used to purchase the equity of certain Existing Shareholders, provide sufficient working capital for the business and pay for the costs of the Offer.

Importantly, following the Offer, the Existing Shareholders will continue to own at least 52.7% of AFG. Of this, 27.5% will be held by the Founding Shareholders. The Founding Shareholders and certain other Existing Shareholders who will hold 48.9% of AFG will be escrowed through to the release of the FY2016 financial results.

This Prospectus contains detailed information about AFG and the risks and potential returns of an investment in AFG. I encourage you to read it carefully and in its entirety before making an investment decision.

We are proud of the position AFG has established in the Australian financial market, and the benefits it delivers to the Australian borrower. On behalf of the Board of AFG, I look forward to welcoming you as a shareholder.

Yours sincerely,

Tony Gill
Chairman

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[1] By value of the AFG Loan Book and by market share of residential mortgage originations in CY2014.

[2] According to the MFAA Mortgage Broker Market Survey.

[3] The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Appendix A, and is subject to the key risks set out in Section 5.

Important dates

Prospectus lodgement date	4 May 2015
Broker Firm Offer and Priority Offer period opens	9:00am (Perth time) 12 May 2015
Broker Firm Offer and Priority Offer period closes	3:00pm (Perth time) 18 May 2015
Institutional Bookbuild to determine Final Price	19 May 2015
Final Price announced to the market	19 May 2015
Settlement of the Offer	21 May 2015
Completion of the Offer (Shares acquired by successful Applicants) Expected commencement of trading of Shares on the ASX on a deferred settlement basis	22 May 2015
Expected dispatch of holding statements	25 May 2015
Expected commencement of trading of Shares on the ASX on a normal settlement basis	26 May 2015

Note: This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Perth time. AFG and SaleCo reserve the right to vary any and all of the above dates and times without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens. No cooling-off rights apply to the Offer. The admission of AFG to the official list of ASX and the commencement of quotation of the Shares are subject to confirmation from ASX.

Key offer statistics[4]

Indicative Price Range[5]	$1.20 – $1.38 per Share
Shares available under the Offer	101,500,096
Total cash to be raised under the Offer[6]	$121.8 million – $140.1 million
Shares retained by Existing Shareholders upon completion of the Offer	113,312,575
Total issued Shares on completion of the Offer	214,812,671
Indicative market capitalisation[7]	$257.8 million – $296.4 million
Pro forma Net Debt/(Cash)[8]	($40.2) million
Indicative enterprise value[9]	$217.6 million – $256.3 million
FY2014 pro forma NPAT	$16.1 million
FY2015 forecast pro forma NPAT	$17.8 million
FY2016 forecast pro forma NPAT	$19.7 million
Indicative Price Range/Pro forma FY2015 forecast NPAT per Share (times)	14.4x – 16.6x
Indicative Price Range/Pro forma FY2016 forecast NPAT per Share (times)	13.1x – 15.1x
Indicative FY2016 forecast dividend yield[10]	4.6% – 5.3%

Questions

Please call the AFG Offer Information Line on 1800 129 431 (within Australia) or +61 1800 129 431 (outside Australia) from 8.30am until 5.30pm (Perth Time) Monday to Friday. If you are unclear in relation to any matter or are uncertain as to whether AFG is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

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[4] *Key Offer statistics contain Forecast Financial Information. The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Appendix A, and is subject to the key risks set out in Section 5. There is no guarantee that the forecasts will be achieved.*

[5] *The Indicative Price Range is the indicative range for the Final Price. The Final Price may be set below, within or above the Indicative Price Range. Shares may trade below the lower end of the Indicative Price Range (refer to Section 7.5.3 for more details).*

[6] *Based on the Indicative Price Range. Total cash raised includes proceeds to AFG of $32.6 million - $37.4 million and proceeds to SaleCo of $89.2 million - $102.6 million.*

[7] *Based on the Indicative Price Range.*

[8] *Based on a Final Price of $1.29, being the mid-point of the Indicative Price Range. Excludes restricted cash (refer to Section 4.8 for more details) and liabilities within AFG Securities which are non-recourse to AFG (see Section 4.15 for more details).*

[9] *Based on the Indicative Price Range and pro forma cash calculated as per note 8 above.*

[10] *Calculated as the implied dividend per Share divided by the Indicative Price Range (using the mid-point of the dividend payout ratio). See Section 4.14 for a discussion of AFG's dividend policy.*

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INVESTMENT OVERVIEW

1.1 Overview of AFG's business and key features of its business model

Topic	Summary	For more information
A. Introduction		
What is AFG?	AFG was founded in 1994 and has grown to become one of Australia's largest mortgage broking groups[11]. AFG employs approximately 170 staff members across Australia and has in excess of 2,300 AFG Brokers Originating mortgage and loan products for their customers. AFG Brokers Originate an average of approximately $4.4 billion in residential and commercial mortgage finance applications every month. This is expected to result in settlements of almost $33.0 billion in FY2015[12]. In CY2014, AFG accounted for approximately 8.4% of the total Australian residential mortgage market, according to the MFAA Mortgage Broker Market Survey. The AFG Loan Book (being the aggregate of the outstanding loans that have been Originated by AFG Brokers) currently exceeds $100 billion, providing AFG with recurrent cash flow in the form of trail commission received from Lenders. AFG provides its AFG Brokers with access to products, platforms, business tools and support, including a broad range of over 1,400 loan products from the AFG Lending Panel consisting of over 30 of Australia's leading lending and financial services institutions. Since its inception, AFG has invested over $60 million in developing the latest technologies, systems and online tools to assist AFG Brokers in building their businesses.	Section 3.1
How does AFG generate its income?	AFG generates the majority of its income through commissions received from Lenders on loan products provided by that Lender and originated by AFG Brokers. Origination refers to the process by which an AFG Broker arranges for a borrower to enter into a loan with a Lender. AFG generally receives a commission from the Lender calculated as a percentage of that loan, which AFG then pays to the individual AFG Broker that Originated the loan, less a percentage for the services AFG provides. The majority of commissions received by AFG from Lenders comprise two key components: ■ Upfront commission: received from Lenders paid as a percentage of the loan amount settled; and ■ Trail commission: received from Lenders over the life of the loan, paid as a percentage of the particular loan's outstanding balance. AFG also receives income on its own branded AFG Home Loan products in the form of fees for services provided to borrowers and a Net Interest Margin on Securitised loans, being the difference between the interest rate charged to the borrower on a loan and the cost of funding the loan. AFG also generates income upon origination of financial products such as insurance and leasing products, which is a passive but growing revenue stream.	Section 3.6

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[11] *By value of the AFG Loan Book and by market share of residential mortgage originations in CY2014.*

[12] *The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Appendix A, and is subject to the key risks set out in Section 5.*

Topic	Summary	For more information
What markets does AFG compete in?	AFG is best described as a wholesale mortgage broker. AFG sources mortgage products from the AFG Lending Panel and distributes those products through its AFG Brokers. AFG directly competes with other wholesale mortgage brokers and franchised mortgage broking groups. All these wholesale mortgage businesses provide various levels of technology, back office and administration functions, training, and lender relationships to affiliated, franchised and independent mortgage brokers. AFG's competitors include wholesale mortgage brokers such as Vow Financial (acquired by Yellow Brick Road in May 2014), PLAN, FAST and Choice (owned by NAB), and Connective as well as franchisors such as Mortgage Choice and (the now CBA-controlled) Aussie Home Loans. Through its AFG Brokers, AFG indirectly competes with other mortgage brokers, tied broking businesses of mortgage providers, and distribution networks of the various banks and other mortgage providers within the mortgage industry.	Section 2
What is AFG's growth strategy?	AFG's strategy is to continue to build on the strengths of its core wholesale mortgage broking business while exploiting areas of the market where AFG has a strategic advantage. AFG's strategic initiatives are focused on the following: ■ Protecting and growing the core residential mortgage broking business through underlying growth in the mortgage market and continued mortgage broker recruitment; ■ Growing the commercial mortgage broking business; ■ Increasing the penetration of the AFG Home Loans branded White Label Products which generate greater margins; ■ Leveraging AFG's technology investment; ■ Expanding our leasing offer to help AFG Brokers and AFG grow their respective businesses; and ■ Pursuing initiatives for growth via the on-line channel.	Section 3.10
What are the benefits of AFG's scale?	The scale of the AFG Loan Book attracts new AFG Brokers, who in turn Originate more loans and revenues. AFG's scale and settlement volume ensures it can access the best direct mortgage products across the market. Scale also delivers improved efficiencies in supplying support functions. In itself, the AFG Loan Book creates a level of credibility and validation for AFG Brokers.	Section 3.3.3
How does AFG expect to fund its operations and growth?	AFG expects to fund its existing operations and growth primarily through operating cash flow. AFG has a pro forma net cash position as at 31 December 2014 of $40.2 million[13].	Section 4

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[13] *Based on a Final Price of $1.29, being the mid-point of the Indicative Price Range. Excludes restricted cash (refer to Section 4.8 for more details) and liabilities within AFG Securities which are non-recourse to AFG (see Section 4.15 for more details).*

Topic	Summary	For more information
B. Key strengths		
Continuing and sustained growth in the residential mortgage market	The value of Australian residential mortgages outstanding has grown at a rate of 12.5% per annum since 1990 and at 5.7% per annum over the past five years. Growth is expected to continue over the Forecast Period[14] and is influenced by a number of factors, including: ■ Robust Australian residential property market; ■ Positive demographic trends; ■ Low interest rates; ■ Housing affordability; ■ Demand from investors; ■ Favourable macro-economic conditions; and ■ Participation of foreign investors.	Sections 2.2.1 and 4.12
Increased mortgage broker market share	Mortgage brokers' share of the total mortgage market continues to grow. According to the MFAA Mortgage Broker Market Survey, in CY2014, mortgage brokers accounted for 50.4% of the mortgage market, up from 46.1% in CY2013.	Section 2.3
Market leader in Australia	AFG is the one of Australia's largest mortgage broking groups[15]. AFG Brokers Originated 16.7% of all residential mortgages originated by mortgage brokers in CY2014. AFG Brokers Originate an average of approximately $4.4 billion in residential and commercial mortgage finance applications every month. This is expected to result in settlements of almost $33.0 billion in FY2015[14]. In CY2014, AFG accounted for approximately 8.4% of the total Australian residential mortgage market, according to the MFAA Mortgage Broker Market Survey. AFG has invested more than $60 million in developing the latest technologies, systems and online tools to assist AFG Brokers in building their businesses including the development of its FLEX IT platform which provides AFG Brokers with an end-to-end technology solution.	Section 3.1
Robust business model delivering recurrent cash flow	In December 2014, the AFG Loan Book surpassed $100 billion. The AFG Loan Book delivers recurrent cash flow in the form of trail commission received from Lenders. This strong cash flow generation enables dividend yield without compromising the growth outlook.	Section 3.8.2
Long and continuous track record of profitability	AFG has demonstrated a consistent ability to generate profits through the residential property cycle with limited direct exposure to credit risk in the event of a moderation of housing price growth. AFG is currently forecasting NPAT CAGR of 10.5% from FY2014 to FY2016[14].	Section 4.3
Diversified market exposure and mortgage broker network	AFG's business is diversified across Australia and is not concentrated excessively in any one geographic market. AFG's top 50 mortgage brokers only accounted for 14.7% of the total number of settlements resulting from applications Originated by AFG Brokers in FY2014.	Section 3.3.2
Entrepreneurial and experienced management with a vested interest	AFG has operated continuously in Australia since 1994 with most of its executive directors and senior management characterised by long tenure in the business. Importantly, following Completion of the Offer, the Founding Shareholders, Board and management will continue to own Shares comprising at least 27.5% of AFG.	Section 6
Significant further growth potential through new products and services	AFG's ability to leverage its existing business platform and distribution network to develop new products and services offers significant growth potential for the AFG business and AFG Brokers. For example, further development of AFG Home Loan branded White Label Products would provide AFG with the ability for AFG to increase its profit margins whilst also increasing brand recognition. AFG also intends to expand our 2,300 strong AFG Brokers' ability to distribute other products.	Section 3.10

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[14] *The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Appendix A, and is subject to the key risks set out in Section 5.*

[15] *By value of the AFG Loan Book and by market share of residential mortgage originations in CY2014.*

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td colspan="3">C. Financials and dividend policy</td></tr>
<tr><td>What is AFG's historical and forecast financial performance?</td><td>
<table>
<tr><th></th><th>Pro forma historicals</th><th></th><th></th><th>Pro forma forecasts[16]</th><th></th></tr>
<tr><th>$m, June Year End</th><th>FY2012</th><th>FY2013</th><th>FY2014</th><th>FY2015</th><th>FY2016</th></tr>
<tr><td>Settlements</td><td>19,867</td><td>22,417</td><td>28,231</td><td>32,991</td><td>36,498</td></tr>
<tr><td>Gross profit</td><td>43.7</td><td>45.1</td><td>48.4</td><td>50.4</td><td>53.4</td></tr>
<tr><td>Profit before tax</td><td>25.6</td><td>21.8</td><td>23.5</td><td>25.9</td><td>28.9</td></tr>
<tr><td>Net profit after tax</td><td>17.5</td><td>14.7</td><td>16.1</td><td>17.8</td><td>19.7</td></tr>
<tr><td>Earnings per share (cents)</td><td>8.2</td><td>6.8</td><td>7.5</td><td>8.3</td><td>9.2</td></tr>
<tr><td>AFG Loan Book</td><td>73,762</td><td>82,388</td><td>92,667</td><td>104,923</td><td>117,770</td></tr>
</table>
<p>Section 4 contains full details of the Financial Information. The Financial Information presented in this table is intended as a summary only and should be read in conjunction with the more detailed discussion of the Financial Information disclosed in Section 4, as well as the risk factors set out in Section 5.</p></td><td>Section 4</td></tr>
<tr><td>What is AFG's dividend policy?</td><td><p>The payment of a dividend by AFG is at the discretion of the Directors and will be a function of a number of factors including the operating results, cash flows, the financial condition of AFG and any other factors the Directors may consider relevant.</p><p>The Directors intend to target a payout ratio of between 70% and 80% of Underlying Earnings. It is intended that future dividends will be franked to the maximum extent possible (having regard to the level of AFG's available franking credits at the time of the future dividend payment). No assurances can be given by any person, including the Directors, about the payment of any dividend or the level of franking on any such dividend.</p></td><td>Sections 4.5 and 4.14</td></tr>
<tr><td>When will the first dividend be paid?</td><td><p>It is the current intention of the Board to pay an interim dividend in respect of the half year ending 31 December 2015 and a final dividend in respect of full year ending 30 June 2016. It is anticipated that interim dividends will be paid in April and final dividends will be paid in October following the relevant financial period.</p><p>It is not the Board's intention to pay any final dividend for FY2015.</p></td><td>Section 4.14</td></tr>
</table>

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[16] *The Forecast Financial Information is based on assumptions and accounting policies set out in Sections 4 and Appendix A, and is subject to the key risks set out in Section 5.*

Topic	Summary	For more information
D. Key risks		
Regulatory risks	In Australia, the mortgage broking industry is primarily regulated by ASIC under the NCCP Act. The industry is also subject to a variety of other laws including privacy, financial transaction reporting and money laundering laws. If AFG does not meet regulatory requirements, it may suffer penalties or one of the AFG Group's ACLs could be affected, which is likely to have a material impact on AFG's business and financial performance. In addition, the regulatory framework may change. This could have an impact on the mortgage broking industry or AFG's operations. Depending on the nature of any such changes, it may adversely impact the operations or future financial performance of AFG. APRA directly oversees members of the AFG Lending Panel. Accordingly, although AFG is not regulated by APRA, APRA's decisions may indirectly impact AFG's business. Regulators, such as APRA and the RBA have raised questions regarding the mortgage broking regulatory regime. If these questions result in changes to the regulatory framework, such changes could have an impact on the mortgage broking industry or AFG's operations.	Section 5.2.1
Increased competition may affect AFG's competitive position	AFG operates in sectors that may face increasing levels of competition. AFG faces the risk that increasing levels of competition, including competition from business models using new technology platforms, could result in, amongst other things, AFG foregoing a greater proportion of its profit margin to retain volumes.	Section 5.2.2
AFG relies on Lenders pursuing third party distribution channels	AFG's business depends on Lenders continuing to originate loans through third party channels (rather than a Lender's own distribution network) and providing these third parties with competitive products and service levels. AFG's business would be impacted by any significant changes in the business practices of Lenders.	Section 5.2.3
AFG relies on relationships with its Lenders	The success of AFG's business and its ability to grow relies on AFG's relationship with Lenders on the AFG Lending Panel. There are a number of risks associated with AFG's agreements with Lenders. For example, Lenders generally have the ability under the agreements to change the terms and rates of the payments that are to be paid to AFG for future Originations. Such a change may have a material adverse effect on AFG's financial performance. Lenders also have the right to terminate their agreements with AFG, including without cause or by notice (depending on the termination event or circumstances). The notice periods for termination is generally 30 days. A reduction in the number of Lenders on the AFG Lending Panel could reduce AFG's competitive advantage and have an adverse impact on AFG's business, operating and financial performance.	Section 5.2.4
AFG may be adversely affected by a rise in interest rates	Australian consumers and residential borrowers currently enjoy a historically low interest rate environment which has contributed to house price affordability and growth in the overall Australian mortgage market. In the event interest rates significantly increase, potential borrowers' willingness and ability to borrow may be greatly reduced and the volume of loans Originated could significantly decrease, adversely impacting the associated financial performance of AFG.	Section 5.2.5
AFG may be adversely affected by a change in the wholesale lending market	The capacity of Lenders to continue providing lending products and services may be affected by a change in the wholesale lending market. A change in the wholesale lending market may mean that Lenders are no longer able or willing to provide these products or services, which may adversely affect the AFG Loan Book and the operations or future financial performance of AFG. Additionally a proportion of AFG Home Loan's funding is reliant on the wholesale lending market. Any detrimental change to the underlying cost of funds of this funding will impact the net interest margin being generated by the AFG Home Loan business. Further, so as to preserve net interest margins, AFG may decide to pass on some or all of the increase in cost of funds to the home loan customer and as such this may adversely impact the AFG Home Loan loan life and/or give rise to damage to AFG's reputation in the market.	Section 5.2.6

Topic	Summary	For more information
AFG may not be able to retain existing key AFG Brokers or attract new mortgage brokers	AFG currently has in excess of 2,300 AFG Brokers distributing mortgage products through AFG's platform. The success of AFG's business and its ability to grow relies on AFG's ability to retain its existing key AFG Brokers, and its growth relies in part on AFG's ability to continue to attract productive new mortgage brokers. If AFG is not able to retain the existing key AFG brokers, or attract productive new mortgage brokers, this could have an adverse impact on AFG's business, operating and financial performance. If AFG Brokers do not continue their contracts with AFG or sign with a competing aggregation network, AFG's Originations and subsequent financial performance would be adversely affected.	Section 5.2.7
AFG faces risks associated with the conduct of AFG Brokers	AFG faces a number of risks arising from the conduct of the AFG Brokers, including risks associated with AFG Brokers who are AFG Credit Representatives. Although AFG has Professional Indemnity Insurance in place, AFG could nevertheless incur significant losses if there was widespread or systemic fraud or other breaches of the law by AFG Brokers. In addition, this conduct could result in more onerous ACL conditions, the imposition of restrictions on AFG's ACL, or the loss of AFG's ACL. In order to provide wholesale mortgage broking services AFG must either hold an ACL or be authorised to provide those services under a third party's ACL. Therefore the loss of AFG's ACL could result in AFG being unable to continue its business as a wholesale mortgage broker.	Section 5.2.8
Licences are required for AFG's core business activities	The AFG Group is required to hold certain licenses in order to conduct its business, including ACLs that authorise it to engage in certain credit activities and an AFSL held by AFG Securities in order to deal or advise in securities (such as RMBS). Compliance with the obligations of an ACL or an AFSL is the responsibility of the licensee. If any of the ACL holders (including AFG) do not comply with the conditions of that licence or meet regulatory requirements, that entity could be subject to penalties, more onerous licence conditions, the imposition of licence restrictions or the loss of that licence. If AFG or any of its AFG Group companies is unable to retain its ACL or AFSL, AFG may not be able to continue to operate its business, or aspects of its business, in the current form. This would have a material adverse impact on the financial performance and position of AFG.	Section 5.2.9
AFG's reputation may be damaged	Illegal practices by AFG Brokers such as fraud and non-compliance with regulatory requirements (for example, an AFG Broker recommends an unsuitable product to their customer) by AFG Brokers could affect AFG's reputation, and as a result could affect AFG's ability to attract and retain productive AFG Brokers. These actions could also lead to regulatory action including penalties which could materially affect AFG's business.	Section 5.2.10
AFG relies on information technology systems and its relationships with its key service providers	AFG's ability to service and pay its AFG Brokers is dependent on its information technology systems and relationships with service providers. Interruptions, failure or delay in the provision of services or AFG's ongoing relationships with its key service providers (such as Oracle) could severely impact the business operations of AFG and AFG Brokers as well as damaging AFG's reputation. Any issue with AFG's information technology systems may also impact AFG's operational capabilities and financial performance.	Section 5.2.11
AFG may not be able to retain key management	AFG relies on a specialised management team with significant mortgage broking industry knowledge and experience. If AFG is not able to retain key members of its management team or if there is any delay in their replacement, AFG may not be able to operate its business to the current standard. These occurrences may adversely impact AFG's business operations including its ability to grow.	Section 5.2.12

1.2 Overview of the Offer

Topic	Summary	For more information
Who are the issuers of this Prospectus?	Australian Finance Group Ltd (ACN 066 385 822) and AFG Saleco Pty Ltd (ACN 605 518 090), both being companies registered in Western Australia, Australia.	Section 7.1.1
What is the Offer?	The Offer is an invitation to apply for 101,500,096 Shares that will in part be issued by AFG and in part be sold by SaleCo. The Offer consists of: ■ A Broker Firm Offer, which is open to investors in Australia who are not Institutional Investors and who have received a firm allocation from their Broker; ■ A Priority Offer (consisting of an AFG priority allocation), open to selected Australian resident investors including AFG Brokers and AFG staff, as agreed between AFG and the Lead Manager; and ■ An Institutional Offer, which consists of an offer to Institutional Investors in Australia, New Zealand, Hong Kong and Singapore. There is no general public offer of Shares under this Prospectus.	Section 7.1.1
What is SaleCo?	SaleCo is a special purpose vehicle that has been established to enable the Existing Shareholders to sell some of their Existing Shares through the Offer. The Existing Shares that SaleCo acquires from the Existing Shareholders will be transferred to successful Applicants under the Offer at the Final Price. The price payable by SaleCo for these Existing Shares is the Final Price. AFG will also issue New Shares to successful Applicants under the Offer. The Existing Shares and New Shares rank equally with each other.	
Why is the Offer being conducted?	The purpose of the Offer is to: ■ Provide AFG with sufficient working capital to meet the stated objectives of the business; ■ Achieve listing on the official list of the ASX to broaden AFG's Shareholder base and provide a liquid market for its Shares; ■ Improve AFG's future access to capital markets; and ■ Provide an opportunity for Existing Shareholders to realise part of their investment.	Section 7.1.3

1.3 Proposed use of funds and key terms and conditions of the Offer

Topic	Summary	For more information
What is the proposed use of funds raised pursuant to the Offer?	The proceeds received by AFG for the issue of New Shares will be applied to: ■ Provide sufficient working capital to meet the stated objectives of the business; and ■ Pay for the costs of the Offer. The proceeds received by SaleCo for the sale of Existing Shares will be transferred to the Existing Shareholders as consideration for the sale of their Existing Shares.	Section 7.1.4
Will the Shares be quoted?	Yes. AFG will apply within seven days after the date of this Prospectus to the ASX for its admission to the official list of the ASX and quotation of Shares on the ASX (which is expected to be under the code "AFG"). Listing is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7.10.1
How will the Final Price be set?	The Final Price will be determined by the Lead Manager and AFG, at the conclusion of the Bookbuild following the close of the Institutional Offer, expected to be on or about 19 May 2015. The price payable for Shares under the Broker Firm Offer, Priority Offer and the Institutional Offer will be the same.	Section 7.5.3
Is the Offer underwritten?	No, the Offer is not underwritten. The Lead Manager will provide settlement support in accordance with the Offer Management Agreement (see Section 9.6.1).	Section 7.7
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer, Priority Offer and Institutional Offer will be determined by the Lead Manager and AFG following completion of the Institutional Bookbuild. A maximum of $10 million in Shares (at the Final Price) will be made available, on a priority basis, to Applicants under the Priority Offer. The allocation of Shares to Broker Firm Offer Applicants will be determined by Brokers, who are responsible for allocating Shares to their Australian resident clients. The allocation among Priority Offer Applicants will be determined by AFG in conjunction with the Lead Manager. The allocation of Shares to Institutional Investors will be determined by AFG and the Lead Manager.	Section 7
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on an acquisition of Shares under the Offer.	Section 7.2
What are the tax implications of investing in the Shares?	Summaries of certain Australian tax consequences of participating in the Offer and investing in the Shares are set out in Section 9.10. The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest in Shares.	Section 9.10
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or around 25 May 2015.	Section 7.10

Topic	Summary	For more information
What is the minimum and maximum Application size under the Offer?	The minimum Application size under the Broker Firm Offer and Priority Offer is $2,000 worth of Shares (at the Final Price). There is no maximum value of Shares that may be applied for under the Broker Firm Offer. A maximum of $10 million in Shares (at the Final Price) will be made available, on a priority basis, to Applicants under the Priority Offer. The Lead Manager and AFG reserve the right to reject any Application or to allocate a lesser number of Shares than applied for.	Section 7.2
How can I apply?	Broker Firm Offer Applicants may apply for Shares by completing a Broker Firm Offer Application Form attached to or accompanying this Prospectus and lodging it with the Broker who invited them to participate in the Offer. Priority Offer Applicants may apply for Shares by completing an online Application Form which will accompany this Prospectus in electronic form and lodging it in accordance with the instructions set out on the Application Form. The Lead Manager will separately advise Institutional Investors of the Application procedure under the Institutional Offer. To the extent permitted by law, an Application is irrevocable.	Section 7
Can the Offer be withdrawn?	AFG reserves the right to withdraw the Offer at any time before the issue and transfer of Shares to successful Applicants. If the Offer does not proceed, Application Monies will be fully refunded. No interest will be paid on any Application Monies refunded.	Section 7.9
Where can I find more information about this Prospectus or the Offer?	For more information, call the AFG Offer Information Line on 1800 129 431 (within Australia) or +61 1800 129 431 (outside Australia) from 8.30am to 5.30pm (Perth Time) Monday to Friday. If you are unclear about any matter in relation to this Prospectus or you are uncertain as to whether AFG is a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.	

1.4 Significant interests of key people and related party transactions

Who are the Existing Shareholders and what will be their interest in AFG at Completion of the Offer?

Registered holder	Key people associated with registered holder	Existing interest (%)	Interest at close of the Offer (%)
Founding Shareholders[17]		**54.0%**	**27.5%**
MBM Investments Pty Ltd as trustee for The Brett McKeon Family Trust	Brett McKeon	18.1%	9.9%
MSW Investments Pty Ltd as trustee for The Malcolm Stephen Watkins Family Trust	Malcolm Watkins	18.0%	9.8%
Oceancity Investments Pty Ltd as trustee for The Matthews Family Trust	Kevin Matthews	18.0%	7.9%
Banyard Holdings Pty Ltd as trustee for The B&K McGougan Trust[17,18]	Lisa Bevan	13.1%	6.9%
Karen Jane McGougan as trustee for The B&K McGougan Trust No.2[17]		4.9%	2.5%
Macquarie Bank Limited[17]		9.9%	5.2%
TAL[17]		4.9%	2.1%
Allianz[17]		4.9%	2.1%
Assured Financial Services Pty Ltd[17,19]		2.7%	1.4%
Other Board Members Tony Gill[17, 20] John Atkins		 1.2% 0.1%	 1.0% 0.1%
Key Management (excluding Founding Shareholders)		1.4%	1.3%
Other		2.9%	2.5%
Total Existing Shareholders		**100.0%**	**52.7%**
New Shareholders pursuant to the Offer		-	47.3%
Total		**100.0%**	**100.0%**

What significant benefits and interests are payable to directors and other persons connected with the issuer or the Offer?

Key people	Interests or benefits	For more Information
Existing Shareholders	Sale of interest in AFG and / or pre-IPO dividend	Sections 4.8 and 6.4
Founding Shareholders	Sale of interest in AFG and pre-IPO dividend	Sections 4.8 and 6.4
Management team	Remuneration Entitlements under the LTI Plan	Section 6.4
Non-Executive Directors	Directors' fees	Section 6.4.2.1
Advisers and other service providers	Fees for services	Section 6.4.1

The Existing Shareholders will retain in total approximately 52.7% of AFG, of which the Founding Shareholders will retain in total approximately 27.5%. The Shares held by Escrowed Shareholders will be subject to voluntary escrow agreements which are detailed further in Section 7.8.

Certain Directors and Management may subscribe for Shares under the Offer.

One or more Related Bodies Corporate of the Lead Manager is currently an Existing Shareholder and member of the AFG Lending Panel. The Board considers these arrangements to be on arm's length terms.

Refer to Section 6.4 for further information.

Will any Shares be subject to restrictions on disposal following Completion?	All Shares in which the Escrowed Shareholders have an interest on Completion of the Offer, excluding any Shares acquired by them under the Offer (if any), will be subject to voluntary escrow arrangements which prevent them from disposing their escrowed Shares for a specified period. Subject to early release exceptions, Shares held by the Escrowed Shareholders will be escrowed through to the release of the FY2016 financial results as described in Section 7.8.

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[17] *The shares held by each of these Existing Shareholders will be subject to voluntary escrow agreements which are detailed further in Section 7.8.*

[18] *Banyard Holdings Pty Ltd as trustee for The B&K McGougan Trust is the registered holder of Shares that form part of the estate of Bradley McGougan, a former Executive Director of AFG. Lisa Bevan is the sole director of Banyard Holdings Pty Ltd.*

[19] *This interest is held through the following associated registered holders: Assured Financial Services Pty Ltd, EDI Nominees Pty Ltd as trustee for The Buffalo Creek Superannuation Fund and EDI Nominees Pty Ltd as trustee for The RTC Family Trust.*

[20] *A majority of Tony Gill's shareholding is held through Gillfamily Pty Ltd as trustee for the Gillfamily Superannuation Fund.*

1.5 AFG directors and key management

Topic	Summary		For more information
Who are the Directors of AFG?	**Tony Gill**	Independent Non-Executive Chairman	Section 6.2
	Brett McKeon	Managing Director	
	Malcolm Watkins	Executive Director	
	Kevin Matthews	Non-Executive Director[21]	
	John Atkins	Independent Non-Executive Director	
	Jim Minto	Independent Non-Executive Director	
	Craig Carter	Independent Non-Executive Director	
Who is the management team of AFG?	**Brett McKeon**	Managing Director	Section 6.3
	Malcolm Watkins	Executive Director	
	Lisa Bevan	Company Secretary	
	David Bailey	Chief Financial Officer	
	Mark Hewitt	General Manager – Sales and Operations	
	Jaime Vogel	Chief Information Officer	
	Chris Slater	General Manager – AFG Home Loans	

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[21] *Kevin ceased to be an Executive Director and became a Non-Executive Director of AFG shortly prior to the date of this Prospectus. See Section 6.5.2 for further information.*

02.

INDUSTRY OVERVIEW

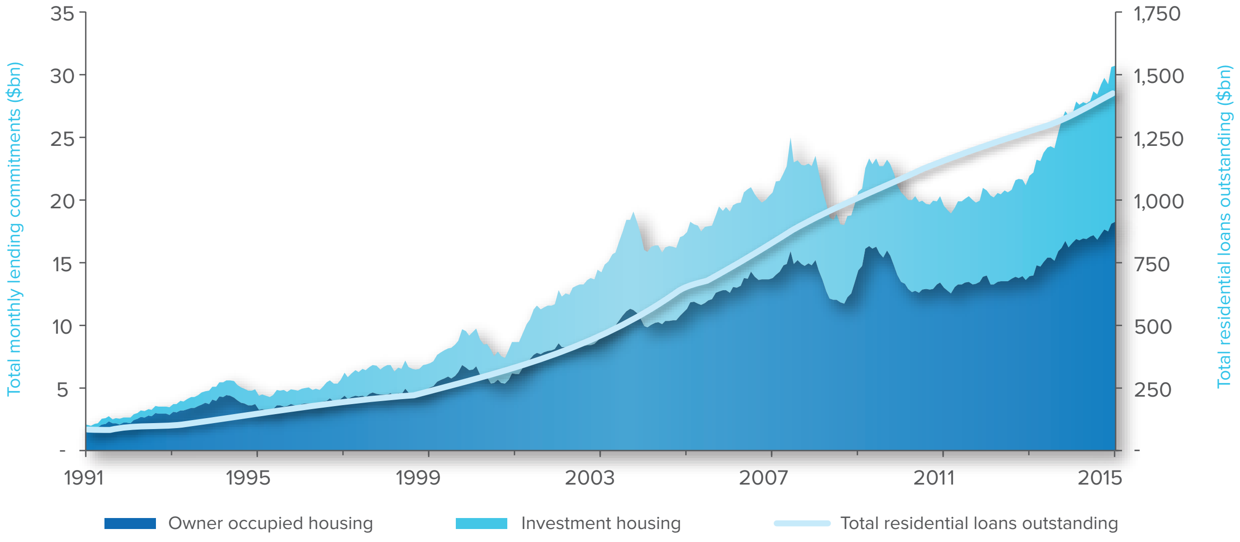
2.1 Australian residential mortgage market

2.1.1 Overview

Residential real estate in Australia has a total value of $5.4 trillion as at December 2014. Australia have a strong tradition of home ownership with rates of home ownership remaining fairly stable at around 70% over the past few decades. The past 20 years has also seen an increase in investor activity, due partly to the historical growth profile and relative stability of Australian residential real estate as an asset class.

The Australian residential mortgage market has historically demonstrated consistent strong growth with CAGR of 12.5% in the total value of loans outstanding since 1990. While the Australian residential mortgage market was not immune to the impacts of the GFC, it has recovered strongly in recent years. As at February 2015, total residential mortgage loans in Australia were $1.44 trillion, up 7.1% on the previous 12 months and with demonstrated CAGR of 5.7% since 2010. The February 2015 RBA Statement on Monetary Policy stated that housing credit growth is likely to remain around the current rate of around 7% in the coming months, reflecting continued solid growth in housing loan approvals over the second half of 2014.

Figure 1: Lending commitments (1990 – 2014)



Source: RBA D6 Lending Commitments – All Lenders, RBA D2 Lending and Credit Aggregates

The Australian residential property market, which is directly linked to the Australian residential mortgage market, also recovered strongly after the GFC with CAGR of 3.9% in the Australian residential property price index since December 2009. It has also demonstrated consistent growth over the longer term, achieving CAGR of 5.3% over the past decade. This stable growth profile compares favourably to a number of overseas developed markets which have historically demonstrated greater volatility. In recent years, both the Australian residential property and mortgage markets have been supported by favourable macro-economic conditions, low mortgage rates, sustained population growth and increased investor and foreign investment.

2.1.2 Industry structure and trends

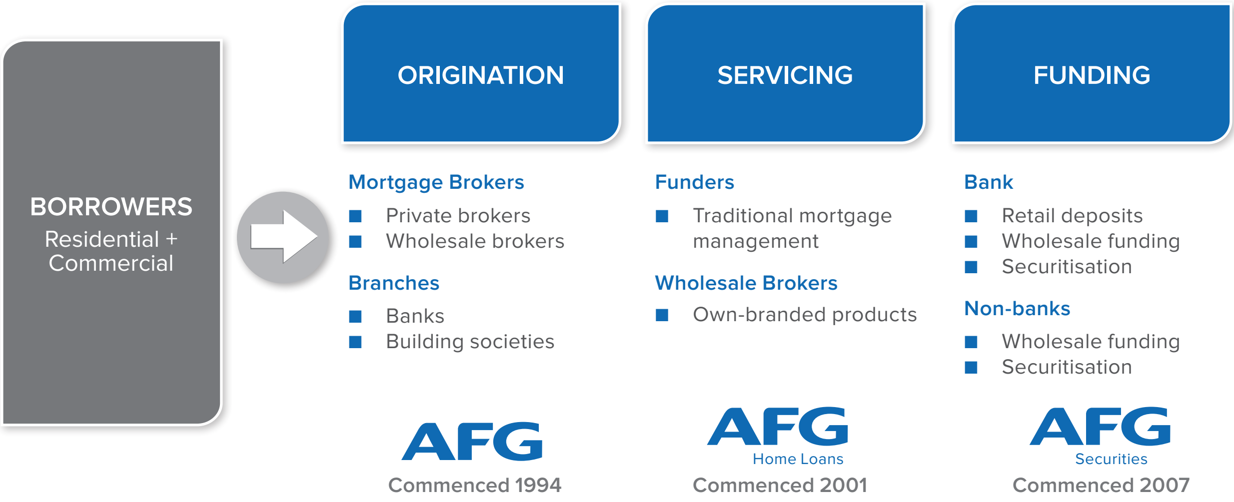
Figure 2 below illustrates the Australian mortgage industry value chain, which is divided into three broad categories:

(i) Origination

(ii) Servicing

(iii) Funding

Figure 2: AFG's view of the Australian mortgage industry value chain



Source: AFG

The Australian mortgage industry is dominated by the Four Majors, being the traditional lenders that cover the full mortgage value chain from funding to distribution. Regional banks, credit unions, building societies and other non-bank lenders have comparatively smaller market share.

2.1.2.1 Origination

Origination refers to the process by which a borrower submits an application to enter into a loan with a Lender, typically through a mortgage broker or directly at a bank or building society. Prior to the de-regulation of the Australian financial system in the 1980's, origination generally occurred directly at branches of the major banks and building societies. Since de-regulation, the mortgage broking industry has grown significantly. According to the MFAA Mortgage Broker Market Survey, mortgage brokers accounted for 50.4% of originations in CY2014.

Following industry wide bank branch closures and rationalisation, mortgage brokers have increased market share and have become an effective method of originating loans for lenders. Mortgage brokers have become popular with borrowers by providing a convenient service that assists them to find a mortgage product that meets their needs from the range of products available.

Sitting between the lenders and mortgage brokers are wholesale mortgage brokers such as AFG. Many mortgage brokers rely on wholesale mortgage brokers to provide the critical infrastructure and back office functions required to support their businesses. Wholesale mortgage brokers, which often provide services to multiple mortgage brokers, typically provide access to a range of mortgage products provided by a broad lending panel in addition to building and maintaining technology and other back office infrastructure to facilitate transactions, improve the ultimate customer experience and meet legal and regulatory obligations.

2.1.2.2 Servicing

Servicing relates to the ongoing provision of services to the borrower and management of the mortgage for the term of the loan. These include services such as the provision of statements, receipt and disbursement of the loan repayments and the ongoing credit management of the mortgage. Servicing is generally carried out by the lender or provider of the mortgage product.

However, some lenders provide products that can be rebranded by mortgage brokers and are then serviced by the mortgage broker for the term of the mortgage. This further fragments the value chain by enabling the mortgage broker to offer lending products that have its own branding. This process is known as "White Labelling", and the products as "White Label Products".

2.1.2.3 Funding

Australian residential mortgage lenders fund their mortgages in a number of different ways. Bank lenders have traditionally funded their assets using a combination of retail deposits, wholesale funding (lending by one financial institution to another) and through a process known as "Securitisation".

Securitisation involves building up a large portfolio of residential mortgages and then selling the right to receive the future cash flow from those mortgages to other investors through the capital markets. The mortgages are built up using specific facilities known as "warehouse facilities", and the instruments giving the investors the right to future cash flows are known as RMBS. The funds received from the investors on the sale of the RMBS reduce the balance in the warehouse facility, which enable the funding of further new loans from the warehouse facility.

Non-bank lenders are not authorised to take deposits and are therefore reliant on either wholesale funding or Securitisation to fund their loans.

2.1.3 Regulatory landscape

In Australia, the mortgage broking industry is primarily regulated by ASIC and under the NCCP Act. The NCCP Act regulates the activities of persons who engage in credit activities including providing credit assistance to a consumer and acting as an intermediary (which includes providing wholesale mortgage broker services).

AFG holds an ACL that authorises it to engage in certain credit activities. AFG's Brokers must themselves either hold an ACL or be a credit representative of a licensee (which may be AFG). As the holder of an ACL, AFG is subject to both the licence conditions that are imposed by ASIC and by the licensee obligations contained in the NCCP Act. AFG is also responsible for certain conduct of the AFG Credit Representatives under the NCCP Act.

AFG's obligations under its ACL and the NCCP Act include requirements relating to competence, training and managing conflicts of interest as well as requirements to:

- Have an internal dispute resolution process and be a member of an approved external dispute resolution scheme;
- Hold a professional indemnity insurance policy;
- Have adequate compliance arrangements and systems;
- Do all things necessary to ensure that the credit activities are engaged in efficiently, honestly and fairly; and
- Comply with the credit legislation.

The NCCP Act also sets out responsible lending obligations that apply to the licensee when credit assistance is provided to a consumer in relation to a credit contract. In AFG's case this includes where AFG Brokers who are AFG Credit Representatives provide credit assistance. The responsible lending obligations include requirements to provide a credit guide to the consumer, to make reasonable inquiries about the consumer and to make a preliminary assessment of whether the proposed credit contract will be unsuitable for the consumer.

AFG Securities, AFG Home Loans and Australian Finance Group (Commercial) Pty Ltd also hold ACLs that enable them to engage in credit activities.

AFG Securities also holds an AFSL (Licence Number 418017) that enables it to engage in its securitisation activities. This licence is issued by ASIC under the Corporations Act.

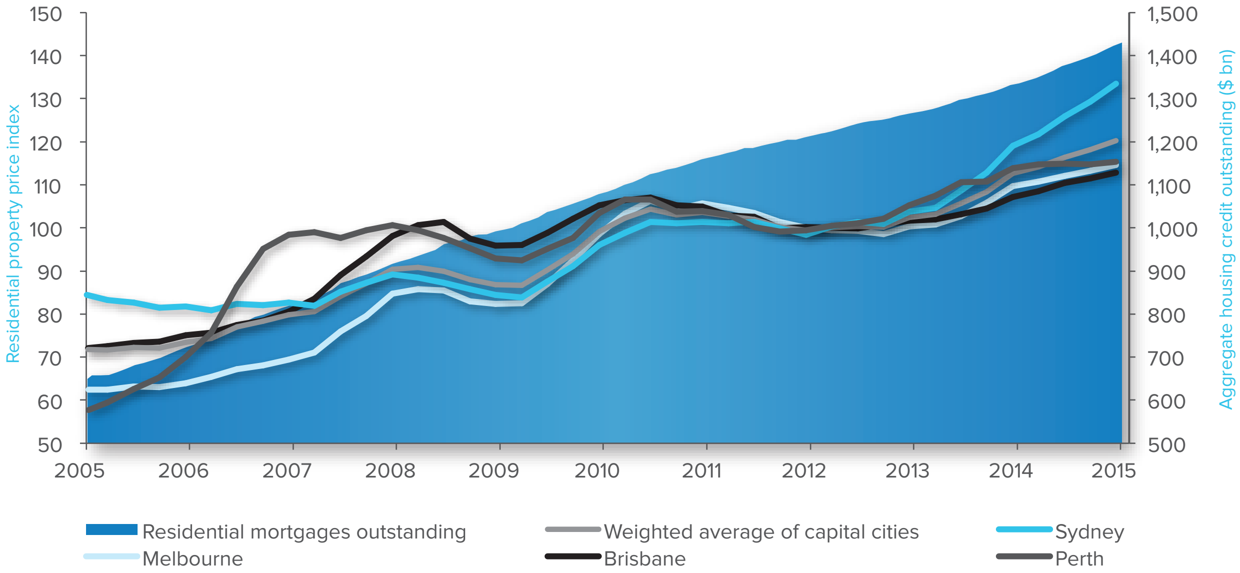
In addition, APRA oversees banks, credit unions, building societies, general insurance, health insurance, reinsurance companies, life insurance, friendly societies and most members of the superannuation industry. While AFG is not regulated by APRA, APRA directly oversees members of the AFG Lending Panel and therefore its decisions can indirectly impact AFG's business.

2.2 Key drivers of the Australian residential mortgage market growth

2.2.1 Robust Australian residential property market

The Australian residential property market has achieved sustained price growth of 5.3% per annum over the ten years to December 2014. This long term growth underpins home owner and investors' confidence in the underlying value and anticipated future growth of residential property in Australia. Over the 2 years to December 2014, residential property prices in Australia's capital cities have had average growth of 8.4% per annum.

Figure 3: Australian property price indexes – average and major capitals



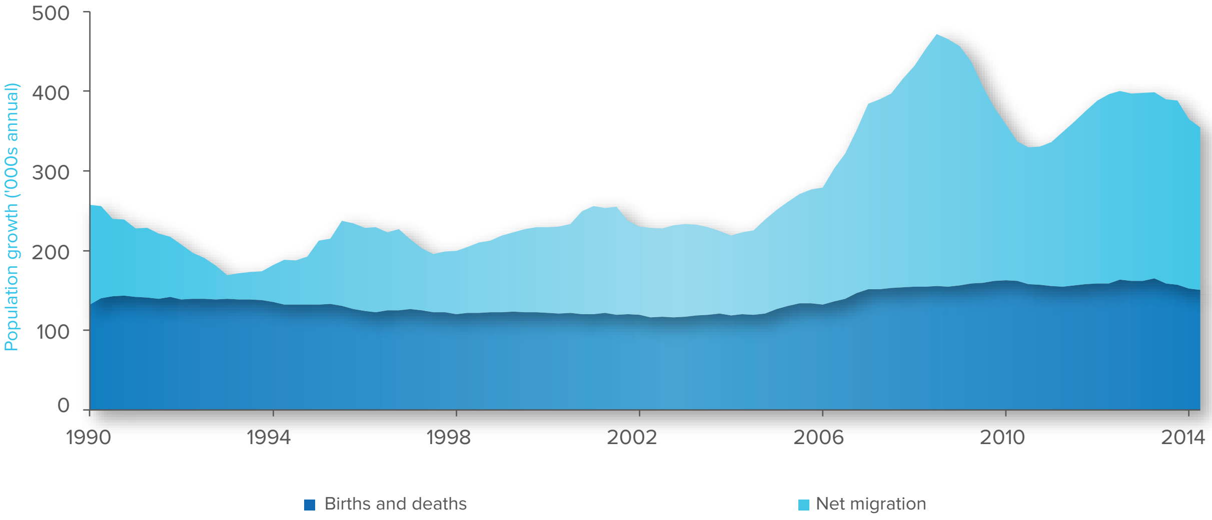
Source: RBA D2 Lending and Credit Aggregates, ABS 6416.0 Residential Property Price Indexes: Eight Capital Cities

2.2.2 Positive demographic trends

In the last 5 years, Australia's population has grown on average by 358,600 or 1.6% per annum. The ABS expects this growth to continue and predicts Australia's population to reach 26.3 million by 2020, representing a 19.6% rise over the previous decade.

Net overseas migration accounts for approximately half of Australia's population growth and new immigrants have a more immediate need for housing compared to a natural increase in population as a result of net births and deaths. Net overseas migration is currently close to historically high levels.

Figure 4: Population growth by segment

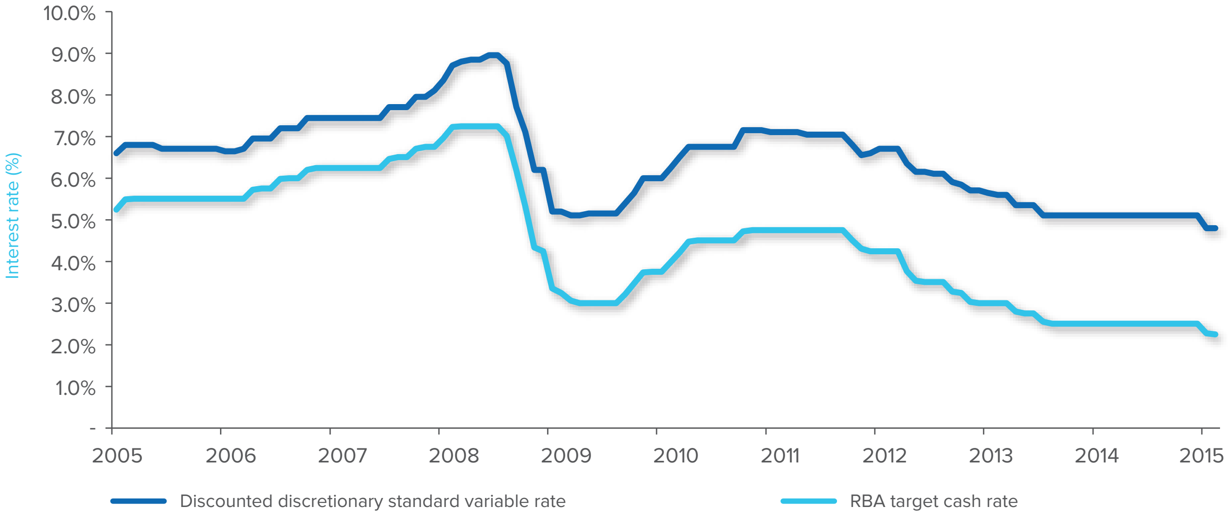


Source: ABS 3101.0 Australian Demographic Statistics

2.2.3 Low interest rates

Australia is currently experiencing record low interest rates with the official RBA cash rate currently at 2.25% and the average discounted discretionary standard variable rate for housing loans currently at 4.80%. Interest rates are used as a key plank of macro-economic government policy to stimulate investment through consumer spending. A further rate cut in 2015 would, in AFG's view, be expected to have a positive impact on the Australian mortgage industry. Interest rates on mortgages are the key driver of the mortgage market as they directly impact the cost of the mortgage and therefore, the principal amount that the borrower is able to borrow.

Figure 5: Housing interest rate and target RBA cash rate

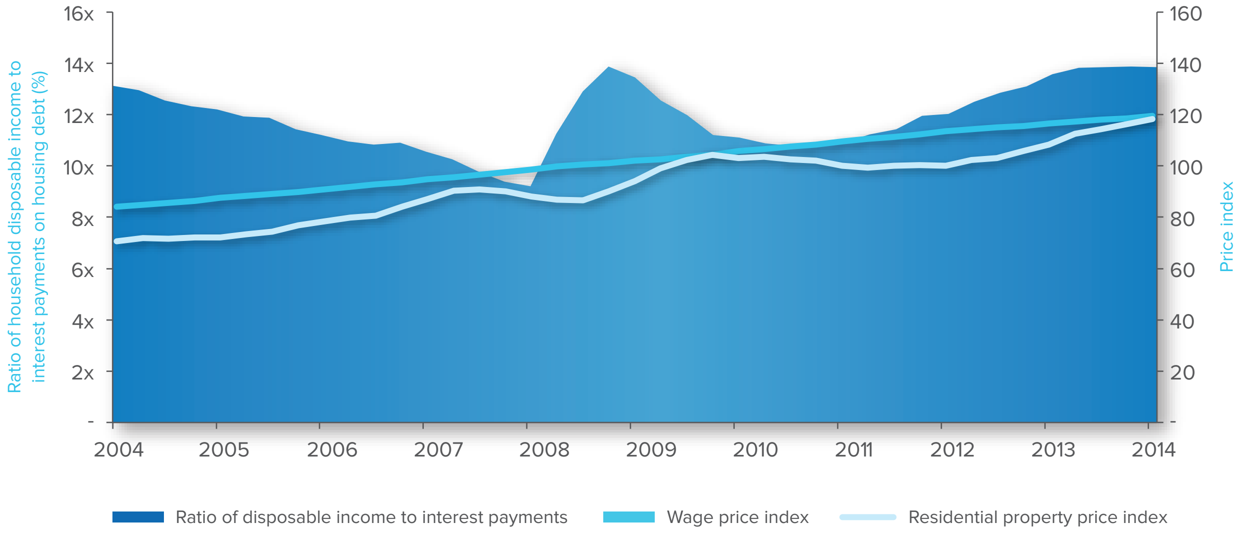


Source: RBA F5 Indicator Lending Rates, RBA F1.1 Interest Rates and Yields – Money Market

2.2.4 Rising housing affordability

Housing affordability is intrinsically linked to the Australian residential mortgage market and interest rates as it measures a household's ability to service a mortgage based on average mortgage size and income. Current housing affordability is high, being close to late 2008 post GFC levels. Affordability levels at present have been largely driven by record low interest rates, which have had the effect of lowering interest payments on mortgages. In addition to this, average incomes in Australia have risen consistently over the last 10 years, increasing affordability of residential housing in Australia.

Figure 6: Interest payment on housing debt to household disposable income ratio

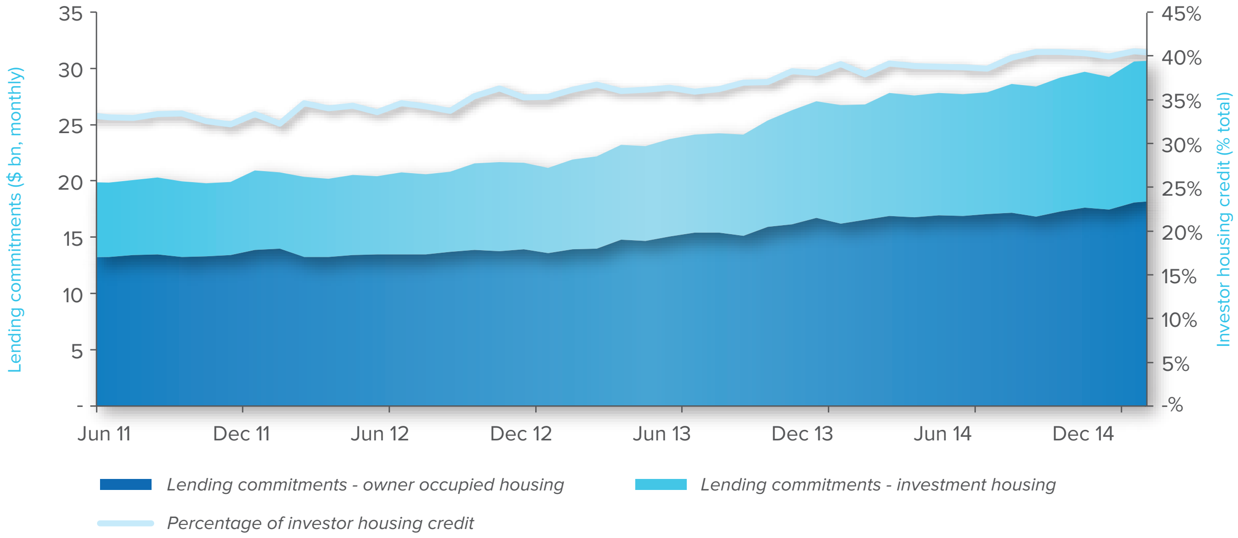


Source: RBA E2 Household Finances Ratios, ABS 6345.0 Wage Price Index, Australia, ABS 6416.0 Residential Property Price Indexes: Eight Capital Cities

2.2.5 Demand from investors

Over the past 20 years, the proportion of residential investment mortgages in Australia has grown from 19.5% of total credit outstanding to 34.4% as at February 2015. Growth in investment demand has been supported by favourable taxation treatment of property investment losses (referred to as "negative gearing"). In the 12 months to February 2015, residential investment lending in Australia accounted for 40.0% of total residential lending, up from 33.7% in FY2012.

Figure 7: Total lending commitments for housing



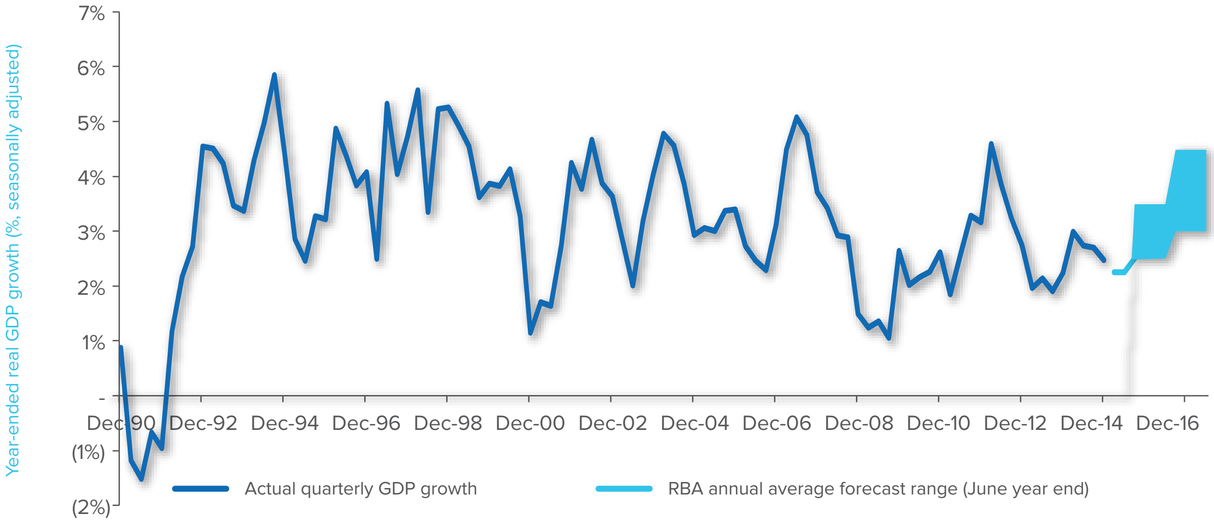
Source: RBA D6 Lending Commitments – All Lenders

AFG acknowledges that there is some market commentary and speculation regarding potential changes to the Australian tax system in relation to negative gearing. This speculation is not new and has been a recurring theme for at least the past ten years. If a change to the tax treatment of investment property losses was to occur, it is likely to have a negative impact on residential property investment.

2.2.6 Favourable macro-economic conditions

GDP growth in Australia has been consistently positive over the last 24 years, being the only developed economy in the world to have avoided a recession since 1991. The Reserve Bank of Australia expects continued positive GDP growth figures over the next two to three years, with average GDP growth forecast to be 2.25% in FY2015, 2.75%-3.75% in FY2016 and 3.00% to 4.50% in FY2017.

Figure 8: Australia Real GDP growth (seasonally adjusted)



Source: RBA H1 Gross Domestic Product and Income. RBA Statement on Monetary Policy – February 2015
(Table 6.1 – June year end annual average range shown. March and June quarter 2015 forecast is based on 2015 June year end average)

The rate of unemployment in Australia is another factor that may impact the demand for housing credit and overall economic activity. This is one of a number of factors the RBA and the Australian government take into account when setting macro-economic policy, including interest rates. The Australian unemployment rate was 6.1% as at 31 March 2015 and has been slowly trending up since 2011 but remains in line with the 20 year average to 31 March 2015 of 6.1%.

2.2.7 Participation of foreign investors

The recent significant fall in the Australian dollar against the US dollar and other major currencies, in particular currencies in the Asian region which are formally or informally pegged to the US dollar, has made the Australian residential property market more attractive for some overseas investors. For example, the Australian dollar has fallen over 24% against the Chinese Yuan over the ten years to April 2015, reducing the cost of Australian housing for Chinese investors. AFG has experienced increased foreign interest at a funder level, with the Bank of China recently joining the AFG Lending Panel.

2.3 The residential mortgage broking industry

2.3.1 Overview

As noted in Section 2.1, the Australian mortgage broking industry was developed as a result of the de-regulation of the Australian financial system in the 1980s. Prior to this, banks and building societies provided the vast majority of any residential mortgage lending. From its inception in the early 1990s and through the early 2000s, the lending market became significantly more sophisticated and competitive.

This has also led to a significant increase in the number of mortgage products available and the sophistication and complexity of those products. AFG Brokers currently offer over 1,400 products to their customers highlighting why borrowers increasingly seek advice to help choose an appropriate product.

There are a number of different operating models within the mortgage broking industry as outlined in Table 1.

Table 1: Mortgage Brokers Operating Models

Model	Description	Examples
Wholesale Mortgage Broker Model	Wholesale mortgage brokers secure mortgage products from their lending panel and provide the support for mortgage brokers to distribute under their own name.	AFG PLAN* Vow Financial** Choice* Connective FAST*
Franchisor Model	A franchisor assigns franchisees the right to market and distribute the franchisor's branded service and to use the business name for a fixed period of time.	Mortgage Choice Aussie Home Loans***
Licensee Model	Similar to the franchise model, loan writers are employed or licensed by a single branded employer, which generally pays a mix of salary and commissions to licensees.	Yellow Brick Road
Sole Trader	The owner and broker are one and the same with no group affiliation.	

** 100% owned by NAB*
*** 100% owned by Yellow Brick Road*
**** Controlled by CBA*

The services of mortgage brokers and wholesale mortgage brokers (see Section 2.1.2) are increasingly important in the Australian mortgage landscape.

Third party distribution is an important distribution channel for major banks. It has assisted them to maintain and grow their market shares, especially after the substantial major bank branch closures in the 1990s. Additionally, mortgage brokers are becoming the distribution method of choice for many smaller lenders as these entities do not possess the branch footprint of larger banks, nor can they afford such an investment.

The current level of mortgage broker penetration has grown significantly over the past 15 years, with mortgage brokers accounting for 50.4% of mortgage or loan Originations in CY2014 up from 46.1% in CY2013. This has been facilitated by a combination of factors, including:

- A recognition by lenders that mortgage brokers are a viable and cost effective means of accessing customers in the mortgage market;
- The increasing complexity of mortgage products, which has driven consumers to seek advice to find a product that is suitable for them; and
- An overall increase in demand for residential mortgage loans by banks, given the preferred capital treatment of residential mortgages for the purposes of capital adequacy rules affecting banks.

2.3.2 Mortgage broker value proposition to borrowers

A mortgage is a long-term commitment which can span 20-30 years, and many home buyers prefer to be reassured by a mortgage broker who is independent of any one lender that the mortgage product they choose is right for them. The key benefits provided by mortgage brokers to borrowers include:

- One point of contact in the loan origination process, saving time and reducing the administrative burden on the borrower;
- Large mortgage broker networks that provide opportunities to extract competitive loan pricing and terms from Lenders;
- A customised approach to each individual borrower's needs;
- Flexibility and convenience in being able to talk to a mortgage broker outside bank opening hours; and
- Advice on a wide range of lending products.

Lenders generally pay upfront and/or trail commissions in respect of the loans mortgage brokers originate. Residential mortgage brokers generally do not charge borrowers an upfront service fee.

2.3.3 Mortgage broker value proposition to lenders

Mortgage brokers benefit lenders by:

- Providing a distribution network without lenders having to invest in branches and other physical infrastructure (particularly important following industry wide branch closures and rationalisation);
- Allowing lenders to differentiate their products to capture a different segment of the mortgage market; and
- In the case of wholesale mortgage brokers, managing a large volume of mortgage brokers on a day to day basis and therefore reducing the Lender's fixed costs. Management of a mortgage broker may encompass compliance, training, and distribution of revised and new product details and also payment of remuneration for all settled loans.

2.3.4 Role of wholesale mortgage brokers and franchisors

Wholesale mortgage brokers and franchisors provide the link between mortgage brokers and most lenders. Both wholesale mortgage brokers and franchisors provide a panel of lenders from which to choose a loan that is appropriate for the borrower. They also provide technology, marketing and administration services in return for a portion of the remuneration paid by lenders. The scale and purchasing power of a wholesale mortgage broking group (such as AFG) and franchisors means that they are able to offer their mortgage brokers competitive rates and a large selection of products.

Generally, wholesale mortgage brokers and franchisors both act as the intermediaries between lenders and mortgage brokers. They may provide varying levels of service to their mortgage brokers and franchisees that directly service borrowers. Wholesale mortgage brokers such as AFG tend to occupy more of a wholesale role than franchisors. Wholesale mortgage brokers' end customers are mortgage brokers who usually trade under their own brand name. Due to this broker-centric focus, wholesale mortgage brokers have their brands recognised amongst lenders and mortgage brokers. Mortgage Choice, which is listed on the ASX, is an example of a franchisor model. Franchisors, such as Mortgage Choice, seek higher retail brand recognition amongst residential mortgage borrowers.

Lenders deal with wholesale mortgage brokers and franchisors for the administrative convenience of dealing with one party and gaining access to a wide distribution network. The mortgage broking channel represents a predominantly variable cost structure (as compared to a branch network) for mortgage product distribution.

2.3.5 Competitive landscape

AFG directly competes with other wholesale mortgage broking service providers. These businesses provide various levels of technology, back office and administration functions, training, and lender relationships to mortgage brokers. The cost of providing the range of services AFG provides could potentially represent a barrier to any new entrant.

AFG's competitors include franchisors such as Mortgage Choice and Aussie Home Loans (the latter controlled by CBA), and other wholesale mortgage brokers such as Vow Financial (acquired by Yellow Brick Road in May 2014), PLAN, FAST and Choice (wholesale mortgage brokers owned by NAB) and Connective. The mortgage broking market is dynamic and there is ongoing competition for market share from the existing and newer participants operating under a range of business models.

Through its AFG Brokers, AFG indirectly competes with other mortgage brokers, tied broking businesses of mortgage providers (or funders) and the distribution networks of the various banks and other mortgage providers within the mortgage industry (through their own branches or other in house distribution platforms such as mobile lending services).

The mortgage broking industry operates in a competitive environment. AFG is one of the largest by both market share at approximately 16.7% of CY2013 and CY2014 mortgage broker originations and by value of the AFG Loan Book which as at December 2014 is in excess of $100 billion. AFG's size and market leading position provides a competitive advantage and synergies which has assisted AFG in growing its market share of the overall loan market.

2.3.6 Growth drivers and outlook

In addition to the strong outlook for the Australian residential mortgage market, AFG believes that the mortgage broker share trend within the Australian mortgage market is likely to continue to increase.

Factors influencing increasing mortgage broker originations include:

- **Increasing positive awareness of the mortgage broker channel:** a result of a greater number of consumers becoming aware of the value and services that mortgage brokers can deliver, and the broad range of products that they can access;
- **Convenience:** mortgage brokers will often visit borrowers at home or work and outside office hours, and will also provide the borrower with a more thorough understanding of how mortgage products work;
- **Industry consolidation:** scale through recent industry consolidation among mortgage brokers is a major driver of mortgage broker strength and profitability as larger mortgage broking groups are able to provide greater market leverage as well as better services and platforms to their sales force; and
- **Competition and commissions:** competition amongst the lenders continues to increase which in turn has resulted in improved commissions to mortgage brokers which is expected to have a positive impact on Originations given most mortgage brokers are predominantly commission payment based.

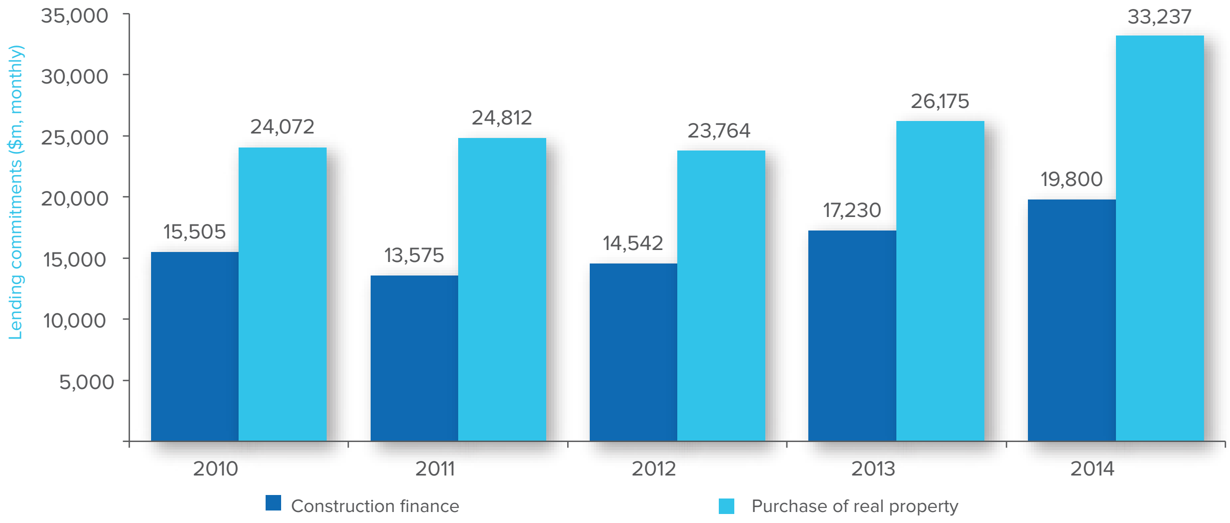
2.4 Australian commercial mortgage market

A commercial mortgage is similar to a residential mortgage. However, the underlying secured property is commercially zoned real estate as opposed to residential zoned real estate. Typical examples include business premises, commercial investment properties and commercial and residential property developments.

Data from the RBA indicates that the commercial mortgage market is a growing sector:

- New real property commercial lending commitments in FY2014 reached approximately $33.2 billion with demonstrated CAGR of 8.4% since FY2010; and
- New construction lending commitments in FY2014 reached approximately $19.8 billion with demonstrated CAGR of 6.3% since FY2010.

Figure 9: Commercial finance market growth



Source: RBA D7.4 Bank Lending Commitments to Business – New Credit Approval by Size and Purpose

2.5 Securitisation markets

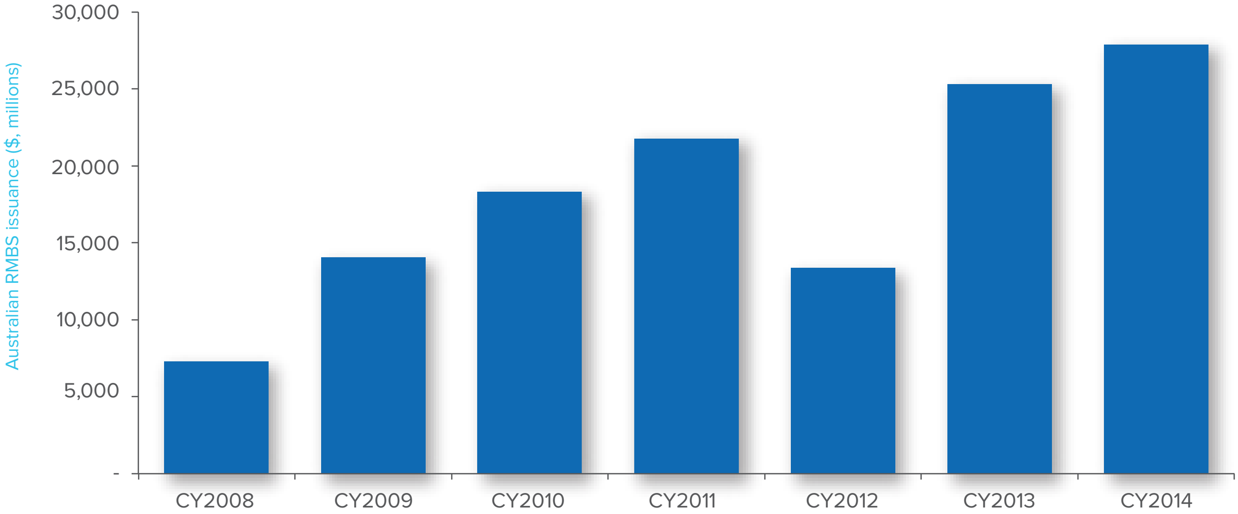
As discussed in Section 2.1.2, Securitisation markets provide an alternative source of funding for non-bank financial institutions, including wholesale mortgage brokers. Securitisation markets have been improving in terms of volumes, liquidity and pricing in recent years. Improvements in Securitisation volumes and liquidity are expected to increase funding availability for non-bank financial institutions, which should reduce funding costs and improve profitability.

Since the late 1980s both bank and non-bank lenders have used Securitisation to fund a proportion of their mortgage portfolios. Prior to the GFC, there was significant growth in Securitisation markets, with Australian securitised mortgage assets peaking at $215 billion or approximately 25% of the market in June 2007. Following the GFC, activity in these markets has been significantly reduced.

In recent years, liquidity in Securitisation markets has improved (with the exception of 2012 which was affected by Eurozone uncertainty) and Securitisation is increasingly being identified as a viable source of funding. Australian RMBS issuance has increased from $7 billion in CY2008 to $28 billion in CY2014. As at December 2014, the total value of the Securitisation market in Australia was in excess of $113 billion. Investor confidence in Securitisation products has also improved, as evidenced by the margin over cost of funds falling by approximately 80 basis points in the three years to April 2015 to around current levels of 85 basis points. This, in turn, reduces funding costs. AFG expects that if there is a continued improvement in margin over cost of funds, this is likely to increase funding options for financial institutions, including non-bank financial institutions.

In addition, RMBS prices have improved over the last year against a backdrop of falling interest rates, which has supported the market for Securitisation and, in particular, high quality mortgage backed securities.

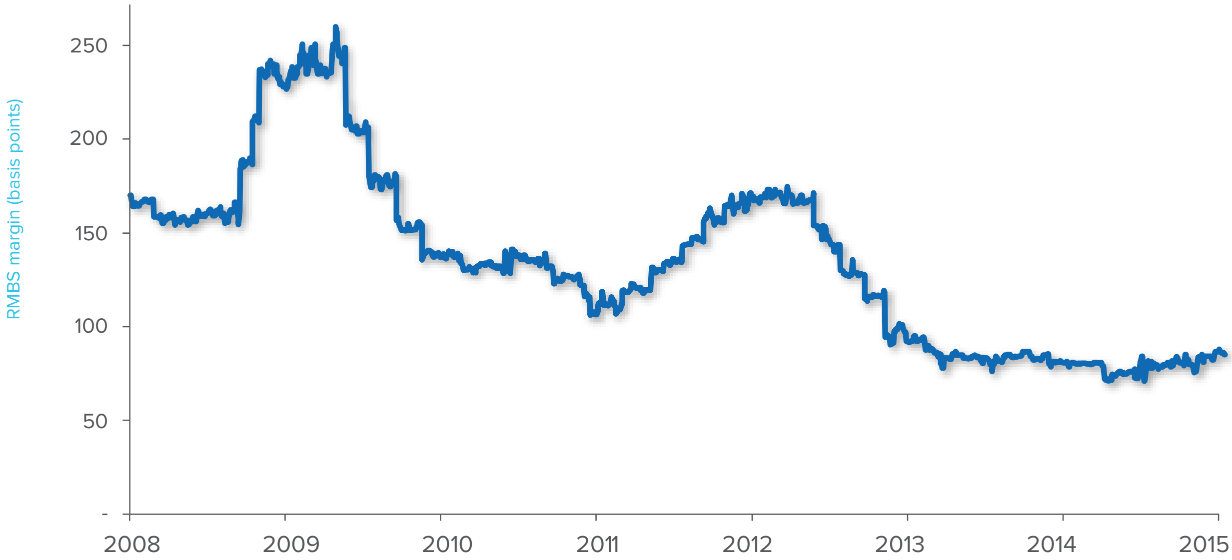
Figure 10: Australian RMBS issuance



Source: AFG

Note: All Volumes are in AUD (where issuance was in Non AUD these have been converted into the equivalent AUD amount). Public RMBS Issuance which are backed by Australian collateral.

Figure 11: Average prime RMBS (market aggregate)



Source: AFG

Note: Australian RMBS Average Senior AAA TM (1.9<WAL<2.1). Margin in this graph refers to the Net Interest Margin.

03.
BUSINESS OVERVIEW

3.1 Overview of AFG

AFG was founded in 1994 and has grown to become one of Australia's largest mortgage broking groups[22]. AFG employs approximately 170 staff across Australia and has a network of in excess of 2,300 AFG Brokers Originating mortgage products through AFG's platform.

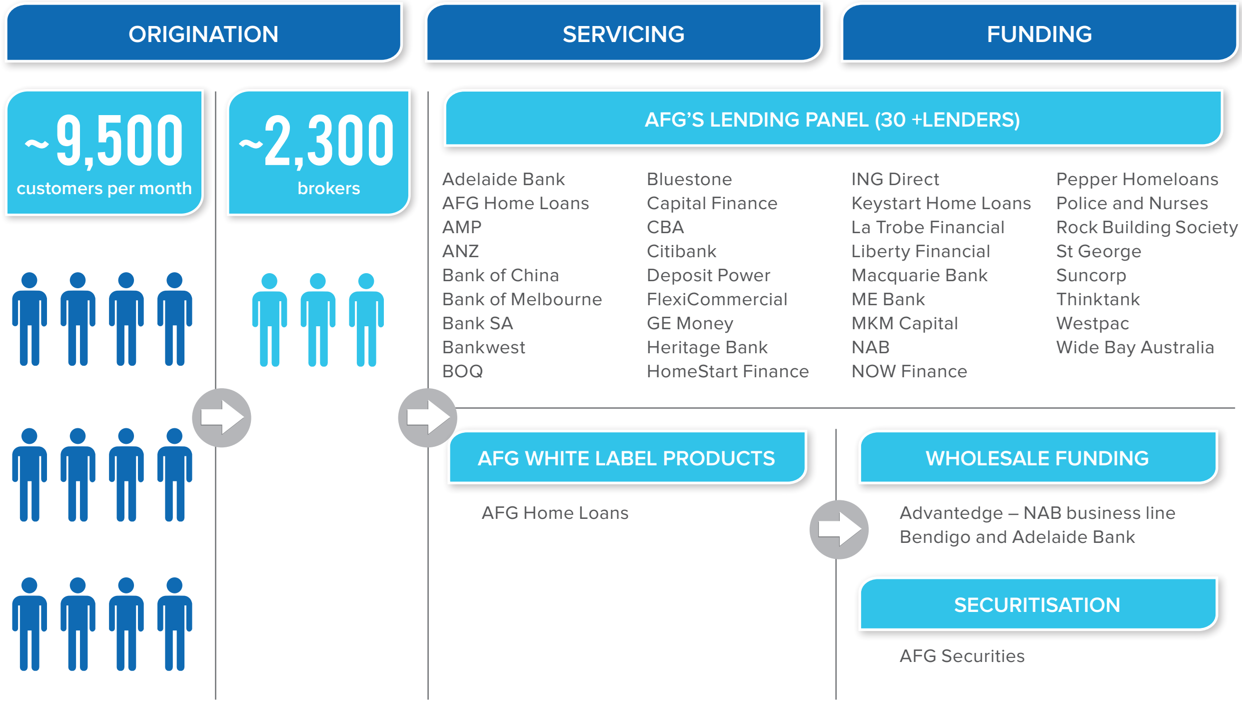
AFG operates across all segments of the mortgage value chain, as demonstrated in Figure 12:

(a) Origination – AFG Wholesale Mortgage Broking (which consists of the well-established residential mortgages business and the growing commercial mortgage business);

(b) Servicing – AFG Home Loans, which are AFG branded loan products; and

(c) Funding – AFG Securities fund a portion of AFG's Home Loans products through Securitisation activities.

Figure 12: AFG business' positions along the mortgage value chain



Source: AFG

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[22] By value of the AFG Loan Book and by market share of residential mortgage originations in CY2014.

AFG provides AFG Brokers with access to products, platforms, business tools and support, including a suite of over 1,400 loan products through the AFG Lending Panel, consisting of over 30 of Australia's leading lending and financial services institutions. Since its inception, AFG has invested over $60 million in developing the latest technologies, systems and online tools to assist AFG Brokers in building their businesses.

AFG Brokers are able to offer a range of products to borrowers, including:

- Residential mortgages
- AFG branded mortgages
- Commercial mortgages
- Equipment and leasing finance
- Personal loans
- Insurances

Included in the residential mortgages distributed by AFG Brokers are the AFG Home Loans branded mortgages. AFG Home Loans effectively provide two forms of mortgage products:

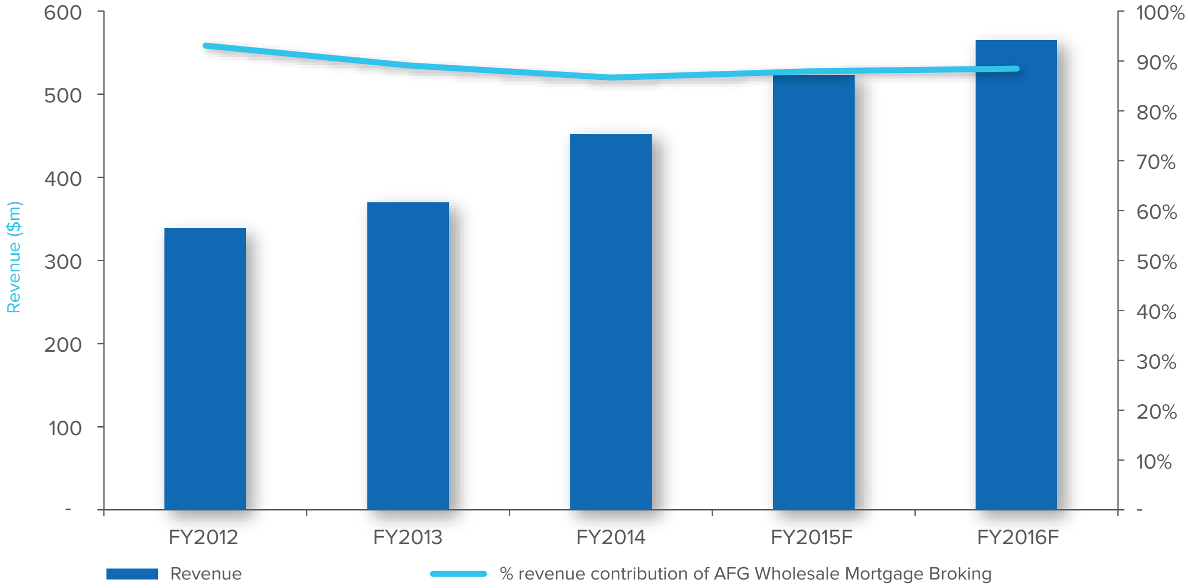
i. White Label products – mortgage products provided and funded by one of the Lenders on the AFG Lending Panel (currently Bendigo and Adelaide Bank and Advantedge), developed with AFG and branded as an AFG Home Loans mortgage; and

ii. Securitised mortgages – an AFG Home Loans developed and branded product which is funded through securitisation markets.

AFG Brokers Originate an average of approximately $4.4 billion in residential and commercial mortgage finance applications every month. In FY2015, this is expected to result in settlements of almost $33.0 billion[23]. In CY2014, AFG accounted for approximately 8.4% of the total Australian residential mortgage market, according to the MFAA Mortgage Broker Market Survey. AFG also generates additional revenue by using the strength of its distribution network to distribute (by referral) other products such as insurance and leasing products. This is a passive but growing income stream.

AFG Wholesale Mortgage Broking (residential and commercial) is AFG's largest business, generating in excess of 86.6% of AFG's FY2014 revenues. Although the AFG Wholesale Mortgage Broking business continues to provide the majority of revenue, AFG believes that more effective use of all its distribution channels will enable growth in its revenue base through both existing and emerging products.

Figure 13: Total revenue and revenue contribution of AFG Wholesale Mortgage Broking[23]



Source: AFG

3.2 History of AFG

AFG was founded in 1994 by current Managing Director Brett McKeon (a Founding Shareholder) and three others including Executive Director Malcolm Watkins and Non-Executive Director Kevin Matthews. Since inception, AFG has achieved sustained growth to become one of Australia's largest mortgage broking groups[24]. Set out below are some of AFG's key operational achievements and milestones achieved over the past twenty years, measured against the growth in the AFG Loan Book, which now exceeds $100 billion.

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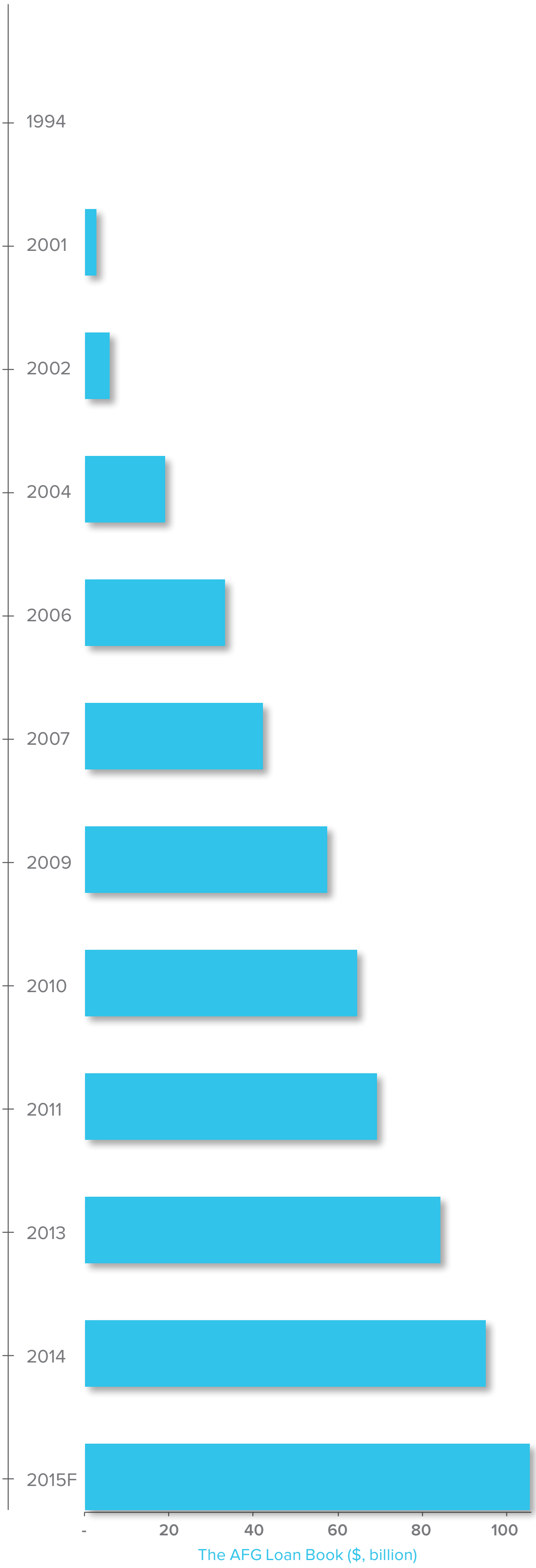
[23] *The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Appendix A, and is subject to the key risks set out in Section 5.*

[24] *By value of the AFG Loan Book and by market share of residential mortgage originations in CY2014.*

Figure 14: AFG timeline

AFG established with WA office opened. Sydney office opened in the same year.	1994
AFG Home Loans commences business. FLEX implemented (business management technology). Cornerstone investment by Macquarie Group finalised at ~10%.	2001
The AFG Loan Book reaches $5.5 billion. Monthly applications exceed $1 billion.	2002
The AFG Loan Book reaches $20 billion. Tower Australia and Allianz each acquire 5% of AFG as part of a strategy to distribute insurance products through AFG.	2004
The AFG Loan Book reaches $30 billion. The AFG Home Loans Loan Book reaches $1 billion.	2006
The AFG Loan Book reaches $40 billion. AFG Securities commences operation via Macquarie warehouse.	2007
GFC. The AFG Loan Book still managed growth of 11% from previous year to $57 billion.	2009
The AFG Loan Book reaches $60 billion.	2010
Re-commenced lending with NAB warehouse.	2011
AFG inaugural securitisation transaction – AFG 2013-1 $275m ANZ warehouse created, second securitisation transaction – AFG 2013-2 $300m	2013
The AFG Loan Book reaches $95 billion, AFG Home Loans $2.5 billion, AFG Securities $1 billion. Third securitisation transaction AFG 2014-1 $300m.	2014
The AFG Loan Book passes $100 billion. AFG seeks to list on the ASX.	2015F



Source: AFG

Note: The AFG Loan Book amount is for the end of the periods shown (assumes 30 June year end).

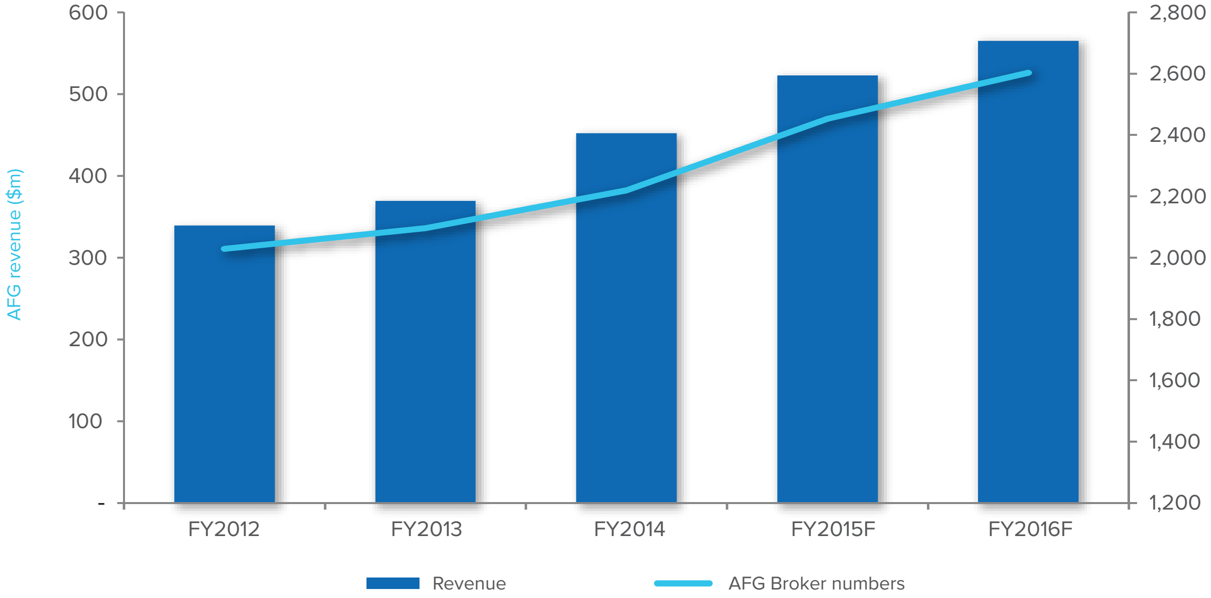
3.3 AFG Broker network

3.3.1 Introduction

Core to AFG's success is the strength of its relationships with its mortgage broker network which consists of more than 1,100 AFG Members with in excess of 2,300 AFG Brokers Originating mortgage products sourced from the AFG Lending Panel of over 30 Lenders. The AFG Broker network continues to grow, increasing from 2,029 in 2012 to over 2,300 currently, and reaches around 9,500 customers per month.

As can be seen from Figure 15 below, AFG's revenue is strongly correlated to AFG Broker numbers.

Figure 15: AFG revenue and AFG Broker numbers[25]



Source: AFG

In the earlier years of AFG's operations, AFG's mortgage broker network was comprised predominately of smaller individual mortgage brokers and mortgage broker groups operating under their own name. In recent years, as part of AFG's strategy to grow its mortgage broker network, AFG has increasingly sought to establish relationships with larger groups and complementary industry participants such as home builders, real estate agents, financial planning groups and, more recently, comparator websites (which assist consumers to compare a range of products available in the market). AFG's technology platform has demonstrated an ability to be scalable and to adapt to the varying business requirements of different AFG Member Groups.

3.3.2 AFG Broker distribution

AFG has nation-wide distribution with contracted AFG Brokers in all Australian States and Territories and in both urban and regional markets. This broad distribution network coupled with a low concentration in any particular geographic area ensures AFG's earnings are diversified.

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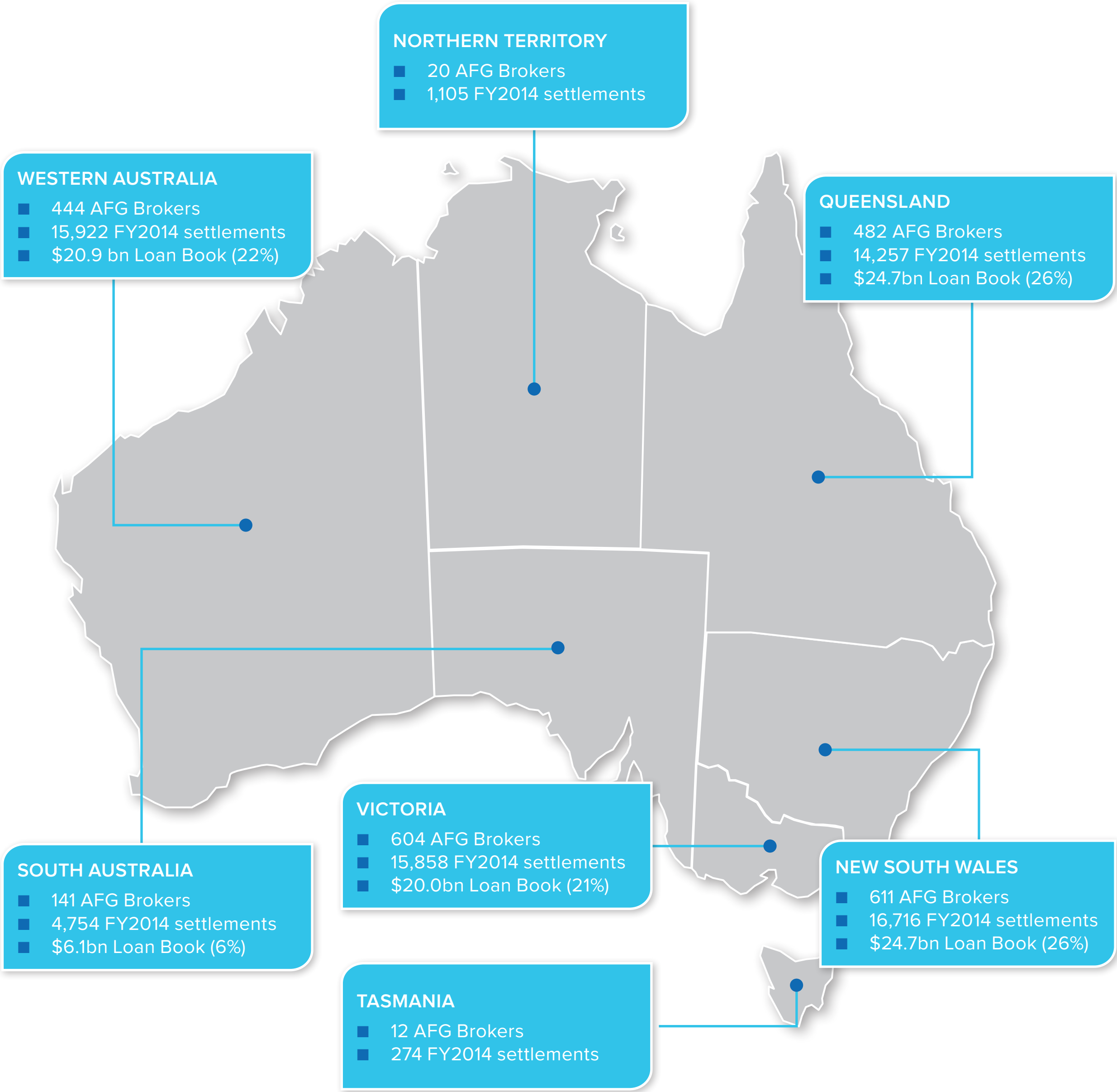
[25] *The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Appendix A, and is subject to the key risks set out in Section 5.*

Figure 16: AFG residential mortgage and AFG Broker numbers by state



NORTHERN TERRITORY
- 20 AFG Brokers
- 1,105 FY2014 settlements

WESTERN AUSTRALIA
- 444 AFG Brokers
- 15,922 FY2014 settlements
- $20.9 bn Loan Book (22%)

QUEENSLAND
- 482 AFG Brokers
- 14,257 FY2014 settlements
- $24.7bn Loan Book (26%)

VICTORIA
- 604 AFG Brokers
- 15,858 FY2014 settlements
- $20.0bn Loan Book (21%)

SOUTH AUSTRALIA
- 141 AFG Brokers
- 4,754 FY2014 settlements
- $6.1bn Loan Book (6%)

NEW SOUTH WALES
- 611 AFG Brokers
- 16,716 FY2014 settlements
- $24.7bn Loan Book (26%)

TASMANIA
- 12 AFG Brokers
- 274 FY2014 settlements

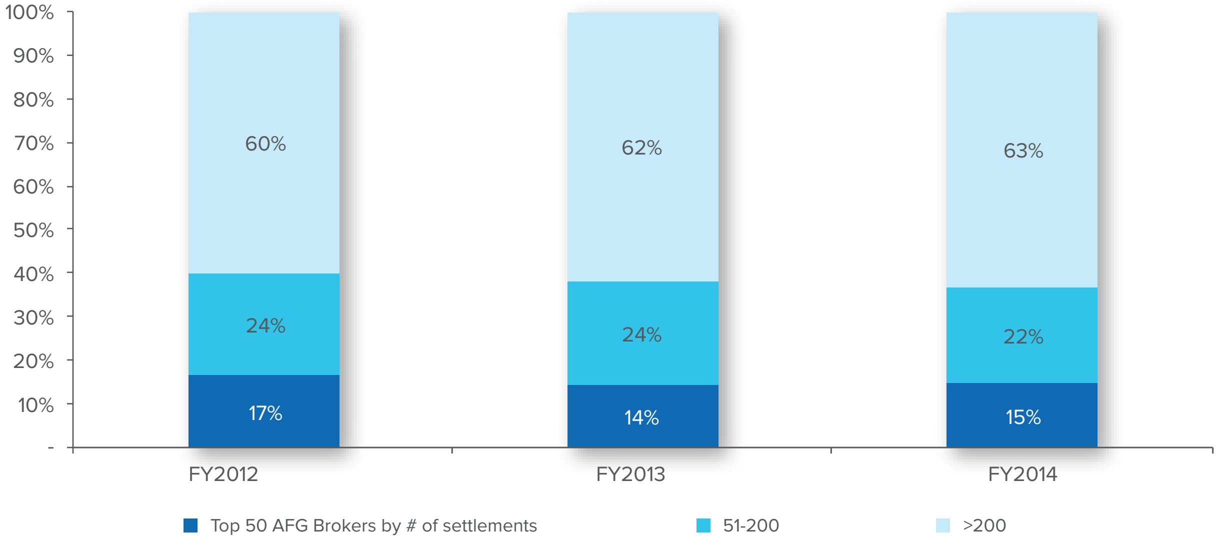
Source: AFG

Note: The AFG Loan Book by state as at 31 December 2014. AFG Broker numbers as at 26 March 2015. For reporting purposes, the Tasmania and Northern Territory components of the AFG Loan Book are included in Victoria and Queensland respectively.

AFG is not materially exposed to the success or performance of any one AFG Member or AFG Broker. AFG has in excess of 1,100 AFG Members with in excess of 2,300 AFG Brokers. The largest AFG Member accounted for 12% of AFG's Brokers by number in FY2014 but only 6% of FY2014 settlements and less than 4% of the upfront commissions retained by AFG during FY2014. The top 10 AFG Members accounted for approximately 20% of AFG Brokers by number in FY2014, 21% of FY2014 settlements and less than 12% of the upfront commissions received by AFG in FY2014.

As can be seen in Figure 17 below, the top 50 AFG Brokers accounted for less than 15% of the total number of settlements in FY2014, down from 17% in FY2012. This lack of concentration, combined with AFG's geographic diversity has helped to provide ongoing consistency and reliability of revenues for AFG.

Figure 17: FY2012 – FY2014 AFG Broker distribution by number of settlements



Source: AFG

3.3.3 AFG Broker value proposition

AFG's mutually beneficial relationship with its AFG Brokers is a key feature of AFG's success. Except in limited circumstances, AFG Brokers are contracted to exclusively originate mortgage products of the AFG Lending Panel (including AFG Home Loans).

AFG has achieved its market leading position by working in partnership with the AFG Brokers. AFG adds value to its AFG Brokers in a number of ways, as summarised in the table below:

AFG Broker value proposition

Scale efficiencies	The size of the AFG Loan Book attracts new mortgage brokers, who in turn Originate more loans and revenues. The AFG Loan Book size also delivers improved efficiencies in supplying support functions.
Leading-edge information technology	A major component of AFG's support is delivered through FLEX, representing AFG's investment in the latest information technology systems. AFG also manages SMART, which is a custom-built marketing program and CRM, on behalf of its mortgage brokers. FLEX and SMART are discussed further in Section 3.7.
Access to a diverse lending panel	AFG provides access to its diverse panel of over 30 Lenders (see Figure 18 and Figure 19 and Section 3.4), including each of the Four Major banks and other leading financial institutions. AFG Brokers are very well placed to find a suitable product for their customers from a wide selection of over 1,400 products on competitive terms. Individual mortgage brokers would not be able to access this range of products on similar terms without the support of a wholesale mortgage network.
Greater mortgage broker buying power	As one of the largest mortgage broking groups in Australia,[26] AFG generates a significant quantity and quality of loans to lenders, placing it in a strong position to negotiate preferred origination terms and conditions. AFG's market share means it is relevant to most financial institutions operating in Australia that seek to distribute mortgage products.
Business development and sales support	AFG offers a diverse range of sales support services to AFG Brokers including: ■ Business development and marketing support including lead generation campaigns, development of local, personalised marketing campaigns, public relations and field support, together with customer retention campaigns; ■ Training services, including mentoring, Lender accreditation and relationship building; ■ Business establishment support; and ■ Sales offices and support teams in New South Wales, Victoria, Queensland, Western Australia and South Australia, which enable responsive support for AFG Brokers and assists AFG Brokers in becoming aware of all the latest mortgage industry products, developments and initiatives.

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[26] By value of the AFG Loan Book and by market share of residential mortgage originations in CY2014.

AFG Broker value proposition

Comprehensive administration and support systems	AFG offers a diverse range of back office support services to its AFG Brokers including: ■ Efficient, accurate and timely payment and mortgage processing systems; ■ Commission payment certainty due to its size and reputation; ■ Administration services such as policy training and loan submission quality training; ■ Business establishment support; ■ Regular communications with AFG Brokers; and ■ Assistance with meeting regulatory requirements.
Compliance	AFG Brokers can apply to become AFG Credit Representatives under AFG's ACL or operate under their own ACL. In either case AFG Brokers are offered support by AFG's national compliance team such as access to online training and education resources.
Separate ownership	With a majority of its competitors now owned or controlled by some of Australia's major banks, AFG's separate ownership provides a benefit to AFG Brokers by offering them a level of independence which may not be available to mortgage brokers aligned with a wholesale mortgage broker that is owned by a bank.
Emerging business development initiatives	New business growth initiatives for AFG Brokers will be available as AFG's expands into wider finance offerings. A greater share of margin from each customer relationship will potentially be available to AFG and AFG Brokers as a consequence.

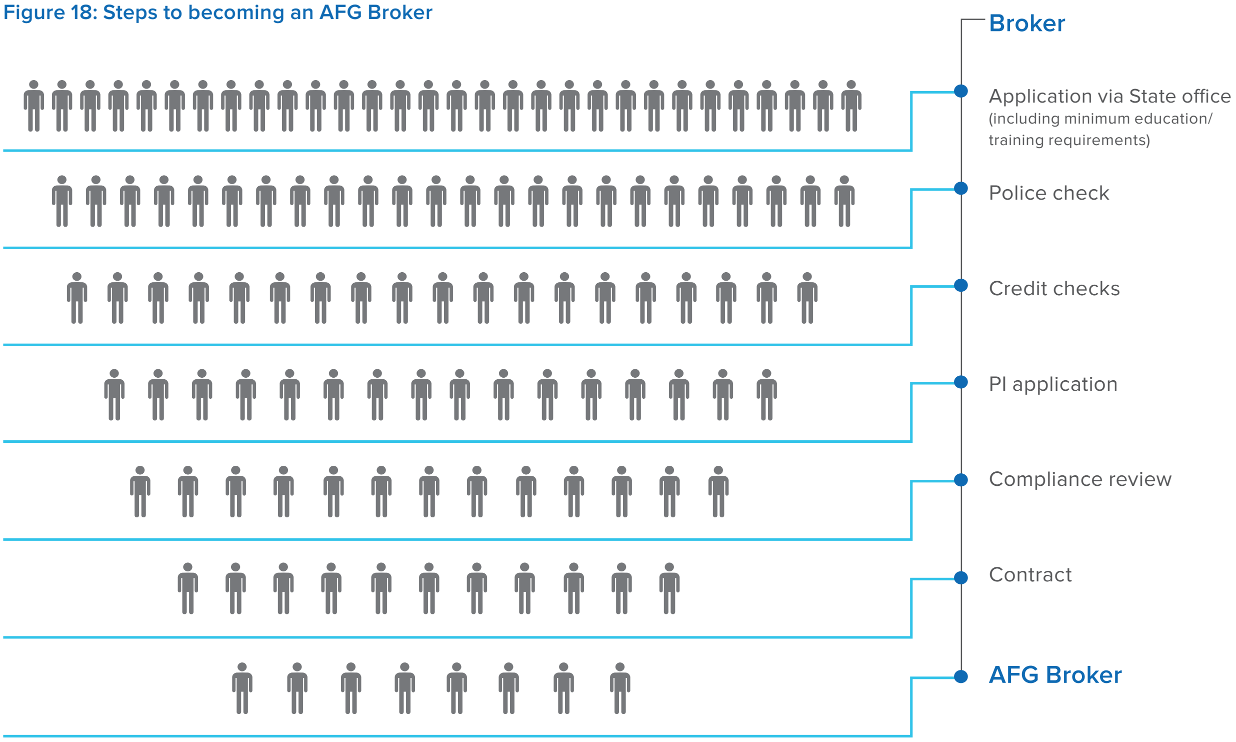
3.3.4 AFG Broker selection process and contract structure

AFG's sales team is accountable for (amongst other things) the recruitment of new mortgage brokers/mortgage broker groups, management and growth of existing mortgage broker groups, achievement of sales targets across the residential mortgage market, AFG Home Loans, commercial, equipment finance and insurance markets and the promotion of other mortgage broker sales tools.

Through a combination of industry contacts, customer advocacy, advertising, web presence, media participation (for example through the Mortgage and Competition Index discussed in Section 3.9), and broader industry participation, AFG's sales team identifies potential AFG Broker recruits, which may be individuals or large groups (for example real estate agents or home builders).

Potential mortgage brokers go through a process of checks, verification and internal review before being invited to become an AFG Broker. Figure 18 below summarises the main steps in this process.

Figure 18: Steps to becoming an AFG Broker



Note: not to scale, for illustrative purposes only.

Once recruited, AFG enters into an AFG Member Agreement with the new AFG mortgage broker/mortgage broker group. Under the AFG Member Agreement, the AFG Broker may introduce or refer applications for loans through AFG (as intermediary) to the Lenders with which the AFG Broker is accredited. AFG also has individual agreements in place with each of the Lenders on the AFG Lending Panel that allow AFG (either directly or through its accredited AFG Brokers) to introduce or refer applications for loans to those Lenders. Where a Lender makes a payment to AFG in respect of a loan that is referred or introduced by an AFG Broker, AFG has an obligation under the AFG Member Agreement to pay an agreed percentage of that payment to the AFG Broker.

AFG Members may also recruit their own mortgage brokers who become AFG Brokers after review and acceptance by AFG.

3.4 AFG Lending Panel

The AFG Lending Panel comprises over 30 lenders including the Four Major banks and a number of wholesale funders. The strength and competitiveness of the AFG Lending Panel is important, given this provides AFG Brokers with a range of mortgage products available for their customers (the borrowers) and ensures AFG is not reliant on a small group of lenders for mortgage products. Invariably, each Lender's suite of mortgage products will increase or decrease depending on its own capital structure and competitive strategy. Having a large AFG Lending Panel helps to reduce the impact of any Lender or group of Lenders having a reduced appetite for residential mortgage assets.

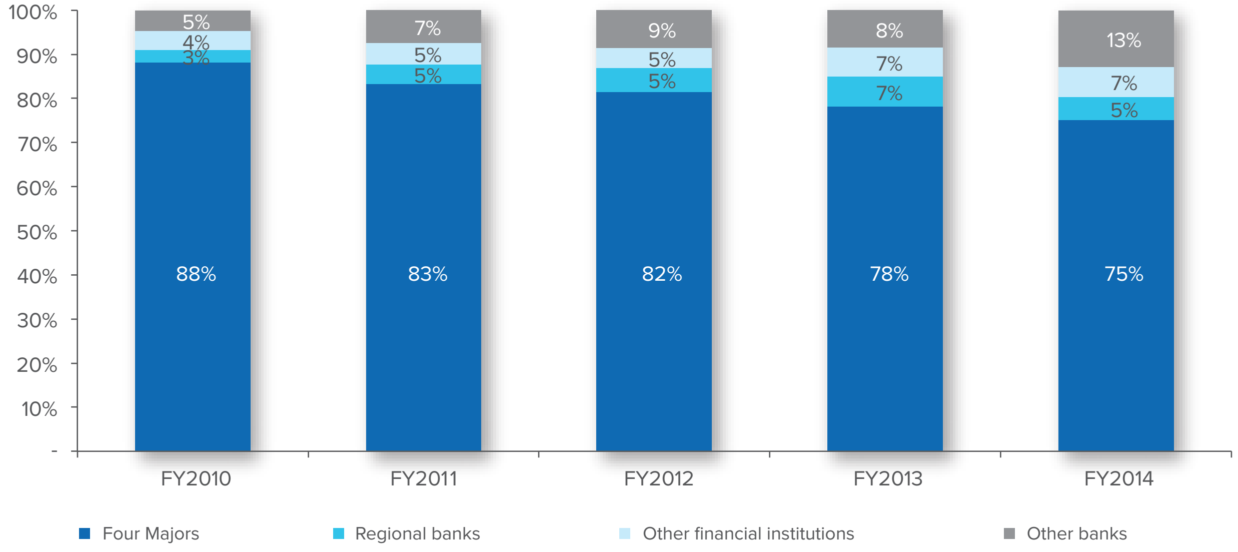
Australian mortgage customers are diverse. Therefore it is important to offer a diverse range of mortgage products through a diverse range of mortgage brokers. Different Lenders have developed different credit supply profiles and this will drive the mortgage products they offer. As an example, some Lenders prefer not to offer a competitive residential construction loan product whilst other Lenders see this as a strong opportunity to secure a mortgage customer over the longer term. By having a variety of Lenders on the AFG Lending Panel, there is greater likelihood that AFG Brokers will be able to identify a loan product to suit their customers' varied needs.

Figure 18: AFG Lending Panel

Adelaide Bank
AFG Home Loans
AMP
ANZ
Bank of China
Bank of Melbourne
Bank SA
Bankwest
BOQ
Bluestone
Capital Finance
CBA
Citibank
Deposit Power
FlexiCommercial
GE Money
Heritage Bank
HomeStart Finance
ING Direct
Keystart Home Loans
La Trobe Financial
Liberty Financial
Macquarie Bank
ME Bank
MKM Capital
NAB
NOW Finance
Pepper Homeloans
Police and Nurses
Rock Building Society
St George
Suncorp
Thinktank
Westpac
Wide Bay Australia

The majority of the mortgage products Originated by AFG Brokers are funded by the Four Major banks. However, the Four Major banks have come under increasing competition from other funders over the past couple of years. The Four Major banks funded 75% of AFG's mortgage products in FY2014, down from 88% in FY2010, as shown in Figure 19 below.

Figure 19: Settlement of mortgages Originated by AFG Brokers by source



Source: AFG

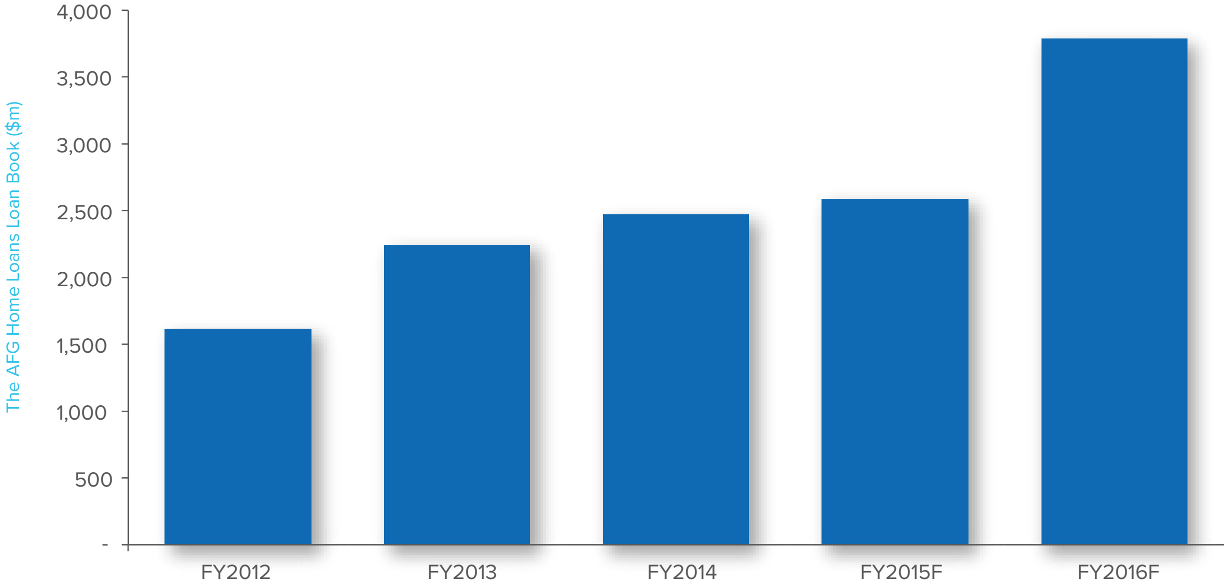
3.5 AFG Home Loans

3.5.1 Overview

AFG Home Loans was launched in 2001 and represents the loan servicing and funding side of AFG's business.

AFG Home Loans offers AFG branded mortgage products, funded by third party wholesale funding providers (White Label Products) and AFG Securities mortgages (Securitised loans) that are distributed through the AFG Broker network. AFG Home Loans sits on the AFG Lending Panel alongside the other over 30 Lenders and competes with them for home loan customers. Since its launch, the AFG Home Loan mortgage book has grown to around $2.5 billion and is expected to continue to grow, as shown in Figure 20 below.

Figure 20: The AFG Home Loans Loan Book[27]



Source: AFG

AFG Home Loans represents an important first step up the mortgage industry value chain described in Section 2.1.2 for AFG. AFG Home Loans allows AFG to diversify its earnings and to capture additional income per mortgage through the funding and servicing of the loans. In the process, AFG also gains additional market exposure and experience in managing a mortgage borrower throughout the life of the loan.

Rates of growth in the AFG Home Loans Loan Book reflect a combination of an evolution of the AFG Home Loans business model, the availability or otherwise of competitive wholesale funding arrangements, and conditions in the Securitisation markets, as discussed in Section 2.5.

During the period from FY2013 to FY2015, settlements growth for AFG Home Loans products was relatively muted, which AFG attributes primarily to a disjunct between, on the one hand, the demands of borrowers and, on the other hand, the features being offered by wholesale funding providers and the terms able to be achieved in the Securitisation markets.

In FY2015, AFG Home Loans is forecast to comprise less than 2% of the total annualised residential mortgage loans settled based on Originations by AFG Brokers, of which approximately 50% are currently funded by AFG Securities with the remainder being White Label Products[27]. Whilst AFG Home Loans competes with the products provided by other Lenders for the attention of AFG Brokers, its minimal share of the market means that even with the benefit of strong growth, the impact on the application volumes of other Lenders is likely to be small. Therefore it is unlikely to give rise to a material conflict with other members of the AFG Lending Panel.

3.5.2 Wholesale funding providers

AFG Home Loans currently has wholesale funding agreements with Bendigo and Adelaide Bank, Pepper and Advantedge, a business line of NAB. Each agreement contains pricing and product parameters for specific White Label Products which are available to AFG Brokers for distribution to borrowers.

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[27] *The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Appendix A, and is subject to the key risks set out in Section 5.*

AFG Home Loans is responsible for the management of the White Label Products funded by Bendigo and Adelaide Bank during the life of the loan. This involves credit assessment through to collections, arrears management and ultimate discharge. Revenue is derived through fee income upon the initial settlement of the loan and also the ongoing management and servicing of the loan (see Section 3.6.2 below). Under the terms of this wholesale funding agreement, AFG Home Loans performs the initial credit assessment under a delegated lending authority and manages the client throughout the life of the loan in accordance with Bendigo and Adelaide Bank's standard procedures. To the extent that AFG Home Loans complies with Bendigo and Adelaide Bank's lending criteria, it does not bear any credit risk on the individual loans.

AFG Home Loans Edge product, which is funded by Advantedge, represents a new addition to the suite of products available to AFG Brokers. The arrangement with Advantedge enables AFG to distribute its own branded product on a scale not previously possible without the need to significantly invest in loan servicing capacity. This is because all credit decisions and borrower servicing is undertaken by Advantedge. This product enables AFG Home Loans to offer some mortgages that could not normally be contemplated by non-bank lenders (for example larger loan sizes, maximum individual customer exposures, or postcode restrictions in terms of the underlying property security), allowing AFG Home Loans to expand distribution at a faster rate.

The AFG Home Loans Edge product was first made available to a limited number of AFG Brokers in New South Wales in December 2014 and has since been rolled out across Australia. Initial application volumes are encouraging and AFG expects that the bulk of anticipated growth in AFG Home Loans during the Forecast Period will be achieved through sales of this product.

3.5.3 AFG Securities

AFG Securities was established by AFG in 2007 as a Securitisation funding business, with its primary role being the funding of home loans sourced by AFG Home Loans through the process of Securitisation (see Section 2.1.2).

AFG Securities provides the opportunity for AFG Home Loans to fund its own loans rather than re-branding loans funded by other Lenders. AFG can thereby deliver its own tailored products, further expanding the product choice available through AFG Brokers and, most importantly, capturing additional revenue in the form of Net Interest Margin. While credit risk on these loans is borne by AFG Securities, any losses are quarantined to the relevant Securitisation trust and are generally non-recourse to AFG, as described below.

As a Lender in its own right, AFG Securities is responsible for establishing and enforcing its own lending guidelines, policies and procedures. These guidelines, policies and procedures have been developed in line with the requirements of the warehouse providers, and with a view to constructing a portfolio of loans which, from a risk and return perspective, is attractive to future investors.

In March 2013, AFG Securities issued its inaugural prime RMBS term deal of $275 million. A second successful transaction was completed in October 2013 with a value of $300 million. In April 2014 a third successful term deal of $300m was completed. Margins over cost of funds (representing the cost of funding for loans) have reduced for each subsequent transaction, which may reflect improving market conditions, increasing investor acceptance of the AFG RMBS product and solid performance of the underlying portfolio of mortgages.

Holders of RMBS are limited in their recourse to the assets of the Securitisation vehicle (subject to limited exceptions). AFG group companies other than AFG Securities may, however, incur liabilities in connection with RMBS which are not subject to the limited recourse restrictions (for example, where an AFG Group company acts as trust manager or servicer of a Securitisation vehicle, or pursuant to representations, warranties and associated indemnities provided in respect of a Securitisation vehicle). In addition, to the extent that AFG holds subordinated securities in a RMBS, issues relating to that RMBS may adversely affect AFG's financial performance and position.

3.6 Revenues and payment structure

3.6.1 AFG Wholesale Mortgage Broking

AFG Wholesale Mortgage Broking generates the majority of its income through commissions received from Lenders on loan products provided by that Lender and Originated by AFG Brokers. Origination refers to the process by which an AFG Broker arranges for a borrower to enter into a loan with a Lender. AFG receives a commission from the Lender calculated as a percentage of that loan, which AFG then pays to the individual AFG Broker that Originated the loan, less a percentage for the services AFG provides. Payments are subject to the individual terms of each Lender agreement and, for residential mortgages generally comprise two key components:

- **Upfront commissions on settled loans**

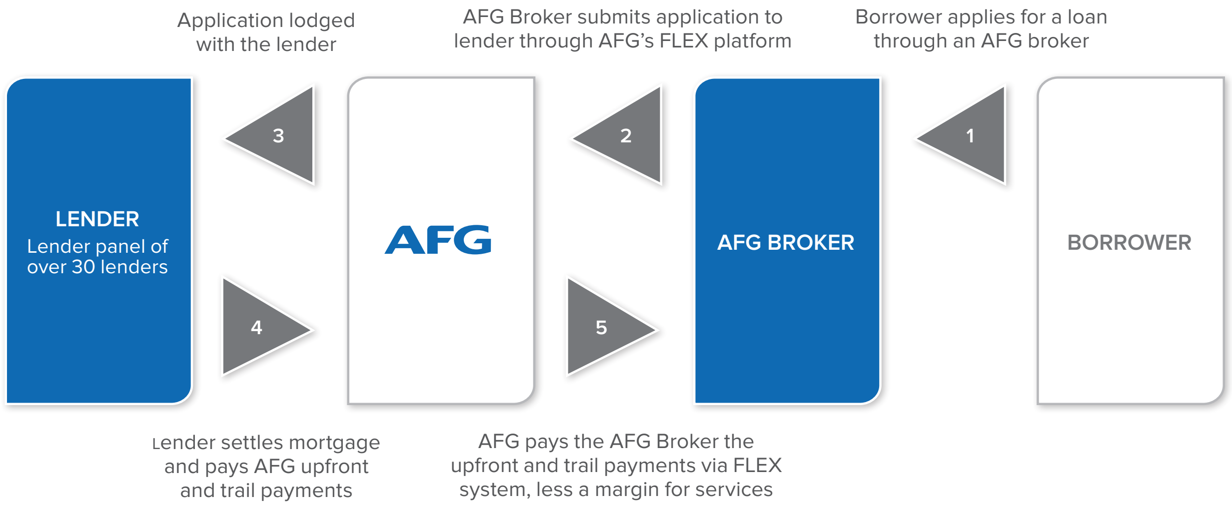
  Upfront commissions are received by AFG from Lenders as a percentage of the total amount borrowed. Once a loan settles, AFG receives a one-off payment linked to the total amount borrowed as an upfront commission, a large portion of which is then paid by AFG to the Originating AFG Broker.

- **Trail commissions on the AFG Loan Book**

  Trail commissions are received by AFG from Lenders over the life of the loan (if it is in good order and not in default), as a percentage of the particular loan's outstanding balance, a large proportion of which is paid by AFG to the Originating AFG Broker.

The AFG Wholesale Mortgage Broking Model is set out in Figure 21 below.

Figure 21: AFG Wholesale Mortgage Broking Business Model

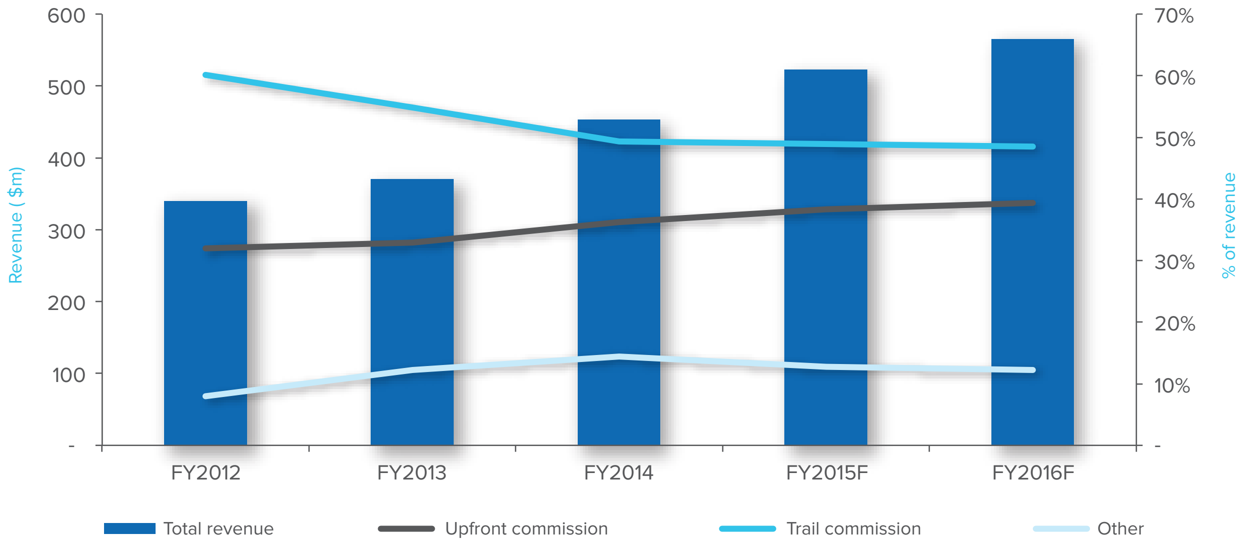


Source: AFG

Trail commissions rates are 'locked-in' until the borrower re-pays, discharges, or defaults on the loan (subject to AFG meeting the requirements of the relevant Lender agreement). Generally, where the individual borrower enters into arrears on their mortgage, the trail commissions cease until the loan account is returned to a normal position.

Approximately 50% of the Directors' forecast revenue for FY2015 and FY2016 is expected to comprise income derived from trail commissions[28].

Figure 22: Revenue split by category[28]



Source: AFG

In addition to upfront and trail commissions, AFG also receives other income. Refer to Section 4.3.1.9.

More detailed information about the nature of the relationship between AFG and its Lenders and AFG Brokers can be found in Section 3.3.

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[28] *The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Appendix A, and is subject to the key risks set out in Section 5.*

3.6.2 AFG Home Loans

AFG Home Loans earns revenue through a combination of commissions received, fees for services provided to borrowers and a Net Interest Margin, being the difference between the interest rate charged to the borrower and the cost of funding the loan.

For White Label Products, AFG Home Loans generally receives an upfront commission which is shared with the Originating AFG Broker. This upfront commission is generally commensurate with the commission offered to AFG Brokers by other Lenders on the AFG Lending Panel. Subsequent to the settlement of the loan, AFG Home Loans receives trail commissions from the Lender calculated on the outstanding loan balance, which is also shared with the Originating AFG Broker.

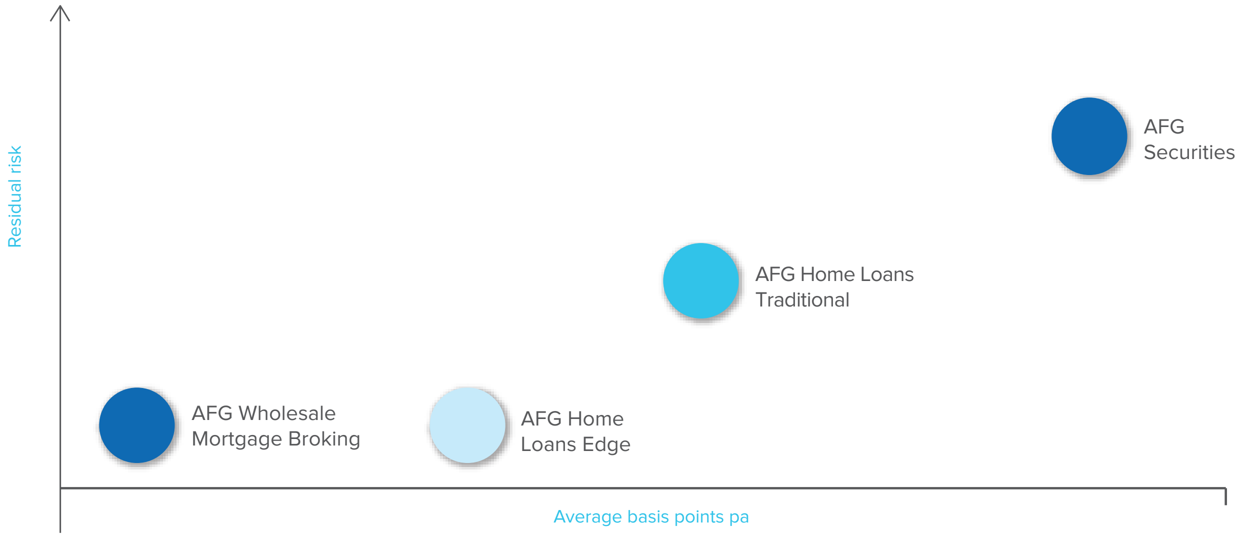
In addition to upfront commissions and trail commissions, AFG Home Loans is also able to charge a variety of fees and pass on certain expenses to the customer (in the same way as a Lender). This can include valuation fees, settlement fees, late payment fees or discharge fees.

For the AFG Home Loan Edge product, AFG receives the traditional commission structure from a normal broker introduced loan as well as an additional margin to offset the costs of sales and marketing distribution. AFG does not incur any costs associated with initial credit or ongoing servicing of the loan, which is performed by Advantedge. Importantly, the credit risk profile to AFG of this arrangement is similar as for AFG's wholesale mortgage broking business.

For products funded by AFG Securities, AFG Home Loans also generates a Net Interest Margin, being the difference between the interest rate charged to the borrower and the cost of funding the loan.

Figure 23 below illustrates AFG's relative risk and return profile for AFG Wholesale Mortgage Broking and the various product lines offered by AFG Home Loans, whether they be traditional White Label Products, Securitised mortgages or the new Edge product.

Figure 23: Typical margin vs risk outcomes



Source: AFG

Note: Not to scale, for illustrative purposes only.

3.6.3 Trends in volumes and average fees (historical and forecast volumes and fees)

The magnitude of fees offered by Lenders has tended to vary depending upon the importance attributed by Lenders to the AFG Broker distribution channel. As noted in Section 2.3, in recent years the fees have increased leading AFG to conclude that this distribution channel is becoming increasingly important to Lenders.

During the GFC, many Lenders significantly reduced the remuneration rates paid to the mortgage broker channel, both on upfront commissions and trail commissions. This reduced the income of mortgage brokers, wholesale mortgage brokers and franchisors.

Over recent years, with the increased level of competition amongst Lenders, and the re-emergence of a number of non-bank lenders, AFG Broker remuneration rates have begun to increase. Figure 24 below shows that the average upfront commission rate for new settlements (net of any Commission Clawback) has increased from 0.54% in FY2012 to 0.59% in FY2014, and is forecast to be 0.62%, in line with H12015 levels, for the balance of FY2015 and FY2016[29]. Although Figure 24 appears to illustrate the average residential trail rate decreasing, from 0.19% in FY2012 to 0.17% from FY2014 through to FY2016, it should be noted that this represents the total residential trail income received in each year divided by the AFG Loan Book. At the commencement of the historical period, the AFG Loan Book includes a greater proportion of loans which were originated prior to the GFC, when higher residential trail commission rates were paid by lenders. This impacts the overall weighted average.

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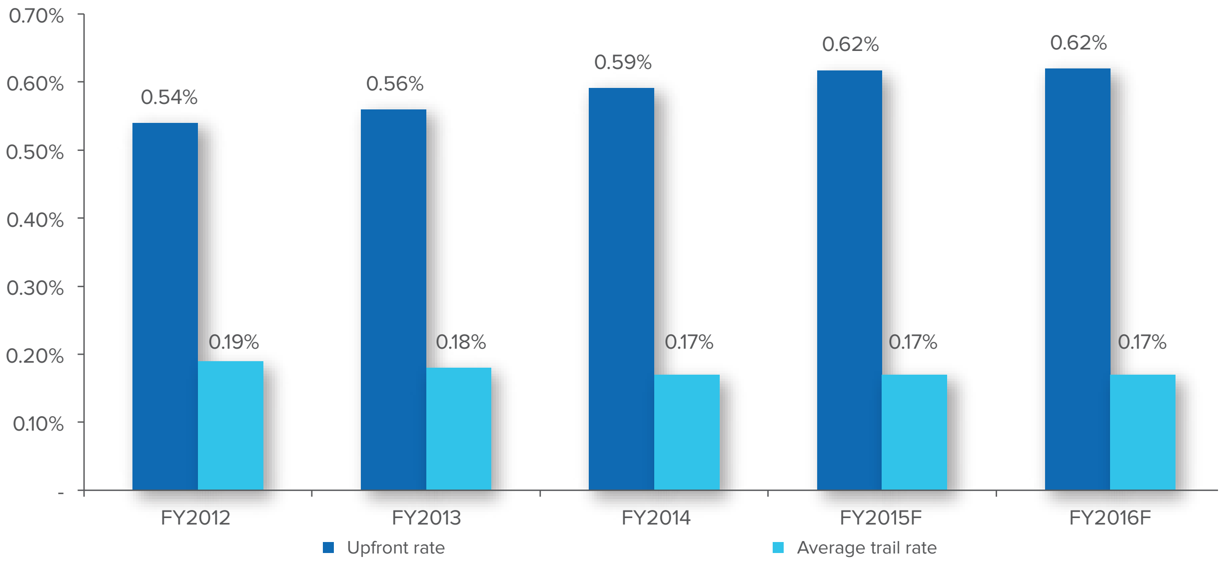
[29] The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Appendix A, and is subject to the key risks set out in Section 5.

Figure 24: AFG upfront commission and trail commission rates on residential mortgages[30]



Source: AFG

3.7 Information technology

3.7.1 Introduction

Information technology is a key strategic focus for AFG, and AFG will continue to invest in people and technology to remain an innovative leader in the delivery of high quality, resilient and agile technology to assist its business. To date AFG has spent over $60 million on the ongoing development of its information technology platform and related technology.

AFG has an excellent track record in the delivery of functional, secure and reliable services to AFG Brokers and Lenders. AFG intends to lift spending on innovation and development to 50% of overall information technology expenditure and will achieve this by continuing to reduce costs in operational functions. Over the past year AFG has reduced expenditure in operations through the simplification of technology and processes, consolidation and decommissioning of legacy technology, utilisation of standard or widely accepted products and benefiting from cloud and serviced based technologies. This has allowed AFG to shift focus into innovation aligned with business growth.

3.7.2 FLEX

FLEX is AFG's end-to-end technology platform specifically designed for AFG Brokers as a single access point for all customer and Lender product data. Functionality includes product comparison and filters, serviceability calculators, comprehensive modelling, document creation, electronic lodgement and comprehensive CRM and marketing capabilities.

FLEX provides a unique advantage to AFG Brokers in delivering superior customer service. FLEX is a single access point for all customer data and products, eliminating the need to run multiple programs to perform different tasks.

FLEX is regularly updated and upgraded both through AFG's relationship with Oracle and with the help of AFG's 29-strong information technology team.

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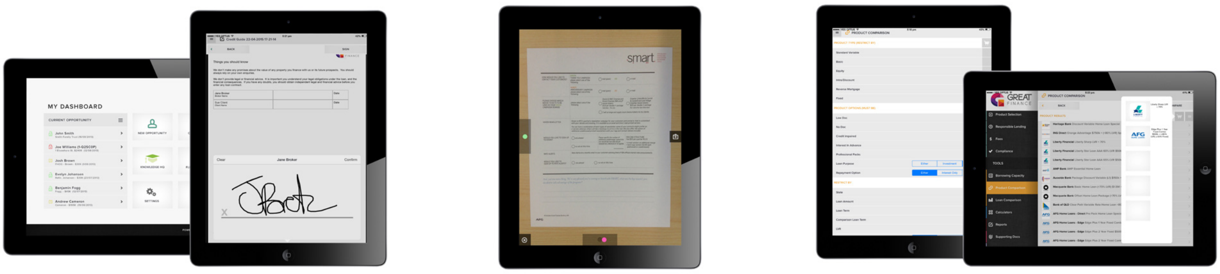
[30] The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Appendix A, and is subject to the key risks set out in Section 5.

Table 2: Benefits of FLEX

Live product access	Search and compare functionality across 1400+ products from the AFG Lending Panel
Built-in serviceability calculators	Allowing advanced scenario comparison functionality
Live deal tracking	Automatic status updates direct from the Lender
Electronic lodgement	Including automated document generation
In-built compliance	Generating pre-populated forms then and there
Commission payment	Including automatic reconciliation of trail commission payments due and paid (over 300,000 trail commission payments per month)
Marketing	Full integration with AFG's own SMART marketing tool
Reporting	Ability to segment and report to generate tailored marketing campaigns
Security & support	Market leading availability, security and IT support
Business Intelligence	Maintains live database of customer details which can be used to offer tailored products

Figure 25: Illustrations of some features of the FLEX iPad App



Have customer documents signed directly on the screen

Capture supporting documents with the iPad camera

Compare lender products

3.7.3 SMART

SMART is AFG's award-winning, industry-leading, custom-built marketing program and CRM system which AFG manages on behalf of AFG Brokers. SMART has been designed to help improve customer retention, protect AFG Brokers' trail commissions and help AFG Brokers to acquire new customers through timely and targeted communications, dynamic and professional websites and the analytic and reporting tools. Approximately 1,200 AFG Brokers are signed up to SMART.

SMART campaigns are built to ensure AFG Brokers are in touch with their contacts and clients at critical points throughout their relationship, from application and settlement and then on throughout the life of their loan.

SMART also delivers a dynamic and professional website for each AFG Broker on the program. SMART connects AFG Brokers' customers to their business via the SMART campaigns and gives AFG Brokers an online presence. The sites are branded and personalised for each mortgage broker, fully integrated into FLEX and the growing FLEX toolkit, and regularly fed with new information and news updates.

3.8 Originations and the AFG Loan Book

3.8.1 Applications

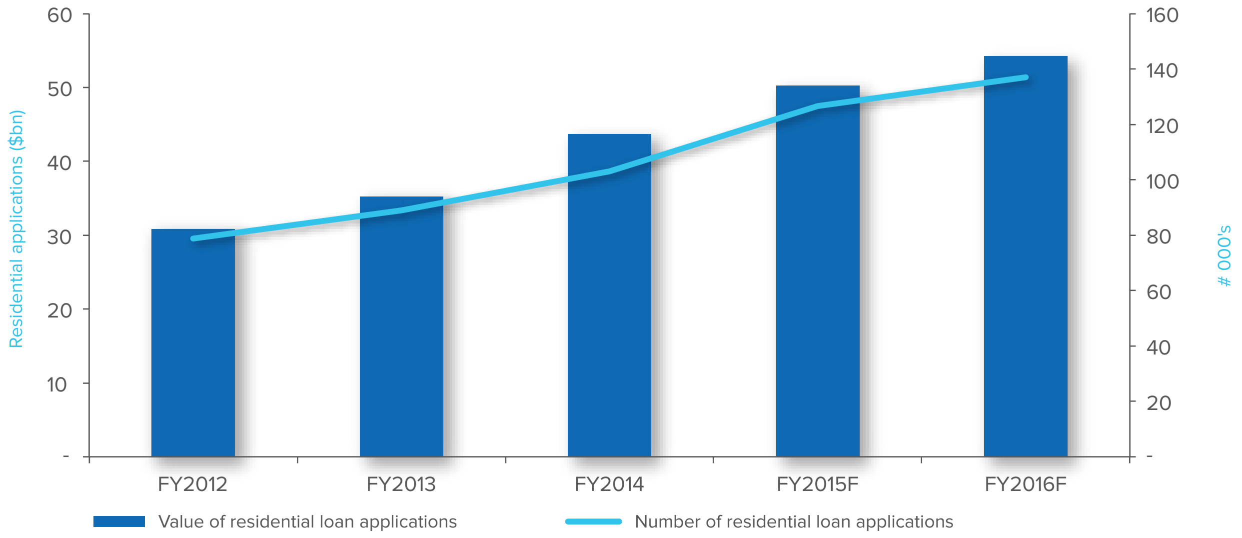
In FY2014, AFG Brokers Originated $43.7 billion of residential loan applications on behalf of over 103,000 customers. This resulted in total settlements of $26.3 billion.

During the same period, AFG Brokers Originated $2.6 billion of commercial loan applications on behalf of over 3,000 customers. This resulted in total settlements of over $1.9 billion.

The residential AFG Loan Book had CAGR of 12.1% from June 2012 to June 2014 compared to a 5.3% CAGR recorded by the broader residential mortgage market over the same period[31].

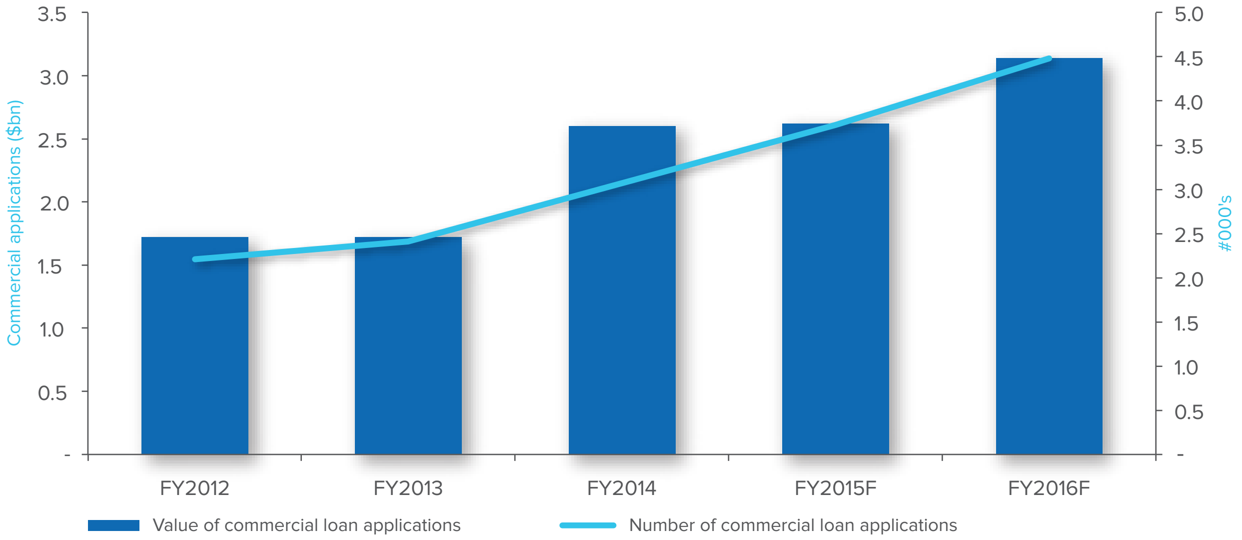
Figure 26 and Figure 27 below show the value and number of residential and commercial loan applications by AFG Brokers over the FY2012 and FY2014 period and the FY2015 and FY2016 Forecast Period[31].

Figure 26: National AFG Broker residential loan applications[31]



Source: AFG

Figure 27: National AFG Broker commercial loan applications[31]



Source: AFG

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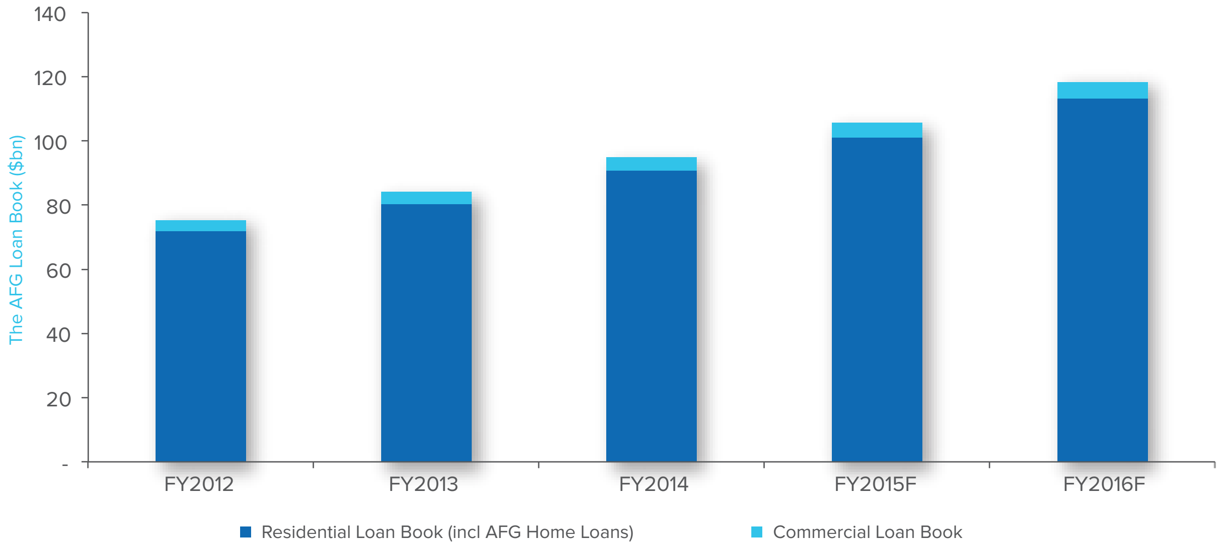
[31] The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Appendix A, and is subject to the key risks set out in Section 5.

3.8.2 AFG Loan Book

The AFG Loan Book (being the total of the outstanding residential and commercial loans that have been Originated by AFG Brokers) currently exceeds $100 billion and is the largest loan book of any third party distribution network in Australia.

The AFG Loan Book had compound annual growth rate (CAGR) of 12.3% from June 2012 to June 2014.

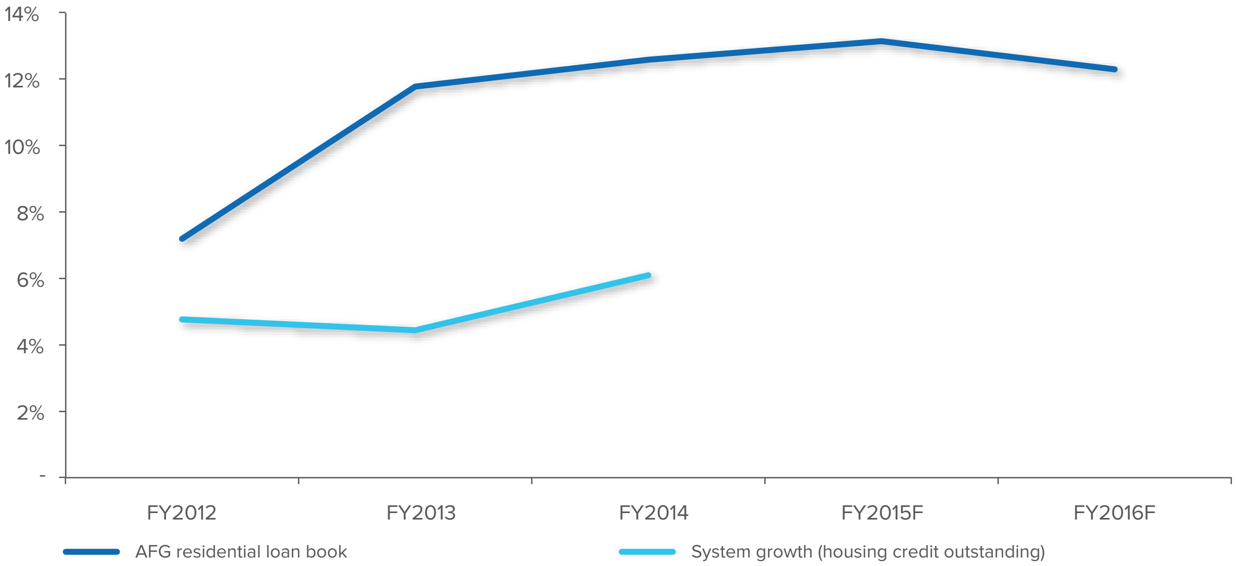
Figure 28: Growth in the AFG Loan Book[32]



Source: AFG

Figure 29 below shows that when assessed against RBA data, AFG has experienced growth in the AFG residential loan book consistently in excess of Australian housing credit outstanding.

Figure 29: Historical growth in the AFG residential loan book[32]



Source: AFG (AFG Loan Book) RBA D2 Lending and Credit Aggregates (housing credit outstanding)

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[32] *The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Appendix A, and is subject to the key risks set out in Section 5.*

3.9 AFG Indexes

AFG publishes two indices which track levels of activity and competition in the Australian residential mortgage market:

(a) **The AFG competition index** – AFG's quarterly competition index provides data on mortgages processed for all the main Lenders on AFG's Lending Panel, looking at major lender market share versus non-major market share broken down by lender, state and buyer type. The competition index highlights consumer choice and the value of the mortgage broker value proposition, providing insight into competitive trends in the mortgage market; and

(b) **The AFG mortgage index** – AFG's monthly mortgage index provides a monthly overview of mortgages processed by AFG, broken down by state, buyer type, lender type and product type, along with the value of all mortgages sold, average loan sizes and loan to value ratios.

These indices are published on AFG's website.

3.10 AFG growth strategy

AFG's growth strategy is to continue to build on the strengths of its core businesses while exploiting areas of the market where AFG has a strategic advantage. Initiatives are focused on the following elements:

Protect and grow residential mortgage broking business	AFG expects growth in the residential mortgage market to continue based on the factors outlined in Section 2.2. AFG is forecasting housing credit growth of 5% pa over FY2015 and FY2016 based on recent housing credit growth data and supporting commentary by the RBA in February 2015[33] (see Section 2.1). AFG is also forecasting to grow the AFG Broker numbers to increase market share. AFG aims to retain and grow the AFG Broker network by providing enhanced business development, support and administrative systems, a greater product suite, training processes and customer relationship management systems. AFG's systems, size, stability and mortgage broker support mechanisms have been developed to attract high calibre mortgage brokers from within the industry and in complementary industry sectors. Compliance requirements affecting the mortgage broking industry also create barriers to entry and AFG's size and reputation provide AFG with a competitive advantage in the recruitment of new mortgage brokers.
Grow commercial mortgage broking business	Following the initial success of the AFG Home Loan Edge product, AFG intends to work with funders with the aim of developing similar White Label products for the commercial sector. The aim would be both to extend the reach of the AFG brand name and to add additional margin to the commercial mortgage broking business. AFG is forecasting the commercial AFG Loan Book to grow from $4.0 billion at the end of FY2014 to $5.1 billion at the end of FY2016[33].
Increased penetration of AFG Home Loans product	AFG will continue to work with AFG Brokers and Lenders to design mortgage products best suited for the ultimate borrowers. AFG expects to grow the AFG Home Loans business through a combination of: ■ White Label Products – AFG is forecasting $150 million of settlements of AFG Home Loans Edge product in FY2015, with this number forecast to increase to $1.3 billion in FY2016 (representing 3.8% of total residential mortgage settlements resulting from Originations by AFG Brokers)[33]. The initial success of the AFG Home Loans Edge product gives AFG confidence that there will be opportunities to add complementary White Label Products under the AFG Home Loans banner over time; ■ Securitisation – AFG expects to continue to use the securitisation market as an alternative funding source and to fund AFG Home Loans own branded products; and ■ Business scale – Growth in the AFG Home Loans business is expected to generate business scale which will assist to deliver productivity enhancements over a predominantly fixed cost base. In addition, AFG will continue to negotiate with warehouse providers to ensure that it is achieving the most favourable warehouse funding arrangements available.

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[33] The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Appendix A, and is subject to the key risks set out in Section 5.

Leveraging AFG's technology investment	AFG's information technology platform is one of its key competitive advantages and AFG is at the forefront of the traditional mortgage broking industry in this regard. To date, AFG has spent over $60 million on the ongoing development of its information technology platform and related technology. Through continued investment in technology, and by working with AFG Brokers, AFG intends to continue to investigate means of maximising the use of its information technology platform and the value of information processed through it for the benefit of the AFG Broker network.
Provide additional products to mortgage broker network	AFG's distribution network is one of its core strengths and significant potential exists to broaden the ancillary product offering to non-mortgage products. AFG already works with its 2,300 AFG Brokers to distribute insurance products and receives a referral fee for doing so. AFG Brokers also currently have the ability to originate car leasing and personal loan products for borrowers. AFG is currently developing a new module within FLEX to further enhance the functionality of the platform, which offers the potential for growth in these product segments over time.
Pursuing initiatives for growth via the on-line channel	AFG is currently investigating the development of an online distribution business that will complement its existing mortgage broking business. AFG does not intend to provide an online home loan product in the short term. AFG is of the view that the online distribution segment of the mortgage market remains in the relatively early stages of development and is subject to many legal, regulatory and practical challenges. However, AFG is of the view that online may emerge as a viable distribution channel. To this end, developing online models for distribution of products such as leasing and personal loans, which face fewer challenges to adoption, is expected to provide AFG with valuable insights into potential online mortgage products.

04.

FINANCIAL INFORMATION

4.1 Introduction

The financial information of AFG contained in this Section includes:

- Pro Forma Historical Financial Information of AFG, which comprises:
  - the pro forma historical consolidated income statements of AFG for FY2012, FY2013, FY2014 and 1H2015;
  - the pro forma historical consolidated statements of cash flows of AFG for FY2012, FY2013, FY2014 and 1H2015; and
  - the pro forma historical consolidated statement of financial position of AFG as at 31 December 2014 (the "Pro Forma Historical Consolidated Statement of Financial Position").
- Forecast Financial Information for AFG, which comprises:
  - the pro forma forecast consolidated income statements of AFG for FY2015 and FY2016;
  - the statutory forecast consolidated income statements for FY2015 and FY2016; and
  - the pro forma forecast consolidated statements of cash flows of AFG for FY2015 and FY2016 and the statutory forecast consolidated statements of cash flows for FY2015 and FY2016.

The Pro Forma Historical Financial Information and Forecast Financial Information together form the "Financial Information".

The Financial Information has been reviewed and reported on but not audited by Deloitte Corporate Finance Pty Limited, whose Investigating Accountant's Report is set out in Section 8. Investors should note the scope and limitations of the Investigating Accountant's Report.

The information in this Section should be read in conjunction with the risk factors set out in Section 5 and other information contained within this Prospectus.

All amounts disclosed in this Section are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest $1,000.

This financial information section sets out:

- Section 4.2 – Basis of preparation and presentation of the Financial Information
- Section 4.3 – Pro forma historical results, pro forma forecast results and statutory forecast results
- Section 4.4 – Segment disclosures
- Section 4.5 – Reconciliation of the impact of residential trail book accounting on net profit after tax
- Section 4.6 – Pro forma historical and forecast consolidated statement of cash flows
- Section 4.7 – Reconciliation of statutory to pro forma consolidated statement of cash flow from FY2012 to FY2016
- Section 4.8 – Pro forma historical consolidated statement of financial position as at 31 December 2014
- Section 4.9 – Key operating and financial metrics
- Section 4.10 – General factors affecting the operating results of AFG
- Section 4.11 – Management's discussion and analysis of the Pro Forma Historical Financial Information
- Section 4.12 – Forecast Financial Information
- Section 4.13 – Sensitivity Analysis
- Section 4.14 – Dividend Policy
- Section 4.15 – Debt Facilities
- Section 4.16 – Liquidity and capital resources
- Section 4.17 – Contractual obligations and commitments

4.2 Basis of preparation and presentation of the Financial Information

4.2.1 Overview

The Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in AAS (including the Australian Accounting Interpretations) and the summarised accounting policies adopted by AFG as set out in Appendix A of this Prospectus. Compliance with AAS ensures that the Financial Information complies with the recognition and measurement principles of IFRS as adopted by IASB.

The significant accounting policies adopted by AFG are set out in Appendix A of this Prospectus. The detailed accounting policies are disclosed in Note 3 of the general purpose financial report of AFG for the year ended 30 June 2014 as lodged with ASIC and available on AFG's website www.afgonline.com.au. The accounting policies of AFG have been consistently applied throughout the periods presented.

The Financial Information is presented in an abbreviated form and does not include all of the disclosures, statements or comparative information required by AAS applicable to annual financial reports prepared in accordance with the Corporations Act.

4.2.2 Preparation of Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been derived from the statutory financial information and includes pro forma adjustments that reflect the impact of:

- The demerger of AFG Property: historically, AFG operated a property development business, AFG Property. Prior to the date of this Prospectus, AFG demerged its property business (effective 22 April 2015). Given that the property business will not form part of AFG's future operations, an adjustment has been made to eliminate the impact the property business on AFG;
- The additional costs that would have been incurred by AFG had it operated as a public company over the historical period;
- One-off and non-recurring costs related to the Offer; and
- The payment of fully franked dividends totaling $28 million to Existing Shareholders out of pre-Offer cash which were made subsequent to 31 December 2014.

A reconciliation between the statutory income statement and the pro forma income statement is set out in Section 4.3.2 and a reconciliation between the statutory cash flow statement and the pro forma cash flow statement is set in Section 4.7.

A Pro Forma Historical Consolidated Statement of Financial Position has been prepared in order to provide an indication of the financial position of AFG as if the demerger of AFG Property and the Offer had taken place on 31 December 2014. A reconciliation between the statutory historical consolidated statement of financial position and the Pro Forma Historical Consolidated Statement of Financial Position of AFG as at 31 December 2014 is provided in Section 4.8, together with a description of each of the pro forma adjustments.

The Pro Forma Historical Financial Information presented in this Prospectus has been reviewed by Deloitte Corporate Finance Pty Limited but has not been audited. Investors should note the scope and limitations of the Investigating Accountant's Report as set out in Section 8.

4.2.3 Preparation of Forecast Financial Information

4.2.3.1 Basis of preparation

The Forecast Financial Information has been based on a number of assumptions, including the general assumptions, specific assumptions and Directors' best estimate assumptions set out in Section 4.12. This information is intended to assist potential investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. The Directors believe that they have prepared the Forecast Financial Information with due care and attention, and consider all best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, this information is not fact and potential investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information and that this may have a material positive or material negative effect on the actual financial performance or financial position of AFG. Accordingly, neither AFG nor any other person can give investors any assurance that the outcomes presented in the Forecast Financial Information will arise. Potential investors are advised to review the general assumptions, specific assumptions and management's discussion and analysis set out in Section 4.12, in conjunction with the sensitivity analysis set out in Section 4.13, the risk factors set out in Section 5 and other information set out in this Prospectus.

AFG has no intention to update or revise the Forecast Financial Information or other forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

The Forecast Financial Information is presented on both a statutory and pro forma basis. The pro forma forecast consolidated income statements and pro forma forecast consolidated cash flow statements have been derived from the forecast statutory financial income statements and forecast statutory cashflow statements for the years ending 30 June 2015 and 30 June 2016 and have been adjusted to reflect AFG's operations following Completion of the Offer and to eliminate non-recurring items as set out in Sections 4.3.2 and 4.7.

The statutory forecast consolidated income statement and the statutory forecast consolidated cash flow statement have been prepared on a basis consistent with how AFG statutory financial statements are expected to be prepared for future financial periods.

Both the statutory forecast consolidated income statement and the statutory forecast consolidated cash flow statement for FY2015 reflect the Directors' best estimate forecast for the years ending 30 June 2015 and 30 June 2016.

4.2.3.2 Composition of Forecast Financial Information

The Forecast Financial Information for FY2015 comprises the actual results of AFG for the six months ended 31 December 2014 and the forecast results for the six months ending 30 June 2015.

The Forecast Financial Information for FY2016 comprises the forecast results for the 12 months ending 30 June 2016.

4.3 Pro forma historical results, pro forma forecast results and statutory forecast results

	Historical results				Forecast results			
$'000	FY2012 12 months Pro Forma	FY2013 12 months Pro Forma	FY2014 12 months Pro Forma	1H2015 6 months Pro Forma	FY2015F 12 months Pro Forma	FY2016F 12 months Pro Forma	FY2015F 12 months Statutory	FY2016F 12 months Statutory
Commissions	281,743	280,181	341,639	202,980	409,953	451,259	410,063	451,259
Interest on trail commission income receivable	32,937	47,177	49,185	*24,005*	48,509	48,483	48,509	48,483
Mortgage management services	*1,731*	*2,802*	*1,584*	*411*	*725*	*706*	*725*	*706*
Securitisation transaction fees	*235*	*418*	*786*	*401*	*742*	*685*	*742*	*685*
Securitisation interest income	*8,919*	*27,118*	*46,814*	*24,735*	*48,815*	*48,721*	*48,815*	*48,721*
Total Revenue	**325,565**	**357,696**	**440,008**	**252,532**	**508,744**	**549,854**	**508,854**	**549,854**
Securitisation interest expense	*(8,142)*	*(23,952)*	*(37,411)*	*(19,902)*	*(38,765)*	*(38,106)*	*(38,765)*	*(38,106)*
Interest on trail commission payable	*(28,472)*	*(41,314)*	*(43,534)*	*(21,333)*	*(43,190)*	*(43,480)*	*(43,190)*	*(43,480)*
Other cost of sales	*(245,251)*	*(247,369)*	*(310,638)*	*(186,173)*	*(376,361)*	*(414,837)*	*(376,552)*	*(414,837)*
Gross Profit	**43,700**	**45,061**	**48,425**	**25,124**	**50,428**	**53,431**	**50,347**	**53,431**
Other income	*11,322*	*9,686*	*10,870*	*6,278*	*11,922*	*13,153*	*12,034*	*13,153*
Administration expenses	*(2,907)*	*(1,807)*	*(2,899)*	*(1,641)*	*(3,507)*	*(3,565)*	*(3,421)*	*(3,565)*
Other expenses	*(28,931)*	*(32,636)*	*(33,777)*	*(17,960)*	*(33,925)*	*(34,856)*	*(38,874)*	*(34,856)*
Depreciation and amortisation	*(778)*	*(867)*	*(1,141)*	*(584)*	*(1,191)*	*(1,202)*	*(1,191)*	*(1,202)*
Result from operating activities	**22,406**	**19,437**	**21,478**	**11,217**	**23,727**	**26,961**	**18,895**	**26,961**
Finance income	*3,440*	*2,788*	*2,165*	*1,418*	*2,204*	*2,011*	*3,774*	*2,011*
Finance expense	*(201)*	*(170)*	*(129)*	*(6)*	*(45)*	*(38)*	*(435)*	*(38)*
Net finance income	**3,239**	**2,618**	**2,036**	**1,412**	**2,159**	**1,973**	**3,339**	**1,973**
Share of profit / (loss) of equity accounted investments	-	*(285)*	-	-	-	-	*183*	-
Profit before tax	**25,645**	**21,770**	**23,514**	**12,629**	**25,886**	**28,934**	**22,417**	**28,934**
Income tax expense	*(8,092)*	*(7,079)*	*(7,388)*	*(3,889)*	*(8,045)*	*(9,259)*	*(6,875)*	*(9,259)*
Net Profit after tax	**17,553**	**14,691**	**16,126**	**8,740**	**17,841**	**19,675**	**15,542**	**19,675**

Note: a reconciliation of the pro forma forecast and statutory forecast income statements is provided in Section 4.3.2.

4.3.1 Description of certain Income Statement line items

The following is a summary of the nature of the major items in AFG's profit and loss account. Investors should read this Section in conjunction with AFG's detailed accounting policies as disclosed in Appendix A of this Prospectus and the AFG's annual accounts for the financial year ended 30 June 2014 as lodged with ASIC and available on AFG's website www.afgonline.com.au.

4.3.1.1 Commissions

AFG, through its operating platform, facilitates AFG Brokers to provide loan origination services to borrowers. AFG receives commission income in respect of those loans generally Originated by AFG Brokers upon the settlement of those loans. Commission income is recognised as follows:

- Upfront commissions: based on a percentage of the loan amount and recognised when the upfront commission is received.
- Trail commissions: are received over the life of the loan as a percentage of the loan balance outstanding. With respect to residential commissions, AFG recognises the present value of the expected trail commission receivable upfront at the time of settlement, in accordance with AAS.

4.3.1.2 Interest on trail commission income receivable

Interest on trail commission income receivable represents the recognition of the difference between the cash received and the present value of the trail commission expected to be received over the life of the loan. Given the trail commission receivable is included on the statement of financial position at its present value, the difference between the cash received and the movement in the present value is recognised in the income statement as interest on trail commission income receivable.

4.3.1.3 Mortgage management services

In respect of some AFG Home Loans products, AFG provides mortgage management services which can incur a fee. Revenue generated includes application fees, annual fees and other fees charged to the borrower associated with the loans' settlement and ongoing management.

4.3.1.4 Securitisation transaction fees

In respect of mortgages issued by AFG Home Loans which are funded by AFG's securitisation programme, AFG generates fees directly from its borrowers including annual fees and transaction fees related to the operation of the loan.

4.3.1.5 Securitisation interest income

In respect of mortgages issued by AFG Home Loans which are funded by AFG's securitisation programme, AFG generates securitisation interest income by charging borrowers interest on their home loans. Please refer to Section 3.5.3 for further detail on AFG's securitisation business.

4.3.1.6 Securitisation interest expense

In respect of mortgages issued by AFG Home Loans which are funded by AFG's securitisation programme, securitisation interest expense represents the cost of funds charged by the wholesale funding providers and investors in the respective RMBS term trusts. This interest is expressed as a margin over the 30 day BBSW.

4.3.1.7 Interest on trail commission payable

Interest on trail commission payable represents the AFG Broker pay out portion of the interest on trail commission income receivable (see Section 4.3.1.2), based on the contracted broker payout ratios, applicable at loan settlement.

4.3.1.8 Other cost of sales

As discussed further in Section 4.10.4.1, AFG pays its AFG Brokers a contracted percentage of upfront commission and trail commission received from Lenders. Other costs of sales represent the payment of this upfront commission and trail commission to AFG Brokers based upon their respective contracted broker payout ratios, applicable at the time of loan settlement.

4.3.1.9 Other income

Other income includes income associated with the additional services AFG provides to the AFG Broker network such as software licensing, professional indemnity insurance, marketing assistance and other services from time to time, together with income generated from sponsorship and incentive payment arrangements with Lenders.

4.3.1.10 Administration expenses

Key items comprising administrative expenses include travel, insurances, together with non-interest expenses associated with AFG's Securitisation facilities and RMBS programme.

4.3.1.11 Other expenses

The major component of other expenses relates to direct AFG staff expenses. Other items included within other expenses include marketing and promotion expenses as well as costs associated with the provision of information technology, occupancy expenses relating to rent, rates and utilities and insurance and make good provision charges that are applicable in accordance with various office lease agreements.

4.3.1.12 Depreciation and amortisation

Depreciation and amortisation includes the depreciation of AFG's office fit out and plant and equipment. It also includes the amortisation of software acquired to assist in running AFG's technology platforms.

4.3.1.13 Finance income and expense

AFG generates interest income from its own cash on deposit together with interest income on loans made to assist some of the AFG Brokers to grow their own business.

AFG is charged an interest expense in relation to the funding of certain upfront commissions for settled loans provided by one of the wholesale funding providers.

4.3.2 Reconciliation of the pro forma forecast and statutory forecast consolidated income statements

$'000	Notes	Historical results FY2012 12 months	FY2013 12 months	FY2014 12 months	1H2015 6 months	Forecast results FY2015F 12 months	FY2016F 12 months
Statutory net profit after tax		**18,957**	**15,259**	**17,869**	**9,809**	**15,542**	**19,675**
Property demerger	1	(562)	616	(980)	*(749)*	(740)	-
Public company costs	*2*	*(1,470)*	*(1,470)*	*(1,470)*	*(735)*	*(1,076)*	-
IPO transaction costs	*3*	-	-	-	-	*5,285*	-
Income tax effect	*4*	*628*	*286*	*707*	*415*	*(1,170)*	-
Pro forma net profit after tax		**17,553**	**14,691**	**16,126**	**8,740**	**17,841**	**19,675**

Notes:

1. *Historically, AFG operated a property development business, AFG Property. Prior to the date of this Prospectus, AFG demerged AFG Property (effective 22 April 2015). Given AFG Property will not form part of AFG's future operations, adjustments have been made to eliminate the financial impact of AFG Property.*
2. *A pro forma adjustment has been made to the historical and forecast results to reflect the costs which would have been incurred had AFG been operating as a listed company. The FY2015 forecast statutory net profit after tax of $15,542,000 includes listing costs for approximately two months, assuming a proposed listing date of May 2015. As such the forecast pro forma net profit after tax amount includes an adjustment representing the additional costs which would have been incurred assuming AFG had been operating as a listed company for the whole of the financial year. Similarly, the FY2016 forecast results incorporate the costs of operating as a listed company and therefore there is no requirement for a pro forma adjustment in this year.*
3. *Represents the proportion of costs of undertaking this Offer which have not been capitalised under AAS and which are required to be charged to AFG's income statement, but which are considered non-recurring.*
4. *The income tax effect has been calculated from the pro forma adjustments applied in notes 1 to 3, at the historic income tax expense rate paid in that period.*

4.4 Segment disclosures

4.4.1 Overview

The tables below present the operating segments of AFG for the historical FY2012, FY2013 and FY2014 and forecast FY2015 and FY2016 periods.

Pro Forma historical results	FY2012			
	AFG Wholesale Mortgage Broking	AFG Home Loans	Other / unallocated	Total
Revenue				
External customers	303,264	20,790	1,511	*325,565*
Inter - segment sales	6,412	-	(6,412)	-
Other income	5,852	40	5,430	*11,322*
Finance income	-	216	3,224	*3,440*
Total segment revenue	**315,528**	**21,046**	**3,753**	**340,327**
Reportable segment profit before tax	**30,929**	**189**	**(5,473)**	**25,645**
Income tax expense			(8,092)	*(8,092)*
Profit after tax	**30,929**	**189**	**(13,565)**	**17,553**
Additional segment information *				
Depreciation and amortisation	(106)	(42)	(630)	*(778)*
Finance expense	-	-	(201)	*(201)*
Shared services	-	-	-	-
Share of profit /Loss of equity accounted investees	-	-	-	-

** the disclosed amounts form part of the reportable segment profit before tax*

Pro Forma historical results	FY2013			
	AFG Wholesale Mortgage Broking	AFG Home Loans	Other / unallocated	Total
Revenue				
External customers	314,589	42,103	1,004	*357,696*
Inter - segment sales	8,872	33	(8,905)	-
Other income	3,540	5	6,141	*9,686*
Finance income	-	466	2,322	*2,788*
Total segment revenue	**327,001**	**42,607**	**562**	**370,170**
Reportable segment profit before tax	**30,380**	**2,279**	**(10,889)**	**21,770**
Income tax expense			(7,079)	*(7,079)*
Profit after tax	**30,380**	**2,279**	**(17,968)**	**14,691**
Additional segment information *				
Depreciation and amortisation	(127)	(40)	(700)	*(867)*
Finance expense	-	-	(170)	*(170)*
Shared services	-	-	-	-
Share of profit /Loss of equity accounted investees	-	-	(285)	*(285)*

** the disclosed amounts form part of the reportable segment profit before tax*

Pro Forma historical results	FY2014			
	AFG Wholesale Mortgage Broking	AFG Home Loans	Other / unallocated	Total
Revenue				
External customers	380,426	57,973	1,609	*440,008*
Inter - segment sales	7,631	-	(7,631)	-
Other income	4,426	38	6,406	*10,870*
Finance income	-	798	1,367	*2,165*
Total segment revenue	**392,483**	**58,809**	**1,751**	**453,043**
Reportable segment profit before tax	**31,669**	**331**	**(8,486)**	**23,514**
Income tax expense			(7,388)	*(7,388)*
Profit after tax	**31,669**	**331**	**(15,874)**	**16,126**
Additional segment information *				
Depreciation and amortisation	(106)	(30)	(1,005)	*(1,141)*
Finance expense	-	-	(129)	*(129)*
Shared services	-	-	-	-
Share of profit /Loss of equity accounted investees	-	-	-	-

** the disclosed amounts form part of the reportable segment profit before tax*

Pro Forma historical results	1H2015			
	AFG Wholesale Mortgage Broking	AFG Home Loans	Other / unallocated	Total
Revenue				
External customers	221,802	30,070	660	*252,532*
Inter - segment sales	3,480	-	(3,480)	-
Other income	3,019	-	3,259	*6,278*
Finance income	-	510	908	*1,418*
Total segment revenue	**228,301**	**30,580**	**1,347**	**260,228**
Reportable segment profit before tax	**16,998**	**(90)**	**(4,279)**	**12,629**
Income tax expense			(3,889)	*(3,889)*
Profit after tax	**16,998**	**(90)**	**(8,168)**	**8,740**
Additional segment information *				
Depreciation and amortisation	(60)	(13)	(511)	*(584)*
Finance expense	-	-	(6)	*(6)*
Shared services	-	-	-	-
Share of profit /Loss of equity accounted investees	-	-	-	-

** the disclosed amounts form part of the reportable segment profit before tax*

Pro Forma forecast results	FY2015			
	AFG Wholesale Mortgage Broking	AFG Home Loans	Other / unallocated	Total
Revenue				
External customers	448,768	58,855	1,121	*508,744*
Inter - segment sales	6,729	-	(6,729)	-
Other income	5,420	-	6,502	*11,922*
Finance income	-	1,012	1,192	*2,204*
Total segment revenue	**460,917**	**59,867**	**2,086**	**522,870**
Reportable segment profit before tax	**34,521**	**131**	**(8,766)**	**25,886**
Income tax expense			(8,045)	*(8,045)*
Profit after tax	**34,521**	**131**	**(16,811)**	**17,841**
Additional segment information *				
Depreciation and amortisation	(126)	(22)	(1,043)	*(1,191)*
Finance expense	-	-	(45)	*(45)*
Share of profit /Loss of equity accounted investees	-	-		-

** the disclosed amounts form part of the reportable segment profit before tax*

Statutory forecast results	FY2015			
	AFG Wholesale Mortgage Broking	AFG Home Loans	Other / unallocated	Total
Revenue				
External customers	448,768	58,855	1,231	*508,854*
Inter - segment sales	6,729	-	(6,729)	-
Other income	5,420	-	6,614	*12,034*
Finance income	-	1,012	2,762	*3,774*
Total segment revenue	**460,917**	**59,867**	**3,878**	**524,662**
Reportable segment profit before tax	**34,521**	**131**	**(12,235)**	**22,417**
Income tax expense			(6,875)	*(6,875)*
Profit after tax	**34,521**	**131**	**(19,110)**	**15,542**
Additional segment information *				
Depreciation and amortisation	(126)	(22)	(1,043)	*(1,191)*
Finance expense	-	-	(435)	*(435)*
Share of profit /Loss of equity accounted investees	-	-	183	*183*

** the disclosed amounts form part of the reportable segment profit before tax*

Pro Forma forecast results	FY2016			
	AFG Wholesale Mortgage Broking	AFG Home Loans	Other / unallocated	Total
Revenue				
External customers	488,767	59,802	1,285	*549,854*
Inter - segment sales	6,724	-	(6,724)	-
Other income	6,015	-	7,138	*13,153*
Finance income	-	1,086	925	*2,011*
Total segment revenue	**501,506**	**60,888**	**2,624**	**565,018**
Reportable segment profit before tax	**34,981**	**3,073**	**(9,120)**	**28,934**
Income tax expense			(9,259)	*(9,259)*
Profit after tax	**34,981**	**3,073**	**(18,379)**	**19,675**
Additional segment information *				
Depreciation and amortisation	(124)	(13)	(1,065)	*(1,202)*
Finance expense	-	-	(38)	*(38)*
Share of profit /Loss of equity accounted investees	-	-	-	-

** the disclosed amounts form part of the reportable segment profit before tax*

Statutory forecast results	FY2016			
	AFG Wholesale Mortgage Broking	AFG Home Loans	Other / unallocated	Total
Revenue				
External customers	488,767	59,802	1,285	*549,854*
Inter - segment sales	6,724	-	(6,724)	-
Other income	6,015	-	7,138	*13,153*
Finance income	-	1,086	925	*2,011*
Total segment revenue	**501,506**	**60,888**	**2,624**	**565,018**
Reportable segment profit before tax	**34,981**	**3,073**	**(9,120)**	**28,934**
Income tax expense			(9,259)	*(9,259)*
Profit after tax	**34,981**	**3,073**	**(18,379)**	**19,675**
Additional segment information *				
Depreciation and amortisation	(124)	(13)	(1,065)	*(1,202)*
Finance expense	-	-	(38)	*(38)*
Share of profit /Loss of equity accounted investees	-	-	-	-

** the disclosed amounts form part of the reportable segment profit before tax*

4.5 Reconciliation of the impact of residential trail book accounting on net profit after tax

4.5.1 Residential trail book accounting

AFG accounts for residential trail commission income and corresponding payments to AFG Brokers in accordance with AAS. Residential trail commission incomes and receivables are initially recognised upfront on settlement at fair value, being the expected future trail commission receivable over the life of the loan (based on an actuarial analysis of the expected loan life), discounted to the present value at the relevant discount rate. The unwinding of the discount (i.e. the difference between the total cash received and the present value of trail commission receivable) over the life of the loan is reflected in the interest on commission income receivable line in the income statement. AFG will also recognise the trail commission cost of sales, trail commission payable, and the interest on commission payable, to the broker on the same basis.

There are a number of factors that will impact the level of trail commission income recognised in any one year (settlement value, commission rate, expected loan life, discount rate and any changes to loan life and run-off assumptions) and therefore trail book accounting can impact statutory earnings on a year-to-year basis. AFG has historically elected to disclose within its Directors Report every financial year a statement of what the underlying after tax earnings of AFG would have been if the trail book accounting in accordance with AAS had not been adopted and trail commissions were instead accounted for on an as received basis ("Underlying Earnings").

4.5.2 Explanation of non-AAS financial measure

Underlying Earnings is a non-AAS financial measure. Although the Directors believe that this measure provides useful information about the financial performance of AFG, it should be considered as a supplement to the income statement and statement of cash flow measures that have been presented in accordance with the AAS, and not as a replacement for them. Because this non-AAS financial measure is not based on AAS, it does not have a standard definition, and the way AFG calculated this measure may differ from similarly titled measures used by other companies. Readers should therefore not place undue reliance on this non-AAS financial measure.

The table below provides a reconciliation between Underlying Earnings and the reported or forecast Net Profit After Tax.

	Historical results			Forecast results			
$'000	FY2012 12 months Pro Forma	FY2013 12 months Pro Forma	FY2014 12 months Pro Forma	FY2015F 12 months Pro Forma	FY2016F 12 months Pro Forma	FY2015F 12 months Statutory	FY2016F 12 months Statutory
Net Profit After Tax							
Underlying Earnings	13,997	12,887	*14,485*	15,689	18,088	13,390	18,088
Net impact of residential trail book accounting	3,556	1,804	*1,641*	2,152	1,587	2,152	1,587
Net Profit After Tax	17,553	14,691	*16,126*	17,841	19,675	15,542	19,675

As the AFG Loan Book has been increasing over the historical and Forecast Period, the Net Profit After Tax is greater than the Underlying Earnings due to the majority of the gross profit on the residential trail book being recognised up front in accordance with AAS as compared to the net receipt of cash which is received over the life of the loan. Conversely, in an environment where the AFG Loan Book was to decline, the net impact of residential trail book accounting would be negative.

4.6 Pro forma historical and forecast consolidated statement of cash flows

The table below sets out AFG's pro forma historical consolidated statements of cash flows for FY2012, FY2013 and FY2014 and 1H2015, the pro forma forecast consolidated statement of cash flows for FY2015 and FY2016, and the statutory forecast consolidated statements of cash flows for FY2015 and FY2016.

		Historical results				Forecast results			
$'000	Notes	FY2012 Pro Forma	FY2013 Pro Forma	FY2014 Pro Forma	1H2015 Pro Forma	FY2015F Pro Forma	FY2016F Pro Forma	FY2015F Statutory	FY2016F Statutory
Result from operating activities		**22,406**	**19,437**	**21,478**	**11,217**	**23,727**	**26,961**	**18,895**	**26,961**
Add/(Remove) non cash items									
Share of loss from equity accounted investees		-	(285)	-	-	-	-	183	-
Depreciation and amortisation	1	778	867	1,141	*584*	1,191	1,202	1,191	1,202
Change in working capital	2	6,777	990	13,145	*11,937*	1,648	(1,529)	6,406	(1,529)
Capital expenditure	3	(960)	(4,076)	(665)	*(583)*	(2,060)	(300)	(2,060)	(300)
Net cash flow before financing & taxation		**29,001**	**16,933**	**35,099**	**23,155**	**24,506**	**26,334**	**24,615**	**26,334**
Proceeds from issue of shares	4	-	-	-	-	-	-	35,000	-
IPO costs	5	-	-	-	-	-	-	(1,692)	-
Income tax paid	6	(5,800)	(8,735)	(6,860)	*(3,973)*	(7,162)	(8,297)	(7,743)	(7,926)
Net cash flow before dividends		**23,201**	**8,198**	**28,239**	**19,182**	**17,344**	**18,037**	**50,180**	**18,408**

Notes:

1. *Depreciation and amortisation include the depreciation of AFG's office fit out and plant and equipment. It also includes the amortisation of software acquired to assist in running AFG's technology platforms.*
2. *The change in working capital in FY2014 and 1H2015 is primarily caused by the timing of drawdowns and note repayments under AFG's RMBS Securitisation program straddling the relevant period ends. This working capital movement only occurs around the initiation of a new term transaction, or as a result of drawdowns from the warehouse in anticipation of future mortgage originations.*
3. *Capital expenditure includes purchase of plant and equipment, property and IT software.*
4. *Post-Offer pro forma ordinary share capital increases by $35 million as a result of the Offer. This amount is before costs incurred as part of this Offer (of $6,977,000).*
5. *Total Offer transaction costs capitalised include $1,151,000 allocated against issued capital and $541,000 against deferred tax.*
6. *The income tax effect has been applied at the historic income tax rate paid in that period.*

4.7 Reconciliation of statutory to pro forma consolidated statement of cash flow from FY2012 to FY2016

		Historical results			Forecast results	
$'000	Notes	FY2012 12 months	FY2013 12 months	FY2014 12 months	FY2015F 12 months	FY2016F 12 months
Statutory net cash flow before dividends		**21,001**	**6,268**	**22,377**	**50,180**	**18,408**
Property demerger	1	3,100	3,123	*6,616*	(4,318)	-
Public company costs	2	(1,470)	(1,470)	*(1,470)*	(1,076)	-
IPO transaction costs	3	-	-	-	6,977	-
Additional tax paid/received	4	570	277	*716*	581	(371)
Proceeds from issue of shares	5	-	-	-	(35,000)	-
Pro forma net cash flow before dividends		**23,201**	**8,198**	**28,239**	**17,344**	**18,037**

Notes:

1. *Historically, AFG operated a property development business, AFG Property. Prior to the date of this Prospectus, AFG demerged AFG Property (effective 22 April 2015). Given AFG Property will not form part of AFG's future operations, adjustments have been made to eliminate the financial impact of AFG Property.*
2. *A pro forma adjustment has been made to the historical and forecast results to reflect the costs which would have been incurred had AFG been operating as a listed company. The FY2015 forecast statutory net profit after tax of $15,542,000 includes listing costs for approximately two months, assuming a proposed listing date of May 2015. As such, the forecast pro forma net profit after tax amount includes an adjustment representing the additional costs which would have been incurred assuming AFG had been operating as a listed company for the whole of the financial year. Similarly, the FY2016 forecast results incorporate the costs of operating as a listed company and therefore there is no requirement for a pro forma adjustment in this year.*
3. *Represents the cash costs of undertaking this Offer which under AAS are required to be charged to AFG's income statement, but which are considered non-recurring.*
4. *Represents the additional tax paid/received from the pro forma adjustments applied in notes 1 to 3 above, at the historic income tax rate paid in that period.*
5. *Post-Offer pro forma ordinary share capital increases by $35 million as a result of the Offer. This amount is before costs incurred as part of this Offer (of $6,977,000).*

4.8 Pro forma historical consolidated statement of financial position as at 31 December 2014

Set out in the table below is the statutory consolidated statement of financial position as at 31 December 2014. Pro forma adjustments have been made to take into account the demerger of AFG Property and impact of the Offer. Details of the pro forma adjustments are set out in the notes below. These adjustments reflect the impact of the operating and capital structure that will be in place following completion of the Offer as if they had occurred or were in place as at 31 December 2014. The pro forma statement of financial position is not represented as being indicative of AFG's view of its future financial position. Further information of the sources and uses of funds of the Offer are contained within Section 7.

$'000	Notes	Statutory 31 Dec 2014	Impact of AFG Property demerger	Impact of the offer	Pro Forma 31 Dec 2014
Assets					
Cash and cash equivalents	1,4,5	42,860	(2,718)	*23*	40,165
Restricted cash	3	41,603	-	-	41,603
Other financial assets	1	197	(128)	-	69
Trade and other receivables	1	554,056	(197)	-	553,859
Loans and advances	1,2	1,040,842	(13,278)	-	1,027,564
Investments in equity accounted investees	1	2,551	(2,551)	-	-
Inventories	1	31,945	(31,945)	-	-
Property, plant and equipment		3,356	-	-	3,356
Intangible assets		866	-	-	866
Total assets		**1,718,276**	**(50,817)**	**23**	**1,667,482**
Liabilities					
Interest bearing liabilities	1,2	1,065,911	(21,599)	-	1,044,312
Trade and other payables	1	542,912	(37)	*76*	542,951
Employee benefits		3,091	-	-	3,091
Current tax liabilities		508	1	*(911)*	(402)
Deferred income		2,542	-	-	2,542
Other financial liabilities	1	4,690	(4,690)	-	-
Deferred tax liability	1	12,997	71	*(1,786)*	11,282
Provisions		345	-	-	345
Total liabilities		**1,632,996**	**(26,254)**	**(2,621)**	**1,604,121**
Net assets		**85,280**	**(24,563)**	**2,644**	**63,361**
Equity					
Share capital	1,5,6	11,435	(988)	*35,224*	45,671
Reserves		(60)	-	-	(60)
Retained earnings	1,4,5,6	73,905	(23,575)	*(32,580)*	17,750
Total equity		**85,280**	**(24,563)**	**2,644**	**63,361**

Notes:

1. *Historically, AFG operated a property development business, AFG Property. Prior to the date of this Prospectus, AFG demerged AFG Property (effective 22 April 2015). Given AFG Property will not form part of AFG's future operations, adjustments have been made to eliminate the financial impact of AFG Property. As part of the demerger there remains three contingent liabilities with respect to debt facilities of AFG Property (see Section 4.17).*
2. *Interest bearing liabilities and loan and advances are recorded within the separate securitisation trusts, however under AAS are recognised in the consolidated statement of financial position. AFG is not the beneficial owner of these assets or liabilities and any losses in a securitisation trust are quarantined to that trust such that they are generally non-recourse to AFG. Refer also to Section 3.5.3.*
3. *Restricted cash represents amounts relating to the entities controlled by AFG which operate within AFG Securities. Included in this balance are amounts received from collections of certain AFG Home Loans borrowers, together with drawdowns from wholesale funding providers to fund future mortgage settlements. Restricted cash is therefore not available for use by AFG to fund working capital, capital expenditure or any investment opportunities but is available to generate interest income.*
4. *Pro forma ordinary share capital increased by $35 million (before costs of $6,977,000) as a result of the Offer.*
5. *Subsequent to 31 December 2014, AFG paid fully franked dividends totalling $28 million to Existing Shareholders out of pre-Offer cash. It is the current intention of the Board that the first dividend to be paid following completion of the Offer will be an interim dividend in respect of the half year ending 31 December 2015 (see Section 4.14).*
6. *Prior to the Offer, a one off Key Executive pre-Offer share issue in recognition of the contribution of certain key AFG executives was made. AFG issued shares valued at $1.375 million for the purpose of the grant.*

4.9 Key operating and financial metrics

Set out below is a summary of the key historical operating metrics for FY2012, FY2013, FY2014 and 1H2015 and the forecast key operating metrics for FY2015 and FY2016.

		Historical results				Forecast results			
	Notes	FY2012 12 months Pro Forma	FY2013 12 months Pro Forma	FY2014 12 months Pro Forma	1H2015 6 months Pro Forma	FY2015F 12 months Pro Forma	FY2016F 12 months Pro Forma	FY2015F 12 months Statutory	FY2016F 12 months Statutory
Total settlements - $'000	1	19,867,215	22,416,807	28,230,595	16,485,384	32,991,027	36,498,334	32,991,027	36,498,334
Residential - $'000		18,575,917	20,902,726	26,288,663	15,263,513	30,896,079	34,044,124	30,896,079	34,044,124
Commercial - $'000		1,291,298	1,514,081	1,941,932	*1,221,871*	2,094,948	2,454,210	2,094,948	2,454,210
AFG Securities loan book - $'000		251,912	791,309	1,005,785	*1,020,825*	1,037,595	1,085,787	1,037,595	1,085,787
Total loan book outstanding - $'000	2	73,762,169	82,388,449	92,667,391	100,081,375	104,923,132	117,769,564	104,923,132	117,769,564
Commissions Income - $'000	3	281,743	280,181	341,639	*202,980*	409,953	451,259	410,063	451,259
Net Interest Margin - $'000	4	777	3,166	9,403	*4,833*	10,050	10,615	10,050	10,615
Net Interest Margin %	4	0.73%	0.98%	0.98%	*0.93%*	0.95%	0.96%	0.95%	0.96%
Gross Profit - $'000	5	43,700	45,061	48,425	*25,124*	50,428	53,431	50,347	53,431
Net Profit after Tax - $'000	6	17,553	14,691	16,126	*8,740*	17,841	19,675	15,542	19,675
Residential Run off Rate %	7	16.60%	17.10%	17.30%	*16.90%*	16.90%	16.90%	16.90%	16.90%
Average Residential Loan Size		354,000	358,000	376,000	*396,000*	396,000	396,000	396,000	396,000
Av. Residential Loan Life - Yrs	8	4.0	4.3	4.3	*4.3*	4.3	4.3	4.3	4.3
Av. Residential Upfront Commission Rate %	9	0.54%	0.56%	0.59%	*0.63%*	0.62%	0.62%	0.62%	0.62%
Av. Residential Trail Commission Rate %	10	0.19%	0.18%	0.17%	*0.18%*	0.17%	0.17%	0.17%	0.17%
Av. Residential Upfront Payout Ratio %	11	89.42%	89.10%	90.93%	*91.86%*	92.10%	93.06%	92.10%	93.06%
Av. Residential Trail Payout Ratio %	12	88.26%	88.72%	90.07%	*90.74%*	90.77%	91.30%	90.77%	91.30%

Notes:

1. *Total settlements include both the residential and commercial mortgage business. As a member of the AFG Lending Panel, AFG Home Loan settlements are already included within the residential settlement numbers.*
2. *Total loan book outstanding is the amount on which trail commissions are received.*
3. *Commissions income includes the amount of upfront commissions and trail commissions recognised.*
4. *Net Interest Margin and Net Interest Margin % is the difference between Securitisation interest income and Securitisation interest expense and the difference between the interest rate charged to the borrower and the cost of funding the loan, respectively.*
5. *Gross profit is calculated on AFG's core business, being commissions and associated cost of sales, interest on commission income and expense, mortgage management services, securitisation transaction fees and the net interest margin earned.*
6. *Net Profit after Tax is calculated after all other operational income and expense items.*
7. *The residential run off as actuarially assessed on the residential loan book portfolio.*
8. *The residential loan life as actuarially assessed on the residential loan book portfolio.*
9. *The residential weighted average upfront commission rate earned on new residential settlements achieved in each period.*
10. *The residential total trail commission received during the period divided by the average residential loan book.*
11. *The residential weighted average upfront broker payout ratio on new residential settlements in each period (net of Commission Clawback).*
12. *The residential weighted average trail payout ratio on the total loan book for the residential business in each period.*

4.10 General factors affecting the operating results of AFG

4.10.1 Overview

This Section sets out a discussion of the key factors which affected AFG's operating and financial performance during FY2012, FY2013 and FY2014 and which AFG expects may affect AFG's operating and financial performance over the period of the Forecast Financial Information.

The general matters discussed below are a summary only and do not represent everything that affected AFG's historical operating and financial performance, nor everything that may affect operating and financial performance in future periods. The information in this Section should also be read in conjunction with the risk factors set out in Section 5, the NPAT sensitivities set out in Section 4.13 and the other information contained in this Prospectus.

4.10.2 Market conditions

AFG's financial performance is impacted by the general market and economic conditions and their subsequent impact on the wholesale mortgage and home loan market. The market conditions including consumer confidence, business confidence, interest rates, the regulatory framework, housing credit growth, population and demographic changes all contribute to an environment that impacts the demand for mortgage and home loan products and the financial performance of AFG.

4.10.3 Revenue

Revenue is primarily generated by AFG from the settlement of mortgages Originated by AFG Brokers from one of the products provided by AFG's Lending Panel. Upfront commissions and trail commissions are earned on the amount of the loans settled. AFG forecasts settlement volumes and lender commission rates in order to calculate total key revenue items. Year on year movement in sales is driven by the following factors.

4.10.3.1 Settlement volumes

The AFG business is dependent on growing mortgage settlement volume to drive commission revenues in the business. Residential mortgages have historically generated approximately 93% of total settlements in AFG; the remainder coming from commercial loan settlements.

AFG benchmarks its own settlement volume levels to its peers and to the overall housing credit market within Australia. AFG uses public information on housing credit growth from the RBA as well as from its AFG Lending Panel to help monitor current growth and to forecast future settlement volumes.

Total settlement volumes have increased by 13% in FY2013, 26% in FY2014 and forecast to increase by 17% in FY2015 and by a further 11% into FY2016. This is supported by an assumed growth in housing credit, an increase in AFG Broker numbers and an increase in productivity of recently recruited AFG Brokers.

According to RBA statistics the housing credit market grew by 7% in the 12 months to January 2015. The RBA has made statements expecting housing credit growth to be maintained at around 7% p.a. in the near term. AFG has assumed housing credit growth at the bottom end of the RBA range.

4.10.3.2 Commission Rates

Upfront commissions

AFG receives an upfront commission on settlement of all new loans. AFG's upfront commission income is therefore driven by both settlement volumes and upfront commission rates. The upfront residential mortgage commission rate received will vary between Lenders and can range from 0.60% to 0.80%, however the net upfront commission rate is currently around 0.62% of the settled loan balance on average (net of Commission Clawback). This has increased from 0.54% in FY2012, to 0.56% in FY2013 and 0.59% in FY2014. AFG is assuming the net residential upfront commission rate of 0.62% (net of Commission Clawback) to continue over the Forecast Period, consistent with H12015 results.

Trail commissions

Following settlement of a loan, AFG will receive a trail commission that is paid monthly based upon the outstanding loan balance. Trail commission received is therefore a direct function of the size of the AFG Loan Book and trail commission rates. As with the upfront commission rate, trail commission rates will vary from Lender to Lender with the average across the life of the loan sitting at between 0.15% and 0.20% of the outstanding loan balance per annum. In the event that the borrower enters into arrears, the trail commission is generally suspended until the borrower's loan balance is returned to, or below, the scheduled loan balance.

Refer also to Section 4.5.1 in relation to residential trail book accounting.

The residential trail commission revenue can be affected by the actuarial assessment of the underlying loan book. This assessment is impacted by changes in estimates of run off rate and average loan life, and the discount rate applied to future cash flows. On the commercial trail loan book trail commission income is recognised upon cash receipt.

4.10.3.3 Securitisation Interest income and transaction fees

AFG generates fees directly from its borrowers including annual fees and transaction fees related to the operation of the borrower. AFG generates securitisation interest income by charging borrowers interest on their loan.

AFG is not expecting any material change in the size of the AFG Securities loan book or the Net Interest Margin generated off that book.

4.10.4 Gross profit

4.10.4.1 Payout ratio to AFG Brokers

AFG pays to AFG Brokers a contracted percentage of upfront commissions and trail commissions received from Lenders which is recorded within Other Cost of Sales. This percentage is called the “payout ratio” and is generally set based on the volume of loans the AFG Member is expected to settle. AFG has experienced increases in payout ratios in recent years, although this has been offset by increasing settlement volumes and commission rates.

4.10.4.2 Securitisation interest expense

AFG pays interest expense representing the cost of funds charged by the wholesale funding providers and investors in the respective RMBS term trusts. This interest is expressed as a margin over the 30 day BBSW.

Movements in the underlying BBSW rate can affect the Securitisation interest expense and resulting net interest margin generated, depending on the extent to which this rate change can be passed onto the borrower.

The Net Interest Margin between the Securitisation interest income and Securitisation interest expense is the key driver of the movements seen within the financial performance of AFG Securities.

4.10.5 Result from operating activities

4.10.5.1 Other Income

Other income is driven by the additional services AFG provides to the AFG Broker network such as software licensing, professional indemnity insurance, marketing assistance and other services, together with sponsorship arrangements and other incentives which may be negotiated with Lenders from time to time.

4.10.5.2 Administration Expenses

Key items comprising administrative expenses include travel, insurances, together with borrowing expenses associated with AFG’s Securitisation facilities and RMBS programme.

4.10.5.3 Other Expenses

The major component of other expenses relates to staff expenses. The staff expenses include salaries and wages, sales related staff bonuses, motor vehicle allowances, leave entitlements and on-costs. Both permanent and casual employees and any temporary contract staff are reflected in staff expenses.

Other major items included within other expenses include marketing and promotion expenses as well as the provision of information technology. In addition, occupancy expenses relating to rent, rates, utilities, insurance and make good provision charges that are applicable in accordance with various office lease agreements are also included.

Other expenses are largely fixed and will not vary greatly if settlement volumes vary.

4.11 Management's discussion and analysis of the Pro Forma Historical Financial Information

4.11.1 Management discussion and analysis of the year ended 30 June 2013 compared to the year ended 30 June 2012

(Year end 30 June)	FY2012 Pro Forma	FY2013 Pro Forma	Change %
Commissions Income	281,743	280,181	(0.6)%
Net Interest Margin	777	3,166	307.5 %
Residential Upfront Payout Ratio	89.42%	89.10%	(0.4)%
Gross Profit	43,700	45,061	3.1 %
Result from Operating Activities	22,406	19,437	(13.3)%
Net profit after tax	17,553	14,691	(16.3)%

Result from Operating Activities	**22,406**	**19,437**	(13.3)%
Share of loss from equity accounted investees	-	(285)	100.0 %
Depreciation and amortisation	778	867	11.4 %
Change in working capital	6,777	990	(85.4)%
Capital expenditure	(960)	(4,076)	324.6 %
Net cash flow before financing and taxation	**29,001**	**16,933**	(41.6)%
Income tax paid	(5,800)	(8,735)	50.6 %
Net cash flow before dividends	**23,201**	**8,198**	(64.7)%

4.11.1.1 Overview

During FY2013, the RBA reduced its cash rate from 3.50% to 2.75%. The downward trend in property prices which had predominantly been in place across Australia since 2010 began to reverse. Total residential loans outstanding in Australia grew by 4.4% and AFG's Broker network grew by 3.3% from 2,033 as at 30 June 2012 to 2,096 as at 30 June 2013. Net Profit After Tax in FY2013 was $14.7 million, representing a decrease of $2.9 million or 16% compared to FY2012. The decrease is primarily due to one off impacts in FY2012 in respect of trail commission income and other income which were not repeated in FY2013 as discussed below.

4.11.1.2 Key Movements

Commissions Income

Declining RBA interest rates, combined with an improving property market and an 3.3% increase in AFG Broker numbers contributed to residential loan settlements for FY2013 being up 13% on FY2012 at $20.9 billion. Despite this, total commission income was 1% lower than that achieved in FY2012, primarily because the FY2012 result benefited from a change in the core assumptions used in determining the trail commission income. A further contributing factor was a reduced residential trail commission rate (0.18% in FY2013 versus 0.19% in FY2012) received during FY2013.

Net Interest Margin

Settlement volumes of home loans in the Securitisation business continued to grow, increasing to $629 million from $207 million in FY2012. An increase in loan book coupled with an improved Net Interest Margin % from 0.73% to 0.98% resulted in a Net Interest Margin of $3.2 million from $0.8 million in FY2012, an increase of $2.4 million or 307.5% over FY2012.

Residential Payout Ratio

The AFG Broker upfront payout ratio for residential mortgages increased from 89.4% in FY2012 to 90.04% in FY2013, reflecting both increased competition among mortgage broking groups and a targeted effort by AFG to attract large AFG Member groups which, while generating higher volumes, can command a higher payout ratio.

Gross Profit

Gross profit increased from $43.7 million in FY2012 to $45.1 million in FY2013, an increase of $1.4 million or 3.1%. The primary drivers for this result were the $2.4 million higher level of Net Interest Margin and a $1.0 million increase in mortgage management services income, partially offset by the fall in trail commission income.

Result from Operating Activities

Result from Operating Activities decreased from $22.4 million in FY2012 to $19.4 million in FY2013, a movement of $3.0 million or 13.3%. Whilst Gross Profit was $1.4 million higher, the Result from Operating Activities was impacted by several factors. Other Income in FY2013 was $1.6 million lower than FY2012, partly given FY2012 included $2.5 million additional sponsorship and incentive income which partly related to prior periods but for which the conditions for recognition had not previously been met. Further, Administration and Other expenses were $2.6 million higher as a result of additional warehouse set up costs for AFG Securities of $2.1 million, together with higher headcount costs linked to the investment in the AFG Home Loans business.

Net Cash Flow before dividends

Net cash flow before dividends decreased from $23.3 million in FY2012 to $8.2 million in FY2013, representing a decrease of $15.1 million. Apart from a $3.0 million lower result from Operating Activities, the prime drivers were an increase in capital expenditure of $3.1 million (with the majority of this associated with the fit out of the new head office premises), a $5.8 million change in working capital and a $3.0 million increase in tax paid.

The change in working capital reduced from $6.8 million in FY2012 to $1.0m in FY2013, a decrease of $5.8 million or 85%. The main cause was an increase in commission and borrowing expenses in relation to AFG Securities of $2.1 million and a $2.5 million lower impact as a result of trail book accounting than in FY2012.

In addition, income tax paid increased by approximately $3.0 million, associated with timing of quarterly tax payments from the prior financial year, also driving the size of the instalments in FY2013.

4.11.2 Management discussion and analysis of the year ended 30 June 2014 compared to the year ended 30 June 2013

(Year end 30 June)	FY2013 Pro Forma	FY2014 Pro Forma	Change %
Commissions Income	280,181	341,639	21.9 %
Net Interest Margin	3,166	9,403	197.0 %
Residential Payout Ratio	89.10%	90.93%	2.0 %
Gross Profit	45,061	48,425	7.5 %
Result from Operating Activities	19,437	21,478	10.5 %
Net profit after tax	14,691	16,126	9.8 %

(Year end 30 June)			
Result from Operating Activities	**19,437**	**21,478**	10.5 %
Share of loss from equity accounted investees	(285)	-	(100.0)%
Depreciation and amortisation	867	1,141	31.6 %
Change in working capital	990	13,145	1227.8 %
Capital expenditure	(4,076)	(665)	(83.7)%
Net cash flow before financing and taxation	**16,933**	**35,099**	107.3 %
Income tax paid	(8,735)	(6,860)	(21.5)%
Net cash flow before dividends	**8,198**	**28,239**	244.5 %

4.11.2.1 Overview

During FY2014, the RBA reduced its cash rate further from 2.75% to 2.50%. Growth in property prices continued across Australia and in Sydney particularly. Total residential loans outstanding in Australia grew by 6.1% and AFG's Broker network grew by 5.9% from 2,096 as at 30 June 2013 to 2,219 as at 30 June 2014. Net Profit After Tax in FY2014 was $16.1 million, representing an increase of $1.4 million or 9.8% compared to FY2013. During FY2014, AFG experienced strong growth in residential settlements of 25%. This increase in settlements was a consequence of a very competitive Australian mortgage market.

4.11.2.2 Key Movements

Commissions Income

Buoyed by an improving property sector, total commission income was higher than FY2013 by 22% and was reflective of total residential settlements being 25% higher in FY2014 versus FY2013. Growth in non-residential commission revenue lagged this result, which had the effect of reducing the overall percentage growth in commission income to 22%.

Net Interest Margin

The Securitisation loan book continued to grow during FY2014 from $791 million to $1,005 million. This increase, coupled with the full year impact of the growth in FY2013 translated into a significantly higher level of Net Interest Margin being generated on these loans. Net Interest Margin in FY2014 was $9.4 million, representing a 197% increase over the $3.2 million recorded in FY2013.

Residential Payout Ratio

The residential payout ratio increased from 90.0% in FY2013 to 91.0% in FY2014, an increase of 1.0%, reflecting both increased competition among mortgage groups and a continued effort by AFG to attract higher volume AFG Member groups.

Gross Profit

Gross Profit increased by $3.4 million between FY2013 and FY2014 representing an increase of 7.5% to $48.4 million. The increase in payout ratio impacted the overall gross profit being generated.

Result from Operating Activities

Result from Operating Activities increased from $19.4 million to $21.5 million, an increase of $2.0 million or 10.5%. Not all of the favourable variance within the Gross Profit was ultimately translated into the Result from Operating Activities owing to an increase in Other Expenses. The increase in Other Expenses was predominantly due to increased borrowing costs and amortisation charges relating on both the ANZ wholesale funding and RMBS transactions, and increased headcount costs. Offsetting increases in Other Expenses was an improvement in Other Income, primarily sponsorship and incentive payments, which increased from $9.6 million in FY2013 to $10.9 million in FY2014, an increase of $1.2 million or 12%.

Net Cash Flow before dividends

Net cash flow before dividends increased from $8.2 million in FY2013 to $28.2 million, an increase of $20.0 million. The main driver is the timing of the settlement of the securitisation trust AFG 2014-1 which straddled the end of the financial year and contributed to a working capital increase of $13.1 million, as well as further timing difference between funds drawn down from the warehouse in anticipation of funding future settlements early in the new financial year. Capital expenditure also returned to a more normal level, reducing by $3.4 million following the completion of the fit out of the new premises in FY2013.

Income tax paid was $1.9 million lower in FY2014 due to the reversal of impact of timing of quarterly tax payments as noted in discussion of the FY2013 results.

4.12 Forecast Financial Information

4.12.1 Basis of preparation

The basis of preparation for Forecast Financial Information is set out in Section 4.2.3.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.13, the risk factors set out in Section 5 and the Investigating Accountant's Report set out in Section 8 as well as other information contained in this Prospectus.

4.12.2 General Assumptions

In preparing the Forecast Financial Information, the following general best estimate assumptions have been adopted:

- No material change in the competitive environment in which AFG operates;
- No significant deviation from current market expectations of mortgage brokers or Australian economic conditions relevant to AFG including the current interest rate environment;
- No material changes in any government legislation or regulation (including tax legislation and tax regulation or the manner in which that tax legislation and tax regulation is applied or interpreted by any tax authority or court), or government policy that have a material impact on the financial performance or cash flows, financial position, accounting policies, or licensing requirements of AFG, or the ability of AFG Brokers to earn commissions from lenders for settlements and on-going management of borrowers;
- No significant interruptions are experienced in relation to the technology, platform or websites utilised by AFG;
- No material changes in key personnel;
- No termination of, or material amendments to, any of AFG's key contracts, specifically including agreements with Lender and Securitisation arrangements;
- No material changes in applicable AAS, other mandatory professional reporting requirements or the Corporations Act which have a material effect on AFG's financial performance, financial position or accounting policies;
- No material acquisitions, disposals, restructuring or investments;
- No material changes to the AFG's corporate and funding structure other than as set out in, or contemplated by, this Prospectus;
- No material disruptions to the continuity of operations of AFG nor other material changes in its business;
- None of the risks listed in Section 5 have a material adverse impact on the operations of AFG; and
- The Offer proceeds in accordance with the timetable set out in the Important Dates Section of this Prospectus.

4.12.3 Specific Assumptions

Specific assumptions that have been used in the preparation of the Forecast Financial Information and the basis for those assumptions are described below.

Revenue Assumptions

Residential Settlement volumes

The volume of loan settlements is driven by the number of active AFG Brokers in the period, combined with the number and value of loans settled. These factors are driven by the demand from borrowers for mortgages, which can be affected by a number of macro-economic factors as well as the mix of borrower types (i.e. consumer versus business) and location. For the balance of FY2015, AFG is assuming residential loan settlements to continue at rates broadly consistent with those experienced in the half year ended 31 December 2014. In FY2016, AFG is forecasting a 10% increase in residential settlement volumes over FY2015.

Residential Commission rates

Residential upfront commission rates have been assumed to be maintained at an average rate of 0.62% (net of Commission Clawbacks). The weighted average residential trail commission rate is assumed to stabilise at 0.17%.

AFG Home Loans Edge

The Forecast Financial Information assumes total settlements of AFG Home Loans Edge of $150 million in FY2015 and $1.3 billion in FY2016, which AFG considers reasonable having regard to the level of settlements since full commercial roll out on 1 February 2015.

Active AFG Brokers

An important driver of AFG's financial performance is the number of AFG Brokers. AFG recruited over 400 new AFG Brokers in FY2014 and successfully recruited a further 290 AFG Brokers between 1 July 2014 and 31 March 2015. It is expected that this recruitment focus will be maintained over the Forecast Period, leading to the recruitment of approximately 400 new AFG Brokers in FY2016. After adjusting for a level of natural attrition through retirement or termination, AFG is forecasting a net increase of 200 AFG Brokers over the 15 months between 31 March 2015 and 30 June 2016. The net increase in AFG Broker numbers in each of FY2013 and FY2014 were 67 and 123 respectively.

Historically, new AFG Brokers become increasingly productive as the length of time with AFG increases. In the first financial year of recruitment, average productivity of newly recruited mortgage brokers is lower compared to the balance of the AFG Broker population. Experience has shown that there is a significant uplift in AFG Broker production during the second financial year following their recruitment. The Forecast Financial Information assumes that this historical trend will continue during the Forecast Period.

Housing Credit Growth

In AFG's experience, an increase in housing credit growth in Australia generally translates into increased demand for mortgage broker services. AFG expects that housing credit growth will remain at or around current levels throughout the Forecast Period. The RBA has made statements expecting housing credit growth to be maintained at around 7% p.a. in the near term. AFG has assumed housing credit growth at the bottom end of the RBA range.

Broker Channel Share of Market

According to the MFAA Mortgage Broker Market Survey, during CY2014, mortgage brokers originated around 50% of all loan applications processed in Australia. For the purposes of the Forecast Financial Information, AFG has not assumed any significant change in the broker channel share of market. With AFG Broker recruitment levels being maintained (as referred to above), AFG's share of the overall mortgage broker market is also expected to be maintained at, or around the current level.

Securitisation interest income

Reflective of the current competitive market, the weighted average interest rate to borrowers is expected to reduce marginally over the Forecast Period when measured across the entire AFG Securities loan book. The AFG Securities loan book is forecast to be maintained at current levels into FY2015 and FY2016.

Residential trail book accounting

Section 4.5.1 provides a summary of the residential trail book accounting and its impact on reported Net Profit After Tax.

The Forecast Financial Information assumes a loan run off rate of 16.9%, and an average trail commission rate on new settlements over the life of the loan of 0.17%. A discount rate of 5.0% is to be used to determine the present value of the future cash flows of the trail income on new settlements. The discount rate used is consistent with market practice and is a reflection of the credit risk of the underlying portfolio counterparties. Historic discount rates applied to prior year settlement tranches are disclosed in Appendix A of this Prospectus.

Cost assumptions

Payout ratios

AFG is forecasting residential upfront payout ratios to increase from 90.9% in FY2014 to 92.1% in FY2015 and to 93.1% in FY2016. The residential trail payout ratio is forecast to increase from 90.1% in FY2014 to 90.8% in FY2015 and to 91.3% in FY2016.

Securitisation interest expense

AFG has assumed that the current cost of funds will move predominantly in line with the average rate charged to borrowers over the Forecast Period. AFG has also assumed that the 30 day BBSW will continue to move within the range it has established over the past 12 months, and that the existing arrangements with the wholesale funding providers will be renewed as part of the standard review processes on broadly consistent terms.

No additional (or new) Securitisation facilities are assumed over the course of the Forecast Period.

Other cost assumptions

- Employee costs: employee costs assume average annual salary increases of 3% in FY2016. Employee numbers are not expected to rise materially over the Forecast Period with employment of this additional headcount being based on the increased operational requirements of the business as it grows over the Forecast Period.
- Occupancy costs: the Forecast Financial Information assumes a continuation of current lease arrangements;
- Other expenses: are forecast to increase in line with an assumed consumer price index (CPI) of 3% and also includes annual public company costs of $1.5 million in each pro forma forecast period to reflect expected increases in the cost of corporate functions, Board costs and associated listing fees.
- Depreciation: is calculated by reference to the written down value of fixed assets at the start of the Forecast Period, forecast capital expenditure and the depreciation policy as set out in Appendix A of this Prospectus.
- Tax expense: assumes a 32% effective tax rate.

4.12.4 Management discussion and analysis of the year ending 30 June 2015 compared to the year ended 30 June 2014

(Year end 30 June)	FY2014 Pro Forma	FY2015F Pro Forma	Change %
Commissions Income	341,639	409,953	20.0 %
Net Interest Margin	9,403	10,050	6.9 %
Residential Payout Ratio	90.93%	92.10%	1.3 %
Gross Profit	48,425	50,428	4.1 %
Result from Operating Activities	21,478	23,727	10.5 %
Net profit after tax	16,126	17,841	10.6 %

(Year end 30 June)			
Result from Operating Activities	**21,478**	**23,727**	10.5 %
Share of loss from equity accounted investees	-	-	-
Depreciation and amortisation	1,141	1,191	4.4 %
Change in working capital	13,145	1,648	(87.5)%
Capital expenditure	(665)	(2,060)	209.8 %
Net cash flow before financing and taxation	**35,099**	**24,506**	(30.2)%
Income tax paid	(6,860)	(7,162)	4.4 %
Net cash flow before dividends	**28,239**	**17,344**	(38.6)%

4.12.4.1 Overview

During 1HFY2015, AFG has continued to experience strong demand driven by a combination of a very competitive Australian residential mortgage market, a sustained low interest rate environment, and a continued buoyant housing market, particularly in Sydney and Melbourne. AFG is also forecasting AFG Broker numbers to increase by 4.2% during the year to 2,453 by 30 June 2015, which compares to 2,361 as at 31 March 2015. As a result, AFG is expecting strong growth in FY2015 residential settlements of 18% over FY2014 based on the performance during H1 FY2015. Net Profit After Tax is forecast to grow from $16.1 million in FY2014 to $17.8 million in FY2015, an increase of $1.7 million or 11%.

4.12.4.2 Key Movements

Commissions Income

Total commissions income is forecast to increase by 20% in FY2015 driven by a 18% increase in settlements and a 3% increase in average commission rates.

Net Interest Margin

Net Interest Margin is forecast to grow from $9.4 million to $10.1 million between FY2014 and FY2015 representing an increase of $0.7 million or 7%. The main driver of this increase is the full year impact of the FY2014 increase in loan book with a further 3.2% increase in the loan book to $1.037 billion. This is partially offset by a lower Net Interest Margin of 0.95% in FY2015 versus 0.98% achieved in FY2014. The lower Net Interest Margin in FY2015 is due to an increasing cost of funding from the warehouse facility in the months of July and August reducing the average Net Interest Margin down to 0.89% over these two months. This facility was renegotiated in September 2014, contributing to an increase in Net Interest Margin for the remainder of FY2015.

Gross Profit

Gross profit is forecast to increase by $2.0 million or 4% between FY2014 and FY2015. The largest driver of this growth is forecast to be from residential commission income. The increase in payout ratio offsets some of the growth in commission income, however broker payout ratios are not forecast to increase to the extent of lender commission rates. In addition, mortgage management income is expected to be $0.86 million lower, driven by lower settlement volume and reduced fee income of those specific products.

Result from Operating Activities

The 10% increase in forecast Result from Operating Activities represents a $2.2 million improvement between FY2014 and FY2015. This is largely consistent with the Gross Profit result, but also reflects increased administration expenses between FY2014 and FY2015, predominantly related to increased costs associated with the 2014 Series 1 Securitisation Trust. No material change in overheads is expected. Offsetting this increase is additional other income expected to be generated in the form of sponsorships and incentive payments of $1.0 million.

Net Cash flow before dividends

Net cash flow before dividends is expected to decrease from $28.2 million in FY2014 to $17.3 million in FY2015, a decrease of $10.9 million or 38.6%. The key difference was an $11.5 million reduction in change in working capital as a result of the impact of AFG 2014 Series 1 Securitisation Trust as described in Section 4.6. The movement is predominantly reflected by the improvement in the Result from Operating Activities. Capital Expenditure for the year increases by $1.4 million primarily because of costs associated with the fit out of the new NSW premises.

4.12.5 Management discussion and analysis of the year ending 30 June 2016 compared to the year ended 30 June 2015

(Year end 30 June)	FY2015F Pro Forma	FY2016F Pro Forma	Change %
Commissions Income	409,953	451,259	10.1 %
Net Interest Margin	10,050	10,615	5.6 %
Residential Payout Ratio	92.10%	93.06%	1.0 %
Gross Profit	50,428	53,431	6.0 %
Result from Operating Activities	23,727	26,961	13.6 %
Net profit after tax	17,841	19,675	10.3 %

(Year end 30 June)			
Result from Operating Activities	**23,727**	**26,961**	13.6 %
Share of loss from equity accounted investees	-	-	0.0 %
Depreciation and amortisation	1,191	1,202	0.9 %
Change in working capital	1,648	(1,529)	(192.8)%
Capital expenditure	(2,060)	(300)	(85.4)%
Net cash flow before financing and taxation	**24,506**	**26,334**	7.5 %
Income tax paid	(7,162)	(8,297)	15.8 %
Net cash flow before dividends	**17,344**	**18,037**	4.0 %

4.12.5.1 Overview

AFG is forecasting 10% growth in residential settlements in FY2016 compared to FY2015 due to a combination of overall housing credit growth coupled with continued broker recruitment. AFG is forecasting AFG Broker numbers to increase by a further 6% during the year from 2,453 to 2,603 by 30 June 2016. Net Profit After Tax is forecast to grow from $17.8 million in FY2015 to $19.7 million in FY2016, an increase of $1.8 million or 10%. Whilst AFG expects that there will be a continued impact on the payout ratio driven by competition to recruit and retain mortgage brokers, the financial impact of this will be partially offset by additional margin being generated from settlements of the AFG Home Loan Edge product which is forecast to contribute approximately $0.75 million of the total $1.8 million net profit after tax growth in FY2016.

Commissions Income

Total commissions income is forecast to be 10% higher than that achieved in FY2015, in line with the expected growth in total settlement volumes in the business. Both upfront commission and trail commission rates are forecast to remain steady in FY2016, with forecast settlement volume driving commission income growth.

Net Interest Margin

Net Interest Margin is forecast to grow from $10.1 million in FY2015 to $10.6 million in FY2016, an increase of $0.5 million or 6%. The growth in income is directly linked to expected growth in the underlying loan book by 4.6% to $1.085 billion as at the end of FY2016. The remainder of growth is driven by the forecast Net Interest Margin % improving from 0.95% in FY2015 to 0.96% in FY2016 as a result of the full year impact of a renegotiated warehouse facility in April 2015.

Gross Profit

Gross Profit is forecast to increase from $50.4 million in FY2015 to $53.4 million in FY2016, an increase of $3.0 million or 6%. The 10% increase in commissions income from increased settlement volumes, coupled with the introduction of the AFG Home Loan Edge product are the main drivers for the increase in overall Gross Margin, offsetting the higher forecast payout ratio. The AFG Home Loan Edge is forecast to contribute $1.3 million of the $3.0 million growth in FY2016, with the remainder driven by residential mortgage growth. As at the date of this Prospectus, Originations in respect of AFG Home Loan's Edge product are above budget and the level of run rate required to achieve the level of settlements assumed for FY2016.

Result from Operating Activities

Result from Operating Activities is expected to increase from $23.7 million in FY2015 to $27.0 million in FY2015, an increase of $3.2 million or 14%. This result is consistent with the increase in Gross Profit. Other expenses are expected to increase from $33.9 million in FY2015 to $34.9 million in FY2016, an increase of $1.0 million or 3%, with the main factor relating to CPI adjustments. This is expected to be offset by other income expected to be generated in the form of sponsorships and incentive payments of $1.2 million.

Net Cash Flow before dividends

Net cash flow before dividends is expected to increase by 4.0% or $0.7 million between FY2015 and FY2016 to $18.0 million. The change in working capital is in relation to the difference between the amount of funds drawn down from warehouse facilities in anticipation of funding future originations early in the new financial year.

4.13 Sensitivity Analysis

The Forecast Financial Information included in Section 4.12 is based on a number of estimates and assumptions as described in Section 4.12.2. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of AFG, its Directors and management, and upon assumptions with respect to future business decisions, which are subject to change.

Set out below is a summary of the sensitivity of the Forecast Financial Information to changes in a number of key variables. The changes in the key variables set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown and these variances may be substantial.

For the purposes of the analysis below, each sensitivity is presented in terms of the impact on each of FY2015 pro forma NPAT ($17.8 million) and FY2016 pro forma NPAT ($19.7 million).

$'000	FY2015F Pro Forma NPAT Impact	FY2016F Pro Forma NPAT Impact
Impact of residential settlement volumes increasing by 10%	673	2,147
Impact of residential settlement volumes decreasing by 10%	(673)	(2,147)
Impact of residential upfront commission rates increasing by 0.01%	53	161
Impact of residential upfront commission rates decreasing by 0.01%	(53)	(161)
Impact of residential trail commission rates increasing by 0.01%	250	681
Impact of residential trail commission rates decreasing by 0.01%	(250)	(681)
Impact of weighted average payout ratio being 0.25% higher than forecast	(68)	(885)
Impact of weighted average payout ratio being 0.25% lower than forecast	68	885
Impact of net interest margin increasing by 0.1%	235	721
Impact of net interest margin decreasing by 0.1%	(235)	(721)
Impact of 1.0% increase in run off rate of residential trail loan book	(327)	(398)
Impact of 1.0% decrease in run off rate of residential trail loan book	330	402

4.14 Dividend Policy

The payment of a dividend by AFG is at the discretion of the Directors and will be a function of a number of factors, including the general business environment, operating results, cash flows, the financial condition of AFG, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by AFG, business development initiatives, and any other factors the Directors may consider relevant.

The Directors intend to target a dividend payout ratio of between 70% and 80% of Underlying Earnings. However the dividend payout ratio is expected to vary between periods depending on the factors above. No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.

It is the current intention of the Board to pay an interim dividend in respect of the half year ending 31 December 2015 and a final dividend in respect of the full year ending 30 June 2016. It is anticipated that interim dividends will be paid in April and final dividends will be paid in October following the relevant financial period. It is expected that all future dividends will be franked to the maximum extent possible (having regard to the level of AFG's available franking credits at the time of the future dividend payment).

It is not the Board's intention to pay any final dividend for FY2015.

4.15 Debt Facilities

Lender	Facility	Limit ($'000)	Drawn ($'000) as at 31 Dec 2014
ANZ	AFG 2010-1 Trust Warehouse Series No.3	255,000	80,658
NAB	AFG 2010-1 Trust Warehouse Series No.1	400,000	329,228
Bondholders	Secured bond issues (RMBS)	875,000	634,597
		1,530,000	1,044,483

Securitisation facility – NAB – AFG 2010-1 Trust Warehouse Series No.1 (Series)

The facility provides funding for the financing of loans and advances within the AFG 2010-1 Trust.

Securitisation facility – ANZ – AFG 2010-1 Trust Warehouse Series No.3 (Series)

The facility provides funding for the financing of loans and advances within the AFG 2010-3 Trust.

Bond Holders

Loans funded by the wholesale funding provider are securitised and on sold as RMBS to the bond holders under the following trusts:

> ***Secured bond issue – AFG 2013-1 Trust***
>
> *RMBS issued in March 2013 ($275 million)*
>
> ***Secured bond issue – AFG 2013-2 Trust***
>
> *RMBS issued in October 2013 ($300 million)*
>
> ***Secured bond issue – AFG 2014-1 Trust***
>
> *RMBS issued in April 2014 ($300 million)*

These facilities are generally non-recourse to AFG (refer to Section 8 and Section 3.5.3).

4.16 Liquidity and capital resources

AFG's principal sources of funds are cash flows from operating activities. Based on the Pro Forma Historical Consolidated Statement of Financial Position, following completion of the Offer, AFG will hold pro forma cash of $40.2 million (excluding restricted cash). AFG will also hold $41.6 million in restricted cash. Restricted cash represents amounts relating to the entities controlled by AFG which operate within AFG Securities. Included in this balance are amounts received from collections of AFG Home Loans borrowers, together with drawdowns from wholesale funding providers to fund future mortgages. Restricted cash is therefore not available for use by AFG to fund working capital, capital expenditure or any investment opportunities but is available to generate interest income.

AFG leases its premises across the country and these premises do not require significant capital expenditure. Costs to develop and maintain its IT systems, particularly FLEX, have historically predominantly been expensed when incurred, and the Forecast Financial Information has been prepared on a consistent basis.

AFG expects that it will have sufficient cash flow from operations to meet its operating requirements and business needs during the Forecast Period.

4.17 Contractual obligations and commitments

As described in Section 9.8, prior to the date of this Prospectus, AFG divested its property development interests to a separate entity, Establish Property Group Ltd. As part of this divestment, AFG has agreed to continue in its role as guarantor under funding arrangements and a former joint venture arrangement in relation to two of the property development projects.

In relation to the first development (Richmond Quarter), AFG is the guarantor under a facility provided by CBA. AFG as guarantor has agreed to guarantee all debts and monetary liabilities up to a maximum amount of $5 million plus any indemnity payments, tax, costs and expenses and interest on overdue amounts. In relation to this development, AFG is also the guarantor under a former joint venture arrangement. AFG as guarantor has agreed to guarantee the payment and performance obligations of a subsidiary of Establish Property Group Ltd in relation to termination of the joint venture arrangement up to a maximum amount of approximately $4.69 million. As guarantor, AFG has also agreed to indemnify the former joint venture partner against all loss paid, suffered or incurred relating directly or indirectly to any failure by AFG to pay the guaranteed money or to comply with any of its obligations under the agreement.

In relation to the second development (Parklink), AFG is the guarantor under a facility provided by St George Bank. AFG as guarantor has agreed to guarantee a maximum amount of $870,000 plus any interest, amounts payable for a breach of an obligation and other costs and expenses.

In relation to the first development (Richmond Quarter), construction commenced in December 2013 and is planned for completion in December 2015 and building costs are subject to a fixed price contract. The residential component of the project is over 95% presold with the commercial component over 55% sold. In relation to the Parklink project, the project is now completely presold. Delays and increased costs are expected on this project as the builder ceased works and a replacement builder will be required to take over partially completed works.

Based on information available as at the date of this Prospectus, having regard to the current status of the redevelopments being undertaken by Establish Property Group Pty Ltd, AFG Directors believe that Establish Property Group Ltd is appropriately capitalised.

05.
RISKS

5.1 Introduction

This Section 5 describes what AFG believes to be the key potential risks associated with an investment in AFG and the industry in which it operates, as well as the general risks associated with an investment in Shares.

It does not purport to be an exhaustive list of every risk that may be associated with an investment in AFG's business or the industry in which it operates, or an investment in Shares, now or in the future. The occurrence or consequences associated with each risk are partially or completely outside the control of AFG, the Directors and Management and, if they were to eventuate, may adversely affect the future operating and financial performance of, and the value of an investment in, AFG.

The selection of risks included in this Section 5 has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. The assessment is based on the knowledge of the Directors as at the date of this Prospectus, but there is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge. Individually or in combination, the risks identified may materially affect the future operating and financial performance of AFG, its investment returns and the value of an investment in AFG.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of the risks described in this Section 5 and consider whether the Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus, or have any questions about whether to invest in AFG, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

5.2 Risks specific to an investment in AFG

5.2.1 Regulatory risks

As noted in Section 2.1.3, in Australia, the mortgage broking industry is primarily regulated by ASIC and under the NCCP Act. The industry is also subject to a variety of other laws including privacy, financial transaction reporting and money laundering laws.

If AFG does not meet regulatory requirements, such as responsible lending obligations under the NCCP Act, it may suffer penalties or one of AFG's ACLs could be affected, which is likely to have a material impact on AFG's business and financial performance. These penalties may include:

- fines;
- compensation; and
- cancellation or suspension of authority to carry on business.

In addition, the regulatory framework may change. This could have an impact on the mortgage broking industry or AFG's operations. Depending on the nature of any such changes, it may adversely impact the operations or future financial performance of AFG.

As noted in Section 2.1.3, APRA directly oversees members of the AFG Lending Panel who are ADIs. Accordingly, although AFG is not regulated by APRA, APRA's decisions may indirectly impact AFG's business.

In December 2014, APRA released a letter to all ADIs reinforcing sound residential mortgage lending practices. The central theme to this communication was around the strengthening of residential mortgage lending standards. Introduction of regulatory measures designed to strengthen lending standards for some or all of the ADIs would impact the type of mortgage product being made available by the ADI to the market and this, in turn, could impact upon AFG's earnings. An increase of the buffer on serviceability, for example, would reduce the amount a customer would be able to borrow from an ADI. A cap on the percentage of investor loans for an ADI might see a reduced offering for the product, which could be reflected in a higher interest rate being charged for that loan product. Further, an increase in the amount of allocated capital for various loan products may see the internal cost of holding those assets become higher with this cost being passed on to the end customer.

The Future of Financial Advice reforms, which were mandatory from 1 July 2013, address the conflict of interest that exists when a financial advisor recommends a product. While the legislation generally does not apply to the mortgage broking industry, it is easily comparable, and the mortgage broking industry could face structural change similar to that occurring in the financial services industry. If this structural change was implemented, it could fundamentally change the way that mortgage brokers are compensated. Such a change would disrupt the mortgage broking industry and have a significant adverse effect on the financial performance of wholesale mortgage brokers such as AFG.

In March 2015, the RBA released its Financial Stability Review noting risks arising from the use of mortgage brokers. The review states that lenders have increased commission rates paid to mortgage brokers and have provided other incentives to their mortgage broker networks. The report also states that the more banks use mortgage brokers, the greater is the risk that a misaligned mortgage broker incentive structure would generate significant amounts of lending that is outside a lenders risk tolerance or is otherwise inappropriate. Any changes to the regulatory framework as a result of this review could have an impact on the mortgage broking industry or AFG's operations and may adversely impact the operations and future financial performance of AFG.

5.2.2 Increased competition may affect AFG's competitive position

AFG operates in a competitive market. AFG faces the risk that increasing levels of competition, including competition from business models using new technology platforms could result in, among other things, AFG foregoing a greater proportion of its profit margin to retain volumes of mortgages written, reduced upfront commissions and trail commissions and changes to the structure of upfront commissions and trail commissions by Lenders (such as the replacement of trail commissions with up-front commissions). This may result in reduced revenue, reduced operating margins and a loss of market share, which may have a material adverse effect on AFG's business, operating and financial performance and position and future prospects.

5.2.3 AFG relies on Lenders pursuing third party distribution channels

AFG's business depends on Lenders originating loans through mortgage brokers rather than directly (for example, through a Lender's own branches or other distribution platforms such as mobile lending services) and providing competitive products and service levels. AFG's business would be impacted by any significant changes in the business practices of Lenders such as increased reliance on direct distribution methods including new technologies.

AFG, and the mortgage broking industry generally, is reliant on Lenders' willingness to employ third party distribution channels as a means of marketing their loan products. Depending on the relative cost of other distribution methods, in the future Lenders may also decide to decrease their reliance on (or not to use) third party channels, develop competing distribution channels or reduce current upfront or trail commission terms, any of which would have a significant adverse effect on the industry generally and on AFG.

AFG is also reliant on receiving access to competitive products from the AFG Lending Panel to enable AFG Brokers to attract customers in an increasingly competitive mortgage market. There can be no assurance that AFG will continue to be able to access competitive products.

5.2.4 AFG relies on relationships with its Lenders

The success of AFG's business and its ability to grow relies on AFG's relationship with Lenders on the AFG Lending Panel. There are a number of risks associated with AFG's agreements with Lenders. For example, Lenders generally have an ability under the agreements to change the terms or rates of payments to AFG for future originations. Such a change may have a material adverse effect on AFG's financial performance.

Lenders also have the right to terminate their agreements with AFG for the lodgement of new loans, including without cause or by notice (depending on the termination event or circumstances). Notice periods for termination may be as short as 7 days. In circumstances where AFG has breached an agreement with a Lender, in some cases the Lender may cease paying trail commissions.

A loss of any of AFG's agreements with Lenders on the AFG Lending Panel, or a reduction in the number of Lenders on the AFG Lending Panel, could reduce AFG's competitive advantage and have an adverse impact on AFG's business, operating and financial performance.

5.2.5 AFG may be adversely affected by a rise in interest rates

Australian consumers and residential borrowers currently enjoy historically low interest rates which have contributed to the growth of the AFG Loan Book. In the event interest rates significantly increase, potential borrowers' willingness and ability to borrow may be greatly reduced and the volume of loans settled could significantly decrease, affecting the AFG Loan Book and the associated financial performance of AFG.

5.2.6 AFG may be adversely affected by a change in the wholesale lending market

The capacity of Lenders to continue providing lending products and services may be affected by a change in the wholesale lending market. A change in the wholesale lending market may mean that Lenders are no longer able or willing to provide these products or services, which may adversely affect the AFG Loan Book and the operations or future financial performance of AFG.

Additionally a proportion of AFG Home Loan's funding is reliant on the wholesale lending market. Any detrimental change to the underlying cost of funds of this funding will impact the net interest margin being generated by the AFG Home Loan business. Further, so as to preserve net interest margins, AFG may decide to pass on some or all of the increase in cost of funds to the home loan customer and as such this may adversely impact the AFG Home Loan loan life and/or give rise to damage to AFG's reputation in the market.

5.2.7 AFG may not be able to retain existing key AFG Brokers or attract new mortgage brokers

AFG currently has in excess of 2,300 AFG Brokers Originating mortgage products through AFG's platform. The success of AFG's business and its ability to grow relies on AFG's ability to retain the existing key AFG Brokers, and its ability to continue to attract productive mortgage brokers. If AFG is not able to retain the existing key AFG Brokers, or attract new productive mortgage brokers, this could have an adverse impact on AFG's business, operating and financial performance.

If AFG Brokers do not continue their contracts with AFG or sign with a competing aggregation network, AFG's settlement volumes and subsequent financial performance would be adversely affected.

5.2.8 AFG faces risks associated with the conduct of AFG Brokers

AFG faces a number of risks arising from the conduct of the AFG Brokers, including additional risks associated with AFG Brokers who are AFG Credit Representatives. AFG currently has over 700 AFG Credit Representatives.

Under the NCCP Act, AFG is liable to customers for any loss or damage that they suffer as a result of an AFG Credit Representative's conduct. This applies to conduct that relates to a credit activity on which the customer could reasonably be expected to rely and in fact relied in good faith. Where AFG is responsible for the conduct of its credit representatives, the customer has the same remedies against AFG as it has against the credit representative. This means that customers can take action against AFG in respect of the AFG Credit Representative's conduct.

AFG also has obligations in respect of its credit representatives as an ACL holder. These obligations include to:

- take reasonable steps to ensure that they comply with the credit legislation; and
- ensure that they are adequately trained, and are competent, to engage in the credit activities authorised by the ACL.

Failure by AFG to meet these requirements could result in penalties, more onerous ACL conditions, the imposition of restrictions on AFG's ACL, or the loss of AFG's ACL. In order to provide wholesale mortgage broking services AFG must either hold an ACL or be authorised to provide those services under a third party's ACL. Therefore, the loss of AFG's ACL could result in AFG being unable to continue its business as a wholesale mortgage broker.

Although AFG has Professional Indemnity Insurance in place, AFG could nevertheless incur significant losses if there was widespread or systemic fraud or other breaches of the law by AFG Brokers. Losses to AFG could result if the limits of the insurance policy were exhausted or if it did not adequately respond to the claims. Claims on AFG's Professional Indemnity Insurance policy may also have an adverse effect on AFG's ability to negotiate competitive renewal terms as well as on AFG's reputation and brand name.

As an ACL holder AFG must also have processes in place to resolve disputes with customers of AFG Credit Representatives, be a member of an approved dispute resolution scheme and have compensation arrangements in place. It may be costly for AFG to deal with customer complaints and AFG may be required to pay compensation to resolve complaints.

There is also a risk that misconduct by an AFG Broker relating to falsifying or misstating loan application information and documentation that is provided to Lenders in relation to potential borrowers may go undetected by AFG. This is because application information and documentation is submitted to Lenders without review by AFG. This could lead to significant reputational damage, regulatory action and financial loss to AFG.

5.2.9 Licences are required for AFG's core business activities

The AFG Group is required to hold certain licenses in order to conduct its business, including ACLs that authorise it to engage in certain credit activities and an AFSL held by AFG Securities in order to deal or advise in securities (such as RMBS). Compliance with the obligations of an ACL or an AFSL is the responsibility of the licensee.

If any of the ACL holders (including AFG) do not comply with the conditions of that licence or meet regulatory requirements, that entity could be subject to penalties, more onerous licence conditions, the imposition of licence restrictions or the loss of that licence.

If AFG or any of its AFG Group companies is unable to retain its ACL or AFSL, AFG may not be able to continue to operate its business, or aspects of its business, in the current form. This would have a material adverse impact on the financial performance and position of AFG.

If AFG Securities is unable to retain its AFSL, this would impact AFG Securities' ability to offer Securitisation services to provide funding for AFG Home Loans. If this occurred, AFG Home Loans would be required to seek funding from alternative sources. This would also lead to a loss of the Net Interest Margin earned by AFG Securities and therefore may adversely affect the financial performance of AFG.

5.2.10 AFG's reputation may be damaged

The success of AFG is reliant on the maintenance of its reputation and brand name. Reputational damage could arise due to a number of circumstances, including improper conduct, human error, actions by third parties or adverse media coverage. In particular, illegal practices by AFG Brokers and AFG Credit Representatives such as fraud or non-compliance with regulatory requirements (for example, AFG Brokers and recommending unsuitable products to their customers) could adversely affect AFG's reputation. These actions could also lead to regulatory action including penalties which could materially affect AFG's business.

Any factors that damage AFG's reputation may potentially affect its ability to attract and retain productive AFG Brokers and maintain relationships with its existing panel of Lenders, as well as AFG's ability to attract key employees. In such situations, AFG's business and operating and financial performance could be materially adversely affected.

5.2.11 AFG relies on information technology systems

AFG's ability to service and pay AFG Brokers is dependent on its information technology systems and relationships with service providers. Interruptions, failure or delay in the provision of services could severely impact the business operations of AFG and AFG Brokers as well as damaging AFG's reputation. Any issue with AFG's information technology systems may also impact on AFG's operational capabilities and financial performance.

5.2.12 AFG may not be able to retain key management

AFG relies on a management team with significant mortgage broking industry knowledge and experience.

If AFG is not able to retain key members of its management team, or if there is any delay in their replacement, AFG may not be able to operate its business to the current standard or implement its business strategies. These occurrences may adversely impact AFG's business and operating and financial performance, including its ability to grow.

5.2.13 Employees may leave and AFG may not be able to attract sufficiently skilled and trained employees

AFG employs individuals who are key to the success of its business. These individuals typically possess deep industry expertise and have well-established relationships with AFG Brokers and the AFG Lending Panel. The loss of key employees could undermine AFG's ability to operate its business to the current standard. These occurrences may have a material adverse impact on AFG's earnings and profitability.

While the departure of an individual employee from AFG may not have a material impact on AFG, the departure of a number of key personnel simultaneously or over a short period of time could have a material adverse effect on AFG's operations and financial performance.

5.2.14 AFG relies on an external software provider

AFG's business is reliant on one major software provider, Oracle, to provide the backbone of its FLEX and financial reporting systems. The ability to plan the future development of the information technology platform is affected by Oracle's own program and AFG's relationship with Oracle. AFG is currently reliant on Oracle for further technology changes and is therefore subject to the risk that Oracle will not continue to provide these services at a reasonable cost.

5.2.15 Change in corporate governance requirements

AFG's transition from an unlisted public company to a listed public company will result in changes in financial reporting and corporate governance requirements. An inability by AFG to adequately manage and resource this change in financial reporting and corporate governance, or to properly identify key compliance risks, may have a material adverse impact on AFG's business from a licensing, regulatory and reputational perspective.

5.2.16 AFG may not meet its forecasts

The forward-looking statements, opinions and estimates provided in this Prospectus, including the financial forecasts, are based on assumptions, some of which are described in Section 4.12. Various factors, both known and unknown, may impact AFG's performance and cause actual performance to vary significantly from what was expected. There can be no guarantee AFG will achieve its stated objectives or that any forward-looking statement or forecast will eventuate.

5.2.17 AFG faces operational risks and costs

AFG is exposed to operational risks present in the current business including risks arising from process error, fraud, system failure, failure of security and physical process systems, customer services, staff skills and performance, and product development and maintenance. Operational risk has the potential to have a material adverse effect on AFG's financial performance and position as well as reputation.

5.2.18 AFG faces mortgage management risks

Through AFG Home Loans, AFG provides its own branded residential mortgage products that are funded by wholesale funding providers (as described in Section 3.5). Any loss on a loan that results from non-compliance with the relevant wholesale funding provider's policy could potentially result in the Lender transferring that loss to AFG.

In AFG Securities, in the event of a loan loss, AFG would also bear the associated costs of the default and loss of interest revenue in addition to potential principal loss, where lenders' mortgage insurance does not cover the loss on the loan.

In either situation, the financial performance of AFG could be adversely affected.

5.2.19 AFG faces risks associated with its Securitisation warehouse facilities

Certain Securitisation warehouse facilities entered into by AFG provide for short term funding (for example 364 days), relative to the term of the underlying mortgage loans. Such funding term may only be extended, if requested by AFG, at the absolute discretion of the relevant financier. If the relevant facility is not extended, and AFG is not able to otherwise refinance the facility before the expiry of the then current availability period, an event of default will occur.

Each Securitisation warehouse facility entitles the relevant financier to cancel the facility on the occurrence of certain events (for example amortisation events or stop funding events). If this occurs, AFG may not be able to continue to settle loans forming part of the AFG Home Loans book unless replacement facilities are put in place.

Each facility also entitles the relevant financier to accelerate amounts due, and take enforcement action (which may include disposal of the underlying mortgage loan pool or diverting some or all of the excess spread to repay principal owing), on the occurrence of certain events (for example events of default). Any such enforcement may have a negative impact on AFG, including:

- loss of potential further excess margin over cost of funds on the underlying mortgage loan pool; and
- crystalising a principal loss, if the underlying mortgage loan pool is sold at a discount to par.

The occurrence of such events of default are not necessarily in the control of AFG or AFG Securities (for example, many of the events of default relate to performance by the third party trustee company).

5.2.20 AFG may be removed as trust manager and servicer under the Securitisation facilities

AFG Securities has been appointed as trust manager and servicer of each Securitisation special purpose vehicle trust as part of the Securitisation facilities. As trust manager and servicer, AFG Securities earns fee income as well as administering key aspects of the securitisation structure. Each of the Securitisation warehouses and term facilities provides for the ability to remove AFG Securities as trust manager or servicer following the occurrence of certain agreed events. Any such removal will result in a loss of fee income as well as adversely affecting AFG's ongoing ability to manage the relevant facilities and the underlying mortgage loan pools.

5.3 General risks of an investment in AFG

5.3.1 Price of Shares may fluctuate

As a publicly-listed company on ASX, AFG will be subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in its Share price that are not explained by the fundamental operations and activities of AFG.

The price at which Shares are quoted on ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the Final Price. There is no assurance that the price of the Shares will increase following the commencement of quotation on ASX, even if AFG's earnings increase.

5.3.2 Economic uncertainty may affect the value of Shares

General economic conditions, both domestically and internationally, including long-term inflation rates, exchange rate movements, interest rate movements and movements in the general market for ASX and internationally listed securities may impact the performance of AFG by adversely affecting the market price of Shares and the ability of AFG to pay dividends. General economic conditions may also reduce market demand for mortgages and associated services, affect AFG's costs and affect other underlying mortgage broking industry fundamentals, all of which may impact AFG's financial performance. As a result of these economic factors, the Shares may trade on ASX at a price that is below the Final Price.

5.3.3 Trading in Shares may not be liquid

There is currently no public market through which the Shares of AFG may be sold. There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares and may prevent investors from acquiring more Shares or disposing of Shares they acquire under the Offer. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.

5.3.4 Shareholdings may be diluted

In future, AFG may issue Shares to new investors in order to finance AFG's operations or growth strategy. While AFG will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital it is able to issue within a 12 month period, as a result of any new issue of Shares, an investor's proportional beneficial ownership in the underlying assets of AFG may be diluted.

5.3.5 There may be changes to legal, accounting and regulatory requirements

An investment in Shares may be adversely affected by legal, accounting and regulatory changes or requirements, and actions pursuant to such requirements. Potential changes to existing laws or the introduction of new laws could increase AFG's compliance costs and obligations. If AFG fails to comply with applicable laws or regulations, it may be subject to fines, injunctions, penalties, remediation, total or partial suspension of regulatory approvals or other sanctions that may have an adverse effect on an investment in Shares.

5.3.6 Litigation may be commenced against AFG

AFG relies on contractual arrangements with AFG Brokers, the AFG Lender Panel and AFG's product and services providers. From time to time, disputes may arise under those contracts and AFG may commence or be subject to litigation to resolve a dispute. Litigation has the potential to disrupt AFG's business, adversely affect AFG's financial performance and damage AFG's reputation.

5.3.7 Risk of dividends not being paid or fully franked

The payment of dividends by AFG is determined by the Board from time-to-time at its discretion, depending on the profitability and cash flow of AFG's business and its financial position at the time. Circumstances may arise which result in AFG reducing or ceasing to pay dividends for a period of time.

To the extent that AFG pays any dividends, AFG may not have sufficient franking credits in the future to frank dividends, or the franking system may be subject to review or reform. In addition, if the proportion of AFG's earnings from offshore operations increases, it may not be possible to frank dividends. The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder. See Section 9.10 for further information on tax considerations in relation to the Offer.

5.3.8 There may be changes to tax rates or laws (or the manner in which those tax laws are applied or interpreted by a tax authority or court)

Any change to the existing rate of company income tax may adversely impact Shareholder returns, as may a change to the tax payable by Shareholders. Any other changes to Australian tax law and practice (including the manner in which a tax law or tax regulation is applied or interpreted by a tax authority or court) that impact AFG, or the mortgage broking industry generally, could also have an adverse effect on Shareholder returns.

5.3.9 Expected future events may not occur

Certain statements in this Prospectus constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and achievements of AFG to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Given these uncertainties, prospective investors should not place undue reliance on such forward-looking statements. In addition, under no circumstances should a forward-looking statement be regarded as a representation or warranty by AFG, SaleCo or any other person referred to in this Prospectus that a particular outcome or future event is guaranteed.

5.3.10 A workplace accident or incident may occur

There is a risk that liability arising from workplace health and safety matters may be attributable to AFG. To the extent that AFG bears any such liability, this may impact its financial performance (to the extent not covered by insurance). In addition, AFG may have to pay monetary penalties, which may also adversely affect its financial performance.

5.3.11 Release of escrow

As noted in Section 7.8, Shares held by the Escrowed Shareholders at Completion of the Offer will be subject to voluntary escrow arrangements which prevent them from disposing their escrowed Shares until the date on which AFG's audited full-year results for the period ending 30 June 2016 are released to the ASX. In the event that a significant number of these holders decide to sell some or all of these Shares at the Completion of the escrow period (either collectively or individually), the volume of potential Shares for sale will be significant relative to AFG's free float (potentially representing up to 48.9% of the Shares on issue at listing of AFG on the official list of ASX). This may have a material adverse effect on the price of Shares, potentially leading up to, at the time of, and/or post any completed or attempted sell down.

5.3.12 Force Majeure events may occur

Events may occur within or outside Australia that could impact upon the world economy, the operations of AFG and the price of the Shares. These events include war, acts of terrorism, civil disturbance, political intervention, financial market disruption and natural events such as earthquakes, floods, fires and poor weather. Any of these events could have a detrimental effect on AFG's business and an investment in AFG.

06.

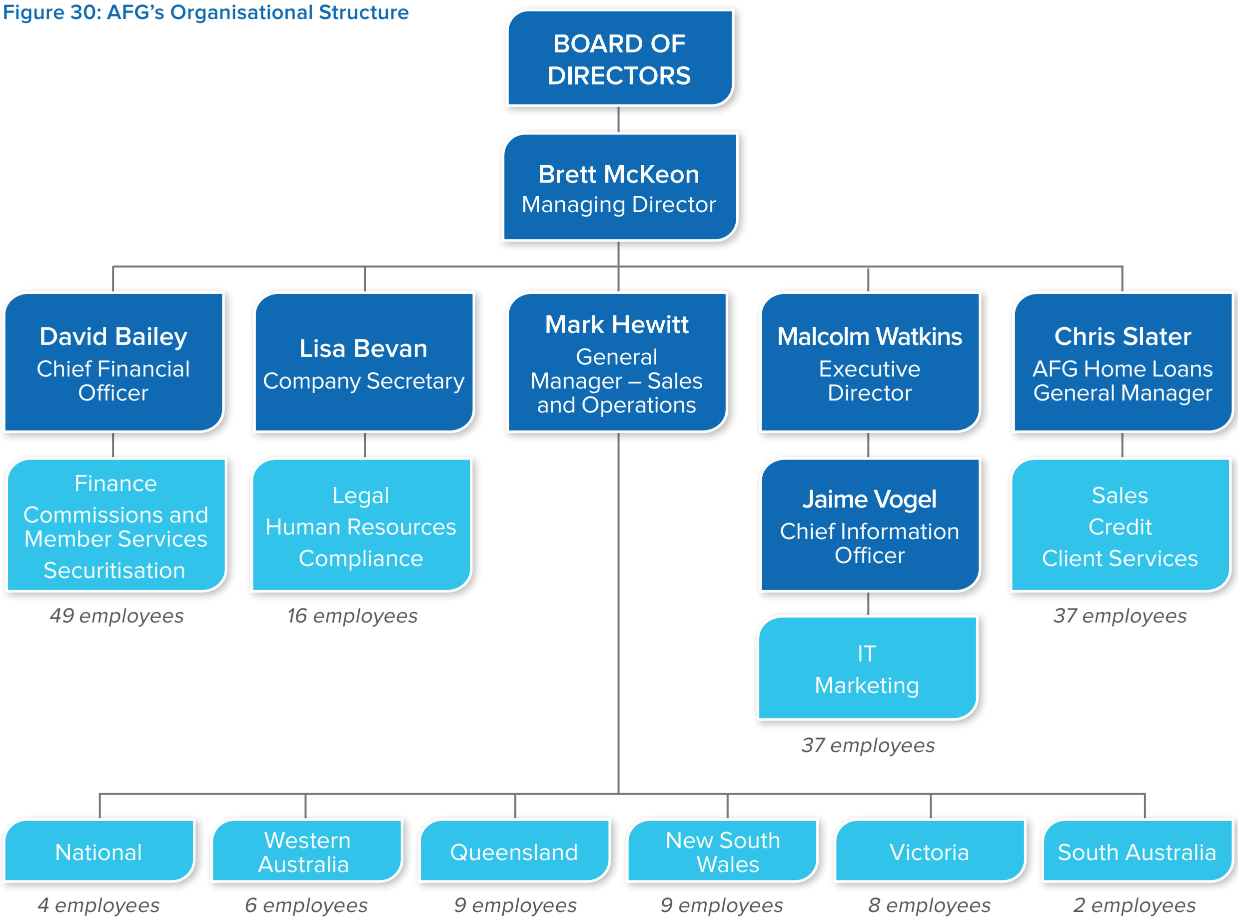
KEY PEOPLE, INTERESTS AND BENEFITS

6.1 Overview

On Completion of the Offer, AFG will be operated by a team of experienced and dedicated senior management executives. This team will be led by Managing Director Brett McKeon, who will report to AFG's Board.

Figure 30 below outlines the organisational structure of AFG and provides a breakdown of AFG's operational and functional divisions.

Figure 30: AFG's Organisational Structure



Source: AFG

6.2 Board of Directors

At listing of AFG on the official list of ASX, AFG's Board will comprise seven members, including two Executive Directors and five Non-Executive Directors (four of whom are independent, including the Chairman). Board members have a range of experience in the mortgage broking industry and, more broadly, within the banking and finance sector.

A biography of each of the Directors is contained in the table below.

TONY GILL

Independent Non-Executive Chairman

Tony is the Chairman of the AFG board, a position he has held since 2008. Tony has extensive experience across Australia's finance industry, including Macquarie Bank for more than 16 years, most recently as Group Head of the Banking and Securitisation Group (BSG). Prior to joining Macquarie, Tony was a Chartered Accountant with a major international firm in Australia and Canada, and then went on to work for a number of other banks and financial institutions.

Tony's banking experience spans more than three decades with expertise in banking, mortgage origination and securitisation. He is a past Chairman of the Australian Securitisation Forum and a past President of the Mortgage Industry Association of Australia.

As Head of BSG, Tony had responsibility for Macquarie's mortgage securitisation programme, PUMA, and the Bank's mortgage, margin lending, credit card, consumer lending and banking activities in Australia and overseas. PUMA was the largest issuer of mortgage backed securities in Australia and issued billions in mortgage backed securities into the Australian, Euro and Global markets.

Tony is also a Director of First Mortgage Services, First American Title Insurance and Genworth Australia, and also sits on the board of the Butterfly Foundation for Eating Disorders.

BRETT MCKEON

Managing Director

Brett is a founding Director of AFG and is the company's Managing Director. Brett is responsible for group strategy, corporate governance and driving the future growth and direction of AFG. Brett is a licensed finance broker.

Brett has worked for over 30 years in the finance industry and brings considerable management, capital raising, public company and sales experience to the Board.

In 2006 Brett was awarded The Ernst & Young Entrepreneur of the Year for WA.

MALCOLM WATKINS

Executive Director

Malcolm is a founding Director of AFG.

Malcolm works part-time for AFG and has strategic responsibility for AFG's technology development programs, electronic delivery systems and national marketing operations.

Malcolm's key focus is extracting real and tangible returns on the investments made to date and leveraging the strengths of AFG today to further expand market share, profitability and brand awareness.

KEVIN MATTHEWS
Non-Executive Director

Kevin is a founding Director of AFG. He previously held a role as an Executive Director and was responsible for negotiating and managing relationships with banks and lending institutions including product development and also oversaw AFG's commercial business. Kevin ceased to be an Executive Director and became a Non-Executive Director of AFG shortly prior to the date of this Prospectus.

Kevin is a member of AFG's Remuneration and Nomination Committee.

Kevin has worked in the finance industry for more than 35 years and has been a licensed finance broker for more than 25 years. He is a former director of the Mortgage and Finance Association of Australia, he served on The Mortgage & Finance Association of Australia (MFAA) National Brokers Committee for 12 years and was awarded a fellowship of the MFAA in 2001. Kevin is also a Senior Fellow of FINSIA (Financial Services Institute of Australasia).

In recognition of his lifetime contribution to the mortgage industry, in 2012 Kevin was the recipient of the "Golden Morgie" at the Australian Mortgage Awards and in 2014 he was awarded Life Membership of the MFAA.

JOHN ATKINS
Independent Non-Executive Director

John is the Chairman of Lotterywest, a Non-Executive Director of AFG Ltd, Minotaur Exploration Ltd and BWP Trust, a Director of the Chamber of Commerce and Industry of W.A. and Deputy Chairman of Committee for Perth.

John has previously been a director of ASX listed companies Aurora Oil & Gas Ltd, Alinta Infrastructure Holdings Ltd, Breakaway Resources Ltd and Pearl Street Ltd and a director of Lions Eye Institute Ltd.

John's background is as a commercial lawyer having been a partner of leading Australian law firm Freehills and its predecessors for over 20 years. He held senior management and leadership positions with that firm prior to his retirement as a partner in 2008.

John is a member of AFG's Audit Committee, Risk and Compliance Committee and is the Chair of AFG's Remuneration and Nomination Committee.

JIM MINTO
`Independent Non-Executive Director

Jim retired as Group CEO and Managing Director of life insurer TAL (formerly TOWER Australia) on 31 March 2015 after 45 years in financial services. TAL is 100% owned by Dai-ichi Life, a major global Japanese-based life insurer. Jim had been in this role since November 2006 and prior to that was Group CEO of the trans-Tasman TOWER Limited Group. Jim is an executive officer of Dai-ichi Life and a director of the Dai-ichi Life Asia Pacific regional board, based in Singapore.

Jim is a Chartered Accountant and is the Chair of the Association of Superannuation Funds of Australia (ASFA). He was also panel member of the Australian Government's Review of Natural Disasters Insurance in 2011.

Jim is a member of AFG's Audit Committee and Risk and Compliance Committee.

CRAIG CARTER
Independent Non-Executive Director

Craig has 35 years experience in stockbroking, capital markets and corporate finance. Craig was a founding partner of Porter Western Ltd which Macquarie Group acquired in 1999. Most recently, Craig was Chairman of Macquarie Capital in Western Australia and prior to this role, Craig managed the Macquarie Equities Emerging Leaders team, and was also responsible for institutional syndication of equity transactions.

Craig has been involved in many capital raisings including placements, right issues and initial public offerings across all industry groups. In 1987, Craig was admitted as a natural person member of the ASX and was a delegate to the National Listing Committee.

Craig was recently appointed to the Board of the Fremantle Football Club.

Craig is the Chair of AFG's Audit Committee and Risk and Compliance Committee and a member of AFG's Remuneration and Nomination Committee.

6.3 Senior Management

BRETT MCKEON
Managing Director

See Section 6.2.

MALCOLM WATKINS
Executive Director

See Section 6.2.

LISA BEVAN
Company Secretary

Lisa joined AFG in 1998 as Financial Controller. She was appointed as Company Secretary in 2001. Prior to joining AFG, Lisa worked in the chartered accountancy profession. In her role as Company Secretary, Lisa is responsible for managing AFG's secretariat, compliance, governance and risk managements programs. Lisa also oversees the legal and human resource functions. Lisa works closely with AFG's Managing Director, Chief Financial Officer and the AFG board implementing strategic initiatives within the group.

Lisa is a Chartered Accountant and holds a Bachelor of Commerce Degree and has a Diploma of Corporate Governance with the Institute of Chartered Secretaries.

DAVID BAILEY
Chief Financial Officer

David is a Fellow of the Institute of Chartered Accountants of Australia and New Zealand and also a Fellow of FINSIA (Financial Services Institute of Australasia) with over 25 years' professional experience. David has been with AFG for over eleven years. Upon graduating from university, David entered the chartered accounting profession where he stayed until 2000 when he took on his first senior role in commerce.

In 2004 David joined AFG as CFO, and is responsible for the finance operations of the AFG Group as a whole, together with AFG's Securitisation business. David's role within the AFG Group also extends to assisting in the strategic development of AFG including investigating new business opportunities, assisting in the implementation of new business lines and other significant projects the company undertakes.

MARK HEWITT
General Manager - *Sales and Operations*

Mark has 33 years' experience in the finance industry including 18 years in senior management roles.

During this time he has worked in a diverse range of management fields including operations, communications, relationship management, credit management, asset finance, human resources and sales.

Prior to joining AFG, Mark's previous four years were spent working for ANZ in its third party distribution area where he developed his deep understanding of the mortgage broker industry. His final role there was as national manager for key mortgage broker relationships.

Mark holds a Master of Business Administration (MBA) degree from Charles Stuart University.

JAIME VOGEL
Chief Information Officer

Jaime has over 20 years experience in the information technology industry with the past 17 in the finance industry. Jaime has extensive experience developing, managing, and implementing critical systems for some of Australia's largest financial institutions. Prior to joining AFG in November 2012, Jaime was an Executive Manager at Commonwealth Bank where he was responsible for the CommSec Wholesale and Advisory Services systems and infrastructure. Jaime holds a Bachelor of Science (Computer Science) degree, MCSE and is ITIL certified.

CHRIS SLATER
General Manager - *AFG Home Loans*

Chris joined AFG in 2007 as National Account Manager, moving in 2008 to State Manager for NSW and ACT, then on to Head of Sales for AFG Home Loans, AFG's own loan division, and was recently announced as the General Manager of AFG Home Loans.

Prior to his career at AFG Chris worked for a number of key finance and banking companies including seven years at CBA where he was a Relationship Manager, Third Party Banking. Prior to his time in the finance industry Chris worked in the media industry as a media manager and journalist.

Chris is a former MFAA NSW Council member, Business Development Manager of the year in 2007 and was more recently a Judge for the Sterling Publishing Real Estate Awards.

Chris holds a BA in Journalism, a Diploma of Securitisation, an Advanced Diploma in Management, a Diploma of Financial Services (Mortgage Broking) and has completed an Accelerated Leadership Program at the Australian Graduate School of Management.

6.4 Interests and benefits

This Section 6.4 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of AFG;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of AFG; or
- underwriter (but not a sub-underwriter) to the Offer or a financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds at the time of lodgment of this Prospectus with ASIC, or has held in the two years before lodgment of this Prospectus with ASIC, an interest in:

- the formation or promotion of AFG;
- property acquired or proposed to be acquired by AFG in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of AFG or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.4.1 Interests of advisers

AFG has engaged the following professional advisers.

- Macquarie has acted as lead manager to the Offer. AFG has paid, or agreed to pay, Macquarie the fees described in Section 9.6.1.1 for these services.
- Herbert Smith Freehills has acted as Australian legal adviser (other than in respect of taxation and financing matters) to AFG in connection with the Offer. AFG has paid, or agreed to pay, approximately $600,000 (plus disbursements and GST) for these services to the date of this Prospectus. Further amounts may be paid to Herbert Smith Freehills in accordance with its normal time-based charges.
- Deloitte Corporate Finance Pty Limited has prepared the Investigating Accountant's Report on the Pro Forma Historical Financial Information and Forecast Financial Information. Deloitte Corporate Finance Pty Limited has also performed due diligence enquiries in relation to the Pro Forma Historical Financial Information and the Forecast Financial Information. AFG has paid, or agreed to pay, approximately $325,000 (plus GST) for these services to the date of this Prospectus. Further amounts may be paid to Deloitte Corporate Finance Pty Limited in accordance with its normal time-based charge-out rates.
- Deloitte Tax Services Pty Ltd has acted as the provider of tax due diligence services in connection with the Offer and provided the taxation wording in Section 9.10 of this Prospectus. AFG has paid, or agreed to pay, approximately $75,000 (plus GST) for these services to the date of this Prospectus. Further amounts may be paid to Deloitte Tax Services Pty Ltd in accordance with its normal time-based charges.

In addition, Morgans Corporate Limited have been engaged as Co-Manager to the Offer and will be paid a broker firm fee of 1.5% (inclusive of GST) of the value of its allocation of Offer Shares, an administration fee of $100,000 and an incentive fee of up to $50,000, payable by the Lead Manager out of the fees payable to the Lead Manager by AFG under the Offer Management Agreement.

6.4.2 Directors' interests and remuneration

Brett McKeon is employed by AFG in the position of Managing Director. Refer to Section 6.4.3.1 for further details.

6.4.2.1 Non-Executive Director remuneration

Under the Constitution, the Board may decide the remuneration from AFG to which each Director is entitled for his or her services as a Director. However the total amount provided to all Non-Executive Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by AFG in general meeting. This amount has been fixed at $1 million. For the financial year ending 30 June 2015, the fees payable to the current Non-Executive Directors will not exceed $510,000 in aggregate. The annual Non-Executive Directors' fees currently agreed to be paid by AFG are $150,000 to the Chairman and $90,000 to the other Non-Executive Directors. The remuneration of a Director (who is not a Managing Director or an Executive Director) must not include a commission on, or a percentage of, profits or operating revenue.

6.4.2.2 Deeds of indemnity, insurance and access for Directors

AFG has entered into a deed of indemnity, insurance and access with each Director which confirms the Director's right of access to certain books and records of AFG and its related bodies corporate while they are a director and for a period of seven years after the Director ceases to hold office. The deeds of indemnity, insurance and access also requires AFG to indemnify Directors to the full extent permitted by law against all losses or liabilities (including all reasonable legal costs) incurred by the Director as an officer of AFG or of a related body corporate.

Pursuant to the Constitution, AFG may to the extent permitted by law, purchase and maintain insurance or pay or agree to pay a premium for insurance, for each Director against any liability incurred by the Director as an officer of AFG or of a related body corporate. Under the deeds of indemnity, insurance and access, AFG must obtain such insurance until seven years after a Director ceases to hold office as a director of AFG or a related body corporate (or the date any relevant proceedings commenced during the seven year period have been finally resolved).

6.4.2.3 Other information about Directors' remuneration

Directors may be paid for travel and other expenses incurred in attending to AFG's affairs, including attending and returning from meetings of directors or committees or general meetings. Any Director who devotes special attention to the business of AFG or who performs services which, in the opinion of the Board, are outside the scope of ordinary duties of a director, may be remunerated for the services (as determined by the Board) out of the funds of AFG. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

6.4.2.4 Directors' shareholdings

Directors are not required under the Constitution to hold any Shares. Shareholdings of all Directors on Completion of the Offer are set out in the table below[34]. Some of these Shares will be subject to voluntary escrow arrangements. Please refer to Section 7.8 for further detail. The Directors are entitled to participate in the Broker Firm Offer and/or the Priority Offer and may elect to subscribe for Shares in the Offer.

	Shareholding prior to the Offer	Percentage holding prior to the Offer	Shareholding on Completion of the Offer	Percentage holding on Completion of the Offer
Tony Gill	2,250,000	1.2%	2,250,000	1.0%
Brett McKeon	33,887,636	18.1%	21,179,773	9.9%
Malcolm Watkins	33,764,302	18.0%	21,102,689	9.8%
Kevin Matthews	33,764,302	18.0%	16,882,151	7.9%
John Atkins	136,364	0.1%	136,364	0.1%
Jim Minto	-	-	-	-
Craig Carter	-	-	-	-

6.4.3 Executive remuneration

6.4.3.1 Managing Director

Details regarding the terms of employment of the Managing Director, Brett McKeon, are set out below.

Term	Description
Employer	Brett McKeon is employed by Australian Finance Group Ltd.
Total fixed remuneration	Under the terms of his agreement, Brett is entitled to receive annual fixed remuneration of $500,000 per annum (inclusive of superannuation).
Short term incentive (STI)	In addition to his annual fixed remuneration, Brett is entitled to participate in AFG's Short Term Incentive Plan (STI Plan). For each financial year ending 30 June, Brett will be entitled to a target STI opportunity of $250,000, subject to meeting performance targets based on NPAT. The key terms of the STI Plan are set out in Section 6.4.4 below.
Long Term Incentive (LTI)	Brett is eligible to participate in AFG's LTI arrangements that will be granted under the LTI Plan. On or around listing, AFG intends to grant Performance Rights over shares in AFG (Performance Rights) with a total face value of $150,000 to Brett under the LTI Plan which will vest if performance targets and other terms of the LTI Plan set out in Section 6.4.4 below are met. The number of Performance Rights will be determined by dividing $150,000 by the Final Price.
Termination	Brett's employment may be terminated by either party upon giving 12 months' notice. AFG can elect to make a payment in lieu of all or part of the notice period. AFG may terminate Brett's employment immediately and without notice in certain circumstances, including for committing a serious or persistent breach of his employment agreement or serious misconduct. All payments on termination will be subject to the termination benefits cap under the Corporations Act.
Restraint	Brett's employment agreement also includes: ■ a post-employment non-competition restraint of trade, which operates in Australia for a maximum period of 12 months from the date on which Brett's employment ends; and ■ a post-employment non-solicitation restraint of trade, which operates in Australia for a maximum period of 12 months from the date on which Brett's employment with AFG ends. The enforceability of the restraint of trade clauses is subject to all usual legal requirements.

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[34] Brett McKeon holds his Shares through MBM Investments Pty Ltd as trustee for The Brett McKeon Family Trust. Malcolm Watkins holds his Shares through MSW Investments Pty Ltd as trustee for The Malcolm Stephen Watkins Family Trust and Kevin Matthews holds his Shares through Oceancity Investments Pty Ltd as trustee for The Matthews Family Trust.

6.4.3.2 Other key management personnel

The other members of senior management are employed under individual agreements. Details regarding the terms of their engagement are set out below.

Term	Description
Remuneration and termination	Members of AFG's senior management are engaged under individual agreements. These agreements provide for a total compensation including a base salary, superannuation contribution and incentive arrangements (explained below); variable notice and termination provisions, including termination payments of up to 12 months' remuneration; and variable restraint provisions. All payments to key management personnel on termination will be subject to the termination benefits cap of the Corporations Act.
STI	In addition to their annual fixed remuneration, certain members of senior management are entitled to participate in AFG's STI Plan. For the year ending 30 June 2016, members of senior management have a target STI opportunity in aggregate of $270,000, subject to meeting performance targets based on NPAT. The STI opportunity for the year ending 30 June 2017 will be determined by the Board. The key terms of the STI Plan are set out in Section 6.4.4 below.
LTI	Certain members of senior management will be entitled to participate in AFG's new LTI arrangements that will be granted under the LTI Plan. On or around listing, AFG intends to grant Performance Rights with a total face value of $260,000 to members of senior management under the LTI Plan which will vest if performance targets and other terms set out in Section 6.4.4 below are met.

Senior executive remuneration will be reviewed by the Board annually.

6.4.4 Employee incentive plans

6.4.4.1 The STI Plan

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

Each year performance will be measured for the 12-month period ending 30 June. Any STI which is awarded will be delivered in cash around the end of September each year after performance against specified performance targets has been measured.

Participants will need to be employed and not under notice of resignation or termination until at least 30 June of the relevant year to be eligible for an STI award, except in good leaver cases including retirement or bona fide redundancy where some or all of the payment may be made at the discretion of the Board.

2016 STI award

Awards to key management personnel, including the Managing Director, Brett McKeon and Executive Director, Malcolm Watkins, for the period 1 July 2015 to 30 June 2016 will be made under the STI Plan on the terms set out below.

The Managing Director, Executive Director and key management personnel will be entitled to an STI award up to a maximum percentage of their annual fixed remuneration (the maximum amount will differ between individuals, but not exceed 50% of annual fixed remuneration).

For the 2016 STI award, the amount of the STI award each participant may become entitled to (if any) will be determined by the Remuneration and Nomination Committee and approved by the Board based on achievement against the targeted NPAT set out in this Prospectus.

Threshold Target

In order for an STI award to be payable, a threshold target must be satisfied, being 100% of NPAT achievement to forecast set out in this Prospectus (the Threshold Target).

Calculation of STI award

The percentage of the STI award that will become payable, if any, will be determined over the performance period by reference to the following schedule:

NPAT achievement to forecast	STI award payable
Less than 100%	$0
100%	100%
100%-120%	Straight line between 100% -120%

The Board has discretion to take into account unbudgeted extraordinary items approved by the Board. From time to time bonuses may be paid outside this structure in relation to special project or special circumstances subject to approval from the Remuneration and Nomination Committee.

6.4.4.2 The LTI Plan

AFG has established the LTI Plan to assist in the motivation, retention and reward of senior management. The LTI Plan is designed to align the interests of executives and senior management with the interests of Shareholders by providing an opportunity for the participants to receive an equity interest in AFG.

The LTI Plan Rules provide the framework under which the LTI Plan and individual grants will operate.

The key features of the LTI Plan are outlined in the table below.

Term	Description
Eligibility	Offers may be made at the Board's discretion to employees of AFG or its related bodies corporate or any other person that the Board determines to be eligible to receive a grant under the LTI Plan.
Grant of performance rights	The LTI Plan Rules provide flexibility for AFG to grant one or more of the following securities as incentives, subject to the terms of individual offers: ■ performance rights ■ options ■ restricted shares. An option is an entitlement to receive a Share upon satisfaction of applicable conditions and payment of an applicable exercise price. A performance right and a restricted share are each an entitlement to receive a Share for no consideration upon satisfaction of applicable conditions. Unless otherwise specified in an offer document, the Board has the discretion to settle performance rights or options with a cash equivalent payment.
Offers under the LTI Plans	The Board may make offers at its discretion and any offer documents must contain the information required by the LTI Plan Rules. The Board has the discretion to set the terms and conditions on which it will offer performance rights, options and restricted shares in individual offer documents. Offers must be accepted by the employee and can be made on an opt-in or opt-out basis. AFG intends to make opt-out offers.
Issue price	Unless the Board determines otherwise, no payment is required for a grant of a performance right, option or restricted share under the LTI Plan.
Vesting	Vesting of performance rights, options or restricted shares under the LTI Plan is subject to any vesting or performance conditions determined by the Board and specified in the offer document. Options must be exercised by the employee and the employee is required to pay the exercise price before Shares are allocated. Subject to the LTI Plan Rules and the terms of the specific offer document, any performance rights, options or restricted shares will either lapse or be forfeited if the relevant vesting and performance conditions are not satisfied.

Cessation of employment	Under the LTI Plan Rules, the Board has a broad discretion in relation to the treatment of entitlements on cessation of employment. It is intended that individual offer documents will provide more specific information on how the entitlements will be treated if the participating employee ceases employment.
Clawback and preventing inappropriate benefits	The LTI Plan Rules provide the Board with broad 'clawback' powers if, amongst other things, the participant has acted fraudulently or dishonestly, engaged in gross misconduct or has acted in a manner that has brought AFG or its related bodies corporate into disrepute, or there is a material financial misstatement, or AFG is required or entitled under law or company policy to reclaim remuneration from the participant, or the participant's entitlements vest as a result of the fraud, dishonesty or breach of obligations of any other person and the Board is of the opinion that the incentives would not have otherwise vested.
Change of control	The Board may determine that all or a specified number of a participant's performance rights, options or restricted shares will vest or cease to be subject to restrictions on a change of control event in accordance with the LTI Plan Rules.
Other terms	The LTI Plan contains customary and usual terms for dealing with administration, variation, suspension and termination of the LTI Plan Rules.

The 2016 LTI award under the LTI Plan

The key terms of the 2016 LTI award are summarised in the table below:

Term	Description
Participants	Awards will initially be granted to the Managing Director, Executive Director and other key management personnel of AFG who are invited by the Board to participate.
Grant date and timing of future offers	The LTI award will be made at or around the time of the initial listing of AFG. Any future grants will be at the discretion of the Board and subject to any requirements for shareholder approval.
Grant of Performance Rights	The LTI award will comprise Performance Rights. The value of Performance Rights granted will be a percentage of the participant's total fixed remuneration. The number of Performance Rights will be that value divided by the Final Price and will be issued to the participant for nil consideration.
Grant of Performance Rights to the Managing Director and the Executive Director	The Managing Director will be granted Performance Rights to the value of $150,000 under the 2016 LTI award and the Executive Director will be granted Performance Rights to the value of $50,000 under the 2016 LTI award. Accordingly, the total number of Performance Rights to be issued to the Managing Director and Executive Director will be determined by dividing $200,000 by the Final Price. The maximum number of shares that may be acquired by the Managing Director and the Executive Director is dependent on the Final Price[35]. If the Final Price is at the top of the Indicative Price Range the maximum number of shares that may be acquired is 144,928. If the Final Price is at the bottom of the Indicative Price Range the maximum number of shares that may be acquired is 166,667. If the Final Price is at the mid-point of the Indicative Price Range the maximum number of shares that may be acquired is 155,039.

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[35] *The Final Price may be set below, within or above the Indicative Price Range.*

Performance conditions, Vesting Period and vesting

Performance Rights will vest subject to the satisfaction of vesting conditions.

The Performance Rights will vest one third each year for three years (Vesting Period).

The vesting conditions must be satisfied in order for the Performance Rights to vest.

The Performance Rights for the first year only will be subject to a vesting condition based on the total shareholder return as at 30 June 2016 as set out in the table below. For the first year and subsequent years the Performance Rights will also be subject to continuation of employment. If the total shareholder return vesting condition is not satisfied in relation to the Performance Rights for the first year, the Performance Rights for the subsequent years will lapse.

Year	Vesting	Vesting conditions	
		Total shareholder return	**% of LTI payable**
1st year listing to 30 June 2016	One third	10%	50%
		10%-15%	Straight line vesting between 50% - 100%
		Continuation of employment	
2nd Year 1 July 2016 – 30 June 2017	One third	Continuation of employment	
3rd Year 1 July 2017 – 30 June 2018	One third	Continuation of employment	

Rights associated with Performance Rights

The Performance Rights do not carry dividends or voting rights prior to vesting.

Restrictions on dealing

The participant must not sell, transfer, encumber, hedge or otherwise deal with Performance Rights.

Unless the Board determines otherwise, the participant will be free to deal with the Shares allocated on vesting of the Performance Rights, subject to the requirements of AFG's Policy for Dealing in Securities.

Cessation of employment

If the participant ceases employment with AFG, any unvested Performance Rights will be dealt with in accordance with the participant's employment contract.

Generally, if the participant ceases employment for cause any unvested Performance Rights will automatically lapse. Where the participant ceases employment with AFG for certain other reasons, the participant may be entitled to a pro-rata portion of their unvested Performance Rights equal to the portion of the relevant Vesting Period that has elapsed.

Change of control

In a situation where there is likely to be a change of control, the Board has the discretion to accelerate vesting of some or all of the Performance Rights. Where only some of the Performance Rights have vested on a change of control, the remainder of the Performance Rights will immediately lapse. If the change of control occurs before the Board exercises its discretion:

- a pro-rata portion of the Performance Rights equal to the portion of the relevant Vesting Period that has elapsed up to the date of the change of control will immediately vest; and
- the Board may, in its absolute discretion, decide whether the balance will vest or lapse.

Reconstructions, corporate action, rights issues, bonus issues, etc.

A participant cannot participate in new issues of securities by AFG prior to vesting of the Performance Rights.

However, the Rules of the LTI Plan include specific provisions dealing with rights issues, bonus issues, and corporate actions and other capital reconstructions. These provisions are intended to ensure that there is no material advantage or disadvantage to the participant in respect of their Performance Rights as a result of such corporate actions.

6.4.5 Deeds of indemnity, insurance and access for management

AFG has entered into a deed of indemnity, insurance and access with certain members of its management team which confirms the employee's right of access to certain Board papers and requires AFG to indemnify the employee, on a full indemnity basis and to the full extent permitted by law, against all losses or liabilities (including all reasonable legal costs) incurred by the employee as an officer of AFG or of a related body corporate.

6.5 Corporate governance

The main policies and practices adopted by AFG are outlined below. Details of AFG's key policies and practices and the charters for the Board and each of its committees are available at http://www.afgonline.com.au. The Board monitors the operational and financial position and performance of AFG and oversees its business strategy, including approving the strategic goals of AFG. The Board is committed to generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of AFG.

In conducting business with these objectives, the Board is committed to ensuring that AFG is properly managed to protect and enhance Shareholder interests, and that AFG, its Directors, officers and employees operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing AFG, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for AFG's business and which are designed to promote the responsible management and conduct of AFG. Details of AFG's corporate governance policies are set out in Section 6.5.5 below.

6.5.1 ASX Corporate Governance Principles

AFG is seeking to list on ASX. The ASX Corporate Governance Council has developed and released its ASX Corporate Governance Principles and Recommendations (ASX Recommendations) for ASX listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The recommendations are not prescriptive, but guidelines. However, under ASX Listing Rules, AFG will be required to provide a statement in its annual report disclosing the extent to which it has followed the recommendations in the reporting period. Where AFG does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

AFG intends to comply with all of the ASX Recommendations from the time of its listing.

6.5.2 Board of Directors

AFG's Board comprises seven members, including two Executive Directors and five Non-Executive Directors (four of whom are independent, including the Chairman). Detailed biographies of the Directors are provided in Section 6.2.

The Board considers directors to be independent where they are not members of management (a Non-Executive Director) and are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board will have regard to quantitative and qualitative principles of materiality for the purpose of determining "independence" on a case-by-case basis. The Board regularly reviews the independence of each Director in light of information disclosed by each Director to the Board.

The Board considers that each of Tony Gill, John Atkins, Jim Minto and Craig Carter are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with the independent exercise of their judgment and is able to fulfil the role of an independent Director for the purposes of the ASX Recommendations.

Brett McKeon, Malcolm Watkins and Kevin Matthews are currently considered by the Board not to be independent because:

- Brett McKeon is the Managing Director of AFG;
- Malcolm Watkins is an Executive Director of AFG; and
- Kevin Matthews was previously an Executive Director of AFG. Kevin ceased to be an Executive Director and became a Non-Executive Director of AFG shortly prior to the date of this Prospectus. The Board considers that Kevin will add significant value to Board deliberations with his considerable industry experience.

6.5.3 Board charter

The Board has adopted a charter to provide a framework for the effective operation of the Board. The Board charter sets out:

- the Board's composition and process;
- the Board's roles and responsibilities;
- the relationship and interaction between the Board and management; and
- the authority delegated by the Board to management and Board Committees.

The Board's role is to:

- represent and serve the interests of shareholders by overseeing and appraising AFG's strategies, policies and performance;
- protect and optimise AFG's performance and build sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and AFG's Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- set, review and monitor compliance with AFG's values and governance framework (including establishing and observing high ethical standards); and
- keep Shareholders informed of AFG's performance and major developments affecting its state of affairs.

Matters which are specifically reserved for the Board or its committees include:

- appointment of a Chair;
- appointment and removal of the Managing Director, Company Secretary and CFO;
- appointment of Directors to fill a vacancy or as an additional Director;
- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- calling meetings of Shareholders; and
- any other specific matters nominated by the Board from time to time.

The management function is conducted by, or under the supervision of, the Managing Director as directed by the Board (and by other officers to whom the management function is properly delegated by the Managing Director). Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time they consider it appropriate.

The Board collectively, and each Director individually, has the right to seek independent professional advice, subject to the approval of the Chair.

6.5.4 Board committees

The Board may, from time-to-time, establish appropriate committees to assist in the discharge of its responsibilities. The Board has established three permanent standing committees, being the Audit Committee, Risk and Compliance Committee and the Remuneration and Nomination Committee. Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of AFG, relevant legislative and other requirements and the skills and experience of individual Directors.

6.5.4.1 Audit Committee

Under its charter, the Audit Committee must have at least three members, a majority of whom must be independent directors and all of whom must be Non-Executive Directors. The Committee must also have an independent chairman who is not the Chairman of the Board.

The Audit Committee comprises Craig Carter (Chair), Jim Minto and John Atkins.

The Audit Committee's role is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities, including:

- overseeing AFG's relationship with the external auditor and the external audit function generally;
- overseeing AFG's relationship with the internal auditor and the internal audit function generally;
- overseeing the preparation of the financial statements and reports; and
- overseeing AFG's financial controls and systems.

AFG will comply with the ASX Recommendations in relation to the composition and operation of the Audit Committee.

6.5.4.2 Risk and Compliance Committee

Under its charter, the Risk and Compliance Committee must have at least three members, a majority of whom must be independent directors and all of whom must be Non-Executive Directors. The Committee must also have an independent chairman who is not the Chairman of the Board.

The Risk and Compliance Committee comprises Craig Carter (Chair), Jim Minto and John Atkins.

The Risk and Compliance Committee's role is to manage the process of identification and management of financial risk.

AFG will comply with the ASX Recommendations in relation to the composition and operation of the Risk and Compliance Committee.

6.5.4.3 Remuneration and Nomination Committee

Under its charter, the Remuneration and Nomination Committee must have at least three members, a majority of whom (including the chairman) must be independent directors and all of whom must be Non-Executive Directors.

The Remuneration and Nomination Committee comprises John Atkins (Chair), Craig Carter and Kevin Matthews.

The Remuneration and Nomination Committee's role includes:

- assisting the Board to develop a board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership;
- reviewing and recommending to the Board the size and composition of the Board, including review of Board succession plans and the succession of the Chair and Managing Director, having regard to the objective that the Board comprise directors with a broad range of skills, expertise and experience from a broad range of backgrounds, and mix of genders;
- reviewing and recommending to the Board the criteria for Board membership;
- assisting the Board as required in relation to the performance evaluation of the Board, its committees and individual directors, and in developing and implementing plans for identifying, assessing and enhancing director competencies;
- reviewing and making recommendations in relation to any corporate governance issues as requested by the Board from time to time;
- reviewing the Board Charter on a periodic basis, and recommending any amendments for Board consideration;
- establishing an effective director induction process and regularly reviewing its effectiveness;
- on an annual basis, reviewing the effectiveness of the Diversity and Inclusion Policy by assessing AFG's progress towards the achievement of the measurable objectives and any strategies aimed at achieving the objectives; and reporting to the Board recommending any changes to the measurable objectives, strategies or the way in which they are implemented;
- in accordance with the Diversity and Inclusion Policy, on an annual basis, reviewing the relative proportion of women and men on the Board, in senior management positions and in the workforce at all levels of the AFG Group, and submit a report to the Board, which outlines the Committee's findings, or if applicable, provide the Board with AFG's most recent indicators as required by the *Workplace Gender Equality Act 2012 (Cth);*

- reviewing and recommending arrangements for the executive directors (including the Managing Director), the executives reporting to the Managing Director and senior management, including contract terms, annual remuneration and participation in AFG's short and long term incentive plans;
- reviewing major changes and developments in AFG's remuneration, recruitment, retention and termination policies and procedures for senior management;
- reviewing major changes and developments in the remuneration policies, superannuation arrangements, personnel practices and industrial relations strategies for the AFG Group;
- reviewing the senior management performance assessment processes and results as they reflect the capability of Management to realise the business strategy;
- reviewing and approving short term incentive strategy, performance targets and bonus payments;
- reviewing and recommending to the Board major changes and developments to AFG's employee equity incentive plans;
- recommending whether offers are to be made under any or all of AFG's employee equity incentive plans in respect of a financial year;
- in respect of AFG's employee equity incentive plans, reviewing and approving the proposed terms of, and authorise the making of, offers to eligible employees of the AFG Group, including determining the eligibility criteria applying in respect of an offer, in respect of a financial year;
- reviewing and recommending to the Board the remuneration arrangements for the Chair and Non-Executive Directors, including fees, travel and other benefits; and
- approving the appointment of remuneration consultants for the purposes of the Corporations Act.

6.5.5 Corporate governance policies

The Board has adopted the following corporate governance policies, each having been prepared having regard to the ASX Recommendations and which are available on AFG's website http://www.afgonline.com.au/.

AFG's current operational practices include information technology and business continuity protocols, and otherwise reflect its position as an established privately-owned business, having regard to the nature, breadth and geographic reach of its operations. Following listing on the ASX, the AFG Group will develop further practices consistent with the policies summarised below.

6.5.5.1 Diversity and inclusion policy

AFG values a strong and diverse workforce and is committed to developing measurable objectives of diversity and inclusion in its workplace. The Board has adopted a Diversity and Inclusion Policy to address the representation of women in senior Management positions and on the Board, and to actively facilitate a more diverse and representative management and leadership structure. The Board will include in its Annual Report each year a summary of AFG's progress towards achieving the measurable objectives set under the Diversity and Inclusion Policy for the year to which the Annual Report relates and details of the measureable objectives set under the Diversity and Inclusion Policy for the subsequent financial year.

6.5.5.2 Continuous disclosure policy

Once listed on ASX, AFG will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, AFG will be required to disclose to ASX any information concerning AFG which is generally not available and which a reasonable person would expect to have a material effect on the price or value of Shares.

AFG has adopted a policy to take effect from listing on ASX which establishes procedures which are aimed at ensuring that Directors and Management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information. AFG is committed to observing its disclosure obligations under the ASX Listing Rules and the Corporations Act. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with ASX and continuous disclosure announcements will also be made available on AFG's website at http://www.afgonline.com.au/.

6.5.5.3 Policy for dealing in securities

AFG has adopted a Policy for Dealing in Securities which is intended to explain the types of conduct in dealing in securities that are prohibited under the Corporations Act and to establish a best practice procedure for dealing in securities that protects AFG, Directors and employees against the misuse of unpublished information that could materially affect the value of securities. The Policy applies to relevant persons, being all Directors, officers, senior executives and employees of the AFG Group and their connected persons.

The Policy provides that relevant persons must not deal in AFG's securities in circumstances including:

- where they are in possession of material price-sensitive information;
- on a short-term basis; and
- during trading blackout periods (except in exceptional circumstances).

Otherwise trading will only be permitted in trading windows or in all other periods by:

- Directors and their connected persons with prior approval from the Chairman of the Board;
- the Chairman of the Board and the Chairman's connected persons with prior approval from the Chairman of the Risk and Compliance Committee; and
- senior executives and their connected persons with prior approval from the Managing Director.

6.5.5.4 Code of conduct

The Board is committed to the highest level of integrity and ethical standards in all business practices. Accordingly, the Board has adopted a formal code of conduct which outlines how AFG expects its representatives to behave and conduct business in the workplace and includes legal compliance and guidelines on appropriate ethical standards. All employees of AFG (including temporary employees, contractors and Directors) must comply with the Code.

The code of conduct is designed to:

- provide a benchmark for professional behaviour throughout AFG;
- support AFG's business reputation and corporate image within the community; and
- make Directors and employees aware of the consequences if they breach the policy.

6.5.5.5 Communications with Shareholders

The Board's aim is to ensure that Shareholders are kept informed of all major developments affecting the affairs of AFG. In addition to AFG's continuous disclosure obligations, AFG has a policy of seeking to keep shareholders informed. All ASX announcements made to the market, including annual and half year financial results will be posted on AFG's website at http://www.afgonline.com.au/ as soon as they have been released by the ASX. The full text of all notices of meetings and explanatory material, AFG's Annual Report and copies of all investor presentations made to analysts will also posted on AFG's website. The website also contains a facility for Shareholders to direct queries to AFG.

6.5.5.6 Policy on non-audit services provided by the independent external auditors

The Risk and Compliance Committee is responsible for the development and oversight of AFG's policy on the engagement of the external auditor to supply non-audit services and ensure compliance with the policy. As a general rule, the external auditor may not provide any prohibited non-audit services to AFG. To ensure auditor independence is maintained, AFG requires all engagements of the external auditor to provide non-audit services to be approved in writing by the CFO and, in some circumstances, by the Risk and Compliance Committee.

6.6 Related party transactions

Other than as set out in this Prospectus, AFG is not party to any material related party arrangements.

6.7 Compliance

6.7.1 Key areas

AFG maintains an extensive compliance program focussing on two key compliance risks:

- non-compliance with legislation, with a particular focus on ensuring that AFG and AFG Brokers consistently meet the standards required by the NCCP Act, Corporations Act, *Australian Securities and Investments Commission Act 2001* and the *Privacy Act 1988*; and
- fraud by an AFG Broker.

6.7.2 Approach to compliance

Compliance risks are identified, documented and analysed by AFG's national compliance team through implementation of the risk management process and compliance framework. The compliance team is responsible for implementing ACL compliance procedures, an audit and training program for AFG Credit Representatives and certain other audit programs.

The compliance team currently uses a number of measures aimed at detecting and preventing fraud, including:

- Executing audit programs;
- Monitoring suspicious deals;
- Facilitating an ongoing dialogue with Lenders and industry regulators; and
- Ensuring that a comprehensive indemnity insurance program is in place.

When the compliance team identifies potential fraud by an AFG Broker, the compliance team immediately notifies AFG's professional indemnity insurer and AFG procures that the AFG Broker is suspended whilst an investigation is commenced. AFG's agreement with that AFG Broker may be terminated depending on the outcome of the investigation.

The compliance team reports to the compliance committee, which meets every six to eight weeks to discuss the management of compliance. The compliance committee escalates all relevant matters to the Board.

BOARD OF DIRECTORS &

TONY GILL
Independent
Non-Executive Chairman

BRETT MCKEON
Managing Director

MALCOLM WATKINS
Executive Director

KEVIN MATTHEWS
Non-Executive Director

JOHN ATKINS
Independent
Non-Executive Director

JIM MINTO
Independent
Non-Executive Director

SENIOR MANAGEMENT

CRAIG CARTER
Independent
Non-Executive Director

LISA BEVAN
Company Secretary

DAVID BAILEY
Chief Financial Officer

MARK HEWITT
General Manager
Sales and Operations

JAIME VOGEL
Chief Information Officer

CHRIS SLATER
General Manager
AFG Home Loans

07.

DETAILS OF THE OFFER

7.1 Details of the Offer

7.1.1 Description of the Offer

This Prospectus relates to an initial public offering of 27,131,783 New Shares for issue by AFG and of 74,368,313 Existing Shares for sale by SaleCo. The total number of Shares on issue on Completion of the Offer will be 214,812,671. All Shares will rank equally with each other. The Shares offered under this Prospectus will represent approximately 47.3% of the Shares on issue on Completion of the Offer[36].

Assuming the Final Price is at the midpoint of the Indicative Price Range, the Offer will raise $130.9 million of total proceeds comprising $35.0 million from the issue of New Shares by AFG and $95.9 million from the sale of Existing Shares by SaleCo. Successful Applicants under the Offer will pay the Final Price, which will be determined at the conclusion of the bookbuild and may be set at a price below, within or above the Indicative Price Range.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.2 Structure of the Offer

The Offer comprises:

- A Broker Firm Offer, which is open to investors in Australia who are not Institutional Investors and who have received a firm allocation from their Broker;
- A Priority Offer (consisting of an AFG priority allocation), open to selected Australian retail investors, including AFG Brokers and AFG staff, as agreed between AFG and the Lead Manager; and
- An Institutional Offer, which consists of an offer to Institutional Investors in Australia, New Zealand, Hong Kong and Singapore.

Details of the Broker Firm Offer and Priority Offer, including the allocation policy under each of the Broker Firm Offer and Priority Offer, are described in Sections 7.3 and 7.4, respectively. Details of the Institutional Offer, including the allocation policy under the Institutional Offer are described in Section 7.5.

No general public offer will be made under the Offer. Members of the public wishing to apply for Shares under the offer must do so through a Broker with a firm allocation of Shares. The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer will be determined by the Lead Manager and AFG, having regard to the allocation policies outlined in Sections 7.3.6, 7.4.6 and 7.5.4.

7.1.3 Purpose of the Offer

The purpose of the Offer is to:

- Provide AFG with sufficient working capital to meet the stated objectives of the business;
- Achieve listing on the official list of the ASX to broaden AFG's Shareholder base and provide a liquid market for its Shares;
- Improve AFG's future access to capital markets; and
- Provide an opportunity for Existing Shareholders to realise part of their investment.

7.1.4 Sources and uses of funds[37]

The proceeds received by AFG for the issue of New Shares will be applied as follows:

- To provide sufficient working capital to meet the stated objectives of the business; and
- To pay for the costs of the Offer.

The proceeds received by SaleCo for the sale of Existing Shares will be transferred to the Existing Shareholders as consideration for the sale of their Existing Shares.

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[36] This is based on the assumption that the Final Price is at the midpoint of the Indicative Price Range.

[37] This assumes that the Final Price is set at the midpoint of the Indicative Price Range.

	Source of funds	$m	%	Uses of funds	$m	%
AFG	Offer proceeds received for the issue of New Shares	35.0	26.7%	Working capital	28.0	21.4%
				Transaction costs	7.0	5.3%
SaleCo	Offer proceeds received for the transfer of Existing Shares	95.9	73.3%	Payment to Existing Shareholders	95.9	73.3%
	Total sources	**130.9**	**100%**	**Total uses**	**130.9**	**100%**

7.1.5 Shareholding structure

The details of the ownership of Shares immediately prior to the Offer, and on Completion of the Offer, are set out in the table below.

Current owners		Existing Shares held prior to the Offer (%)	Existing Shares held prior to the Offer (million)	Shares held at Completion of the Offer (%)	Shares held at Completion of the Offer (million)
Founding Shareholders[38]		**54.0%**	**101,416,240**	**27.5%**	**59,164,612**
MBM Investments Pty Ltd as trustee for The Brett McKeon Family Trust	Brett McKeon	18.1%	33,887,636	9.9%	21,179,773
MSW Investments Pty Ltd as trustee for The Malcolm Stephen Watkins Family Trust	Malcolm Watkins	18.0%	33,764,302	9.8%	21,102,689
Oceancity Investments Pty Ltd as trustee for The Matthews Family Trust	Kevin Matthews	18.0%	33,764,302	7.9%	16,882,151
Banyard Holdings Pty Ltd as trustee for The B&K McGougan Trust[38,39]	Lisa Bevan	13.1%	24,647,942	6.9%	14,788,765
Karen Jane McGougan as trustee for The B&K McGougan Trust No.2[38]	Karen McGougan	4.9%	9,116,360	2.5%	5,469,816
Macquarie Bank Limited[38]		9.9%	18,641,512	5.2%	11,184,907
TAL[38]		4.9%	9,154,360	2.1%	4,577,180
Allianz[38]		4.9%	9,154,360	2.1%	4,577,180
Assured Financial Services Pty Ltd[38, 40]		2.7%	5,087,500	1.4%	3,087,500
Tony Gill[38,41]		1.2%	2,250,000	1.0%	2,250,000
John Atkins		0.1%	136,364	0.1%	136,364
Key Management (excluding the Founding Shareholders)		1.4%	2,700,000	1.2%	2,700,000
Other		2.9%	5,376,250	2.5%	5,376,250
Total Existing Shareholders		100.0%	187,680,888	52.7%	113,312,575
New Shareholders		-	-	47.3%	101,500,096
Total		100.0%	187,480,888	100.0%	214,812,671

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[38] *The shares held by each of these Existing Shareholders will be subject to voluntary escrow agreements which are detailed further in Section 7.8.*

[39] *Banyard Holdings Pty Ltd as trustee for The B&K McGougan Trust is the registered holder of Shares that form part of the estate of Bradley McGougan, a former Executive Director of AFG. Lisa Bevan is the sole director of Banyard Holdings Pty Ltd.*

[40] *This interest is held through the following associated registered holders: Assured Financial Services Pty Ltd, EDI Nominees Pty Ltd as trustee for The Buffalo Creek Superannuation Fund and EDI Nominees Pty Ltd as trustee for The RTC Family Trust.*

[41] *A majority of Tony Gill's shareholding is held through the Gillfamily Pty Ltd as trustee for the Gillfamily Superannuation Fund.*

7.1.6 Control implications of the Offer

While the Founding Shareholders are expected to holder 27.5% of the Shares on issue on Completion of the Offer, the Directors do not expect any Shareholders to control AFG on Completion of the Offer.

7.2 Terms of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in AFG).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.11.
What is the consideration payable for each security being offered?	The Indicative Price Range for the Offer is $1.20 to $1.38 per Share. Successful Applicants under the Offer will pay the Final Price, which will be determined at the conclusion of the bookbuild and may be set at a price below, within or above the Indicative Price Range. The Final Price will be determined after the close of the Institutional Offer and it may be above, below or within the Indicative Price Range. Applicants under the Broker Firm Offer and Priority Offer will apply for a set dollar value of Shares. Accordingly, Applicants will not know the number of Shares they will receive at the time they make their investment decision, nor will they know the Final Price. Except as required by law, Applicants cannot withdraw their Applications once the Final Price and allocations of Shares have been determined.
What is the Offer period?	The key dates, including the details of the Offer Period, are set out in the Important Dates Section. No securities will be issued on the basis of this Prospectus later than the Expiry Date.
What are the cash proceeds to be raised?	Between $32.6 million and $37.4 million will be raised under the Offer based on the Indicative Price Range.
What is the minimum and maximum Application size under the Broker Firm Offer and Priority Offer?	The minimum Application size under the Broker Firm Offer and Priority Offer is $2,000 worth of Shares. The Lead Manager and AFG reserve the right to reject any Application or to allocate a lesser number of Shares than applied for. In addition, the Lead Manager and AFG reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications (or aggregation of Applications) in the Broker Firm Offer and Priority Offer which are for more than $2,000 worth of Shares. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. A maximum of $10 million in Shares (at the Final Price) will be made available, on a priority basis, to Applicants under the Priority Offer.
What is the allocation policy?	The allocation of Shares between the Institutional Offer, Broker Firm Offer and Priority Offer will be determined by the Lead Manager and AFG. The allocation of Shares among Applicants in the Institutional Offer will be determined by AFG and the Lead Manager following completion of the Institutional Bookbuild. For further information about the Institutional Offer, see Section 7.5. With respect to the Broker Firm Offer, it is a matter for the Brokers how they allocate Shares among eligible clients. For further information on the Broker Firm Offer, see Section 7.3. With respect to the Priority Offer, the allocation among Priority offer Applicants will be determined by AFG in conjunction with the Lead Manager. For further information on the Priority Offer, see Section 7.4.

When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about 25 May 2015.
Will the Shares be listed?	AFG will apply within 7 days after the date of this Prospectus for admission to the official list of the ASX and quotation of Shares on the ASX under the code "AFG". Listing is conditional on the ASX approving this application. If ASX approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. AFG will be required to comply with the ASX Listing Rules, subject to any waivers obtained by AFG from time to time. ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit AFG to the official list is not to be taken as an indication of the merits of AFG or the Shares offered for issue or transfer.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on the ASX will commence on or about 22 May 2015, initially on a deferred settlement basis. Trading will be on a deferred settlement basis until AFG has advised the ASX that holding statements have been despatched to Shareholders. Shares will commence trading on the ASX on a normal settlement basis on or about 26 May 2015. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk. AFG, SaleCo and the Lead Manager disclaim all liability to the extent permitted by law, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the AFG Offer Information Line, by a Broker or otherwise.
Is the Offer underwritten?	No, the Offer is not underwritten. The Lead Manager will provide settlement support in accordance with the Offer Management Agreement (see Section 9.6.1).
Are there any escrow arrangements?	Yes. Details are provided in Section 7.8.
Has any ASIC modification or ASX confirmation been obtained or relied on?	Yes. Details are provided in Section 9.11
Are there any tax considerations?	Yes. Details are provided in Section 9.10
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on an acquisition of Shares under the Offer. See Section 9.6.1.1 for details of various fees payable by AFG to the Lead Manager and by the Lead Manager to any parties appointed as co-manager and brokers to the Offer.
What should you do with any enquiries?	For more information, call the AFG Offer Information Line on 1800 129 431 (within Australia) or +61 1800 129 431 (outside Australia) from 8.30am to 5.30pm (Perth Time) Monday to Friday. If you are unclear about any matter in relation to this Prospectus or are uncertain as to whether AFG is a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

7.3 Broker Firm Offer

7.3.1 Who can apply?

The Broker Firm Offer is open to persons who have received an invitation to participate in the Offer from a Broker and who have a registered address in Australia. If you have been invited to participate by a Broker, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Shares to you under the Broker Firm Offer.

7.3.2 How to apply?

You should complete and lodge your Broker Firm Offer Application Form with the Broker who invited you to participate in the Offer. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Application Form. Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus in its paper copy form or in its electronic form, which may be downloaded in its entirety from www.afgonline.com.au.

By making an Application, you declare that you were given access to this Prospectus (and any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The minimum Application under the Broker Firm Offer is for $2,000 worth of Shares (at the Final Price). There is no maximum value of Shares that may be applied for under the Broker Firm Offer. AFG may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, at its discretion in compliance with applicable laws.

The Broker Firm Offer opens at 9:00am (Perth Time) on 12 May 2015 and is expected to close at 3:00pm (Perth Time) on 18 May 2015. AFG and the Lead Manager may elect to extend the Offer or any part of it, or accept late applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice (subject to the ASX Listing Rules and the Corporations Act). Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

7.3.3 How to pay?

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions received from their Broker.

7.3.4 Application monies

AFG reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any Application Monies that are refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application amount by the Final Price. Where the Final Price does not divide evenly into the Application amount, the number of Shares to be allocated will be determined by the Applicant's broker.

7.3.5 Acceptance of applications

An Application under the Broker Firm Offer is an offer by an Applicant to AFG and SaleCo to apply for Shares in the amount specified in the Application Form at the Final Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form (including the acknowledgements in Section 7.6). To the extent permitted by law, an Application is irrevocable.

An Application may be accepted in respect of the full number of Shares specified in the Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

7.3.6 Broker Firm Offer allocation policy

The allocation of Shares to Brokers was determined by the Lead Manager and AFG. Shares that have been allocated to Brokers for allocation to their Australian resident clients will be issued or transferred to the Applicants who have received a valid allocation of Shares from those Brokers. It will be a matter for those Brokers how they allocate Shares among their clients, and they (and not AFG, SaleCo or the Lead Manager) will be responsible for ensuring that their clients who have received an allocation from them, receive the relevant Shares.

7.3.7 Announcement of final allocation policy

Applicants in the Broker Firm Offer will be able to call the AFG Offer Information Line on 1800 129 431 (within Australia) or +61 1800 129 431 (outside Australia) from 8:30am to 5:30pm (Perth Time) Monday to Friday to confirm their allocations. Applicants under the Broker Firm Offer will also be able to confirm their allocation through their broker.

However, if Applicants sell Shares before receiving a holding statement, they do so at their own risk, even if details were obtained from AFG or confirmed through the Applicant's Broker.

7.4 Priority Offer

7.4.1 Who can apply?

The Priority Offer is open to investors who have received an invitation to participate in the Offer from AFG and who have a registered address in Australia. If an Applicant has been invited to participate by AFG under the Priority Offer, they will be treated as an Applicant under the Priority Offer in respect of the Shares allocated to them.

7.4.2 How to apply?

Applications for Shares under the Priority Offer may only be made on an online Application Form which will accompany the Prospectus in its electronic form. You should follow the instructions on your invitation which will refer you to the specialised AFG offer website at https://events.miraqle.com/afg-ipo/.

By making an Application, Applicants declare they were invited to participate in the Priority Offer and were given access to this Prospectus (and any supplementary or replacement prospectus), together with an online Application Form.

Applicants under the Priority Offer may apply for a minimum of $2,000 worth of Shares (at the Final Price). There is no maximum value of Shares that may be applied for under the Priority Offer. AFG may amend or waive the Priority Offer application procedures or requirements at its discretion in compliance with applicable laws.

The Priority Offer opens at 9:00am (Perth time) on 12 May 2015 and is expected to close at 3:00pm (Perth time) on 18 May 2015. AFG and the Lead Manager may elect to extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice (subject to the ASX Listing Rules and the Corporations Act). Applicants are therefore encouraged to submit their Applications as early as possible.

7.4.3 How to pay

Applicants under the Priority Offer must pay their Application Monies by BPAY® in accordance with instructions on their online Application Form. For more details, prospective Applicants should refer to https://events.miraqle.com/afg-ipo/ or contact the AFG Offer Information Line on 1800 129 431 (within Australia) or +61 1800 129 431 (outside Australia).

For payment via BPAY®, visit https://events.miraqle.com/afg-ipo/ and complete an online Application Form. Once you have completed your online Application Form, you will be given a BPAY® Biller Code and a BPAY® payment reference number. Application Monies paid via BPAY® must be received by the Share Registry by no later than 3:00pm (Perth Time) on 18 May 2015 and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. Neither AFG, SaleCo nor the Lead Manager take any responsibility for any failure to receive Application Monies or payment by BPAY® before the Priority Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

7.4.4 Application monies

AFG reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Priority Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies amount by the Final Price. Where the Final Price does not divide evenly into the Application Monies amount, the number of Shares to be allocated will be determined by the Lead Manager.

If the amount of an Applicant's payment for Application Monies (or the amount for which payments clear in time for allocation) is insufficient to pay for the number of Shares the Applicant has applied for, the Applicant may be taken to have applied for such lower number of Shares as cleared Application Monies will pay for, or the Applicant's Application may be rejected.

7.4.5 Acceptance of Applications

An Application under the Priority Offer is an offer by an Applicant to AFG to apply for Shares in the amount specified in the online Application Form at the Final Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the online Application Form (including the acknowledgements in Section 7.6). To the extent permitted by law, an Application is irrevocable.

An Application may be accepted by AFG and the Lead Manager in respect of the full number of Shares specified in the online Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

7.4.6 Priority Offer allocation policy

The allocation of Shares to the Priority Offer will be determined by the Lead Manager and AFG. AFG by agreement with the Lead Manager, will determine the allocation of Shares to Applicants under the Priority Offer and may reject an Application, or allocate fewer Shares than applied for, in its absolute discretion.

7.4.7 Announcement of final allocation policy

Applicants in the Priority Offer will be able to call the AFG Offer Information Line on 1800 129 431 (within Australia) or +61 1800 129 431 (outside Australia) from 8:30am to 5:30pm (Perth Time) Monday to Friday to confirm their allocations.

If you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from AFG.

7.5 Institutional Offer

7.5.1 Invitations to bid

AFG and SaleCo are inviting certain eligible Institutional Investors to bid for Shares in the Institutional Offer. The Institutional Offer will comprise an invitation to Institutional Investors in Australia to bid for Shares under this Prospectus, and an invitation to Institutional Investors in certain eligible jurisdictions outside Australia to bid for Shares under this Prospectus.

7.5.2 Institutional Offer process and the Indicative Price Range

The Institutional Offer will be conducted using a bookbuild process managed by the Lead Manager. Full details of how to participate, including bidding instructions, will be provided to eligible participants by the Lead Manager.

Participants can only bid into the bookbuild for Shares through the Lead Manager. They may bid for Shares at specific prices or at the Final Price. Participants may bid above, below or within the Indicative Price Range, which is $1.20 to $1.38 per Share.

Under the terms of the Offer Management Agreement, the Final Price will be determined by the Lead Manager in agreement with AFG, after the close of the Broker Firm Offer and the Institutional Offer as described in Section 7.5.3.

The Institutional Offer will open on 19 May 2015 and close on 19 May 2015. AFG, in consultation with the Lead Manager, reserves the right to vary the times and dates of the Offer including to close the Offer early, extend the Offer or to accept late Applications or bids, either generally or in particular cases, without notification.

Bids in the Institutional Offer may be amended or withdrawn at any time up to the close of the Institutional Offer. Any bid not withdrawn at the close of the Institutional Offer is an irrevocable offer by the relevant bidder to subscribe or procure subscribers for the Shares bid for (or such lesser number as may be allocated) at the price per Share bid or at the Final Price, where this is below the price per Share bid, on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and in accordance with any bidding instructions provided by the Lead Manager to participants.

Bids can be accepted or rejected in whole or in part without further notice to the bidder. Acceptance of a bid will give rise to a binding contract on allocation of Shares to successful Applicants conditional on the quotation of Shares on the ASX and Settlement. Details of the arrangements for notification and Settlement of allocations applying to participants in the Institutional Offer will be provided to participants in the bookbuild process.

7.5.3 Final Price

The Institutional Offer bookbuild process will be used to determine the Final Price. Under the terms of the Offer Management Agreement, the Final Price will be determined by the Lead Manager and AFG after the close of the Broker Firm Offer and the Institutional Offer. It is expected that the Final Price will be announced to the market on 19 May 2015. In determining the Final Price, consideration will be given to, but will not be limited to, the following factors:

- the level of demand for Shares under the Institutional Offer at various prices;
- the level of demand for Shares under the Broker Firm Offer;
- the objective of maximising the proceeds of the Offer; and
- the desire for an orderly secondary market in the Shares.

The Final Price will not necessarily be the highest price at which Shares could be sold. In the Institutional Offer, the Final Price may be set below, within or above the Indicative Price Range. All successful Applicants under the Offer will pay the Final Price.

7.5.4 Institutional Offer allocation policy

The allocation of Shares among bidders in the Institutional Offer will be determined by AFG and the Lead Manager. AFG and the Lead Manager have absolute discretion regarding the basis of allocation of Shares, and there is no assurance that any bidder will be allocated any Shares, or the full number of Shares for which it bids. The allocation policy will be influenced by a number of factors including:

- the number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- AFG's desire for an informed and active trading market following listing on the ASX;
- AFG's desire to establish a wide spread of institutional Shareholders;
- the overall level of demand under the Broker Firm Offer, Priority Offer and Institutional Offer;
- the size and type of funds under management of particular bidders;
- the likelihood that particular bidders will be long-term Shareholders; and
- other factors that AFG and the Lead Manager consider appropriate.

Participants in the Institutional Offer will be advised of their allocation of Shares by the Lead Manager.

7.6 Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of AFG and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, to the extent permitted by law, once AFG or a Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
- agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised AFG, SaleCo and the Lead Manager and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, AFG may not pay dividends, or that any dividends paid may not be franked (or may only be partially franked);
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and tax issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer);
- acknowledged and agreed that the Offer may be withdrawn by AFG and SaleCo or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if listing does not occur for any reason, the Offer will not proceed.

7.7 Offer management arrangements

The Offer is not underwritten. The Lead Manager will provide settlement support in accordance with the Offer Management Agreement (see Section 9.6.1).

7.8 Escrow arrangements

On Completion of the Offer, the Founding Shareholders will hold 27.5% of the Shares, Banyard Holdings Pty Ltd as trustee for The B&K McGougan Trust will hold 6.9% of the Shares, Karen Jane McGougan as trustee for The B&K McGougan Trust No.2 will hold 2.5% of the Shares, Macquarie Bank Limited will hold 5.2% of the Shares, TAL will hold 2.1% of the Shares, Allianz will hold 2.1% of the Shares, Assured Financial Services Pty Ltd[42] will hold 1.4% of the Shares and Tony Gill[43] will hold 1.0% of the Shares.

All of the Shares held at Completion of the Offer by the persons described in the preceding paragraph (being the Escrowed Shareholders), excluding any Shares acquired by them under the Offer (if any), will be subject to voluntary escrow arrangements which prevent them from disposing their escrowed Shares for a specified period. Subject to the early release exceptions set out below, Shares held by the Escrowed Shareholders will be escrowed until the date on which AFG's audited full-year results for the period ending 30 June 2016 are released to the ASX.

Each of these Escrowed Shareholders has entered into an escrow deed in respect of their escrowed Shareholding retained following the Offer, which prevent them from disposing of their respective escrowed Shares for the applicable escrow period. The restriction on 'dealing' is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest in the Shares, encumbering or granting a security interest over the Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control (including economic ownership or control) of any of the Shares or agreeing to do any of those things.

All of the Escrowed Shareholders may be released early from these escrow obligations to enable:

- the Escrowed Shareholder to accept an offer under a takeover bid in relation to its Shares if at least half of the holders of the Shares which are the subject of the bid that are not held by the Escrowed Shareholders have accepted the takeover bid; or
- the Shares held by the Escrowed Shareholder to be transferred or cancelled as part of a scheme of arrangement under Part 5.1 of the Corporations Act.

During the escrow period, the Escrowed Shareholders whose Shares are subject to escrow may deal in any of their Shares to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction).

7.9 Discretion regarding the Offer

AFG and SaleCo may withdraw the Offer at any time before the issue or transfer of new Shares to successful Applicants or bidders under the Broker Firm Offer, Priority Offer and Institutional Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded without interest in accordance with the requirements of the Corporations Act.

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[42] *This interest is held through the following associated registered holders: Assured Financial Services Pty Ltd, EDI Nominees Pty Ltd as trustee for The Buffalo Creek Superannuation Fund and EDI Nominees Pty Ltd as trustee for The RTC Family Trust.*

[43] *A majority of Tony Gill's shareholding is held through Gillfamily Pty Ltd as trustee for the Gillfamily Superannuation Fund.*

AFG, SaleCo and the Lead Manager also reserve the right (subject to the ASX Listing Rules and the Corporations Act) to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or allocate to any Applicant or bidder fewer new Shares than applied or bid for. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

7.10 ASX listing, registers and holding statements and deferred settlement trading

7.10.1 Application to ASX for listing of AFG and quotation of Shares

AFG will apply within 7 days after the date on this Prospectus to ASX for listing of AFG and quotation of Shares on ASX under the code 'AFG'.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit AFG to the official list is not to be taken as an indication of the merits of AFG or the Shares offered for subscription under the Offer. If permission is not granted for the official quotation of the Shares on ASX within three months after the date of this Prospectus (or any later date permitted by law), all Application Monies received by AFG will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. Subject to certain conditions (including any waivers obtained by AFG from time to time), AFG will be required to comply with the ASX Listing Rules.

7.10.2 CHESS and issuer sponsored holdings

AFG will apply to participate in ASX's Clearing House Electronic Subregister System (CHESS) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are affected in an electronic form. When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, an electronic CHESS subregister or an issuer sponsored subregister.

For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (HIN) for CHESS holders or, where applicable, the Security Holder Reference Number (SRN) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. AFG and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.10.3 Deferred settlement trading and selling shares on market

It is expected that trading of the Shares on ASX on a deferred settlement basis will commence on or about 22 May 2015.

Trading on the ASX will be on a deferred settlement basis until AFG has advised the ASX that initial holding statements have been despatched to Shareholders. Trading on the ASX is expected to commence on a normal settlement basis (that is, on a T+3 basis) on or about 26 May 2015.

Following the issue of Shares, successful Applicants will receive a holding statement setting out the number of Shares issued to them under the Offer. It is expected that holding statements will be despatched by standard post on or about 25 May 2015.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. AFG, the Share Registry, the Lead Manager and the Existing Shareholders disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the AFG Offer Information Line or confirmed your firm allocation through a Broker.

7.11 Description of Shares

7.11.1 Introduction

The rights and liabilities attaching to the ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

All Shares being offered under this Prospectus will rank equally with each other and with those held by Existing Shareholders at Completion of the Offer.

A summary of the significant rights and liabilities attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. This summary assumes that AFG is admitted to the official list of ASX.

7.11.2 Voting at a general meeting

At a general meeting of AFG, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands (unless a Shareholder has appointed more than one proxy) and one vote on a poll for each Share held (with adjusted voting rights for partly paid shares). If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote, in addition to any deliberative vote.

7.11.3 Meetings of members

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of AFG and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act and ASX Listing Rules. AFG must give at least 28 days written notice of a general meeting.

7.11.4 Dividends

The Board may pay any interim and final dividends that, in its judgment, the financial position of AFG justifies. The Board may also pay any dividend required to be paid under the terms of issue of a Share, and fix a record date for a dividend and the timing and method of payment. For further information about AFG's proposed dividend policy, see Section 4.14.

7.11.5 Transfer of Shares

Subject to the Constitution and to any restrictions attached to a Shareholder's Shares, Shares may be transferred via a proper ASTC transfer (effected in accordance with the Corporations Regulations, ASX Listing Rules and the ASX Settlement Operating Rules) or via a written transfer in any usual form or in any other form approved by the Board and permitted by the relevant laws and ASX requirements.

The Directors may refuse to register a transfer of Shares or apply a holding lock to prevent a transfer in accordance with the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules.

7.11.6 Issue of further Shares

Subject to the Corporations Act, ASX Listing Rules and the ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, the Board may issue, allot or grant options for, or otherwise dispose of, Shares in AFG on such terms as the Board decides.

7.11.7 Winding up

If AFG is wound up, subject to the Constitution and the rights or restrictions attached to any shares or class of shares, any surplus must be divided among AFG's members in the proportion to the number of shares held by them, irrespective of the amounts paid or credited as paid on the shares.

If AFG is wound up, the liquidator may with the sanction of a special resolution, divide the whole or part of AFG's property among Shareholders and decide how the division is to be carried out as between Shareholders or different classes of Shareholders.

7.11.8 Unmarketable parcels

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, AFG may sell Shares of a Shareholder who holds less than a marketable parcel of Shares.

7.11.9 Share buy-backs

Subject to the Corporations Act and the ASX Listing Rules, AFG may buy back Shares on terms and at times determined by the Directors.

7.11.10 Proportional takeover provisions

The Constitution requires Shareholder approval in relation to any proportional takeover bid. These provisions will cease to apply unless they are renewed by Shareholders passing a special resolution by the third anniversary of either the date that those rules were adopted or the date those rules were last renewed.

7.11.11 Variation of class rights

At present, AFG's only class of shares on issue is ordinary shares. Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled:

- with the consent in writing of the holders of 75% of the shares of the class; or
- by a special resolution passed at a separate meeting of the holders of shares of the class.

7.11.12 Dividend reinvestment plan

The Constitution authorises the Directors, on any terms and at their discretion, to establish a dividend reinvestment plan (under which any Shareholder may elect that the dividends payable by AFG be reinvested in Shares). For more information on the dividend reinvestment plan, see Section 9.5.

7.11.13 Directors – appointment and removal

Under the Constitution, the Board is comprised of a minimum of 3 Directors and a maximum of 9 Directors unless the Shareholders pass a resolution varying that number at a general meeting. Directors are elected or re-elected at general meetings of AFG. No Director (excluding any Managing Director) may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. The Board may also appoint a Director in addition to the existing Directors or to fill a casual vacancy on the Board, and that Director (apart from the Managing Director) will then hold office until the conclusion of the next annual general meeting of AFG.

7.11.14 Directors – voting

Questions arising at a meeting of the Board must be decided by a majority of votes cast by the Directors present and entitled to vote on the matter. If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote in addition to his or her deliberative vote, unless there are only 2 directors present or entitled to vote (in which case the chairperson of the meeting does not have a second or casting vote and the proposed resolution is taken as lost).

7.11.15 Directors – remuneration

See Section 6.4.2 for a description of the remuneration arrangements for Directors.

7.11.16 Powers and duties of Directors

The business and affairs of AFG are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the power of AFG and are not required by law or by the Constitution to be exercised by AFG in general meeting.

7.11.17 Preference shares

AFG may issue preference shares, including preference shares which are, or at the option of AFG or holder are, liable to be redeemed or convertible to ordinary shares. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of AFG.

7.11.18 Indemnities and access to records

AFG, to the extent permitted by law, indemnifies each Director, alternate director and executive officer of AFG on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by that person as an officer of AFG or its related bodies corporate.

AFG, to the extent permitted by law, may purchase and maintain insurance, or pay or agree to pay, a premium for insurance for each Director, alternate director and executive officer of AFG against any liability incurred by that person as an officer of AFG or its related bodies corporate, including a liability for negligence or for reasonable costs and expenses incurred in defending or responding to proceedings (whether civil or criminal and whatever their outcome).

AFG may enter into contracts with a Director or former director agreeing to provide continuing access to board papers, books, records and documents of AFG which relate to the period during which the director or former director was a director. AFG may procure that its subsidiaries provide similar access to board papers, books, records or documents.

7.11.19 Amendment

The Constitution can only be amended by special resolution passed by Shareholders.

7.12 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia. This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation under this Prospectus.

This Prospectus may not be released or distributed in the United States, and may only be distributed to persons outside the United States to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold, pledged or transferred in the United States or to, or for the account or benefit of, US Persons, except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws. Any offer, sale or resale of the Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if made prior to 40 days after the Closing Date or if purchased by a dealer in the Offer.

Each Applicant in the Broker Firm Offer and the Priority Offer, and each person to whom the Institutional Offer has been made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold, pledged or transferred in the United States, or to, or for the account or benefit of, US Persons, except in accordance with an exemption from, or in a transaction not subject to, the registration requirement of the US Securities Act and any other applicable securities laws;
- it is not located in the United States at the time of application and it is not, and is not acting for the account or benefit of, any US Person;
- it has not sent and will not send the Prospectus or any other material relating to the Offer to any person in the United States or to any US Person;
- it will not offer or sell the Shares (i) in the United States or to, or for the account or benefit of, any US Person, except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act or (ii) in any jurisdiction outside Australia, except in compliance with all applicable laws in the jurisdiction in which the Shares are offered and sold.

Each person who bids for Shares in the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation. In particular, this Prospectus may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

7.12.1 Restrictions on distribution in Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the SFO. No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

7.12.2 Restrictions on distribution in New Zealand

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the FMC Act. The new Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

7.12.3 Restrictions on distribution in Singapore

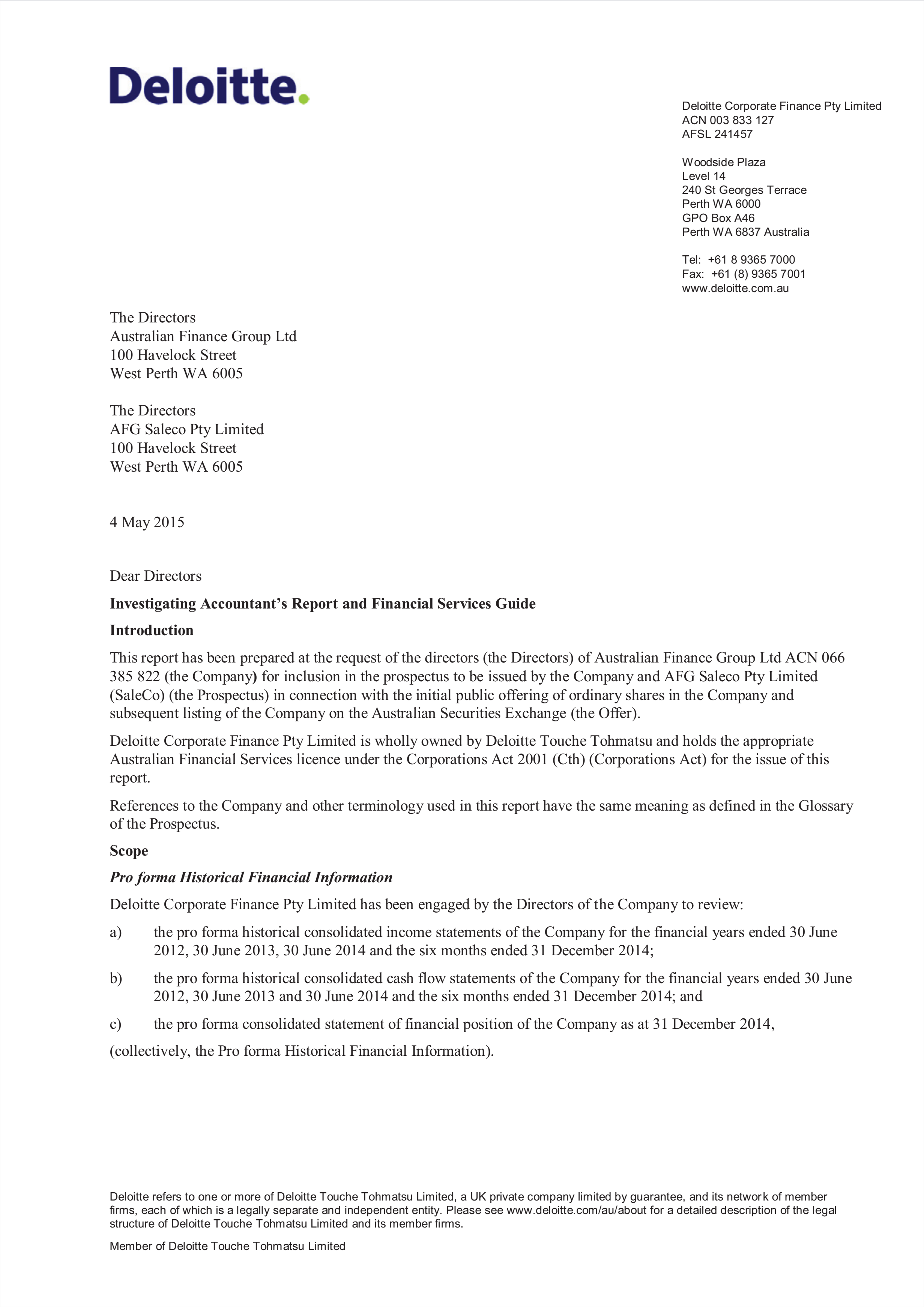
This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the SFA, or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

08.

INVESTIGATING ACCOUNTANT'S REPORT



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The Directors
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The Directors
AFG Saleco Pty Limited
100 Havelock Street
West Perth WA 6005

4 May 2015

Dear Directors

Investigating Accountant's Report and Financial Services Guide

Introduction

This report has been prepared at the request of the directors (the Directors) of Australian Finance Group Ltd ACN 066 385 822 (the Company**)** for inclusion in the prospectus to be issued by the Company and AFG Saleco Pty Limited (SaleCo) (the Prospectus) in connection with the initial public offering of ordinary shares in the Company and subsequent listing of the Company on the Australian Securities Exchange (the Offer).

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the Corporations Act 2001 (Cth) (Corporations Act) for the issue of this report.

References to the Company and other terminology used in this report have the same meaning as defined in the Glossary of the Prospectus.

Scope

Pro forma Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review:

a) the pro forma historical consolidated income statements of the Company for the financial years ended 30 June 2012, 30 June 2013, 30 June 2014 and the six months ended 31 December 2014;

b) the pro forma historical consolidated cash flow statements of the Company for the financial years ended 30 June 2012, 30 June 2013 and 30 June 2014 and the six months ended 31 December 2014; and

c) the pro forma consolidated statement of financial position of the Company as at 31 December 2014,

(collectively, the Pro forma Historical Financial Information).

The Pro forma Historical Financial Information has been derived from the audited consolidated income statements and cash flow statements of the Company for the years ended 30 June 2012, 30 June 2013, 30 June 2014 and the unaudited accounting records of the Company for the six months ended 31 December 2014 (the Statutory Historical Financial Information), which have been adjusted to reflect the pro forma adjustments described in Sections 4.2, 4.3.2, 4.7 and 4.8 of the Prospectus (the Pro forma Adjustments).

The financial statements of the Company for the years ended 30 June 2012, 30 June 2013, 30 June 2014 were audited by another accounting firm in accordance with the Australian Auditing Standards. The accounting firm issued unmodified audit opinions on the financial reports.

The Pro forma Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Historical Financial Information and the events or transactions to which the Pro Forma Adjustments relate, as if those events or transactions had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance or cash flows.

Forecast Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review the forecast financial information of the Company being the:

a) Pro forma forecast consolidated income statements of the Company for the financial years ending 30 June 2015 and 30 June 2016;

b) Pro forma forecast consolidated cash flow statements of the Company for the financial years ending 30 June 2015 and 30 June 2016,

(together, the Pro forma Forecast Financial Information); and

c) Statutory forecast consolidated income statements of the Company for the financial years ending 30 June 2015 and 30 June 2016;

d) Statutory forecast consolidated cash flow statements of the Company for the financial years ending 30 June 2015 and 30 June 2016,

(together, the Statutory Forecast Financial Information),

(together, the Forecast Financial Information).

Collectively, the Forecast Financial Information and the Pro forma Historical Financial Information are referred to as the Financial Information.

The Director's best-estimate assumptions underlying the Statutory Forecast Financial Information are described in Section 4.12 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

The Pro forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the Pro forma Adjustments as set out in Sections 4.2, 4.3.2 and 4.7. The stated basis of preparation used in the preparation of the Pro forma Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Statutory Forecast Financial Information and the events or transactions to which the Pro forma Adjustments relate, as if those events or transactions had occurred prior to 1 July 2014. Due to its nature, the Pro forma Forecast Financial

Information does not represent the Company's actual prospective financial performance and cash flows for the years ending 30 June 2015 and 30 June 2016.

The Forecast Financial Information has been prepared by management of the Company and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the financial years ending 30 June 2015 and 30 June 2016. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The Directors' best estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the assumptions on which the Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly prospective investors should have regard to the investment risks and sensitivities set out in Sections 5 and 4.13 of the Prospectus.

The sensitivity analysis set out in Section 4.13 of the Prospectus demonstrates the impacts on the Forecast Financial Information of changes in key assumptions. The Forecast Financial Information is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Directors' Responsibility

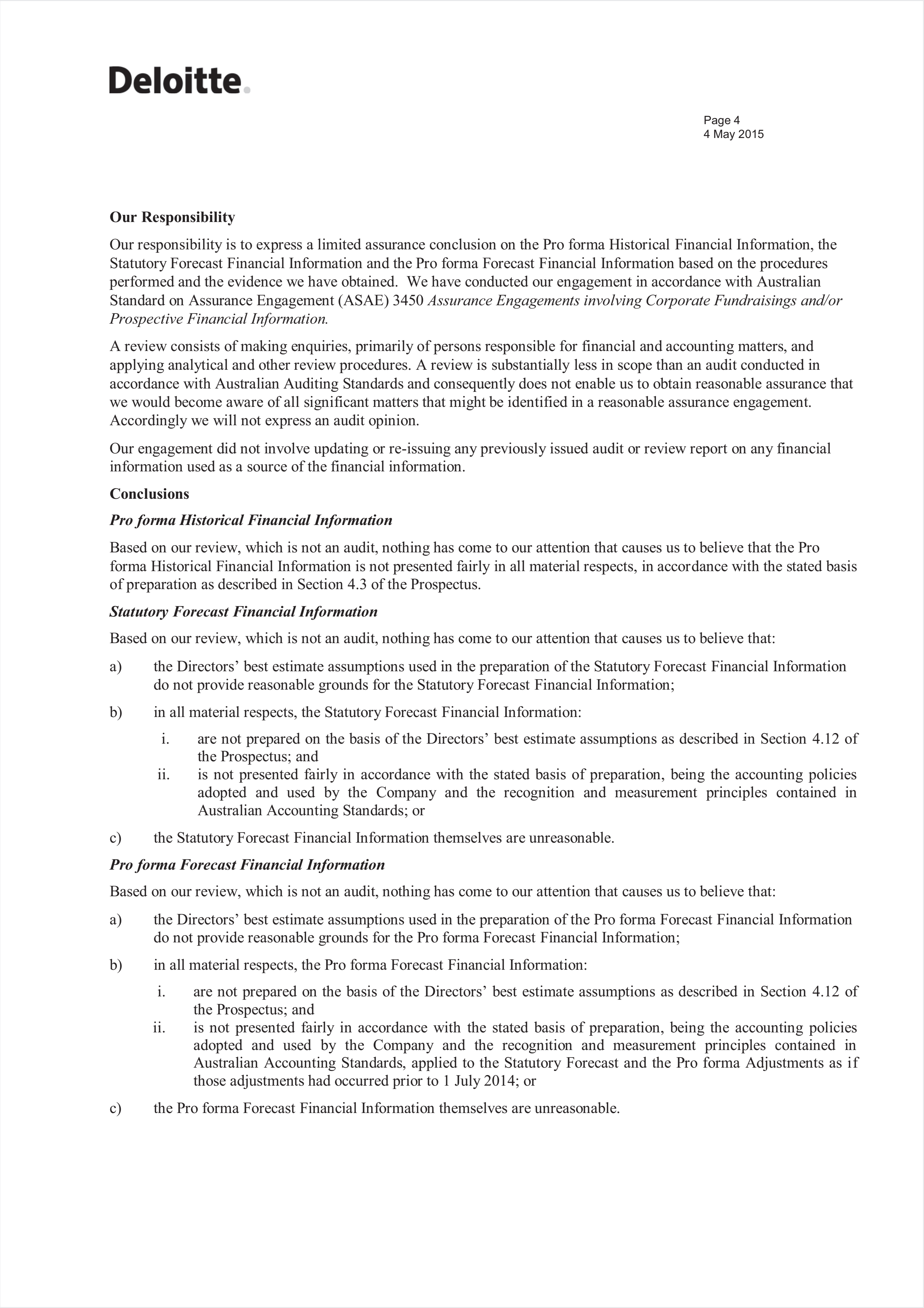
The Directors are responsible for:

a) the preparation and presentation of the Pro forma Historical Financial Information, including the selection and determination of the Pro forma Adjustments made to the Statutory Historical Financial Information and included in the Pro forma Historical Financial Information;

b) the preparation of the Forecast Financial Information, including the best estimate assumptions underlying the Forecast Financial Information and the selection and determination of the Pro forma Adjustments made to the Statutory Forecast Financial Information and included in the Pro forma Forecast Financial Information; and

c) the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Pro forma Historical Financial Information and the Forecast Financial Information that are free from material misstatement, whether due to fraud or error.



Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Pro forma Historical Financial Information, the Statutory Forecast Financial Information and the Pro forma Forecast Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.*

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Pro forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Financial Information is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 4.3 of the Prospectus.

Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

a) the Directors' best estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information;

b) in all material respects, the Statutory Forecast Financial Information:

    i. are not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.12 of the Prospectus; and
    ii. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards; or

c) the Statutory Forecast Financial Information themselves are unreasonable.

Pro forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

a) the Directors' best estimate assumptions used in the preparation of the Pro forma Forecast Financial Information do not provide reasonable grounds for the Pro forma Forecast Financial Information;

b) in all material respects, the Pro forma Forecast Financial Information:

    i. are not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.12 of the Prospectus; and
    ii. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards, applied to the Statutory Forecast and the Pro forma Adjustments as if those adjustments had occurred prior to 1 July 2014; or

c) the Pro forma Forecast Financial Information themselves are unreasonable.

Deloitte.

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4 May 2015

Restrictions on Use

Without modifying our conclusions, we draw attention to Section 4.2 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

Disclosure of Interest

Deloitte Corporate Finance Pty Limited do not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received. Deloitte Touche Tohmatsu is the auditor of the Company.

Yours sincerely

Andrew Annand
Authorised Representative
Deloitte Corporate Finance Pty Limited
(AFSL number 241457, AR number 460993)

Deloitte.

Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us. The person who provides the advice is an Authorised Representative (AR) of Deloitte Corporate Finance Pty Limited (DCF), which authorises the AR to distribute this FSG. Their AR number is included in the report which accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

Our fees are usually determined on a fixed fee or time cost basis and may include reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu. We and other entities related to Deloitte Touche Tohmatsu:

- do not have any formal associations or relationships with any entities that are issuers of financial products
- may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
complaints@deloitte.com.au
Fax: +61 2 9255 8434

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
info@fos.org.au
www.fos.org.au
Tel: 1300 780 808
Fax: +61 3 9613 6399

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

July 2014

Deloitte Corporate Finance Pty Limited, ABN 19 003 883 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Member of Deloitte Touche Tohmatsu Limited

09.

ADDITIONAL INFORMATION

9.1 Registration of AFG and SaleCo

AFG was registered in Western Australia on 27 September 1994 as a public company.

SaleCo was registered in Western Australia on 28 April 2015 as a proprietary company. The shareholders of SaleCo are Brett McKeon, Kevin Matthews and Malcolm Watkins. The directors of SaleCo are Brett McKeon, Kevin Matthews and Malcolm Watkins.

9.2 Company tax status

AFG is subject to tax at the Australian corporate tax rate.

9.3 Sale of Shares by SaleCo

SaleCo, a special purpose vehicle, has been established to facilitate the sale of Existing Shares by the Existing Shareholders.

Certain Existing Shareholders have irrevocably offered to sell to SaleCo some of their Existing Shares, which will be available for sale by SaleCo into the Offer, free from encumbrances and third party rights, and conditional on listing.

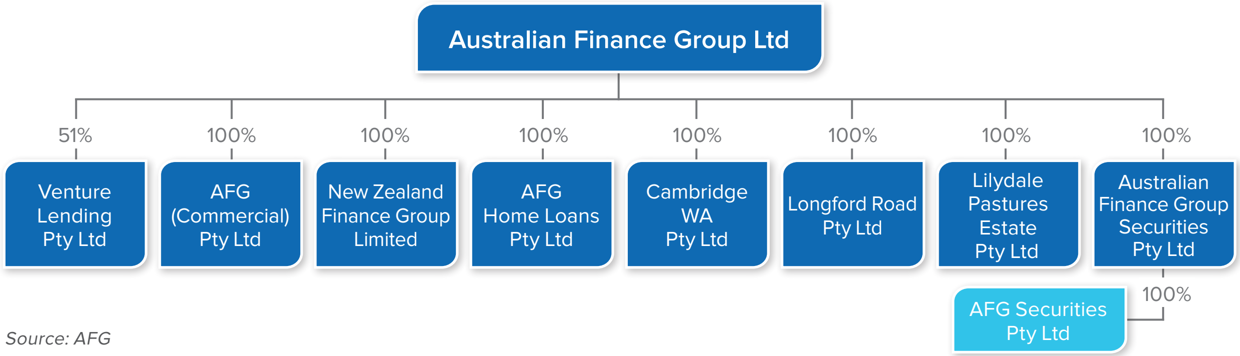
The Existing Shares which SaleCo acquires from the Existing Shareholders will be transferred to successful Applicants at the Final Price. The price payable by SaleCo for these Existing Shares is the Final Price.

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the Offer Management Agreement. The shareholders of SaleCo are Brett McKeon, Kevin Matthews and Malcolm Watkins. The directors of SaleCo are Brett McKeon, Kevin Matthews and Malcolm Watkins. AFG has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer and has indemnified SaleCo in respect of costs of the Offer. AFG has indemnified SaleCo and the shareholders, officers and directors of SaleCo for any loss which SaleCo or the officers and directors of SaleCo may incur in connection with the Offer.

9.4 Corporate structure

Figure 31 represents the corporate structure of the AFG Group after Completion of the Offer.

Figure 31: Corporate structure of AFG Group after Completion of the Offer



Source: AFG

9.5 Dividend reinvestment plan

The Directors have approved a DRP. The Directors have determined not to activate the DRP at the date of this Prospectus, and will monitor when it may be appropriate to activate the DRP.

The rules of the DRP are typical of a DRP operated by an ASX-listed company. Shareholders who elect to participate in the DRP will be able to reinvest the dividends they are entitled to receive in Shares rather than receiving those dividends in cash. Shareholders may choose to participate in the DRP in respect of some or all of their Shares, although AFG may specify a minimum and/or maximum number of Shares that are able to participate.

AFG may choose to enter into underwriting arrangements from time-to-time for the partial or full underwriting of any shortfall in the DRP take-up with respect to a particular dividend.

The DRP may be varied, suspended or terminated by AFG at any time, accordingly to the rules of the DRP.

Shareholders who are not resident in Australia or New Zealand may not be eligible to participate in the DRP, except where AFG is satisfied that it would be lawful and practicable. The Board will determine eligibility to participate in the DRP as it sees fit having regard to the criteria in the DRP rules.

If and when the DRP is activated, a copy of the rules of the DRP will be made available to Shareholders in advance of the record date for the first dividend payable by AFG after the activation of the DRP, and a copy of the rules of the DRP will be made available on AFG's website at www.afgonline.com.au.

9.6 Material contracts

The Directors consider that there are a number of contracts which are significant or material to AFG or of such a nature that an investor may wish to have details of them when making an assessment of whether to apply for Shares. The main provisions of these contracts are summarised below, or elsewhere in this Prospectus. These summaries do not purport to be complete and are qualified by the text of the contracts themselves.

9.6.1 Offer Management Agreement

The Offer is managed by the Lead Manager pursuant to the Offer Management Agreement. Under the Offer Management Agreement, the Lead Manager has agreed to manage the Offer. The Lead Manager has also agreed to provide settlement support for the settlement obligations of applications under the Institutional Offer and Broker Firm Offer.

For the purpose of this Section, Offer Documents means the documents issued or published by or on behalf of (and with express authorisation of) AFG and SaleCo in respect of the Offer, including this Prospectus, any Application Form and any supplementary prospectus.

9.6.1.1 Commission, fees and expenses

AFG have agreed to pay the Lead Manager a management fee of 3.25% of the funds raised under the Offer. AFG may also pay an incentive fee to the Lead Manager of up to 0.5% of the funds raised under the Offer. The management fee is payable by AFG on or before the date of allotment of the Shares. Payment of the incentive fee is at AFG's discretion acting reasonably and in good faith.

In addition to the fees described above, AFG has agreed to pay or reimburse the Lead Manager for certain agreed costs and expenses, including legal expenses, incurred by the Lead Manager in relation to the Offer. The Lead Manager is responsible for fees paid to any parties appointed as co-managers and brokers to the Offer.

9.6.1.2 Termination events

The Lead Manager may terminate all of its further obligations under the Offer Management Agreement by notice to AFG at any time after the Lead Manager becomes aware of the happening of any one or more of the following events but on or before Completion on the date of allotment or at any other time as specified below:

- a statement contained in this Prospectus is misleading or deceptive (including, without limitation, misleading representations within the meaning of section 728(2) of the Corporations Act), or a matter is omitted from this Prospectus (having regard to the provisions of sections 710, 711 and 716 of the Corporations Act);
- a Director of AFG:
  - engages or has engaged in any fraudulent conduct or activity or is charged with an indictable offence or any regulatory body commences any public action against the director in his or her capacity as a Director of AFG or announces that it intends to take any such action; or
  - is disqualified from managing a corporation under sections 206B, 206C, 206D, 206E, 206F or 206G of the Corporations Act;
- AFG or SaleCo or a company within the AFG Group becomes insolvent or there is an act or omission which is likely to result in a company within the AFG Group becoming insolvent;
- any of the following occurs prior to the Institutional Offer opening date and is subsisting on the Business Day prior to the Institutional Offer opening date, or occurs at any time on and from the Institutional Offer opening date:
  - a general moratorium on commercial banking activities in Australia, Singapore, Hong Kong, the United Kingdom or the United States is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;
  - any material disruption to the financial markets, political or economic conditions or currency exchange rates or controls of Australia, New Zealand, Singapore, Hong Kong, the United Kingdom or the United States or the international financial markets; or
  - trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for one day (or a substantial part of one day) on which that exchange is open for trading;

- the S&P/ASX200 Index of ASX falls by an amount that is 12.5% or more of the level as at the close of trading on the date of the Offer Management Agreement, and remains below that level for a period of three consecutive Business Days or until the end of the settlement date;
- approval is refused or approval is not granted which is unconditional or conditional only on customary listing conditions which would not, in the reasonable opinion of the Lead Manager, have a material adverse effect on the success of the Offer to:
  - AFG's admission to the official list of ASX, or
  - the official quotation of all of the Shares on ASX,

on or before the Listing Approval Date (as defined in the Offer Management Agreement), or if granted, the approval is subsequently withdrawn, qualified or withheld;

- any of the following notifications are made:
  - ASIC issues an order under section 739 of the Corporations Act;
  - an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to this Prospectus or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investment Commission Act 1989 (Cth) in relation to this Prospectus;
  - any person gives a notice under section 733(3) of the Corporations Act or any person who has previously consented to the inclusion of its name in this Prospectus (or any supplementary prospectus) or to be named in this Prospectus withdraws that consent; or
  - any person gives a notice under section 730 of the Corporations Act in relation to this Prospectus;
- AFG and SaleCo withdraw this Prospectus or the Offer;
- AFG:
  - alters the issued capital of AFG; or
  - disposes or attempts to dispose of a substantial part of the business or property of AFG or any material company within the AFG Group,

other than as permitted by the Offer Management Agreement or disclosed in this Prospectus, or otherwise permitted by the Offer Management Agreement, without the prior written consent of the Lead Manager;

- AFG is prevented from issuing, and SaleCo is prevented from transferring or procuring the transfer (as applicable), the Shares within the time required by the timetable (as may be varied in accordance with the Offer Management Agreement), the Offer Documents, the ASX Listing Rules, applicable laws, an order of a court of a competent jurisdiction or a government agency;
- any event specified in the timetable to occur prior to or including the commencement of normal trading is delayed by more than 1 Business Day without the prior written approval of the Lead Manager;
- a regulatory body withdraws, revokes or amends in an adverse manner any regulatory approvals required for AFG or SaleCo to perform or observe their obligations under the Offer Management Agreement or to carry out the transactions contemplated by the Offer Documents;
- AFG or SaleCo does not provide a closing certificate as and when required by the Offer Management Agreement;
- there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any governmental agency which makes it illegal for the Lead Manager to satisfy an obligation under the Offer Management Agreement, or to market, promote or settle the Offer;
- a statement in any closing certificate is false, misleading, inaccurate, untrue or incorrect (including by way of omission);
- any of the following occurs:
  - any government agency commences any investigation, claim, inquiry, hearing, proceedings or public action against AFG or SaleCo, or another company within the AFG Group or announces, or gives notice, that it intends to take such action (whether in respect of the Offer, the Offer Documents or otherwise); or
  - a government agency withdraws, revokes or amends in an adverse manner any authorisation, license or other approval necessary to the conduct of AFG's business;
- any voluntary escrow agreement entered into by the Escrowed Shareholders is withdrawn, varied, terminated, rescinded, altered, amended or breached or there is a failure to comply with any of them (other than with the consent of the Lead Manager;
- any of the following occurs:
  - an AFG Group member has breached a condition of any ACL granted to an AFG Group member under the NCCP Act; or
  - an event has occurred that, with notice or lapse of time, would constitute a breach in the observance of any term, condition or covenant in an ACL held by an AFG Group member; or
  - an ACL granted to an AFG Group member has expired or is revoked, terminated, modified or otherwise not of full force or effect, other than the removal or replacement of Kevin Matthews as a key person or responsible manager.

9.6.1.3 Material termination events

The Lead Manager may terminate all of its further obligations under the Offer Management Agreement by notice to AFG at any time after the Lead Manager becomes aware of the happening of any one or more of the following events but on or before Completion on the date of allotment or at any other time as specified below, provided that the Lead Manager has reasonable and bona fide grounds to believe and does believe that the event has or is likely to have a materially adverse effect on the outcome of the Offer or could give rise to a material liability of the Lead Manager under any law or regulation:

- the due diligence report or SaleCo or any other information supplied by or on behalf of AFG to the Lead Manager in relation to the AFG Group or the Offer is misleading or deceptive; or
- any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of AFG and the AFG Group (insofar as the position in relation to an entity in the AFG Group affects the overall position of AFG), including any adverse change in the assets,

liabilities, financial position or performance, profits, losses or prospects of the AFG Group from those respectively disclosed in this Prospectus or public and other media statements made on or behalf of AFG in relation to its affairs or the Offer;

- there occurs a new circumstance that has arisen since this Prospectus was lodged that would have been required to be included in this Prospectus if it had arisen before this Prospectus was lodged in relation to AFG or any entity in the AFG Group, within the meaning of section 719 of the Corporations Act;
- hostilities not presently existing commence (whether war has been declared or not) or a major act of terrorism is perpetrated anywhere in the world or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, Singapore, Hong Kong, the United States of America, Japan, Ukraine, Russia, Iraq or the People's Republic of China;
- there is introduced or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the RBA, or any Commonwealth or State authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Offer Management Agreement), any of which does or is likely to prohibit or regulate the Offer, capital issues or stock markets or materially adversely affect the taxation treatment of the Shares under the Offer;
- a change in the board of directors or senior management of AFG;
- a contravention by AFG, SaleCo or any entity in the AFG Group of the Corporations Act, its constitution, or any of the ASX Listing Rules or any other applicable law;
- this Prospectus or any aspect of the Offer does not comply with the Corporations Act, the Listing Rules or any other applicable law or regulation;
- a default by AFG or SaleCo in the performance of any of its obligations under the Offer Management Agreement occurs;
- any of the following occurs:
  - the commencement of legal proceedings against AFG or SaleCo, any other AFG Group member or against any director of AFG or SaleCo or another company within the AFG Group in that capacity;
  - any person (other than ASIC) makes an application for an order under Part 9.5 of the Corporations Act, or to any government agency, in relation to the Offer Documents or the Offer;
- a warranty contained in the Offer Management Agreement on the part of AFG or SaleCo is or becomes not true or correct; or
- if any of the obligations of the relevant parties under any of the contracts that are material to the business of the AFG Group or the material contracts summarized in this Section 9.6 are not capable of being performed in accordance with their terms or if all or any part of any of such contracts:
  - is amended or varied without the consent of the Lead Manager;
  - is terminated;
  - is breached;
  - ceases to have effect, otherwise than in accordance with its terms; or
  - is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or rescinded or avoided or of limited force and effect, or its performance is or becomes illegal.

9.6.1.4 Representations, warranties, undertakings and other terms

The Offer Management Agreement contains certain standard representations, warranties and undertakings by AFG and SaleCo to the Lead Manager (as well as common conditions precedent, including the entry into voluntary escrow deeds by the Escrowed Shareholders and ASIC and ASX granting the waivers and modifications necessary to enable the Offer to proceed in accordance with the timetable.

The representations and warranties given by AFG and SaleCo relate to matters such as the power and authorisations of AFG and SaleCo to enter into and comply with the Offer Management Agreement, information provided by AFG and SaleCo, information in the Offer Documents, the conduct of the Offer and compliance with laws, ASX Listing Rules and other legally binding requirements, eligibility for listing, insolvency, the AFG Group's IT systems and residual liabilities post-divestment of the AFG Group's property development business. AFG's and SaleCo's undertakings include that they will not without the prior written consent of the Lead Manager (such consent not to be unreasonably withheld or delayed), during the period following the date of the Offer Management Agreement until 180 days after the date on which allotment of the Shares occurs, allot or agree to allot or indicate in any way that it may or will allot or agree to allot any shares or other securities that are convertible or exchangeable into equity, or that represent the right to receive equity, of AFG or any member of the AFG Group other than pursuant to the Offer, the Offer Management Agreement, or an employee share plan, a dividend reinvestment or a bonus share plan described in this Prospectus.

9.6.1.5 Indemnity

Subject to certain exclusions relating to, among other things, recklessness, fraud, wilful misconduct or gross negligence of an indemnified party, AFG agrees to keep the Lead Manager and certain affiliated parties indemnified from losses suffered in connection with the Offer.

9.6.2 Lender agreements

AFG has entered into agreements with Lenders that allow AFG, through AFG Brokers, to Originate certain loan products (including both commercial and residential products). In return, the Lender agrees to make payments to AFG which may comprise:

- an upfront commission, which is usually based on a percentage of funds advanced to the Borrower and is paid once the loan is drawn down; and
- a trail commission, which is an ongoing fee payable during the period from when the loan is drawn down to the date the loan is fully discharged, subject to the loan being in good order and not in default.

A Lender may require AFG to repay the upfront commission and the trail commission (Commission Clawback) if the loan terminates within a certain period from draw down (usually 12 to 18 months). Lenders also generally have a right to change the rates and other terms of the payments to AFG in respect of new loan applications.

Either party may terminate a Lender agreement without cause on the expiry of certain notice periods. The notice period under the Lender agreements is generally 30 days, however it may be shorter. Lenders are also able to terminate on the occurrence of certain termination events or circumstances. For example, a Lender may be entitled to terminate an agreement immediately where the following events or circumstances occur:

- systemic fraud or systemic dishonesty;
- a receiver, liquidator or similar officer is appointed to AFG or an order for the winding up of AFG is made;
- AFG fails to comply with a material obligation under the agreement; or
- representations or warranties given by AFG are found to be misleading or deceptive.

AFG has also provided broad indemnities in favour of the Lenders for loss or damage suffered by a Lender relating to the provision of services under their Lender agreement.

9.6.3 AFG Member Agreements

AFG has entered into agreements with AFG Members under which an AFG Broker associated with that AFG Member is authorised to introduce or refer applications for loans in return for AFG making a payment to the AFG Member on the terms of the agreement.

The payment to the AFG Member is an agreed proportion of the payment received from the Lender. AFG may clawback payments already paid to the AFG Member in the event that the Lender has clawed back the payment from AFG. AFG may also withhold any payment to an AFG Member until a sufficient amount is held by AFG to cover any payment which has been paid, but which is subject to the clawback by any Lender.

Either party may terminate an AFG Member Agreement without cause by giving notice in writing. The notice period may be as short as 30 days. AFG also has a right to terminate an AFG Member Agreement on the occurrence of certain termination events or circumstances, generally including where the AFG Member, an associated AFG Broker or its intermediary breaches the agreement and fails to rectify that breach or engages in a prohibited offence (such as dishonesty, theft or fraud).

The AFG Members also indemnify AFG against certain loss or damage incurred by AFG (as specified in their individual AFG Member Agreement). The indemnity generally includes failing to observe the provisions of the agreement or any applicable legislation. Certain AFG Member Agreements also indemnify AFG against the commission of a prohibited offence or certain other conduct of the AFG Member an associated AFG Broker or any of its intermediaries.

9.6.4 White Label Product agreements

AFG has entered into agreements with certain Lenders in respect of its White Label Products. The White Label Product agreements are entered into on substantially similar terms to the Lender agreements summarised in Section 9.6.2.

9.6.5 Securitisation agreements

In order to implement the Securitisation arrangements described in Sections 2.5 and 3.5.3, AFG and AFG Securities have entered into a master trust and security trust deed with certain trustees. This document is an umbrella deed pursuant to which AFG Securities has the ability to establish Securitisation special purpose vehicles by creating trusts and series within each trust. AFG Securities acts as trust manager and servicer under these documents, earning fee income and with responsibility for administering key aspects of the Securitisation structure.

9.6.6 Agreements with Oracle

AFG has entered into agreements with Oracle under which Oracle provides certain software, hardware, technical support services and cloud-based services which form a significant part of the IT infrastructure of AFG. The Oracle agreements provide AFG a non-exclusive, non-assignable, royalty free, limited right to access and use the services provided by Oracle, solely for AFG's internal business operations and for the term of the relevant agreement.

Oracle does not guarantee uninterrupted or error-free operation of the programs, cloud-based services, hardware, operating system, integrated software, media or other services provided under the agreements.

AFG and Oracle have agreed to indemnify each other against any damages, liabilities, costs and expenses arising out of any claim by a third party for infringement of that third party's intellectual property rights. This indemnification will only apply where that third party claim is due to the use of any information or content furnished by the indemnifying party to the other. Oracle's liability under the agreements (including any indemnification of AFG by Oracle) is limited to the amounts paid by AFG to Oracle under the relevant agreement, or in the case of cloud-based services, to the amounts paid by AFG to Oracle for the relevant services in the previous 12 months.

Oracle may terminate the agreement if AFG has failed to rectify a material breach of the agreement within 30 days of written notice. Upon termination of an agreement for a service provided by Oracle, AFG's right to access and use that particular Oracle service will terminate and AFG must, within 30 days, pay all amounts which have accrued or been incurred prior to that termination. In relation to cloud-based services, Oracle may suspend AFG's access to the Oracle services in certain circumstances with an amount of notice that Oracle considers reasonable in the circumstances. Oracle may suspend services in circumstances where AFG has violated a relevant agreement, or if in Oracle's reasonable judgment AFG's use of the service is causing a significant threat to the security or functionality of the service. Oracle may then terminate if the cause for suspension is not remedied by AFG within 30 days of the notice of suspension.

9.7 Litigation and claims

AFG is from time-to-time, party to various disputes and legal proceedings incidental to the conduct of its business. As far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or governmental prosecution of a material nature in which an AFG Group company is directly or indirectly concerned which is likely to have a material adverse effect on the business or financial position of AFG.

9.8 Property arrangements

AFG, through AFG Property, has historically held interests in certain property development projects. Initially, AFG's property development interests evolved as a means of using surplus cash in the business as opposed to holding those funds in bank deposits. Prior to the date of this Prospectus, AFG divested AFG Property to a separate entity, Establish Property Group Ltd. Accordingly, AFG no longer retains any property development interests.

AFG has agreed to provide certain transitional services to Establish Property Group Ltd to support its corporate functions for a period of 2 years (or such shorter period as Establish Property Group Ltd requires). The services include:

- providing premises necessary for the operation of Establish Property Group Ltd's business operations for up to 2 employees;
- maintenance of the share registry;
- accounting and financial reporting (other than statutory accounts and liaising with the auditor);
- administrative and bookkeeping services; and
- providing all services required by AFG Property Pty Ltd (a wholly owned subsidiary of Establish Property Group Ltd) for the maintenance of its AFSL.

AFG has also agreed to continue in its role as guarantor under funding arrangements and a former joint venture arrangement in relation to two of the property development projects as discussed in Section 4.17.

Establish Property Group Ltd will pay a fee of $12,650 per month (excluding GST and subject to an annual CPI based increase) to AFG in relation to the provision of the transitional services.

AFG has also transferred its development management role for the McCabe Street property development to Establish Property Group Ltd. AFG has no future funding obligations in relation to the McCabe Street property development.

9.9 Consents

Each of the parties referred to below (each a "**Consenting Party**"), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below. To the maximum extent permitted by law, each of the Lead Manager's affiliates, officers, employees and advisers also expressly disclaim all liabilities in respect of, and make no representations regarding, and take no responsibility for, any statement in or omissions from this Prospectus.

Each of the Consenting Parties has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named. None of the Consenting Parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement is based, other than as specified below:

- Macquarie has given, and has not withdrawn prior to the lodgment of this Prospectus with ASIC, their written consent to be named in this Prospectus as the Lead Manager to the Offer in the form and context in which it is named.
- Deloitte Corporate Finance Pty Limited has given, and has not withdrawn prior to the lodgment of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to AFG in relation to the Pro Forma Historical Financial Information and the Forecast Financial Information in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Investigating Accountant's Reports in the form and context in which it is included.
- Deloitte Tax Services Pty Ltd has given, and has not withdrawn prior to the lodgment of this Prospectus with ASIC, its written consent to be named in this Prospectus as the provider of tax due diligence services to AFG and the provider of the taxation wording in Section 9.10 of this Prospectus in the form and context in which it is included.
- Herbert Smith Freehills has given, and has not withdrawn prior to the lodgment of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser (other than in respect of taxation matters) to AFG in relation to the Offer in the form and context in which it is named.
- Link Market Services Limited has given, and has not withdrawn prior to the lodgment of this Prospectus with ASIC, its written consent to be named in this Prospectus as the share registry in the form and context in which it is named. Link Market Services Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to AFG.
- Deloitte Touche Tohmatsu has given, and has not withdrawn prior to lodgment of this Prospectus with ASIC, its written consent to be named as the auditor of AFG for FY2015 in the form and context in which it is named.
- Ernst & Young has given, and has not withdrawn prior to lodgment of this Prospectus with ASIC, its written consent to be named as the auditor of AFG in relation to the lodged statutory accounts for FY2012, FY2013 and FY2014 in the form and context in which it is named.

- The Mortgage & Finance Association of Australia has given, and has not withdrawn prior to the lodgment of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of references to it and statements in the Chairman's Letter and Sections 1, 2, 3, and 4 of this Prospectus stated to be sourced from the MFAA Mortgage Broker Market Survey in the form and context in which they are included.
- Comparator has given, and has not withdrawn prior to the lodgment of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of references to it and statements in the Chairman's Letter and Sections 1, 2, 3, and 4 of this Prospectus stated to be sourced from the underlying data included in the MFAA Mortgage Broker Market Survey in the form and context in which they are included.
- Morgans Corporate Limited has given, and has not withdrawn prior to the lodgment of this Prospectus with ASIC, their written consent to be named in this Prospectus as the Co-Manager to the Offer in the form and context in which it is named.

9.10 Tax considerations

This Section 9.10 provides a general overview of certain Australian tax consequences for investors who acquire Shares through the Offer. The comments in this Section are based on the Australian taxation laws (including established interpretations of those laws) and understanding of the practice of the Australian Taxation Office as at the date of this Prospectus.

This Section is general in nature and is not intended to be an authoritative or a complete statement of the Australian taxation laws. It should be noted that the Australian taxation laws are complex and the investor's own circumstances will affect the taxation outcomes of making an investment in Shares through the Offer. It is therefore recommended that investors seek independent professional advice having regard to their own specific circumstances in considering an investment in Shares through the Offer.

Deloitte Tax Services Pty Ltd, a registered tax agent, has provided this tax opinion. Deloitte Tax Services Pty Ltd is not licensed under Chapter 7 of the Corporations Act to provide financial product advice. Taxation issues, such as those covered by this Section, are only one of the matters you need to consider when making a decision about a financial product. You should consider taking advice from someone who holds an AFSL before making such a decision.

9.10.1 Dividends on a Share – Australian tax resident

Dividends may be paid to Shareholders in respect of their Shares. "Franking credits" may be attached to such dividends. Franking credits broadly represent the extent to which a dividend is paid out of profits that have been subject to Australian tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

It should be noted that the concept of a dividend for Australian income tax purposes is very broad and can include payments that are made in respect of such things as off-market share buy-backs.

9.10.1.1 Australian resident individuals and complying superannuation entities

Australian tax resident Shareholders will be required to include dividends in their assessable income in the income year in which the dividends are paid. To the extent that the dividends are franked, subject to the comments below, the associated franking credits should also be included in the Australian tax resident Shareholder's assessable income (that is, the dividends are required to be "grossed-up"). In such circumstances, Shareholders are subject to tax at their applicable rate of tax on the grossed-up dividends received (but may be entitled to a tax offset for the associated franking credits as discussed below).

To the extent that the dividends are unfranked, there is no gross-up (or tax offset) and Australian resident Shareholders should be subject to tax at their applicable rate of tax on the unfranked dividends received.

Generally, Shareholders should be entitled to a "tax offset" equal to the amount of any franking credits received.

To the extent that the franking credits received by non-corporate Shareholders that are individuals and complying superannuation entities exceed the amount of tax payable, those Shareholders should be entitled to a refund from the Australian Taxation Office of any excess franking credits. Where the franking credits are less than the tax payable on the dividends, those Shareholders will need to pay an additional amount of tax.

9.10.1.2 Trusts and partnerships

In relation to non-corporate Shareholders that are trusts (other than trustees of complying superannuation entities) or partnerships, such Shareholders should include any franking credits in determining the net income of the trust or partnership. The relevant beneficiary or partner may then be entitled to a corresponding tax offset, subject to certain requirements being satisfied.

In relation to trusts or limited partnerships, the rules surrounding the taxation of dividends are complex and advice should be sought to confirm the appropriate taxation considerations and treatment.

9.10.1.3 Corporate Shareholders

Corporate Shareholders (including those which are deemed to be companies) are also entitled to a tax offset equal to the amount of franking credits received, however, unlike non-corporate Shareholders, they are unable to claim refunds for excess franking credits. Where excess franking credits exist, a corporate Shareholder should be entitled to have the surplus credits converted into carry forward tax losses.

Corporate Shareholders (including those which are deemed to be companies) should also be entitled to a franking credit in their franking accounts equal to the franking credits received in respect of the dividends. A corporate Shareholder may be able to then use the credits to make franked distributions to its shareholders.

9.10.1.4 Holding period rule

There are certain limitations imposed by the Australian taxation law which may prevent a Shareholder from obtaining the benefit of any franking credits. In this regard, Shareholders seeking to claim tax offsets for franking credits must be "qualified persons" in respect of the relevant dividends.

In broad terms, Shareholders who have held their Shares "at risk" for at least 45 days (excluding the dates of acquisition and disposal) should be qualified persons and should be able to claim a tax offset for the amount of franking credits received. Furthermore, individual Australian Shareholders whose total franking tax offsets (for all franked distributions received in the income year) do not exceed $5,000 for the income year should generally be deemed to be qualified persons. Special rules apply to arrangements which involve the making of related payments to pass on the benefit of any dividends paid, or in the context of franked dividends received via trusts or partnerships.

Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

9.10.1.5 Dividend washing

Recently enacted legislation prevents taxpayers from obtaining a tax benefit from additional franking credits where dividends are received as a result of "dividend washing". "Dividend washing" is a practice through which taxpayers seek to claim two sets of franking credits by selling shares held on the ASX and then effectively repurchasing the same parcel of shares on a special ASX trading market. Shareholders should consider the impact of these provisions (and other dividend tax integrity provisions) having regard to their own personal circumstances.

9.10.2 Dividends on a Share – non-Australian tax resident

Generally, unfranked dividends paid to Shareholders that are not Australian tax residents should be subject to dividend withholding tax. To the extent that distributions to non-residents include unfranked dividends, there is a requirement for the payer to withhold tax at the rate applicable to each non-resident Shareholder. Australian dividend withholding tax is levied at a flat rate of 30% on the gross amount of the dividends unless a Shareholder is a tax resident of a country that has an applicable double tax treaty with Australia. In these circumstances, the withholding tax is generally limited to 15%, although in certain cases, depending on the Shareholder's country of residence and the size of their Shareholding, the rate may be reduced further.

Fully franked dividends are not subject to Australian dividend withholding tax.

It is recommended that non-resident Shareholders also consider the tax implications of receiving dividends in respect of Shares under their respective domestic tax regimes.

9.10.3 Dividend Reinvestment Plan (DRP)

As outlined in Section 9.5, the Directors have approved a DRP but have determined not to activate it at the date of this Prospectus. The comments in this Section do not consider the taxation implications of Shareholders participating in a DRP. If a DRP is activated at a future time, Shareholders are advised to seek advice prior to participating in the plan.

9.10.4 Taxation of future Share disposals – Australian tax resident

Most Australian resident Shareholders will be subject to the Australian CGT regime on the future disposal of their Shares. Some Shareholders will hold Shares on revenue account, as trading stock or under the Taxation of Financial Arrangements regime.

Broadly, Australian tax resident Shareholders who acquire their Shares in the ordinary course of their business and/or hold their Shares on revenue account should be required to include any gains made on the disposal of the Shares in their assessable income. Conversely, any losses made on the disposal of Shares in these circumstances should be deductible.

Australian tax resident Shareholders who hold their Shares on capital account will be required to consider the impact of the CGT provisions in respect of the disposal of their Shares.

Where the capital proceeds received on the disposal of the Shares exceed the CGT cost base of those Shares, Australian tax resident Shareholders will be required to recognise a capital gain. The CGT cost base of the Shares should generally be equal to the issue price or acquisition price of the Shares plus, among other things, incidental costs associated with the acquisition and disposal of the Shares. In respect of the CGT cost base of the Shares, this amount may be reduced as a result of receiving non-assessable distributions from AFG, such as returns of capital.

Conversely, Australian tax resident Shareholders may recognise a capital loss on the disposal of Shares where the capital proceeds received on disposal are less than the reduced CGT cost base of the Shares.

All capital gains and losses recognised by an Australian tax resident Shareholder for an income year are considered collectively. To the extent that a net gain exists, such Shareholders should be able to reduce the gain by any amount of unapplied net capital losses carried forward from previous income years (provided certain loss recoupment tests are satisfied). Any remaining net gain (after the application of any carried forward tax losses) will then be required to be included in the Australian tax resident Shareholder's assessable income (subject to comments below in relation to the availability of the CGT discount concession) and will be taxable at the Shareholder's applicable rate of tax. Where a net capital loss is recognised, the loss will only be deductible against capital gains. Capital losses are capable of being carried forward indefinitely, provided the relevant loss recoupment tests are satisfied.

Non-corporate Shareholders may be entitled to a concession which discounts the amount of capital gain that is assessed. Broadly, the concession is available where the Shares have been held for 12 months or more prior to disposal. The concession results in a 50% reduction in the assessable amount of a capital gain for an individual Shareholder or trust Shareholder, and a one-third reduction of a capital gain for an Australian resident complying superannuation entity Shareholder. The concession is not available to corporate Shareholders.

In relation to trusts or limited partnerships, the rules surrounding capital gains and the CGT discount are complex, but the benefit of the CGT discount may flow through to relevant beneficiaries, subject to certain requirements being satisfied.

9.10.5 Taxation of future Share disposals – non-Australian tax resident

Non-resident Shareholders who hold Shares on revenue account may need to include any Australian sourced profits recognised on the sale of Shares in their Australian assessable income unless an applicable double tax treaty provides relief from Australian taxation. Conversely, non-resident Shareholders who make a loss on the disposal of the Shares in these circumstances may be entitled to claim the loss against other assessable income, provided the loss was made in the course of deriving assessable income from Australian sources.

Non-resident Shareholders who hold their Shares on capital account should generally not be subject to the Australian CGT regime upon disposal of their Shares except in limited circumstances; for example, where the Shares are used in the carrying on of a business through a permanent establishment in Australia or where the Shares are "indirect Australian real property interests" at the time of sale. In this regard, the Shares should be indirect Australian real property interests to the extent that, broadly, the following two requirements are satisfied:

- AFG is considered "land rich" for Australian income tax purposes (that is, greater than 50% of the market value of the company's underlying assets is derived from Australian real property interests or certain interests in relation to Australian minerals); and
- the non-resident Shareholder has an associate-inclusive interest of at least 10% in AFG.

We note that it is unlikely that AFG is considered "land rich" for Australian income tax purposes but this analysis is required to be undertaken at the time of disposal.

9.10.6 Tax file number (TFN) and Australian Business Number (ABN)

A Shareholder is not obliged to quote a TFN, or where relevant, ABN, to AFG. However, if a TFN or ABN is not quoted and no exemption is applicable, income tax is required to be deducted by AFG at the highest marginal rate (currently 45%) plus Medicare levy of 2% and Temporary Budget Repair levy of 2% (only from income year 2014-15 to income year 2016-17) from certain dividends paid. Australian tax resident Shareholders may be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on dividends in their income tax returns.

No withholding requirement applies in respect of fully franked dividends paid in respect of the Shares.

9.10.7 Stamp duty

No stamp duty should be payable by a Shareholder on the issue or acquisition of Shares pursuant to the Offer. Further, under current stamp duty legislation, stamp duty would not ordinarily be payable on any subsequent acquisition of Shares by a Shareholder provided AFG remains listed on ASX (and provided the acquisition is of 90% or less of the Shares in AFG).

9.10.8 Goods and services tax (GST)

Under current Australian GST law, GST would not be applicable to the issue, acquisition or transfer of Shares. As referenced elsewhere in this Prospectus, no brokerage fees are to be paid by Applicants. The ability of Shareholders to recover any GST incurred in relation to other costs associated with this transaction as an input tax credit would vary according to individual circumstances and as such this should be reviewed by Shareholders prior to making any claim.

9.11 ASX and ASIC

9.11.1 ASX waiver and confirmation

AFG has applied to ASX for the following ASX Listing Rule waiver:

- a waiver of ASX Listing Rule 10.14 in connection with the proposed employee incentive schemes to be put in place by AFG.

9.11.2 ASIC exemptions, modifications and relief

AFG has applied for certain exemptions from, modifications to, and relief from, the following provisions of the Corporations Act:

- an exemption from the requirements of section 734(2) of the Corporations Act to enable AFG to communicate limited information about the Offer to its employees and Shareholders prior to lodgment of this Prospectus; and
- relief so that the takeover provisions of the Corporations Act will not apply to certain relevant interests that AFG would otherwise acquire in the Escrowed Shareholders' escrowed Shares by reason of the voluntary escrow arrangements in relation to those Shares, as described in Section 7.8.

9.12 Incorporation by reference

AFG has lodged statutory accounts for the years ended 30 June 2012, 30 June 2013 and 30 June 2014 with ASIC, and the information in each account is incorporated by reference into this Prospectus. These can be obtained from www.afgonline.com.au.

9.13 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the law applicable in Western Australia and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of Western Australia.

9.14 Statement of Directors

The issue of this Prospectus has been authorised by each Director and each director of SaleCo. Each Director and director of SaleCo has consented to lodgement of this Prospectus with ASIC and the issue of this Prospectus and has not withdrawn that consent.

APPENDIX A.

SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in Section 4, and have been applied consistently by all AFG Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the AFG Group. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the AFG Group.

Non-controlling interests are allocated their share of net profit after tax in the Statement of Comprehensive Income and are presented within equity in the Statement of Financial Position, separately from the equity of the owners of the Parent.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

(ii) Special purpose entities

Special purpose entities are those entities over which the group has no ownership interest but in effect the substance of the relationship is such that the AFG Group controls the entity so as to obtain the majority of benefits from its operation. The AFG Group has established special purpose entities to support its Securitisation and Residential Mortgage Backed Securities issues (RMBS) programmes.

Securitisation programme

The AFG Group has established a special purpose entity (SPE), AFG 2010-1 Trust, and its Series to conduct securitisation activities on behalf and according to the specific business needs of AFG Securities Pty Ltd, a wholly owned subsidiary of AFG. The SPE is consolidated based on an evaluation of the substance of its relationship with the AFG Group, and the SPE's risks and rewards. The AFG Group has control over the SPE.

The SPE was established under terms that impose strict limitations on the decision-making powers of the SPE's management that result in the AFG Group receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to risks incidental to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

RMBS programme

The special purpose entities (SPE-RMBS) AFG 2013-1, AFG 2013-2 and AFG 2014-1 trusts were established to hold securitised assets and issue RMBS to support the specific funding needs of the AFG Group's Securitisation Programme. The SPE-RMBS meet the criteria of being controlled entities under SIC12 and AASB 127 – Consolidated and Separate Financial Statements.

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

- the AFG Group has the majority of the residual interest in the SPE-RMBS;
- fees received by the AFG Group from the SPE-RMBS vary on the performance or non-performance of the SPE-RMBS assets; and
- the AFG Group has the ability to direct decision making accompanied by the objective of obtaining benefits from the SPE-RMBS' activities.

The AFG Group continues to retain control over the financial assets. The securitised assets and the corresponding liabilities are recorded in the Statement of Financial Position and the interest earned and paid recognised in the Statement of Comprehensive Income.

(iii) Transactions eliminated on consolidation

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

(b) Revenue

Full details of the revenue generated by the AFG Group is disclosed in Section 4.3.1 of this Prospectus.

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the AFG Group at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign exchange gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in the foreign currency translated at the exchange rate at the end of the period.

(d) Financial instruments

(i) Non-derivative financial assets

Initial recognition and measurement

Financial assets within the scope of AASB 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available–for-sale financial assets. The AFG Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below.

Financial assets at fair value through profit or loss

The AFG Group's investments in equity securities are classified as financial assets at fair value through profit or loss. An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the AFG Group manages such instruments and makes purchase and sale decisions based on their fair value in accordance with the AFG Group's risk management and investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are subsequently measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment losses.

Loans and receivables comprise trade and other receivables and loans and advances which relate mainly to residential mortgages issued under the securitisation programme.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss is transferred to profit or loss. The investments have no quoted prices in an active market and there is insufficient information available to determine fair value. As a result of this, cost was deemed to represent the best estimate of fair value.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; and
- the AFG Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the AFG Group has transferred substantially all the risks and rewards of the asset, or (b) the AFG Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the AFG Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the AFG Group's continuing involvement in the asset. In that case, the AFG Group also recognises an associate liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the AFG Group has retained.

The AFG Group utilises SPE-RMBS to hold securitised assets (financial assets) and issue residential mortgage asset backed securities to investors. After the securitisation transaction, the AFG Group continues to retain control of the financial assets for which some but not substantially all the risks and rewards have been transferred to the investors. Consequently, the securitised assets do not meet the requirements of AASB 139 - Financial Instruments: Recognition and Measurement in respect of the derecognition of financial instruments. The securitised assets have been recorded in the Statement of Financial Position with the related interest recognised through the consolidated Statement of Comprehensive Income.

(ii) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset that has a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets are impaired can include failure to meet repayment of principal and interest in accordance with the terms of the governing agreement (loans and advances within the SPE), indications that a debtor or issuer will enter bankruptcy, disappearance of an active market for a security, or wider economic and financial market indicators pertaining to a particular industry sector or local economy. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Significant financial assets and loans and advances within the special purpose entities are individually assessed and regularly tested for impairment. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. In assessing collective impairment the AFG Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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. Losses are recognised in profit or loss and reflected in an allowance account against receivables. For the SPE loans and advances the present value of estimated cash flows recoverable is determined after taking into account net realisable value from sale of collateral held. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

An impairment loss in respect of an available-for-sale financial asset is recognised by transferring the cumulative loss that has been recognised previously in equity to profit or loss. When a subsequent event causes the fair value of an impaired available-for-sale asset to increase and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value is recognised in other comprehensive income.

(iii) Non-Derivative financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through profit or loss, or loans and borrowings. The AFG Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, in the case of loans and borrowings, net of directly attributable transactions.

The AFG Group initially recognises financial liabilities (including liabilities designated at fair value through profit or loss) on the trade date at which the AFG Group becomes a party to the contractual provisions of the instrument. The AFG Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

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

Subsequent measurement

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in respect of the carrying amounts is recognised in the income statement.

(iv) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

Refer to accounting policy 'Determination of Fair Values' below for the financial instruments not traded in an active market fair value determination.

(v) Share capital

Ordinary shares

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

Dividends

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

(e) Cash and short term-deposits

Cash and short-term deposits in the Statement of Financial Position comprise cash at banks and on hand, short term deposits with a maturity of three months or less and collections in the special purpose entities' accounts which are not available to the shareholders. Refer to Note 3 of Section 4.9.

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

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation (see (iii) below) and impairment losses (see accounting policy (g) 'Impairment of Non-financial assets').

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised as part of the cost of the assets.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for separately.

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

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to AFG and its costs can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss 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 life unless it is reasonably certain that AFG will obtain ownership by the end of the lease term.

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

(i)	plant and equipment	2-5 years
(ii)	fixtures and fittings	5-20 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(g) Intangibles

(i) Software development costs

Software development costs are recognised as an expense when incurred, except to the extent that such costs, together with previous unamortised deferred costs in relation to that project, are expected beyond reasonable doubt, to provide future economic benefits. Any deferred development costs are amortised over the estimated useful lives of the relevant assets.

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

(ii) Other intangible assets

Other intangible assets that are acquired by AFG, which have finite useful lives, are measured at cost less accumulated amortisation (see above (i)) and impairment losses (see accounting policy (g) ‘Impairment of Non-financial assets’).

(iii) Subsequent expenditure

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

(iv) Amortisation

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

(i) Capitalised software development costs	2.5 - 5 years
(ii) Software licenses	2.5 - 5 years

(h) Impairment of Non-financial assets

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

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

(i) Employee benefits

(i) Long-term employee benefits

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

(ii) Short term benefits

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

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

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

(iii) Share-based payment transactions

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

(j) Provisions

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

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

(k) Lease payments

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Payments made under operating leases are recognised in the profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(l) Finance income and expenses

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest payable on borrowings, unwinding of the discount on provisions and changes in fair value of financial assets at fair value through profit or loss.

(m) Borrowing costs

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

(n) Income tax expense

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for: temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted by the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly to equity

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a set basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised 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 reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the obligation to pay the related dividend is recognised.

(i) Tax consolidation

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

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

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

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

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability are recognised by the head entity only.

(ii) Nature of tax funding arrangements and tax sharing arrangements

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

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

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

(o) Goods and services tax

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

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

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

(p) Deferred income

Professional indemnity insurance income is deferred to the extent it gives rise to future economic benefits and recognised as income on the stage of completion of the contract.

Sponsorship and other incentive payments income is brought to account when services relating to the income have been performed.

(q) Segment Information

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

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

- Wholesale Mortgage Broking; and
- AFG Home Loans.

Full details of these segments can be found in Section 3 of this Prospectus.

Segment results that are reported to the Managing Director include items directly attributable to the relevant segment as well as those that can be allocated on a reasonable basis. Other unallocated items are comprised mainly of other operating activities from which the AFG Group earns revenues and incurs expenses that are not required to be reported separately since they do not meet the quantitative thresholds prescribed by AASB 8 or are not managed separately and are corporate and taxation overheads, assets and liabilities.

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

Determination of fair values

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

Trail commissions

AFG receives trail commissions from Lenders on originated loans over the life of the loan based on the loan book balance outstanding. AFG is entitled to the trail commissions without having to perform further services. AFG also makes trail commission payments to AFG Brokers when trail commission is received from Lenders.

The fair value of trail commission receivable from Lenders and the corresponding payable to AFG Brokers is determined by using a discounted cash flow valuation. These calculations require the use of assumptions which are determined by management with the assistance of external actuaries. The key assumptions underlying the fair value calculations of trail commission receivable and the corresponding payable to members at the reporting date is summarised in the following table:

	1H2015	2014	2013
Average loan life	Between 4.3 and 5.3 years	Between 4.4 and 5.3 years	Between 4.4 and 5.2 years
Discount rate per annum	Between 5.0% and 13.5%	Between 9.15% and 13.5%	Between 10% and 13.5%
Percentage paid to members	Between 85% and 92%	Between 85% and 91%	Between 85% and 91%

The percentage paid to AFG Brokers is fixed by the terms of their AFG Member Agreement with AFG.

Fixed rate instruments

The carrying amounts of the fixed rate instruments at year end is a reasonable approximation of their fair values with the exception of the net present value of future trail commissions receivable which are accounted for at amortised cost.

At reporting date a change in interest rate will not affect the fair values of the fixed rate instruments.

Trade and other receivables/payables

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

Investments in equity instruments

The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted closing bid price at reporting date.

The fair value of available-for-sale asset cannot be measured reliably because it does not have a quoted price in an active market.

APPENDIX B.

GLOSSARY

Term	Meaning
1H2015	The half year ended 31 December 2014.
AAS	Australian Accounting Standards.
AASB	Australian Accounting Standards Board.
ABN	Australian Business Number.
ABS	Australian Bureau of Statistics.
ACL	Australian credit licence granted under the NCCP Act.
ADI	Authorised deposit taking institution.
Advantedge	Advantedge Financial Services Pty Ltd ABN 36 130 012 930.
AFG	Australian Finance Group Ltd ABN 11 066 385 822.
AFG or AFG Group	The business described in this Prospectus, or where the context requires, the group of companies holding that business. This excludes SaleCo.
AFG Broker	AFG Members and their authorised representatives who have been approved by AFG.
AFG Credit Representatives	Those persons who are nominated as credit representatives under an AFG Group company's ACL (being Licence Numbers 389087, 392750, 411913 and 389658) and as listed on the credit representative register administered by ASIC.
AFG Home Loans	Has the meaning given in Section 3.5.
AFG Home Loans Loan Book	Represents the portion of the AFG Loan Book which is managed directly by AFG Home Loans via its mortgage management relationships. This includes the AFG Securities loan book.
AFG Lending Panel	Has the meaning given in Section 3.4.

AFG Loan Book	The aggregate of the outstanding residential and commercial loans that have been Originated by AFG Brokers.
AFG Member	A person subject to an AFG Member Agreement.
AFG Member Agreement	Has the meaning given in Section 3.3.4.
AFG Offer Information Line	1800 129 431 (within Australia) or +61 1800 129 431 (outside Australia) from 8.30am to 5.30pm (Perth Time).
AFG Property	The property development business that was operated by AFG. AFG demerged AFG Property effective 22 April 2015.
AFG Wholesale Mortgage Broking	AFG's wholesale mortgage broking business, as described in Section 3.6.1.
AFSL	Australian Financial Services Licence.
Allianz	Allianz Australia Insurance Limited ABN 15 000 122 850.
Applicant	A person who submits an Application.
Application	Application made to subscribe for Shares under the Offer.
Application Form	The relevant form attached to or accompanying this Prospectus, including the online application form available at https://events.miraqle.com/afg-ipo/ pursuant to which Applicants apply for Shares.
Application Monies	The amount accompanying an Application Form submitted by an Applicant.
APRA	Australian Prudential Regulation Authority.
ASIC	Australian Securities and Investments Commission.
ASX	Australian Securities Exchange, as operated by ASX Limited ABN 98 008 624 691.
ASX Listing Rules	The official rules of ASX.
ASX Recommendations	The Corporate Governance Principles and Recommendations issued by the ASX from time to time.
ASX Settlement	ASX Settlement Pty Limited ABN 49 008 504 532.
ASX Settlement Operating Rules	The operating rules of ASX Settlement.
Aussie Home Loans	AHL Investments Pty Ltd ABN 27 105 265 861.
BBSW	Bank Bill Swap Rate.
Bendigo and Adelaide Bank	Bendigo and Adelaide Bank Limited ABN 11 068 049 178.
Board	The board of Directors of AFG.
Broker	Any ASX participating organisation selected by the Lead Manager to participate in the Broker Firm Offer.

Broker Firm Offer	The offer of Shares under this Prospectus to Australian residents who are sophisticated or professional investors (within the meaning of sections 708(8) and 708(11) of the Corporations Act, respectively) or, following lodgment of this Prospectus, to Australian resident investors who are not Institutional Investors and have received a firm allocation from their Broker.
CAGR	Compound annual growth rate.
CBA	Commonwealth Bank of Australia ABN 48 123 123 124.
CGT	Capital gains tax.
Chairman	Mr Tony Gill.
CHESS	Clearing House Electronic Sub-register System operated in accordance with the Corporations Act.
Chief Financial Officer	Mr David Bailey.
Choice	Pennley Pty Limited (ABN 40 071 979 498) as trustee for the Pennley Unit Trust trading as Choice Aggregation Services.
Co-Manager	Morgans Corporate Limited ACN 010 539 607.
Commission Clawback	The amount of upfront commission automatically deducted from gross upfront payments received by AFG from Lenders as determined by the Lender as a consequence of early discharge of the underlying loan as determined by the Lender from time to time (typically 0-2 years).
Comparator	Registered trading name of BMH Asia Pacific Pty Ltd ABN 98 113 521 289.
Completion	The date on which the Company is admitted to the official list of the ASX.
Connective	Connective Broker Services Pty Ltd ABN 77 161 731 111.
Constitution	The constitution of AFG.
Corporations Act	*Corporations Act 2001 (Cth).*
CPI	Consumer price index.
CRM	Customer Relationship Management.
CY2013	Twelve months ending 31 December 2013.
CY2014	Twelve months ending 31 December 2014.
Deloitte	Deloitte Touche Tohmatsu.
Director	Each of the directors of AFG from time to time.
DRP	The dividend reinvestment plan of AFG.
Escrowed Shareholders	Has the meaning given in Section 7.8.
Existing Shareholders	Holders of Existing Shares.

Existing Shares	Shares in AFG on the Share Registry on the day before Settlement of the Offer.
Expiry Date	The date which is 13 months after the Prospectus Date, after which no Shares will be issued under this Prospectus.
Exposure Period	The period specified in section 723(3) of the Corporations Act, being a minimum of seven days from the Prospectus Date, during which an application must not be accepted. ASIC may extend this period by a further seven days after the end of this period.
FAST	Finance & Systems Technology Pty Ltd ABN 86 092 660 912.
Final Price	The price per Share that Applicants will pay for Shares under the Offer as determined by the bookbuild and the process set out in Section 7.5.3, denominated in Australian dollars.
Financial Information	Has the meaning given in Section 4.1.
FLEX	AFG's end-to-end technology platform. See Section 3.7.2.
Forecast Financial Information	Has the meaning given in Section 4.1.
Forecast Period	The financial years ending 30 June 2015 and 30 June 2016.
Founding Shareholders	Together, MBM Investments Pty Ltd as trustee for The Brett McKeon Family Trust, MSW Investments Pty Ltd as trustee for The Malcolm Stephen Watkins Family Trust and Oceancity Investments Pty Ltd as trustee for The Matthews Family Trust.
Four Majors	Has the meaning given in Section 2.1.2.
FY2010	Twelve months ending 30 June 2010.
FY2012	Twelve months ending 30 June 2012.
FY2013	Twelve months ending 30 June 2013.
FY2014	Twelve months ending 30 June 2014.
FY2015	Twelve months ending 30 June 2015.
FY2016	Twelve months ending 30 June 2016.
GDP	Gross Domestic Product.
GFC	Global Financial Crisis.
GST	Goods and services or similar tax imposed in Australia.
Herbert Smith Freehills	Herbert Smith Freehills, an Australian Partnership, and AFG's Australian legal advisers in connection with the Offer.
HIN	Holder Identification Number.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards.

Indicative Price Range	The indicative price range for the Offer of $1.20 to $1.38 per Share, in which the Final Price may fall. However, the Final Price will be determined by the AFG and the Lead Manager and may be within the indicative range, or above the upper limit or below the lower limit of that range.
Institutional Investors	An investor to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus, including in Australia persons to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus under section 708 of the Corporations Act.
Institutional Offer	The offer of Shares under this Prospectus to Institutional Investors.
Investigating Accountant's Report	The Investigating Accountant's report set out in Section 8.
Lender	A lender on the AFG Lending Panel.
LTI Plan	AFG's long term incentive plan, as amended by AFG from time-to-time.
LTI Plan Rules	Rules of the LTI Plan.
Macquarie or Lead Manager	Macquarie Capital (Australia) Limited ABN 79 123 199 548.
Macquarie Group	Macquarie Group Limited ABN 94 122 169 279 and all of its subsidiaries, including Macquarie.
Management	The management of AFG.
Managing Director	Mr Brett McKeon.
MFAA	Mortgage & Finance Association of Australia.
MFAA Mortgage Broker Market Survey	Data for the MFAA Mortgage Broker Market Survey was sourced by Comparator from Australia's leading mortgage brokers and aggregators at the invitation of the MFAA. The MFAA Mortgage Broker Market Survey is compiled on a quarterly basis.
Mortgage Choice	Mortgage Choice Limited ABN 57 009 161 979.
NAB	National Australia Bank Limited ABN 12 004 044 937.
NCCP Act	*National Consumer Credit Protection Act 2009 (Cth).*
Net Interest Margin	Difference between the interest rate charged to the borrower on a loan and the cost of funding the loan.
New Shares	Shares to be issued by AFG to successful Applicants under the Offer.
NPAT	Net profit after tax.
Offer	The Offer under this Prospectus of new Shares to be issued by AFG and Shares to be sold by SaleCo and consists of the Broker Firm Offer, the Priority Offer and the Institutional Offer.
Offer Management Agreement	The offer management agreement dated 4 May 2015 between AFG, SaleCo and the Lead Manager in connection with the Offer.
Originate / Originated / Origination / Originating	The process by which an AFG Broker arranges for a borrower to submit an application to enter into a loan with a Lender.

Oracle	The Oracle group of companies.
Pepper	Pepper Homeloans Pty Ltd ABN 86 092 110 079.
Perth Time	The time in Perth, Australia.
PLAN	Professional Lenders Association Network of Australia Pty Limited (ABN 99 086 490 833), as trustee for the Plan Australia Unit Trust trading as PLAN Australia.
Priority Offer	The component of the Offer under which selected Australian resident investors, including AFG Brokers and AFG staff, as agreed between AFG and the Lead Manager can apply for Shares online at https://events.miraqle.com/afg-ipo/ using the online Application Form and paying Application Monies via BPAY®.
Pro Forma Historical Financial Information	Has the meaning given in Section 4.1.
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement Prospectus in relation to this document.
Prospectus Date	4 May 2015.
RBA	Reserve Bank of Australia.
Related body corporate	Has the meaning given in the Corporations Act.
RMBS	Residential mortgage backed securities.
SaleCo	AFG Saleco Pty Ltd ABN 605 518 090.
Securitisation	Has the meaning given in Section 2.1.2.3.
Settlement	Settlement in respect of the Shares the subject of the Offer, occurring as described in the Offer Management Agreement.
SFA	Securities and Futures Act, Chapter 289 of Singapore.
SFO	Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong.
Share	A fully paid ordinary share in the capital of AFG.
Shareholder	The registered holder of a Share.
Share Registry	Link Market Services Limited ABN 54 083 214 537.
SMART	AFG's custom-built marketing program and CRM system, as described in Section 3.7.3.
SPE	Special purpose vehicle. See Appendix A of this Prospectus.
SPE-RMBS	Special purpose entities AFG 2013-1, AFG 2013-2 and AFG 2014-1 trusts. See Appendix A of this Prospectus.
SRN	Securityholder Reference Number.
STI Plan	AFG's short term incentive plan, as amended by AFG from time-to-time.

Subsidiary	Has the meaning given in the Corporations Act.
TFN	Tax file number.
TAL	TAL Distribution Holdings Limited ABN 26 095 839 179.
Underlying Earnings	Has the meaning given in Section 4.5.1.
US Person	Has the meaning given in Regulation S under the US Securities Act.
US Securities Act	The U.S. Securities Act of 1933, as amended.
Vow Financial	Vow Financial Pty Ltd ABN 66 138 789 161.
White Label Products	Has the meaning given in Section 2.1.2.2.
White Labelling	Has the meaning given in Section 2.1.2.2.
Yellow Brick Road	Yellow Brick Road Finance Pty. Limited ABN 33 128 708 109.

APPENDIX C.
CORPORATE DIRECTORY

Australian Finance Group Ltd
100 Havelock Street
West Perth WA 6005
Australia

Legal Adviser to AFG
Herbert Smith Freehills
QV1 Building
250 St Georges Terrace
Perth WA 6000
Australia

Lead Manager
Macquarie Capital (Australia) Limited
Level 4
235 St George Terrace
Perth WA 6000
Australia

Investigating Accountant
Deloitte Corporate Finance Pty Limited
Level 14, Woodside Plaza
240 St Georges Terrace
Perth WA 6000
Australia

Retail affiliate of Lead Manager
Macquarie Equities Limited
1 Shelley Street
Sydney NSW 2000
Australia

Auditor for the financial year ending 30 June 2015
Deloitte Touche Tohmatsu
Level 14, Woodside Plaza
240 St Georges Terrace
Perth WA 6000
Australia

Co-Manager
Morgans Corporate Limited
Level 28, 367 Collins Street
Melbourne VIC 3000
Australia

Share Registry
Link Market Services Limited
Level 4 Central Park
152 St Georges Terrace
Perth WA 6000
Australia

AFG Offer Information Line
Number: 1800 129 431 (within Australia);
+61 1800 129 431 (outside Australia)
Hours of operation: 8.30am to 5.30pm (Perth Time)
Monday to Friday

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