

AFG 2023-1 Trust
ABN 31 170 880 793

Financial Report
29 September 2023 to 30 June 2024

AFG 2023-1 Trust

Manager's Report

For the financial period 29 September 2023 to 30 June 2024

The Manager presents this report together with the financial report of the AFG 2023-1 Trust ("the Trust") for the period 29 September 2023 to 30 June 2024, and the auditor's report thereon.

Trustee and Manager

The Trustee of the Trust is Perpetual Corporate Trust Ltd and the Manager of the Trust is AFG Securities Pty Ltd ("the Manager"). The Servicer of the Trust is also AFG Securities Pty Ltd. The principal place of business is 100 Havelock Street, West Perth, Western Australia.

The Trust is a special purpose vehicle formed on 29 September 2023 with the purpose of holding securitised assets for the benefit of the investors, and issuing Residential Mortgage Backed Securities (RMBS). Margin income from the Trust flows through to AFG Securities Pty Ltd to support its funding requirements.

The Trust operates in a narrow and defined manner with the scope of its operations strictly defined under the respective transaction Series supplement and trust documents which make up the securitisation transaction.

Principal activities

The principal activities of the Trust during the period were governed by the Transaction Documents in accordance with the Trust Deed and the Trust Master Management Deed. Only residential loans are securitised within the Trust.

Review of operations and results

Following the incorporation of the Trust in September 2023, the assets of the Trust are managed to generate a return for the Noteholders, with the excess spread being returned to the residual income unitholder. During the financial period sufficient funds were available for distribution to the Noteholders and the Manager did not have to draw on the liquidity facility or issue Redraw Notes to service the debt.

Future developments

The Trust will continue to service its customers around Australia and manage its loan portfolio. To this end the Manager believes that focus will continue to be placed on the efficient servicing of the Trust loan portfolio and to ensure reliable and timely payments to the bond holders.

Environmental Regulation

The Trust is not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory in respect of its activities.

Events after the reporting period

There have been no events that have arisen in the interval between the end of the financial period and the date of this report whereupon any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Manager, to affect significantly the operations of the Trust, the results of those operations, or the state of affairs of the Trust in subsequent financial years.

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

Signed for and on behalf of the Manager



Director
David Bailey
Perth
26th of September 2024

AFG 2023-1 Trust

Statement of Profit or Loss and Other Comprehensive Income For the financial period 29 September 2023 to 30 June 2024

	Note	29 September 2023 to 30 June 2024
		\$
Interest income on loans and advances		29,546,040
Interest income from bank deposits		715,699
Interest expense		(25,889,823)
Net interest income		4,371,916
Revenue	6	159,449
Other expenses	7	(1,379,469)
Impairment loss	16	(285,463)
Results from operating activities		2,866,433
Financing costs attributable to the residual income unitholder		
Distributions to the residual income unitholder		(2,866,433)
Profit attributable to residual capital unitholders		-
Other comprehensive income for the period, net of tax		-
Total comprehensive income for the period		-

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the attached Notes to the financial report.

AFG 2023-1 Trust
Statement of Financial Position
As at 30 June 2024

	Note	2024 \$
Assets		
Cash and cash equivalents	8	19,683,310
Trade and other receivables	9	53,359
Loans and advances	10	219,951,056
Total current assets		239,687,725
Loans and advances	10	344,827,209
Deferred tax asset		85,639
Total non-current assets		344,912,848
Total assets		584,600,573
Liabilities		
Trade and other payables	11	4,001,981
Interest-bearing liabilities	12	225,939,593
Total current liabilities		229,941,574
Interest-bearing liabilities	12	354,508,944
Non-interest-bearing liabilities	13	150,005
Total non-current liabilities		354,658,949
Total liabilities		584,600,523
Net assets	14	50
Net assets attributable to residual capital unitholders		
Net assets attributable to residual capital unitholders	14	50
		50

The Statement of Financial Position is to be read in conjunction with the attached Notes to the financial report.

AFG 2023-1 Trust

Statement of Changes in Net Assets Attributable to Residual Capital Unitholder For the financial period 29 September 2023 to 30 June 2024

	Net assets attributable to unitholders \$
Balance at 29 September 2023	-
Change in net assets attributable to residual capital unitholder	50
Balance at 30 June 2024	50

The Statement of Changes in Net Assets Attributable to Residual Capital Unitholders is to be read in conjunction with the attached Notes to the financial report.

AFG 2023-1 Trust

Statement of Cash Flows

For the financial period 29 September 2023 to 30 June 2024

	Note	29 September 2023 to 30 June 2024 \$
Cash flows used in operating activities		
Cash receipts from loan establishment fees		106,091
Cash receipts from suppliers		926,439
Payment to residual income unitholder		(1,256,000)
Interest received from borrowers		30,261,739
Interest paid to bondholders		(25,889,823)
Net loans advanced to borrowers		(565,063,728)
Net cash used in operating activities	8(b)	(560,915,282)
Net cash from investing activities		-
Cash flows from financing activities		
Proceeds from bondholders	12	750,000,000
Repayments to bondholders		(169,551,463)
Loans from parent		150,000
Proceeds from issue of capital units		50
Proceeds from residual income unitholder		5
Net cash from financing activities		580,598,592
Net increase in cash and cash equivalents		19,683,310
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at 30 June 2024	8(a)	19,683,310

The Statement of Cash Flows is to be read in conjunction with the attached Notes to the financial report.

AFG 2023-1 Trust

Notes to the financial report

1. Trust information

AFG 2023-1 Trust is a for-profit entity domiciled in Australia with the ultimate parent being Australian Finance Group Limited ("AFG Limited"). The Trust does have 'public accountability' as defined in AASB 1053 Application of Tiers of Australian Accounting Standards and has therefore prepared the general purpose financial report in accordance with the requirements of the Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. This is the first period that the Trust has prepared a financial report. This financial report is for the financial period 29 September 2023 to 30 June 2024.

The financial report was authorised for issue by the Manager on 26th of September 2024.

2. Basis of preparation

The Manager has prepared the financial report in accordance with the requirements of the Australian Accounting Standards Board and other professional reporting requirements in Australia.

The Financial Report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board ("AASB"), and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ("IASB").

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The impairment of financial assets held at amortised cost being loans and advances is a critical estimate used in the preparation of the financial statements. Refer note 3g for further information in relation to the critical judgements applied in relation to this estimate. The Trust has prepared the financial statements on the basis that it will continue to operate as a going concern. The financial report has been prepared on a historical cost basis, except where noted, and is presented in Australian dollars.

3. Summary of material accounting policy information

Set out below is a summary of material accounting policy information adopted by the Trust in the preparation of the financial report.

a. Revenue recognition

The Trust accounts for revenue under AASB 15 Revenue from contracts with customers. The standard has introduced a single principle based five step recognition measurement model for revenue recognition:

- (1) Identifying the contract with a customer;
- (2) Identifying the separate performance obligations;
- (3) Determining the transaction price;
- (4) Allocating the transaction price to the performance obligations;
- (5) Recognising revenue when or as performance obligations are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Trust satisfies performance obligations by transferring the promised goods or services to its customers.

Under AASB 15, revenue is recognised when the Trust satisfies performance obligations by transferring the promised services to its customers. Determining the timing of the transfer of control - at a point in time or over time - requires judgement. Below is a summary of the major services provided and the Trust's accounting policy on recognition as a result of adopting AASB 15.

The accounting policies adopted for the major components of revenue are as follows:

Account management fees – recognised over time, with the performance obligation being when the service has been provided.

Loan discharge, transaction commission, settlements and other fees – recognised at a point in time, with the performance obligation being when the loan is respectively settled or discharged.

AFG 2023-1 Trust

Notes to the financial report (continued)

3. Summary of material accounting policy information (continued)

b. Income taxes

The Trust adopts the Statement of Profit or Loss and Other Comprehensive Income liability method of tax effect accounting. However, the Trust is only liable to pay income tax to the extent that accumulated income is assessable to the Trustee in accordance with Section 99A of the Income Tax Assessment Act 1936.

The Trust is part of a tax-consolidated group under Australian taxation law, of which Australian Finance Group Limited is the head entity. As a result, AFG 2023-1 Trust is subject to income tax through its membership of the tax-consolidated group.

The consolidated current and deferred tax amounts for the tax-consolidated group are allocated to the members of the tax-consolidated group (including AFG 2023-1 Trust) using the 'separate taxpayer within group' approach, with deferred taxes being allocated by reference to the carrying amounts in the financial report of each member entity and the tax values applying under tax consolidation.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date.

As the Trustee distributes all residual income to the unitholders, no tax is payable by the Trust as such the deferred tax is recognised through the intercompany account with the tax consolidation parent. Income tax is payable by the Trust Manager (AFG Securities Pty Ltd) due to the distribution of margin income from the trust to the trust manager at the end of the reporting period.

c. Interest income and expense

Interest income is recognised using the effective interest method in accordance with AASB 9. The rate at which revenue is recognised is referred to as the effective interest rate and is equivalent to the rate that effectively discounts estimated future cash flows throughout the estimated life to the net carrying value of the loan.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired.

For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest expense comprises interest payable on borrowings using the effective interest method in accordance with AASB 9.

d. 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 ATO is included as a current asset or liability in the Statement of Financial Position.

AFG 2023-1 Trust

Notes to the financial report (continued)

3. Summary of material accounting policy information (continued)

e. Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 60-day terms.

f. Loans and advances

Loans and advances comprising of residential mortgages are initially recognised at fair value when the Trust becomes a party to the contractual provision of the assets. They are subsequently measured at amortised cost using the effective interest rate method over the estimated (but not contractual) life of the mortgage loan.

g. Impairment

The Trust applies the Expected Credit Loss ("ECL") model under AASB 9. This applies to financial assets measured at amortised cost.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Trust expects to receive). It consists of 3 components:

- a) probability of default (PD): represents the possibility of a default over the next 12 months and remaining lifetime of the financial asset;
- b) a loss given default (LGD): expected loss if a default occurs, taking into consideration the mitigating effect of collateral assets and time value of money;
- c) exposure at default (EAD): the expected loss when a default takes place.

The Trust measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. If the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Trust measures the loss allowance for that financial instrument at an amount equal to a 12-month ECL.

The Trust has assessed the loans and advances (securitised assets) and recognised the ECL for these assets.

Impairment of loans and advances

The Trust has applied the three-stage model based on the change in credit risk since initial recognition to determine the loss allowances of its loans and advances.

Stage 1: 12-month ECL

At initial recognition, ECL is collectively assessed and measured by classes of financial assets with the same level of credit risk based on the PD within the next 12 months and LGDs with consideration to forward looking economic indicators. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Stage 2: Lifetime ECL

When the Trust determines that there has been a significant increase in credit risk since initial recognition but not considered to be credit impaired, the Trust recognises a lifetime ECL calculated as a product of the PD for the remaining lifetime of the financial asset and LGD, with consideration to forward looking economic indicators. Similar to Stage 1, loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

AFG 2023-1 Trust

Notes to the financial report (continued)

3. Summary of material accounting policy information (continued)

g. Impairment (continued)

Stage 3: Lifetime ECL - credit impaired

At each reporting date, the Trust assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. For financial assets that have been assessed as credit impaired, a lifetime ECL is recognised as a collective or specific provision, and interest revenue is calculated in subsequent reporting periods by applying the effective interest rate to the amortised cost instead of the carrying amount.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Trust considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Trust's historical experience and informed credit assessment including forward-looking information.

As part of the forward-looking assessment, the Trust has considered:

- actual or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations such as market interest rates, unemployment rates or property growth rates are incorporated in the model;
- external (if available) credit ratings;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- significant changes in the quality of the underwriter;
- S&P assumptions such as first homebuyer, occupancy, employment type, geographical concentration, principal and interest and interest only.

In addition to the above, the Trust has considered the impact of interest rates, property price performances and unemployment rates in preparing the ECL.

As part of this assessment, the Trust has also considered:

- Increased probability weightings for downside cases; and
- Staging for borrowers who have asked for a deferral of mortgage payments.

A summary of the assumptions underpinning the Trust's ECL model is as follows:

Category	Definition of Category	Basis for recognition of ECL provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses.
Doubtful	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
In default	Interest and/or principal repayments are 90 days past due	Lifetime expected losses
Write off	Interest and/or principal repayments are past due and there is no reasonable expectation of recovery	Asset is written off

Given the uncertainty in the market and the flow on effect to unemployment rates, interest rates and property prices and therefore probability of default, the final probability of default was calculated as the maximum of:

- The probability of default calculated using S&P methodology;
- The probability of default floor based on days past due; and
- The probability of default floor based on restructuring status, which takes into account any hardship arrangements.

AFG 2023-1 Trust

Notes to the financial report (continued)

3. Summary of material accounting policy information (continued)

g. Impairment (continued)

The Trust assumes the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have a low credit risk at the reporting date. A financial instrument is determined to have a low credit risk if:

- (1) the financial instrument has a low risk of default;
- (2) the debtor has a strong capacity to meet its contractual cash flow obligation in the near term; and
- (3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Impairment of Cash and Cash Equivalents

There have been no historical instances where a loss has been incurred, including through the global financial crisis. Even when forward looking assumptions are considered the ECL would not be material.

Impairment of Trade and other receivables

Trade and other receivables from other customers are rare given the nature of the Trust's business. The Trust has assessed its history of losses as well as performing a forward-looking assessment, both of which have not resulted in any historical or expected material forward looking losses.

Write off policy

The Trust writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Trust's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss within the impairment expense line.

h. Interest-bearing liabilities

Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowings on an effective interest basis. Amortised cost is calculated by taking into account any fees paid between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts on acquisition, over the period to maturity.

Gains or losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income when the liabilities are derecognised and also as well as through the amortisation process.

i. Cash and cash equivalents

Cash and cash equivalents comprise restricted cash balances made up of collections in the SPE accounts which are not available to the residual income unitholders.

j. Net Assets attributable to residual capital unitholders

Residual capital units are classified as equity as there is no contractual obligation for the Trust to deliver cash or another financial asset other than on termination of the Trust. On termination of the Trust the residual capital unitholders are entitled to the net assets of the Trust. The Manager owns the Residual Income units and Residual Capital units in the Trust. Any surplus income is payable to the Manager as the Residual Income unitholder is included in the Statement of Profit or Loss. The residual capital unitholder is not entitled to any income distribution.

AFG 2023-1 Trust

Notes to the financial report (continued)

3. Summary of material accounting policy information (continued)

k. Income attributable to residual income unitholders

Residual income units are classified as liability in the Statement of Financial Position. The residual income unitholders are entitled to the net income of the Trust following payment of Trust expenses, Trust Manager fees, payments to liquidity facility providers and interest expenses of the Trust. Following all payments being made under the cash flow waterfall the residual income unitholder is entitled to any residual income of the Trust.

l. Fair values

A number of the Trust's accounting policies and disclosures require the determination of fair value, for both financial assets and liabilities. The fair value is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. 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.

- Interest bearing liabilities: Fair value is calculated based on discounted expected future principal and interest cash flows, and remaining maturities and taking into consideration credit risk specific to the Trust.
- Loans and advances: Fair value is calculated based on discounted expected future principal and interest cash flows, and remaining maturities and taking into consideration credit risk specific to the borrower.
- Trade and other receivables/payables: All receivables/payables have a remaining life of less than one year and the notional amount is deemed to reflect the fair value.
- Cash: Fair value approximate their carrying amounts.

4. Changes in accounting policies and disclosures

Adoption of new and revised Accounting Standards

New and revised Standards and amendments thereof and interpretations effective for the current period end that are relevant to the Trust but do not have a material impact on the Trust include:

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 - 2020 and Other Amendments.

The Trust has adopted all of the new and revised Standards and Interpretations, including amendments to the existing standards issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

Accounting Standards and Interpretations Issued But Not Yet Effective

At the date of authorisation of the Financial Statements, the Standards and Interpretations that were issued but not yet effective, which have not been early adopted are listed below. The Trust is still currently assessing the impact:

Affected Standards and Interpretations	Application Date	Application date for Group
AASB 2023-1 Amendments to AAS – AASB 107 and AASB 7 – Disclosure of Supplier Finance Arrangements	1 January 2024	1 July 2024
AASB 2022-6 Amendments to AAS – Non-current Liabilities with Covenants	1 January 2024	1 July 2024
AASB 2020-1 Amendments to AAS – Classification of Liabilities as Current or Non-current	1 January 2024	1 July 2024
AASB 2023-3 Amendments to AAS – Disclosure of Non-current Liabilities with Covenants: Tier 2	1 January 2024	1 July 2024
AASB 2014-10 Amendments to AAS – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2025	1 July 2025
AASB 2022-9 Amendments to AAS – Insurance Contracts in the Public Sector	1 July 2026	1 July 2026
AASB 18 Presentation and Disclosure in Financial Statements	1 January 2027	1 July 2027

*Reporting period commences on or after the application date.

AFG 2023-1 Trust

Notes to the financial report (continued)

5. Segment information

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

The Trust has identified one reportable segment based on the nature of the products and services, the type of customers for those products and services, the processes followed to produce, the method used to distribute those products and services and the similarity of their economic characteristics. The financial results from this segment are equivalent to the financial statements of the Trust as a whole. All external customers are Australian entities. There is no concentration risk in relation to specific customers.

6. Revenue

	29 September 2023 to 30 June 2024 \$
Timing of revenue recognition	
<i>At a point in time</i>	
Loan discharge fees	136,770
Arrears Fees	800
Settlement and other fees	1,301
Transaction commission	171
<i>Over time</i>	
Account management fees	20,407
	<u>159,449</u>

7. Other expenses

	29 September 2023 to 30 June 2024 \$
Trustee fees	179,645
Custodian Fees	5,978
Servicer fees	868,984
Trust manager fees	217,246
Liquidity service fee	56,455
Consultancy and professional fees	31,661
Other expenses	19,500
	<u>1,379,469</u>

AFG 2023-1 Trust

Notes to the financial report (continued)

8. Cash and cash equivalents

a. Cash and cash equivalents

	2024
	\$
Restricted cash collections	19,683,310
	<u>19,683,310</u>

b. Reconciliation of cash flows from operating activities

	2024
	\$
Cash flows used in operating activities	
Profit for the period	-
<i>Adjustments for:</i>	
Change in trade and other receivables	(53,359)
Change in provision for ECL	285,463
Change in deferred tax asset	(85,639)
Change in trade and other payables	4,001,981
Change in loans and advances	(565,063,728)
Net cash used in operating activities	<u>(560,915,282)</u>

9. Trade and other receivables

	2024
	\$
Accrued income	53,359
	<u>53,359</u>

10. Loans and advances

	2024
	\$
Current	
Securitised assets	219,951,056
	<u>219,951,056</u>
Non-current	
Securitised assets	345,112,672
Less provision for expected credit loss	(285,463)
	<u>344,827,209</u>

The securitised assets are security for the various debt interests issued by the Trust.

The maturity analysis below of the loans and advances is based on contractual expectations based on past experience in the mortgage industry.

	2024
	\$
Maturity analysis	
Within 12 months	219,951,056
Longer than 12 months and less than 2 years	134,335,107
Longer than 2 years and less than 5 years	162,758,377
Greater than 5 years	48,019,188
	<u>565,063,728</u>

AFG 2023-1 Trust

Notes to the financial report (continued)

11. Trade and other payables

Current

Interest payable to noteholders
Payable to residual income unitholder
Loan from unitholder

2024
\$
1,834,781
271,302
1,895,898
4,001,981

12. Interest-bearing liabilities

Balance at beginning of period
Notes issued
Repayment of notes to bond holders
Closing balance

2024
\$
-
750,000,000
(169,551,463)
580,448,537

Current

Secured bond issue

2024
\$
225,939,593
225,939,593

Non-current

Secured bond issue

354,508,944
354,508,944

Maturity analysis

Within 12 months
Longer than 12 months and less than 2 years
Longer than 2 years and less than 5 years

225,939,593
137,992,606
216,516,338
580,448,537

The bond issue has a legal final maturity of 31.5 years from issue. The security for interest-bearing liabilities is a combination of fixed and floating charges over all collateral pledged as security for the loans and advances of the Trust. 14% of all residential mortgages are covered by a lender's mortgage insurance contract which covers 100% of the loan principal. The fair value of the collateral pledged as security for the loans and advances is \$1,079,678,533.

The weighted average cost of funds for the Trust at the reporting date was 5.67%. At the end of the financial period the balance of the Notes issued by the Trustee, in its capacity as Trustee of the Trust in respect of the Series is as follows:

AFG 2023-1 Trust

Notes to the financial report (continued)

12. Interest-bearing liabilities (continued)

Liquidity facility

	2024
	\$
Class A1	505,448,537
Class A2	42,000,000
Class B	12,375,000
Class C	9,000,000
Class D	5,250,000
Class E	2,625,000
Class F	3,750,000
	<u>580,448,537</u>

Various mechanisms have been put in place to support liquidity within the transaction to support timely payment of interest, including; principal draws which are covered by Redraw Notes for redraws that cannot be covered by normal collections (available principal);

1. a liquidity facility being 1% of the aggregated invested amount of all notes at that time,
2. \$150k Reserve Account which is an Extraordinary Expense Ledger account, and
3. available income.

Additional credit support includes subordinated credit enhancement held by the Trust of \$5,804,485. During the financial period there were no breaches to the terms of the SPE-RMBS that gave right to the bondholders to demand payment of the outstanding value.

13. Non-interest-bearing Liabilities

	2024
	\$
Extraordinary Expense Reserve	150,000
Liability to residual income unitholder	5
	<u>150,005</u>

The Extraordinary Expense Reserve forms part of the credit enhancements provided by the Trustee in its capacity as issuer of the Notes, funded by AFG Securities Pty Ltd. This liability is non-interest bearing and will be repaid after all the amounts payable on the interest-bearing liabilities have been paid. The Trustee has the ability to draw on this reserve as well as principal draws and the amount available under the liquidity facility to finance any shortfalls in interest payments to the Noteholders of the Class A1 Notes, Class A2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes.

14. Net assets attributable to residual capital unitholders

	2024
	\$
Balance at beginning of period	-
Change in net assets attributable to residual capital unitholders	50
Closing balance	<u>50</u>

Units on issue

The Manager owns the Residual Income units and Residual Capital units in the Trust. Any surplus income is payable to the Manager as the Residual Income unitholder is included in the Statement of Profit or Loss. The residual capital unitholder is not entitled to any income distribution.

AFG 2023-1 Trust

Notes to the financial report (continued)

15. Related parties

AFG Securities through its subsidiaries AFG 2010-2 Pty Ltd and AFG 2010-3 Pty Ltd holds interests in various classes of notes issued by the Trust. The table below shows the notes held by these related entities.

	2024 \$
Class A1 (AFG 2010-2 Pty Ltd)	25,272,427
Class A2 (AFG 2010-3 Pty Ltd)	2,100,000
Class B (AFG 2010-3 Pty Ltd)	619,000
Class C (AFG 2010-3 Pty Ltd)	450,000
Class D (AFG 2010-3 Pty Ltd)	263,000
Class E (AFG 2010-3 Pty Ltd)	132,000
Class F (AFG 2010-3 Pty Ltd)	188,000
	<u>29,024,427</u>

AFG 2023-1 Trust has borrowed funds from the Manager, AFG Securities Pty Ltd to fund the extra ordinary reserve (refer note 12). The Trust also borrowed funds from the Manager's subsidiaries, being AFG 2010-2 Pty Ltd and AFG 2010-3 Pty Ltd, to fund the investment notes (refer to note 11).

The amount paid as interest to AFG 2010-2 Pty Ltd was \$1,038,973 and AFG 2010-3 Pty Ltd was \$163,643 during the period. AFG 2023-1 pays AFGS Trust Manager fees and Servicer fees (Refer note 7).

AFG Securities also holds the residual income units and residual capital units in the Trust. Amounts received by AFG Securities as the residual income unitholder have been disclosed in the statement of profit or loss and other comprehensive income. These amounts owing have been disclosed within this financial report.

AFG 2023-1 has an amount of \$271,302 payable to the residual income unitholder and \$1,895,898 payable to AFG Securities (refer note 11).

16. Financial risk management

Exposure to credit risk

Credit risk within the Trust is managed by obtaining security over residential mortgage property; requiring an independent valuation to be given to all security pledged; and by securing a policy for lender's mortgage insurance for all loans introduced into the programme.

30 June 2024

	ECL rate	Basis of recognition of ECL provision	Estimated gross carrying amount at default \$	Carrying amount (net of impairment provision) \$	Basis for calculation of interest revenue \$
Performing (Stage 1)	0.05%	12 month expected losses	547,573,036	547,316,235	Gross carrying amount
Underperforming (Stage 2)	0.04%	Lifetime expected losses	13,901,319	13,895,285	Gross carrying amount
Non-performing (Stage 3)	0.63%	Lifetime expected losses	3,589,373	3,566,745	Amortised cost
Write off	0.00%	Asset is written off	-	-	None
Total Loans			<u>565,063,728</u>	<u>564,778,265</u>	

30 June 2024

	Performing \$	Under performing \$	Non-performing \$	Write off \$	Total \$
Opening loss allowance as at 29 September 2023	-	-	-	-	-
Individual financial assets transferred to under-performing (lifetime expected credit losses) and non-performing (credit-impaired financial assets)	256,801	6,034	22,628	-	285,463
New financial assets originated or purchased	-	-	-	-	-
Write-offs, recoveries, change in credit risk and other changes	-	-	-	-	-
Closing loss allowance as at 30 June 2023	<u>256,801</u>	<u>6,034</u>	<u>22,628</u>	<u>-</u>	<u>285,463</u>

AFG 2023-1 Trust

Notes to the financial statements (continued)

16. Financial risk management (continued)

	2024 \$
Performing	547,573,036
Underperforming	13,901,319
Non-performing	3,589,373
Total gross loans and advances	565,063,728
Less Loan loss allowance	(285,463)
Loans and advances net of ECL as at 30 June	564,778,265

There were no loans written off.

The reconciliation of opening and closing expected credit losses on loans and advances are as follows:

30 June 2024	29 September 2023 \$	Movement \$	30 June 2024 \$
Stage 1	-	256,801	256,801
Stage 2	-	6,034	6,034
Stage 3	-	22,628	22,628
Total Provision for ECL	-	285,463	285,463

	2024 \$
Opening loss allowance at 29 September 2023	-
Stage 1	256,801
Stage 2	6,034
Stage 3	22,628
Closing loss allowance at 30 June 2024	285,463

Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Trust's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Trust's reputation. The Manager reviews the rolling cash flow forecast on a monthly basis to ensure that the level of its cash and cash equivalents is at an amount in excess of expected cash outflows over the proceeding months.

The following are the contractual maturities of financial liabilities based on undiscounted payments, including estimated interest payments and excluding the impact of netting agreements and trade and other payables for the Trust.

30 June 2024	Carrying Amount \$	Contractual Cash flows \$	6 months or less \$	6-12 months \$	1-2 years \$	2-5 years \$	More than 5 years \$
Loans and advances (refer note 10)	564,778,265	565,063,728	109,975,528	109,975,528	134,335,107	162,758,377	48,019,188
Assets	564,778,265	565,063,728	109,975,528	109,975,528	134,335,107	162,758,377	48,019,188
Interest bearing liabilities (refer note 12)	580,448,537	606,767,589	116,149,896	116,149,896	145,761,590	228,706,207	-
Non-interest bearing liabilities (refer note 13)	150,005	150,005	-	-	-	-	150,005
Trade and other payables (refer note 11)	4,001,981	4,001,981	4,001,981	-	-	-	-
Liabilities	584,600,523	610,919,575	120,151,877	116,149,896	145,761,590	228,706,207	150,005

AFG 2023-1 Trust

Notes to the financial statements (continued)

16. Financial risk management (continued)

Fair value hierarchy

The different levels have been defined as follows:

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

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

The table below reflects the fair value of the non-current loans and advances and non-current interest bearing liabilities. The carrying amount of all the other financial assets and liabilities recognised in the Statement of Financial Position approximate their fair value due to their short-term nature.

	June 2024	
	Carrying amount \$	Fair value \$
Financial assets		
Non-current loans and advances (refer note 10)	344,827,209	307,617,007
Financial liabilities		
Non-current interest-bearing liabilities (refer note 12)	354,508,944	315,992,397

Loans and advances

The fair values of loans and advances are estimated using a discounted cash flow analysis, based on current lending rates for similar types of lending arrangements ranging from 5.47% to 9.01%.

For the purpose of fair value disclosure under AASB 13 Fair Value Measurement, the loans and advances would be categorised as a level 3 asset where the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Non-current interest-bearing liabilities

The fair values of interest-bearing liabilities are estimated using discounted cash flow analysis, based on current borrowing rates for similar types of borrowing arrangements ranging from 5.63% to 5.77% and taking into account own credit risk.

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

Market risk

Currency risk

As at reporting date the Trust held cash assets denominated in AUD only. There are no foreign currencies fluctuation issues expected to have any impact on the Statement of Profit or Loss and Other Comprehensive Income and equity of the Trust and have therefore not formed part of the disclosures.

Interest rate risk

The Trust's main interest rate risk arises from repricing of interest on securitised assets, cash deposits and interest-bearing facilities.

Cash flow sensitivity analysis for variable rate instruments

Due to the market conditions existing at 30 June 2024, the Trust expects a move of 100 basis points (bps) to be a reasonable movement in basis points in the next reporting period. This has therefore formed the basis for the sensitivity analysis.

AFG 2023-1 Trust

Notes to the financial statements (continued)

16. Financial risk management (continued)

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit	
	100bp increase	100bp decrease
	\$	\$
30 June 2024		
Variable rate loans and advances	5,847,470	(5,847,470)
Variable rate interest bearing liabilities	(5,804,485)	5,804,485
Cash flow sensitivity (net)	42,985	(42,985)

17. Auditors' remuneration

	2024 \$
Fees to Ernst & Young (Australia)	
Fees for auditing the financial report of the Trust	19,500
Total fees to Ernst & Young (Australia)	19,500
Fees to other overseas member firms of Ernst & Young (Australia)	-
Total fees to Ernst & Young	19,500

The audit fees for the Trust are paid by the Manager.

18. Contingencies

There are no contingencies.

19. Subsequent events

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

AFG 2023-1 Trust

Manager's Statement

In the opinion of the Manager,

- a. The Financial Statements and Notes to the Financial Statements of the AFG 2023-1 Trust ("Trust"):
 - (i) present fairly the Trust's financial position as at 30 June 2024 and of its performance for the period ended on that date; and
 - (ii) comply with Australian Accounting Standards (including the Australian Accounting Interpretations)
- b. The Financial Statements and Notes to the Financial Statements also comply with International Financial Reporting Standards as disclosed in Note 2
- c. There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

Signed for and on behalf of the Manager



Director
David Bailey
Perth
26th of September 2024

Independent auditor's report to the Unitholders of AFG 2023-1 Trust

Opinion

We have audited the financial report of AFG 2023-1 Trust (the "Trust"), which comprises the statement of financial position as at 30 June 2024, the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to residual capital unitholders and statement of cash flows for the period from incorporation on 29 September 2023 to 30 June 2024, notes to the financial statements, including material accounting policy information and the Trust Manager's Statement.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Trust as at 30 June 2024, and its financial performance and its cash flows for the period from incorporation on 29 September 2023 to 30 June 2024 in accordance with Australian Accounting Standards and the financial reporting requirements of the *Master Trust and Securities Trust Deed*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Trust in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Provision for expected credit loss

Why significant

As disclosed in Note 3(g) *Material accounting policy information- Impairment* and Note 16 *Financial risk management*, the provision for expected credit losses (ECL) is determined in accordance with Australian Accounting Standards - AASB 9 *Financial Instruments* (AASB 9).

This was a key audit matter due to the degree of judgement and estimation uncertainty associated with the calculations.

Key areas of judgement included:

- ▶ the application of the impairment requirements within AASB 9, which is reflected in the Trust's expected credit loss model;
- ▶ the identification of exposures with a significant deterioration in credit quality;
- ▶ assumptions used in the ECL model (for exposures assessed on an individual and collective basis) such as the financial condition of the counter party, expected future cashflows, and forward-looking macroeconomic factors (e.g. unemployment rates, interest rates, gross domestic product growth rates, and property prices) as disclosed in Note 3;
- ▶ the incorporation of forward-looking information to reflect current or future external factors, specifically judgements related to the actual or expected adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations as disclosed in Note 3.

How our audit addressed the key audit matter

Our audit procedures included the following:

We assessed:

- ▶ the alignment of the Trust's expected credit loss model and its underlying methodology with the requirements of AASB 9;
- ▶ the approach determined by the Trust for the incorporation of forward-looking macroeconomic factors;
- ▶ the effectiveness of relevant controls relating to the:
 - ▶ capture of data used to determine the provision for credit impairment, including transactional data captured at loan origination, ongoing internal credit quality assessments, storage of data and interfaces to the expected credit loss model;
 - ▶ expected credit loss model, including functionality, ongoing monitoring/validation and model governance.

With the assistance of our Actuarial specialist, we assessed the significant assumptions utilised in the expected credit loss model with a focus on the:

- ▶ basis for and data used to determine management overlays;
- ▶ sensitivity of the collective provisions to changes in modelling assumptions; and
- ▶ reasonableness of macroeconomic scenarios at balance date.

We engaged our IT specialists to evaluate the effectiveness of the IT controls relating to the capture of data utilised in the expected credit loss model. We assessed the adequacy and appropriateness of the disclosures related to the measurement of the expected credit loss provision in the financial statements.

Information other than the financial report and auditor's report thereon

The Trust Manager is responsible for the other information. The other information is the Manager's Report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Trust Manager for the financial report

The Trust Manager is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as the Trust Manager determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Trust Manager is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Trust Manager either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

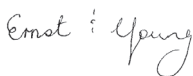
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trust Manager.
- ▶ Conclude on the appropriateness of the Trust Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trust Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated to the Trust Manager, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Ernst & Young



Fiona Drummond
Partner
Perth

26 September 2024