



Australian Finance Group Limited

ABN 11 066 385 822

Preliminary Final Report and Appendix 4E

for the year ended 30 June 2016

Australian Finance Group Limited

Preliminary financial report and Appendix 4E for the year ended 30 June 2016

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This report is based on accounts which are in the process of being audited.

Australian Finance Group Limited

Appendix 4E (ASX Listing Rules 4.3A)

Report for the year-ended 30 June 2016

Reporting period is the year-ended 30 June 2016 with the previous corresponding period the year-ended 30 June 2015.

Results for announcement to the market

	30 June 2016 \$'000	30 June 2015 \$'000	Increase / (Decrease) \$'000	% change
Revenue from continuing operations	546,981	526,195	20,786	4.0%
Revenue from discontinued operations	-	5,676	(5,676)	(100%)
Total revenue from ordinary activities	546,981	531,871	15,110	2.8%
Profit after tax from continuing operations attributable to equity holders of the Company	22,667	15,301	7,366	48.1%
Profit after tax from discontinued operations attributable to equity holders of the Company	-	5,078	(5,078)	(100%)
Profit after tax attributable to equity holders of the Company	22,667	20,379	2,288	11.3%
Net profit for the period	22,644	20,374	2,270	11.1%

Net tangible asset backing per ordinary security (cents)	40.9	37.6	3.3	8.8%
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On 25 August 2016 the Company declared a fully franked final dividend of [5.4] cents per share with respect to the year ending 30 June 2016.

Record date for determining entitlements to the dividend	5:00 pm (WST) 5 September 2016
Date the final dividend is payable	30 September 2016

The company paid an interim dividend during the year of 3 cents per share:

Record date	Payment date	Type	Cents per share	Total amount (\$'000)	Franked amount per share
15 March 2016	29 March 2016	Interim	3.00	\$6,444	100%

Previous Corresponding Dividends

There is no corresponding final dividend as prior to listing dividends were not paid on a 6 monthly cycle. The following dividends were paid during the 2015 financial year:

Record date	Payment date	Type	Cents per share	Total amount (\$'000)	Franked amount per share
26 August 2014*	6 October 2014	Interim	10.71	\$10,000	100%
20 February 2015*	27 February 2015	Interim	10.71	\$10,000	100%
28 April 2015	4 May 2015	Interim	5.33	\$10,000	100%
28 April 2015	29 May 2015	Final	4.26	\$8,000	100%

*The interim dividends paid before 24 April 2015 were prior to the two for one share split and capital raising as part of the listing process. Refer also to Note 3.

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Financial results

For the year ended 30 June 2016 the Group recorded a net profit after tax of \$22,644k recording an increase of 11% over the same period in 2015.

Review and results of continuing operations

Revenue is up 4% to \$546,981k (2015: \$526,195k). The increase in revenue was attributable primarily to the following:

- Strong growth in the AFG Home Loans business with revenue up 10% to \$68,327k (2015: \$61,993k)
- Continued growth in the residential mortgage broking business with settlements up 8% to \$33.84b (2015: \$31.24b) and commercial mortgage broking settlements up 15% to \$2.76b (2015: \$2.39b).

Profit after income tax attributable to equity holders for the year ended 30 June 2016 was up 11% on the prior comparative period at \$22,667k (2015: \$20,379k). The increase in profit was attributable to the following:

- Increased net interest margin generated by the securitisation programme;
- Additional income derived from settlements in AFG Home Loans Edge and Icon. Settlements in these products for FY16 were \$1.44b (2015: \$0.46b);
- Strong expansion of the commercial mortgage broking business with settlements up 15% to \$2.76b (2015: \$2.39b);
- Other income was 25% higher than the prior comparative period, other income includes sponsorship and incentive income; and
- Continued growth in the residential mortgage broking business, albeit largely offset by higher payout ratios on both upfront and trail commission.

Net cash flows from operating activities increased 422% to \$43,868k (2015: \$8,398k). This is largely attributable to the following:

- As a consequence of the divestment of AFG Properties prior to IPO, there is now no requirement to provide cash flows to this part of the business. The year ended 30 June 2015 included payment for inventories in AFG properties of \$12,432k with no offsetting receipt of revenue;
- Increased net cash receipts from trail commission resulting from a larger loan book;
- Higher settlements and therefore higher upfront commissions received in the period; and
- \$9,692k increase in restricted cash due to timing on movements of cash in collateralised standby letters of credit and special purpose securitised trusts on behalf of the warehouse funders and bondholders.

Non – IFRS financial information

The carrying value of our residential trail book is influenced amongst other things by the runoff and discount rates that are applied to this valuation. Excluding the non-cash entries to recognise the net present value of the future trailing commission receivable and payable, the underlying profit after tax is \$22,466k (30 June 2015: \$12,058k). The assessment of the trail loan book requires the use of assumptions which are determined by management, with the assistance of external actuaries, by reference to market observable inputs.

The following table reconciles the underlying profit to the reported profit before tax for the period in accordance with Australian Accounting Standards:

<i>In thousands of AUD</i>	30 June 2016		30 June 2015	
	Operating income	Profit after tax	Operating income	Profit after tax
Underlying results from continuing operations	472,602	22,466	432,417	12,058
Change in the carrying value of trailing commissions receivable and payable	56,326	178	78,937	3,238
Total result from continuing operations	528,928	22,644	511,354	15,296

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Consolidated Statement of Financial Position

As at 30 June 2016

<i>In thousands of AUD</i>	Note	30 June 2016	30 June 2015
Assets			
Cash and cash equivalents	2 (iii)	130,665	90,776
Trade and other receivables		650,059	593,931
Current tax asset		-	687
Loans and advances		1,046,412	1,025,344
Other financial assets	5	49	49
Property, plant and equipment		2,379	2,998
Intangible assets		757	865
Total assets		1,830,321	1,714,650
Liabilities			
Interest-bearing liabilities		1,072,215	1,041,099
Trade and other payables		646,113	580,341
Employee benefits		3,818	3,131
Current tax payable		1,060	-
Deferred income		4,876	4,916
Provisions		322	292
Deferred tax liability		13,397	12,641
Total liabilities		1,741,801	1,642,420
Net assets		88,520	72,230
Equity			
Share capital		43,541	43,541
Share-based payment reserve		97	9
Other capital reserves		(74)	(76)
Retained earnings		44,980	28,757
Total equity attributable to equity holders of the Company		88,544	72,231
Non-controlling interest		(24)	(1)
Total equity		88,520	72,230

The Consolidated Statement of Financial Position should be read in conjunction with the Notes to the financial statements.

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

<i>In thousands of AUD</i>	Note	30 June 2016	30 June 2015
Continuing Operations			
Commission and other income	2 (i)	482,331	462,820
Securitisation interest income		46,597	48,534
Operating income		528,928	511,354
Commission and other cost of sales		(440,790)	(421,324)
Securitisation interest expense		(33,036)	(38,096)
Gross profit		55,102	51,934
Other income		15,345	12,296
Administration expenses		(3,314)	(3,209)
Other expenses	2 (ii)	(36,881)	(41,757)
Results from operating activities		30,252	19,264
Finance income		2,708	2,545
Finance expenses	2 (ii)	(34)	(83)
Net finance income		2,674	2,462
Profit before tax from continuing operations		32,926	21,726
Income tax expense		(10,282)	(6,430)
Profit from continuing operations		22,644	15,296
Discontinued operations			
Profit after tax for the year from discontinued operations	4	-	5,078
Profit for the period		22,644	20,374
Profit attributable to:			
Equity holders of the Company		22,667	20,379
Non-controlling interests		(23)	(5)
Profit for the period		22,644	20,374
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of available-for-sale financial assets and other		2	(20)
Income tax on other comprehensive income		-	5
Total comprehensive income for the period, net of income tax		22,646	20,359
Total comprehensive income for the period attributable to:			
Equity holders of the Company		22,669	20,364
Non-controlling interests		(23)	(5)
Total comprehensive income for the period		22,646	20,359
Earnings per share			
Basic earnings per share (cents per share)		10.54	10.73
Diluted earnings per share (cents per share)		10.54	10.71
Earnings per share – continuing operations			
Basic earnings per share (cents per share)		10.54	8.05
Diluted earnings per share (cents per share)		10.54	8.04

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the financial statements.

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Consolidated Statement of Changes in Equity
For the year ended 30 June 2016

In thousands of AUD

	Note	Share capital	Foreign currency translation reserve	Fair value reserve	Share-based payment reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 July 2014		11,434	(15)	(46)	-	74,088	85,461	4	85,465
Total comprehensive income for the period									
Profit		-	-	-	-	20,379	20,379	(5)	20,374
Other comprehensive income		-	-	(15)	-	-	(15)	-	(15)
Total comprehensive income for the period		-	-	(15)	-	20,379	20,364	(5)	20,359
Transactions with owners, recorded directly in equity									
Dividends to equity holders	3	-	-	-	-	(38,000)	(38,000)	-	(38,000)
Issue of share capital		32,035	-	-	-	-	32,035	-	32,035
Capital reduction		(1,188)	-	-	-	-	(1,188)	-	(1,188)
Non-cash distribution to owners		-	-	-	-	(27,710)	(27,710)	-	(27,710)
Share-based payment transactions		1,260	-	-	9	-	1,269	-	1,269
Total transactions with owners		32,107	-	-	9	(65,710)	(33,594)	-	(33,594)
Balance at 30 June 2015		43,541	(15)	(61)	9	28,757	72,231	(1)	72,230
Balance at 1 July 2015		43,541	(15)	(61)	9	28,757	72,231	(1)	72,230
Total comprehensive income for the period									
Profit		-	-	-	-	22,667	22,667	(23)	22,644
Other comprehensive income		-	1	1	-	-	2	-	2
Total comprehensive income for the period		-	1	1	-	22,667	22,669	(23)	22,646
Transactions with owners, recorded directly in equity									
Dividends to equity holders	3	-	-	-	-	(6,444)	(6,444)	-	(6,444)
Share-based payment transactions		-	-	-	88	-	88	-	88
Total transactions with owners		-	-	-	88	(6,444)	(6,356)	-	(6,356)
Balance at 30 June 2016		43,541	(14)	(60)	97	44,980	88,544	(24)	88,520

The Consolidated Statement of Changes in Equity should be read in conjunction with Notes to the financial statements.

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Consolidated Statement of Cash Flows

For the year ended 30 June 2016

<i>In thousands of AUD</i>	Note	30 June 2016	30 June 2015
Cash flows from operating activities			
Cash receipts from customers		440,571	399,849
Cash paid to suppliers and employees		(410,148)	(397,454)
Repayments from customer borrowings		23,414	34,025
(Repayments of)/proceeds from securitisation		(2,189)	(19,694)
Income taxes paid		(7,780)	(8,328)
Net cash from operating activities	7	43,868	8,398
Cash flows from investing activities			
Net interest received		2,616	2,347
Acquisition of property, plant and equipment		(136)	(530)
Investment in intangible assets		(205)	(242)
Dividend received from equity-accounted investees		-	459
Increase/(Decrease) in other loans and advances		718	(113)
Net cash outflow on disposal of discontinued operations		-	(2,689)
Net cash from/(used in) investing activities		2,993	(768)
Cash flows used in financing activities			
Proceeds from borrowings		-	13,805
Proceeds from issuance of share capital		-	32,558
Transaction costs on issue of shares		-	(523)
Decrease in loans from funders		(528)	(716)
Dividends paid to equity holders of the parent		(6,444)	(38,000)
Net cash used in financing activities		(6,972)	7,124
Net increase in cash and cash equivalents		39,889	14,754
Cash and cash equivalents at the beginning of the period		90,776	76,022
Cash and cash equivalents at the end of the period	2 (iii)	130,665	90,776

The Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the financial statements.

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Notes to the Financial Statements

1. 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 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, the method used to distribute those products and services and the similarity of their economic characteristics.

The following summary describes the operations in each of the Group's reportable segments:

AFG Wholesale Mortgage Broking

The mortgage broking segment refers to the operating activities in which the Group acts as a wholesale mortgage broker that provides its broker members with administrative and infrastructure support as well as access to a panel of lenders.

The Group receives two types of commission payments on loans originated through its network, as described below:

- Upfront commissions on settled loans

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

- Trail commissions on the loan book

Trail commissions are received by the Group 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. The trail book represents the aggregate of residential mortgages outstanding that have been originated by the Group's brokers and are generating trail income.

AFG Home Loans

AFG Home Loans offers the Group's branded mortgage products, funded by third party wholesale funding providers (white label products) and AFG Securities mortgages (securitised loans issued by AFG Securities Pty Ltd) that are distributed through the Group's broker network. AFG Home Loans sits on the Group's panel of lenders alongside over 40 other Lenders and competes with them for home loan customers. The segment earns fees for services, largely in the form of upfront and trail commissions, and net interest margin on its securitisation programme

Segment results that are reported to the Board of Directors 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 Group earns revenues and incurs expenses that are not required to be reported separately as they do not meet the quantitative thresholds prescribed by AASB 8 or are not managed separately and include corporate and taxation overheads, assets and liabilities.

Information regarding the results of each reportable segment is included below.

Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Board of Directors.

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Notes to the Financial Statements

1. Segment information (continued)

Year ended 30 June 2016	AFG Wholesale Mortgage Broking	AFG Home Loans	Other / Unallocated	Total
<i>In thousands of AUD</i>				
Continuing operations				
Revenue				
External customers	460,212	67,423	1,293	528,928
Inter-segment	16,719	-	(16,719)	-
Other operating income	5,011	-	10,334	15,345
Interest income	-	904	1,804	2,708
Total segment revenue	481,942	68,327	(3,288)	546,981
Results				
Segment profit before income tax	33,950	6,564	(7,588)	32,926
Income tax expense				(10,282)
Net profit after tax				22,644
Discontinued operations				
Net profit after tax				-
Total net profit after tax				22,644
Other segment information				
Total segment assets	651,331	1,128,774	50,216	1,830,321
Total segment liabilities	646,430	1,084,750	10,621	1,741,801
Depreciation and amortisation	(134)	(15)	(951)	(1,100)
Interest expense	-	(34)	-	(34)
Year ended 30 June 2015	AFG Wholesale Mortgage Broking	AFG Home Loans	Other / Unallocated	Total
<i>In thousands of AUD</i>				
Continuing operations				
Revenue				
External customers	449,032	61,072	1,250	511,354
Inter-segment	9,239	-	(9,239)	-
Other operating income	5,639	-	6,808	12,447
Interest income	-	921	1,473	2,394
Total segment revenue	463,910	61,993	292	526,195
Results				
Segment profit before income tax	36,949	638	(15,861)	21,726
Income tax expense				(6,430)
Net profit after tax				15,296
Discontinued operations				
Net profit after tax				5,078
Total net profit after tax				20,374
Other segment information				
Total segment assets as at 30 June 15	595,480	1,082,555	36,615	1,714,650
Total segment liabilities 30 June 15	581,031	1,052,485	8,904	1,642,420
Depreciation and amortisation	(126)	(23)	(983)	(1,132)
Interest expense	-	(76)	(7)	(83)

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Notes to the Financial Statements

2. Results for the period

(i) Revenue

In thousands of AUD

Commission and other income

	30 June 2016	30 June 2015
Commissions	430,465	412,775
Interest on commission income receivable	50,473	48,536
Mortgage management services	566	713
Securitisation transaction fees	827	796
	<u>482,331</u>	<u>462,820</u>

(ii) Expenses

In thousands of AUD

Other expenses

	30 June 2016	30 June 2015
Advertising and promotion	(4,046)	(3,142)
Consultancy and professional fees	(1,481)	(1,732)
Information technology	(3,238)	(2,889)
Occupancy costs	(414)	(386)
Employee costs	(24,491)	(24,795)
Depreciation and amortisation	(1,100)	(1,132)
Operating lease costs	(1,940)	(2,117)
(Reversal of)/impairment loss on receivables	(169)	75
Net loss on disposal of property, plant and equipment	(2)	(3)
Capital raising costs	-	(5,636)
	<u>(36,881)</u>	<u>(41,757)</u>

Finance expenses

Interest on loans from funders	(34)	(83)
	<u>(34)</u>	<u>(83)</u>

(iii) Cash and cash equivalents

In thousands of AUD

	30 June 2016	30 June 2015
Cash at bank	83,906	48,339
Short term deposits	2,039	7,409
Cash collections accounts ¹	36,423	31,162
Restricted cash ²	8,297	3,866
Cash and cash equivalents	<u>130,665</u>	<u>90,776</u>

- 1) Discloses amounts held in the special purpose securitised trusts and series on behalf of the warehouse funder and the bondholders
- 2) Discloses cash collateralised standby letter of credit, liquidity reserve account and cash provided in trust by the warehouse providers to fund pending settlements.

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Notes to the Financial Statements

3. Dividends

	Year ended 30 June 2016		Year ended 30 June 2015	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Declared and paid during the year				
1 st FY15 interim dividend - fully franked*	-	-	10.71	10,000**
2 nd FY15 interim dividend - fully franked*	-	-	10.71	10,000**
3 rd FY15 interim dividend - fully franked	-	-	5.33	10,000**
Final FY15 ordinary dividend – fully franked	-	-	4.26	8,000
FY16 interim dividend - fully franked	3.00	6,444	-	-

*On 24 April 2015 the shareholders approved a two for one share split of all issued capital. The interim dividends paid before 24 April 2015 were prior to the two for one share split.

** As disclosed in the prospectus issued to support the initial public offering of ordinary shares in the company, pre IPO dividends were paid. The comparatives therefore reflect part of those pre IPO dividends.

4. Discontinued operations

During the year ended 30 June 2015, the Group restructured its operations by demerging its property business. The demerger involved the establishment of a sale agreement between the Company and Establish Property Group Ltd pursuant to which the Group, amongst other things, transferred the Group's property development interests to Establish Property Group Ltd in consideration for the issue of Establish Property Group Ltd shares to the Company.

As part of this demerger the Group has also agreed to continue in its role as guarantor under the debt funding arrangements of AFG Developments 2 Pty Ltd and a former joint venture arrangement in relation to the Richmond Quarter development project. This guarantee was released during the year ended 30 June 2016.

The results of the property development operations for the year-ended 2015 are presented below:

In thousands of AUD

30 June 2015

Results of discontinued operation

Expenses	(59)
Finance income	1,880
Finance costs	(485)

Results from operating activities

Share of profit of equity accounted investees	322
Gain on sale of discontinued operation	3,796

Results before income tax

Income tax (expense) / benefit	(376)
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Profit for year

5,078

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Notes to the Financial Statements

5. Financial instruments

Accounting classifications and fair values

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).

a. Fair value of financial assets and liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2016	30 June 2015		
<i>In thousands of AUD</i>				
Financial assets designated at fair value through profit or loss and available-for-sale financial assets	\$49	\$49	Level 1	Quoted bid prices in an active market

During the year there were no transfers in either direction (2015 the available-for-sale financial assets were transferred from Level 3 to Level 1 because quoted prices became available due to the investee listing on the Australian Securities Exchange).

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

With the exception of the trailing commission receivables and payables that are initially recognised at fair value and subsequently carried at amortised cost, the carrying amount of all financial assets and liabilities recognised in the Statement of Financial Position approximate their fair value.

Trailing commissions are received from lenders on settled loans over the life of the loan based on the loan book balance outstanding. The Group is entitled to the trailing commissions and the Group also makes trailing commission payments to Members when trailing commission is received from lenders.

<i>In thousands of AUD</i>	30 June 2016		30 June 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Future trailing commission receivable	646,179	688,898	589,853	646,341
Financial liabilities				
Future trailing commission payable	587,093	624,857	530,945	580,889

The fair value of trailing commission receivable from lenders and the corresponding payable to members 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, by reference to market observable inputs. The valuation is classified as level 2 in the fair value measurement hierarchy.

The key assumptions underlying the fair value calculations of trailing commission receivable and the corresponding payable to members at the reporting date is summarised in the following table:

	30 June 2016	30 June 2015
Average loan life	Between 4.3 and 5.2 years	Between 4.4 and 5.3 years
Discount rate per annum ¹	Between 5% and 13.5%	Between 5% and 13.5%

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Notes to the Financial Statements

¹ Discount rates once set are not adjusted during the life of the loan. The spread in discount rate captures loans settled in previous financial years as well as the current financial year.

5. Financial Instruments (continued)

The percentage paid to brokers range from 85% to 93% and is fixed by the terms of their agreement with the Group as at the time the individual loans settled. As a consequence, Management does not expect changes to the percentage paid to members to be reasonably possible.

6. Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects in the income and share data used in the basic and dilutive EPS computations:

<i>In thousands of AUD</i>	30 June 2016	30 June 2015
Profit attributable to ordinary equity holders of the Company:		
Continuing operations	22,667	15,301
Discontinued operations	-	5,078
Profit attributable to ordinary equity holders of the Company	22,667	20,379
Weighted average number of ordinary shares for basic EPS (thousands) ¹	214,813	189,901
Effect of dilution:		
Performance rights	-	342
Weighted average number of ordinary shares adjusted for the effect of dilution	214,813	190,243

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

- 1) At a general meeting of shareholders held on 24 April 2015, shareholders approved a two for one share split of all issued capital. Under the terms of the share split, shareholders received an additional share for every Company share they formerly held, and as such the issued capital of the Company post 24 April 2015 became comprised of 187,681k shares.

To calculate the EPS amounts for discontinued operations, the weighted average number of ordinary shares for both basic and diluted EPS is as per the table above. The following table provides the profit / (loss) amount used:

<i>In thousands of AUD</i>	30 June 2016	30 June 2015
Profit attributable to ordinary equity holders of the Company from discontinued operations for basic and diluted EPS calculations	-	5,078

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Notes to the Financial Statements

7. Reconciliation of profit after income tax to net cash inflow from operating activities

<i>In thousands of AUD</i>	30 June 2016	30 June 2015
<i>Cash flows from operating activities</i>		
Profit for the period from continuing operations	22,644	15,296
Profit for the period from discontinued operations	-	5,078
	22,644	20,374
<i>Adjustments to reconcile the profit to net cash flows:</i>		
Income tax expense from continuing operations	10,282	6,430
Income tax expense/(benefit) from discontinued operations	-	376
Depreciation and amortisation	1,100	1,132
Net interest income from investing activities	(2,664)	(4,198)
Net interest expense on financing activities	-	493
Expense recognised in respect of equity-settled share-based payments	88	1,269
Share of (profit) / loss of equity accounted investees	-	(322)
Gain on disposal of discontinued operations	-	(3,796)
Present value of future trailing commission income	(56,326)	(78,937)
Present value of future trailing commission expense	56,148	75,699
Other non-cash movements	(164)	(89)
	31,108	18,431
<i>Working capital adjustments:</i>		
Changes in assets and liabilities		
Increase/(Decrease) in receivables and prepayments	1,553	3,215
Increase/(Decrease) in trade and other payables	10,454	2,999
Increase/(Decrease) in inventories	-	(12,432)
Increase/(Decrease) in deferred income	(45)	616
Increase/(Decrease) for employee entitlements	658	97
Increase/(Decrease) in provisions	30	(93)
(Increase)/Decrease in securitisation lending	(22,467)	(14,509)
Increase/(Decrease) in securitisation borrowings	30,357	18,409
Cash generated from operations	51,648	16,733
Interest paid	-	(7)
Income tax paid	(7,780)	(8,328)
Net cash generated by operating activities	43,868	8,398

Australian Finance Group Limited

Notes to the Financial Statements

8. Subsequent events

On 4 August 2016, the Group secured an extension to the term of the NAB residential warehouse facility that was due to expire on 10 August 2016. The funding continues to be provided through the issue of three classes of secured, limited and floating rate notes, with the senior notes being issued to the lender and the subordination notes to Australian Finance Group Limited. The maturity date has been reset to 10 February 2017.

On 11 August 2016, the Group secured an extension to the term of the ANZ residential warehouse facility that was due to expire on 15 August 2016. The funding continues to be provided through the issue of three classes of secured, limited and floating rate notes, with the senior notes being issued to the lender and the subordination notes to Australian Finance Group Limited. The maturity date has been reset to 14 August 2017.

On 25 August 2016 the Directors recommended the payment of a dividend of [5.4] cents per fully paid ordinary share, fully franked based on tax paid at 30%. The dividend has a record date of 5 September 2016 and a payment date of 30 September 2016. The aggregate amount of the proposed dividend expected to be paid out of retained earnings at 30 June 2016 is \$11,528k. The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2016.

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 year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.