# ANNUAL REPORT

2012 - 2013

Investors Central Limited

ACN 143 097 385

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## *Chairman's Report*

Dear Investor
On behalf of the board of directors of Investors Central Ltd it is my pleasure to present the Consolidated Annual Report for the end of financial year 2013(FY 2013).

As part of this year's ongoing growth and transformation, Investors Central Ltd transitioned from a proprietary limited company to an unlisted public company on the 18th of December 2012 and on the 20th of May 2013 Investors Central Ltd acquired 100% control of Fin One Pty Ltd (Finance One). The following financial report is a consolidation of Investors Central Ltd for the full year and Finance One from the 20th of May 2013 to 30th June 2013.

Prior to the consolidation of Investors Central Ltd and Fin One Pty Ltd, Investors Central Ltd's function was purely for the capital raising arm of the two separate companies and as such relied upon Finance One (the automotive lending business) to generate profits for the payment of interest to Investors of Investors Central Ltd. Under the new structure Investors Central Ltd will still be used as the capital raising arm of the business with the subsidiary Finance One being the core of the business to generate revenue for the group.

In order to get a complete understanding of Finance One's performance for the 2013 financial year we have prepared a separate annual report for Finance One showing a full year of activity, below is a summary of Finance One's performance and operations.

**Finance One**
Continuing the growth in the first half of the financial year Finance One has generated a full year profit after tax of $714,077, an increase of 126% on the previous year.
This result is a product of our continued development of our customer base, both from our Finance Broker (referrer) network and our own lead generation.

**2013 Financial Highlights:**
. Earned income up 137% to $3.77M (2012: $1.58M)
. Net profit before tax up 128% to $1.02M (2012: $449K)
. Net profit after tax up 126% to $714K (2012: $314K)
. Total Equity up 142% to $1.21M (2012:$501K)
. Loan book increased by 145% to $13.09M (2012: $5.34M)

**Finance Broker (Referrer) Network:**
Our expansion of the referrer network continues. The network's core business has been predominantly in Queensland and we are increasing our presence in the other states. The first half of the year was focused on personally meeting new referrers and promoting the advantages of utilising our range of loan products. This has seen the average number of new loan applications received each month grow to 261 per month, which is an increase of 101% (2012: 130 per month).
Finance One is continuing the expansion of the–referrer network. Interestingly (However), as our brand grows, we are now receiving direct enquiries from the mainstream broker network, requesting accreditation to carry our loan products. We are in control of how and when we add new referrers to our network as all referrers are required to meet specific criteria to carry our range of products. Finance One currently has 140 Finance Brokers (referrers).
Along with the increased Finance Broker (referral) network Finance One is developing its online lead generation capability via both a direct affiliation with a national car loan aggregator and with the launch of two new websites within the next 6 months.

**Collections:**
The success of Finance One's business is contingent on how effective money is repaid by customers. In line with the growth of our lending, the implementation of the Loans Management System and associated reporting is integral to this process. Focus has always been on the micro management of each customer through their opportunity to own a motor vehicle. It is pleasing to report that collections are within desirable parameters. It is prudent for Finance One to continue to maintain a robust contingency for doubtful debts. Finance One currently maintains bad debt levels at 3% to 7% of revenue, with bad debts written off for 2013 $113,962 (2012:$89,096).

**Funding:**
Due to the continued steady expansion of the motor vehicle finance business it is necessary to seek capital to sustain this growth. Our business model for raising capital is built on the personal approach to expanding our Investor base through the use of an offer document. With the launch of our new prospectus under Investors Central Ltd we will have the flexibility to provide more Investors with the opportunity to invest in our company. This new offer document enables Investors Central Ltd to raise up to $25M over a thirteen month period.

**Infrastructure:**
The expansion of our loan processing team including verification, approval (credit analysts) and collections has been completed. Finance One now has the infrastructure to meet the demands of growing the business.

**Dividends:**
No dividends have been declared to be paid to ordinary shareholders. The future growth of the company and its equity is to be built on the ability to use retained earnings into the foreseeable future to help grow the business.

**Outlook:**
Through the expanding referrer network we will see an increased volume in new applications. The infrastructure is in place to meet this demand and capitalise on this opportunity.
Finance One remains focused on providing sustainable credit products to the thousands of Australians unable to access traditional forms of credit.

We now have a platform through our Prospectus to raise the required capital to meet the current demands of the existing referrers.

The commitment of Directors, Management and Staff are evidenced by the company's impressive financial results. I, personally take this opportunity to thank them all for their loyalty and collective efforts while I must also thank our valued Investors for their continuing interest and support.

Jamie McGeachie
Chairman

## *Directors' Report*

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'group') consisting of Investors Central Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2013.

**Directors**
The following persons were directors of Investors Central Limited from 18th December 2012 when it transitioned from a proprietary limited company to a public company and up to the date of this report, unless otherwise stated:
Jamie Edward McGeachie
Jason William Ryan
Quinnton Cowen
Stephen Paul Jones

**Principal activities**
During the financial year the principal continuing activities of the consolidated entity consisted of:
- Public capital raising to fund the continued expansion of our automotive lending business, Fin One Pty Ltd trading as Finance One.
- Provision of motor vehicle loans by Finance One

**Dividends**
No dividends were paid to shareholders during the financial year.

**Review of Operations**
The profit for the consolidated entity after providing for income tax amounted to $107,811 (2012: $1,276)

**Significant changes in the state of affairs**
On the 18th of December 2012 Investors Central Pty Ltd was converted to an unlisted public company - Investors Central Ltd. On the 20th May 2013 Investors Central Ltd acquired 100% of the ordinary shares of Fin One Pty Ltd.
There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

**Matters subsequent to the end of the financial year**
On the 26th July 2013 Investors Central Limited issued a Prospectus which was lodged with ASIC on that date and will allow the company to raise up to $25 million by offering investors the opportunity to purchase Redeemable Preference Shares under the Offer contained in the Prospectus. This will enable the company to continue our steady growth and the expansion of the Finance One loan book.

**Likely developments and expected results of operations**
Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

**Environmental regulation**
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Information on directors**

| | |
|---|---|
| **Name** | Jamie McGeachie |
| **Title:** | Chairman and Managing Director |
| **Qualifications** | Cert. IV in Financial Services |
| **Experience and expertise** | Jamie has over 12 years experience in the finance industry as founder and Managing Director of Finance One & Investors Central. In addition he has a close involvement in several other family business entities which are part of the McGeachie Group and under his guidance the McGeachie Group has expanded with various business lines including personal and motor finance, residential and commercial mortgages. |
| **Special Responsibilities** | Managing Director |

| | |
|---|---|
| **Name** | Quinnton Cowen |
| **Title:** | Director |
| **Qualifications** | Bachelor of Business, CPA |
| **Experience and expertise** | Quinn has had many years experience as an accountant working in both private industry and public accounting and prior to joining the McGeachie Group acted as an external accountant and business advisor to the Group. |
| **Special Responsibilities** | Finance |

| | |
|---|---|
| **Name** | Jason Ryan |
| **Title:** | Director |
| **Qualifications** | Diploma in Financial Services |
| **Experience and expertise** | With over 7 years involvement in the finance industry Jason has overseen the steady development of Finance One from its beginnings. He is directly responsibility for the company lending operations, product development, distribution and development strategy. |
| **Special Responsibilities** | Lending Operations |

| | |
|---|---|
| **Name** | Stephen Jones |
| **Title:** | Director |
| **Qualifications** | Snr. Associate Aust. & N Z. Inst. of Insurance & Finance |
| **Experience and expertise** | Stephen had over 27 years involvement in the general insurance industry in both underwriting and claims roles while in recent times he served as a Director / Company Secretary with a local public company in Townsville for over six years. |
| **Special Responsibilities** | Compliance & Risk |

**Company secretary**
Jamie McGeachie has held the role of Company Secretary of Investors Central Pty Ltd since inception in April 2010 and through the transition into a public company, Investors Central Limited in December 2012. He will step down from the role in the coming financial year.

**Meetings of directors**
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2013, and the number of meetings attended by each director were:

| | Full Board | |
|---|---|---|
| | Attended | Held |
| **Jamie McGeachie** | 6 | 6 |
| **Quinnton Cowen** | 6 | 6 |
| **Jason Ryan** | 5 | 6 |
| **Stephen Jones** | 6 | 6 |

Held: represents the number of meetings held during the time the director held office.

**Director's Shareholding**
The following table sets out the director's relevant interest in shares of the company or a related body corporate as at the date of this report.

| **Director** | **Ordinary Shares** |
|---|---|
| J. McGeachie | 2,527,367 |

**Shares under option**
There are no unissued ordinary shares of Investor's Central Limited under option at the date of this report.

**Shares issued on the exercise of options**
No ordinary shares of Investor's Central Limited were issued during the year ended 30 June 2013 and up to the date of this report on the exercise of options granted.

**Indemnity and insurance of officers**
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.
During the financial year, the company has not paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. A contract of insurance will be in place in the following financial year. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

**Indemnity and insurance of auditor**
The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.
During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

**Auditor**

Jessups Accountants and Business Advisors continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

**Jamie McGeachie**
**Director**

**Quinnton Cowen**
**Director**

**31 October 2013**
**Townsville**

### *AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF INVESTORS CENTRAL LIMITED*

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 there have been no contraventions of:

i. The auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

**Jessups**

**Ian Jessup**
**Partner**

**Dated:** 31st October 2013.

**1/19 Stanley Street**
**Townsville QLD 4810**

***Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2013***

| | | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|---|
| | | **2013** | **2012** | **2013** | **2012** |
| | **Note** | **$** | **$** | **$** | **$** |
| Interest income | 4 | 1,615,404 | 586,236 | 1,449,429 | 586,236 |
| Interest expense | 4 | (1,449,095) | (583,228) | (1,449,095) | (583,228) |
| Net interest income | | 166,309 | 3,008 | 334 | 3,008 |
| Fee income | | 168,783 | - | - | - |
| Sundry income | 5 | 127,443 | 5,500 | 203,602 | 5,500 |
| | | 462,535 | 8,508 | 203,936 | 8,508 |
| Employee benefits expense | | (54,583) | - | - | - |
| Depreciation expense | | (374) | | | |
| Doubtful and bad debts expense | | (44,083) | - | - | - |
| Accountancy fees | | (15,401) | (5,500) | (9,901) | (5,500) |
| Advertising expenses | | (15,774) | | | |
| Management fees | | (23,100) | | | |
| Consultancy fees | | (127,363) | - | (192,845) | - |
| Other expenses | | (28,638) | (1,066) | (1,464) | (1,066) |
| **Profit / (Loss) before income tax** | | 153,219 | 1,942 | (274) | 1,942 |
| Income tax benefit/(expense) | 7(a) | (45,408) | (666) | 82 | (666) |
| **Profit / (Loss) for the year** | | 107,811 | 1,276 | (192) | 1,276 |
| Other comprehensive income | | - | - | - | - |
| **Total comprehensive income** | | 107,811 | 1,276 | (192) | 1,276 |

*The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.*

***Consolidated Statement of Changes in Equity***
***for the year ended 30 June 2013***

| | Issued Share Capital $ | Retained Earnings $ | Business Combination under Common Control $ | Total $ |
|---|---|---|---|---|
| **Consolidated Entity** | | | | |
| **Balance at 1 July 2011** | 2 | 463 | - | 465 |
| *Total comprehensive income for the year* | | | | |
| Profit for the year | - | 1,276 | - | 1,276 |
| Other comprehensive income | - | - | | - |
| Total comprehensive income for the year | - | 1,276 | - | 1,276 |
| **Balance at 30 June 2012** | 2 | 1,739 | - | 1,741 |
| *Total comprehensive income for the year* | | | | |
| Profit for the year | - | 107,811 | - | 107,811 |
| Other comprehensive income | - | - | - | |
| Total comprehensive income for the year | - | 107,811 | - | 107,811 |
| *Transactions with owners in their capacity as owners* | | | | |
| Acquisition of Fin One Pty Ltd | - | - | (1,420,082) | (1,420,082) |
| Contributions of equity, net of transaction costs (note 19) | 2,527,365 | - | - | 2,527,365 |
| **Balance at 30 June 2013** | 2,527,367 | 109,552 | (1,420,082) | 1,216,837 |
| **Parent Entity** | | | | |
| **Balance at 1 July 2011** | 2 | 463 | - | 465 |
| *Total comprehensive income for the year* | | | | |
| Profit for the year | - | 1,276 | - | 1,276 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the year | - | 1,276 | - | 1,276 |
| **Balance at 30 June 2012** | 2 | 1,739 | - | 1,741 |
| *Total comprehensive income for the year* | | | | |
| Profit for the year | - | (192) | - | (192) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the year | - | (192) | - | (192) |
| *Transactions with owners in their capacity as owners* | | | | |
| Contributions of equity, net of transaction costs (note 19) | 2,527,365 | - | - | 2,527,365 |
| **Balance at 30 June 2013** | 2,527,367 | 1,547 | - | 2,528,914 |

*The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

***Consolidated Statement of Financial Position***
***as at 30 June 2013***

| | | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|---|
| | | **2013** | **2012** | **2013** | **2012** |
| | **Note** | **$** | **$** | **$** | **$** |
| **ASSETS** | | | | | |
| Cash and cash equivalents | 8 | 2,465,403 | 1,280 | 355 | 1,280 |
| Loans and advances (net) | 9 | 13,093,101 | 5,135,706 | 13,542,805 | 5,135,706 |
| Income tax assets | 17 | - | 730 | 82 | 730 |
| Plant and equipment | 10 | 40,039 | - | - | - |
| Intangible assets | 11 | 54,007 | 327 | 164 | 327 |
| Other financial assets | 12 | - | - | 2,527,365 | - |
| Deferred tax assets | 14 | 545,329 | - | - | - |
| Other | 13 | 230,935 | 983 | 134 | 983 |
| **Total assets** | | 16,428,814 | 5,139,026 | 16,070,905 | 5,139,026 |
| **LIABILITIES** | | | | | |
| Payables | 15 | 1,653,083 | 983 | - | 983 |
| Borrowings | 16 | 13,541,991 | 5,136,302 | 13,541,991 | 5,136,302 |
| Income tax payable | 17 | 3,793 | - | - | - |
| Employee benefits | 18 | 13,110 | | | |
| **Total liabilities** | | 15,211,977 | 5,137,285 | 13,541,991 | 5,137,285 |
| **Net assets** | | 1,216,837 | 1,741 | 2,528,914 | 1,741 |
| **EQUITY** | | | | | |
| Issued share capital | 19 | 2,527,367 | 2 | 2,527,367 | 2 |
| Reserves | 20 | (1,420,082) | - | - | - |
| Retained earnings | | 109,552 | 1,739 | 1,547 | 1,739 |
| **Total equity** | | 1,216,837 | 1,741 | 2,528,914 | 1,741 |

***Consolidated Statement of Cash Flows***
***for the year ended 30 June 2013***

| | | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|---|
| | | **2013** | **2012** | **2013** | **2012** |
| | **Note** | **$** | **$** | **$** | **$** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Interest received | | 1,615,404 | 599,966 | 1,450,412 | 599,966 |
| Interest paid | | (1,449,095) | (596,795) | (1,450,078) | (596,795) |
| Fees and other income received | | 342,988 | - | 203,602 | - |
| Payments to suppliers and employees | | (358,464) | (521) | (204,181) | (521) |
| *(Increase)/decrease in operating assets:* | | 150,833 | 2,650 | (245) | 2,650 |
| Net (increase)/decrease in customer loans advanced | | (995,175) | - | - | - |
| Net cash from operating activities before income tax | | (844,342) | 2,650 | (245) | 2,650 |
| Income tax paid | | (66,008) | (1,595) | 730 | (1,595) |
| **Net cash from operating activities** | 22 | (910,350) | 1,055 | 485 | 1,055 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Net (increase)/decrease in receivables due from related parties | | (7,081,599) | (3,563,448) | (8,407,099) | (3,563,448) |
| Cash acquired on business combination under common control | | 2,071,094 | - | - | - |
| Acquisition of plant and equipment | | (6,442) | - | - | - |
| Acquisition of intangible assets | | (14,269) | - | - | - |
| **Net cash (used in) investing activities** | | (5,031,216) | (3,563,448) | (8,407,099) | (3,563,448) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Net increase/(decrease) in payables to related parties | | - | (207,000) | - | (207,000) |
| Net increase/(decrease) in payables to note holders | | 8,405,689 | 3,240,302 | 8,405,689 | 3,240,302 |
| **Net cash from financing activities** | | 8,405,689 | 3,033,302 | 8,405,689 | 3,033,302 |
| Net increase in cash and cash equivalents | | 2,464,123 | (529,091) | (925) | (529,091) |
| Cash and cash equivalents at 1 July | | 1,280 | 530,371 | 1,280 | 530,371 |
| **Cash and cash equivalents at 30 June** | 8 | 2,465,403 | 1,280 | 355 | 1,280 |

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.*

***Notes to the Financial Statements***
***for the year ended 30 June 2013***

## 1 REPORTING ENTITY

The financial statements cover Investors Central Limited as an individual entity and Investors Central Limited and controlled entities as a Consolidated Entity. Investors Central Limited is an unlisted public company limited by shares and is incorporated and domiciled in Australia. Prior to 18 December 2012 Investors Central Limited was Investors Central Pty Ltd, an Australian proprietary company limited by shares.

The financial report was authorised for issue by the Directors on 31 October 2013.

## 2 BASIS OF PREPARATION

### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The financial report of the consolidated entity also complies with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board. These are the consolidated entity's first financial statements prepared in accordance with IFRS (see note 24 for explanation of transition to IFRS). The consolidated entity is a for-profit entity for the purpose of preparing the financial statements.

### (b) Basis of measurement

The financial report has been prepared on the basis of historical costs.

### (c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the company's functional currency.

### (d) Parent entity information

These financial statements include the results of both the parent entity and the consolidated entity in accordance with Class Order 10/654, issued by the Australian Securities and Investments Commission.

### (e) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these financial statements. The consolidated entity does not plan to adopt these standards early.

**AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)**
AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting. AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is expected to have an impact on the consolidated entity's financial assets, but no impact on the consolidated entity's financial liabilities.

**AASB 13 Fair Value Measurement (2011)**
AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The entity has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 July 2013. When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required about fair values.

**AASB 119 Employee Benefits (2011)**
AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. The consolidated entity does not consider that there will be a material impact on the calculation of annual leave liability due to the change in the Accounting Standard. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

## 2 BASIS OF PREPARATION (CONTINUED)

### (e) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

*Impairment losses on loans and advances*

All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty, or where the debt has been restructured to reduce the burden to the borrower.

The amount provided for impairment of loans is determined by management and the Board. An impairment loss is recognised on loans which have not maintained loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as bankruptcy, job losses or economic circumstances.

Management and the Board take guidance from the Prudential Standards issued by APRA and allocate a specific percentage in regards to loan balances outstanding dependent on the number of days contractual repayments are past due. Percentages utilised are as follows:

| Terms of payments past due | Amount of Provision % |
|---|---|
| Up to 14 days | 0 |
| 14 days and less than 90 days | 40 |
| 90 days and less than 182 days | 75 |
| 182 days and over | 100 |

The actual amount of the future cash flows and their timing may differ significantly from the assumptions made for the purposes of determining the impairment provision given the number of customers and current economic conditions. This uncertainty is exacerbated in the current economic climate, where the timing of, and value realisable from the collateral held in the form of motor vehicles is particularly uncertain. Consequently, these allowances can be subject to variation. Refer to Note 9 in respect of impairment of loans and advances.

## 3 SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Investors Central Limited ('company' or 'parent entity') as at 30 June 2013 and the results of all subsidiaries for the year then ended. Investors Central Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting, unless the acquision was of an entity under common control. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**(b) Business combinations**

Business combinations under common control are accounted for in the consolidated accounts prospectively from the date the group obtains the ownership interest. Assets and liabilities are recognised upon consolidation at their carrying amount in the acquiree’s financial statements. Any difference between the fair value of the consideration paid and the amounts at which the assets and liabilities are recorded is recognised directly in equity in the business combinations under common control’ reserve.

**(c) Financial assets and liabilities**

***Recognition***

The consolidated entity initially recognises loans and advances on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the consolidated entity becomes a party to the contractual provisions of the instrument.

***Derecognition***

The consolidated entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire.

The consolidated entity derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

***Amortised cost measurement***

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

***Fair value measurement***

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets.

***Financial assets***

Financial assets held by the consolidated entity are described below:

**(i) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and at call deposits with banks or financial institutions.

**(ii) Loans and advances**

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the consolidated entity does not intend to sell immediately or in the next term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method and after assessing provisions for impairment losses.

Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed as described in Note 2.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial assets and liabilities (continued)

Bad debts are written off when identified. Write-offs for bad debts are recognised as expenses through profit or loss.

***Financial liabilities***
Financial liabilities comprise payables and borrowings and are described below.

**(i) Payables**
Liabilities are recognised for amounts to be paid in the future for goods or services. Trade accounts payable are stated at cost, are non-interest bearing and are normally settled within 30 days.

**(ii) Borrowings**
Borrowings are initially recognised at fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the borrowings are classified as non-current.

### (d) Plant and equipment

***Recognition and measurement***
Items of plant and equipment are measured at cost less accumulated depreciation (see below) and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

***Subsequent costs***
The cost of replacing part of an item of 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 the consolidated entity and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

***Depreciation***
Depreciation is recognised in profit or loss on a diminishing value basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives range from 3 to 20 years.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

### (e) Intangible assets

***Software***
Costs associated with the development of software for internal use are capitalised if the software is technically feasible and the consolidated entity has both the intent and sufficient resources to complete the development. Costs are only capitalised if the asset can be reliably measured, will generate future economic benefits and there is an ability to use or sell the asset.

Only costs that are directly attributable to bring the asset into working condition for its intended use are capitalised. These costs include all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in a manner intended by management. Other development expenditure is recognised in profit or loss as an expense is incurred.

***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.

***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 range from 4 to 5 years.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Impairment of non-financial assets

The carrying amounts of the consolidated entity'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.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset 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 used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (g) Employee benefits

***Wages, salaries, annual leave and sick leave***

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and superannuation.

***Long service leave***

The consolidated entity's net obligation in respect of long-term employee benefits is the amount of future benefit 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. The discount rate is the yield at the reporting date on Commonwealth Government bonds that have maturity dates approximating the terms of the consolidated entity's obligations. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

***Superannuation***

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

### (h) Revenue

***Interest income***

Interest revenue is recognised as it accrues using the effective interest rate method. The effective interest rate method calculates the amortised cost of a financial asset and allocates the interest income over the expected life of the financial asset so as to achieve a constant yield on the financial asset. Expected life is determined on the basis of the historical behaviour of the loan portfolio, taking into account contractual obligations and prepayment experience. This is assessed on a regular basis.

***Fee income***

Upfront fee income in relation to loan origination that are integral to the effective interest rate of a financial asset are recognised using the effective interest rate method. This involves recognising the loan origination fees, net of direct loan origination costs, over the life of the loan as an adjustment of yield.
Fees charged for providing ongoing services (for example, maintaining and administering existing facilities) are recognised as income over the period the service is provided.

### (i) Interest expense

Interest expense is recognised in profit or loss as it accrues, using the effective interest method.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised 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 using the balance sheet method, providing for 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 on the initial recognition of assets or liabilities, in a transaction that is not a business combination and that affects neither accounting nor taxable profit.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

### (k) Segment reporting

The consolidated entity operates in one business and geographical segment, being a used automotive lending business in Australia.

***Notes to the Financial Statements***
***for the year ended 30 June 2013***

## 4 NET INTEREST INCOME

| | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **$** | **$** | **$** | **$** |
| *Interest income* | | | | |
| Cash and cash equivalents | 5,667 | - | - | - |
| Loans and advances to customers | 411,454 | - | - | - |
| Finance One Pty Ltd (pre-acquisition) | 1,197,625 | 586,236 | 1,449,429 | 586,236 |
| Other | 658 | - | - | - |
| | 1,615,404 | 586,236 | 1,449,429 | 586,236 |
| *Interest expense* | | | | |
| Note holders | (1,449,095) | (583,228) | (1,449,095) | (583,228) |
| ***Net interest income*** | 166,309 | 3,008 | 334 | 3,008 |

## 5 OTHER INCOME

| | | | | |
|---|---|---|---|---|
| Administration fees | 127,443 | 5,500 | 203,602 | 5,500 |

## 6 AUDITORS' REMUNERATION

| | | | | |
|---|---|---|---|---|
| *Auditors of the company* | | | | |
| ***Audit services*** | | | | |
| Audit of the financial report | 8,801 | 5,500 | 8,801 | 5,500 |
| Other regulatory audit services | - | - | - | - |
| | 8,801 | 5,500 | 8,801 | 5,500 |

## 7 INCOME TAX

### (a) Income tax expense

| | | | | |
|---|---|---|---|---|
| *Current tax expense* | | | | |
| Current year | 66,657 | 666 | (82) | 666 |
| Underprovided prior years | - | - | - | - |
| *Sub-total* | 66,657 | 666 | (82) | 666 |
| *Deferred tax expense* | | | | |
| Origination and reversal of temporary differences | (21,249) | - | - | - |
| Total income tax expense | 45,408 | 666 | (82) | 666 |
| Profit before tax | 153,219 | 1,942 | (274) | 1,942 |
| Income tax using the company tax rate of 30% (2012: 30%) | 45,966 | 583 | (82) | 583 |
| Increase in income tax expense due to: | | | | |
| Non-deductible expenses | (558) | 83 | - | 83 |
| Income tax expense on pre-tax net profit | 45,408 | 666 | (82) | 666 |

***Notes to the Financial Statements***
***for the year ended 30 June 2013***

| | | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | | $ | $ | $ | $ |
| 7 | **INCOME TAX (continued)** | | | | |
| (B) | **Dividend franking amount** | | | | |
| | 30% franking credits available to members of the company for subsequent financial years | 1,072,648 | 864 | 864 | 864 |

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of current tax liabilities.

(b) franking credits that the company may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

| | | Consolidated 2013 $ | Consolidated 2012 $ | Parent 2013 $ | Parent 2012 $ |
|---|---|---|---|---|---|
| 8 | **CASH AND CASH EQUIVALENTS** | | | | |
| | *Current* | | | | |
| | Cash on hand | 262 | 2 | 2 | 2 |
| | Cash at bank | 2,465,141 | 1,278 | 353 | 1,278 |
| | Cash and cash equivalents in the statement of cash flows | 2,645,403 | 1,280 | 355 | 1,280 |
| 9 | **LOANS AND ADVANCES** | | | | |
| | *Current* | | | | |
| | Loans receivable | 4,105,868 | - | - | - |
| | Receivables – related parties | - | 5,135,706 | 13,542,805 | 5,135,706 |
| | *Non-Current* | | | | |
| | Loans Receivable | 9,490,290 | - | - | - |
| | Gross loans and advances | 13,596,158 | 5,135,706 | 13,542,805 | 5,135,706 |
| | Provision for impairment | (503,057) | - | - | - |
| | Net loans and advances | 13,093,101 | 5,135,706 | 13,542,805 | 5,135,706 |
| | *Contractual maturity analysis* | | | | |
| | Receivables – at call | - | 5,135,706 | 13,542,805 | 5,135,706 |
| | Not longer than 3 months | 976,878 | - | - | - |
| | Longer than 3 months and not longer than 1 year | 3,128,990 | - | - | - |
| | Longer than 1 year and not longer than 5 years | 9,477,807 | - | - | - |
| | Longer than 5 years | 12,483 | - | - | - |
| | | 13,596,158 | 5,135,706 | 13,542,805 | 5,135,706 |
| (a) | **Impairment of loans and advances** | | | | |
| | *Provision for impairment* | | | | |
| | Balance at 1 July | - | - | - | - |
| | Acquisition through business combination under common control | 485,770 | | | |
| | Increase of impairment | 17,287 | - | - | - |
| | Balance at 30 June | 503,057 | - | - | - |

Bad Debts written off are recognised directly in profit or loss. Bad debts written off were $26,796 (2012: $NIL).

**9 LOANS AND ADVANCES (CONTINUED)**

**(b) Past due but not impaired loans**

| | 2013 Carrying value $ | 2013 Past due $ | 2012 Carrying value $ | 2012 Past due $ |
|---|---|---|---|---|
| < 30 days | 2,162,862 | 108,834 | - | - |
| 30 to 90 days | 951,248 | 101,064 | - | - |
| 90 to 180 days | 354,257 | 88,085 | - | - |
| >180 days | 206,022 | 95,652 | - | - |
| | 3,674,389 | 393,635 | - | - |

**(c) Credit quality –security held against loans**

| | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2013 $ | 2012 $ | 2013 $ | 2012 $ |
| **Loans** | | | | |
| Secured by mortgage over motor vehicle | 13,596,158 | - | - | - |
| | 13,596,158 | - | - | - |
| Value of collateral held at fair value | 10,263,218 | - | - | - |

The value of collateral held was determined by reference to the wholesale value of motor vehicles held as collateral at date of loan origination reduced by 22.5% for each year since loan origination.

The company may not have sufficient security over the borrower's assets to recover the full amount of the loan and/or interest repayments payable to it under the loan. In most cases, borrowers will provide their motor vehicle as security for their loan. If a borrower fails to make their loan repayments, the company may be forced to take possession of the motor vehicle. Normally, the company would seek to immediately sell the vehicle via wholesale second hand motor vehicle markets. Often motor vehicles are sold via wholesale second hand markets at significantly less than the price at which they are sold by car dealers. In addition, motor vehicles are depreciating assets, and therefore, the value of motor vehicles will also erode over time. Accordingly, if the company is forced to take possession of the motor vehicle and sell it on wholesale motor vehicle markets, the company may receive less for the vehicle than the amount owing under the loan.

**10 PLANT AND EQUIPMENT**

| | | | | |
|---|---|---|---|---|
| *Non-Current* | | | | |
| Plant and equipment, at cost | 46,260 | - | - | - |
| Accumulated depreciation | (6,221) | - | - | - |
| | 40,039 | - | - | - |

**Reconciliation**

Reconciliation of the carrying amount is set out below:

| | | | | |
|---|---|---|---|---|
| Balance at 1 July | - | - | - | - |
| Acquisition through business combination under common control | 33,971 | - | - | - |
| Additions | 6,442 | - | - | - |
| Depreciation | (374) | - | - | - |
| Balance at 30 June | 40,039 | - | - | - |

***Notes to the Financial Statements***
***for the year ended 30 June 2013***

| | | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | | $ | $ | $ | $ |
| 11 | **INTANGIBLE ASSETS** | | | | |
| | *Non-Current* | | | | |
| | Formation Expenses | 1,526 | 818 | 818 | 818 |
| | Less accumulated amortisation | (1,222) | (491) | (654) | (491) |
| | | 304 | 327 | 164 | 327 |
| | Software development | 53,703 | - | - | - |
| | | 54,007 | 327 | 164 | 327 |
| | **Reconciliation** | | | | |
| | Reconciliation of the carrying amount is set out below: | | | | |
| | Balance at 1 July | 327 | 490 | 327 | 490 |
| | Acquisition through business combination under common control | 39,646 | - | - | - |
| | Additions | 14,269 | - | - | - |
| | Amortisation | (235) | (163) | (163) | (163) |
| | Balance at 30 June | 54,007 | 327 | 164 | 327 |
| 12 | **OTHER FINANCIAL ASSETS** | | | | |
| | *Non-Current* | | | | |
| | Shares in subsidiaries | - | - | 2,527,365 | - |

These financial assets are carried at cost.

| | | Consolidated 2013 $ | Consolidated 2012 $ | Parent 2013 $ | Parent 2012 $ |
|---|---|---|---|---|---|
| 13 | **OTHER ASSETS** | | | | |
| | *Current* | | | | |
| | Prepaid prospectus expenses | 216,044 | - | - | - |
| | Other | 14,891 | 983 | 134 | 983 |
| | | 230,935 | 983 | 134 | 983 |
| 14 | **DEFERRED TAX** | | | | |
| | *Non-Current* | | | | |
| | Deferred tax asset and liabilities comprises temporary differences attributable to: | | | | |
| | Amounts recognised in profit or loss: | | | | |
| | Plant and equipment | (607) | - | - | - |
| | Super payable | 3,353 | - | - | - |
| | Employee benefits | 9,824 | - | - | - |
| | Deferred revenue | 381,842 | - | - | - |
| | Impairment provision | 150,917 | - | - | - |
| | Net tax assets/(liabilities) | 545,329 | - | - | - |

| | | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | | $ | $ | $ | $ |
| **14** | **DEFERRED TAX (continued)** | | | | |
| | Movements: | | | | |
| | Opening balance | - | - | - | - |
| | Acquisition of business combination under common control (Note 21) | 524,080 | | | |
| | Credited to profit or loss (note 7) | 21,249 | - | - | - |
| | Credited to equity | - | - | - | - |
| | Closing balance | 545,329 | - | - | - |
| **15** | **PAYABLES** | | | | |
| | *Current* | | | | |
| | Accounts payable | 103,287 | 983 | - | 983 |
| | Liability for annual leave | 32,955 | - | - | - |
| | GST payable | 232,855 | - | - | - |
| | Super payable | 11,178 | - | - | - |
| | Deferred income | 1,272,808 | - | - | - |
| | | 1,653,083 | 983 | - | 983 |

Loans approved but not yet drawn have been recognised at reporting date as accounts payable.

| | | Consolidated Entity 2013 $ | Consolidated Entity 2012 $ | Parent Entity 2013 $ | Parent Entity 2012 $ |
|---|---|---|---|---|---|
| **16** | **BORROWINGS** | | | | |
| | *Current* | | | | |
| | Interest bearing notes - unsecured | 1,852,000 | 540,000 | 1,852,000 | 540,000 |
| | *Non-Current* | | | | |
| | Interest bearing notes - unsecured | 11,689,991 | 4,596,302 | 11,689,991 | 4,596,302 |
| | | 13,541,991 | 5,136,302 | 13,541,991 | 5,136,302 |
| | *Contractual maturity analysis* | | | | |
| | Not longer than 1 year | 1,852,000 | 540,000 | 1,852,000 | 540,000 |
| | Longer than 1 year and not longer than 2 years | 2,004,000 | 321,302 | 2,004,000 | 321,302 |
| | Longer than 2 years and not longer than 3 years | 9,685,991 | 4,275,000 | 9,685,991 | 4,275,000 |
| | | 13,541,991 | 5,136,302 | 13,541,991 | 5,136,302 |

Unsecured notes have been issued with fixed terms of 12 -36 months and interest paid between 14-18% p.a., dependent on the amount of the note.

| | | Consolidated Entity 2013 $ | Consolidated Entity 2012 $ | Parent Entity 2013 $ | Parent Entity 2012 $ |
|---|---|---|---|---|---|
| **17** | **INCOME TAX PAYABLE/(RECEIVABLE)** | | | | |
| | *Current* | | | | |
| | Income tax payable/(receivable) | 3,793 | (730) | (82) | (730) |

The current income tax payable/ (receivable) represents the amount of income tax payable/ (receivable) in respect of the current and prior financial years less amounts paid during those years.

| | | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | | $ | $ | $ | $ |
| 18 | **EMPLOYEE BENEFITS** | | | | |
| | *Non-Current* | | | | |
| | Liability for long service leave | 13,110 | - | - | - |

**Defined contribution superannuation funds**

The company makes contributions to defined contribution superannuation funds. The amount recognised as an expense was $4,544 for the for the period 20 May 2013 to 30 June 2013 (2012: $NIL).

| | | Consolidated Entity 2013 $ | Consolidated Entity 2012 $ | Parent Entity 2013 $ | Parent Entity 2012 $ |
|---|---|---|---|---|---|
| 19 | **ISSUED CAPITAL** | | | | |
| | Ordinary shares – fully paid | 2,527,367 | 2 | 2,527,367 | 2 |

| Movements in ordinary share capital | No. of shares | Issue price | $ |
|---|---|---|---|
| Balance at 1 July 2011 | 2 | | 2 |
| Issue of shares | 2,527,365 | 1.00 | 2,527,365 |
| Balance at 30 June 2012 | 2,527,367 | | 2,527,367 |

There was no movement in fully paid ordinary shares for the year ended 30 June 2012.

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Capital risk management*

The company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, amounts payable to related parties and share issues.

The company's capital comprises equity as shown in the statement of financial position. The company is not exposed to externally imposed capital requirements.

The capital risk management policy remains unchanged from the 30 June 2012 Annual Report.

## 20 RESERVES

*Business Combination under common control reserve*

Any difference between the cost of the acquisition (i.e. the fair value of the consideration paid), and the amounts at which the acquired assets and liabilities are recorded for business combinations under common control (refer to Note 21) have been recognised in the 'business combinations under common control' reserve.

## 21 BUSINESS COMBINATION UNDER COMMON CONTROL

On 20 May 2013 the group acquired 100% of the share capital of Fin One Pty Ltd.

This acquisition is a business combination under common control. It has been accounted for by the group prospectively from the date of obtaining the ownership interest. Assets and liabilities have been recognised upon consolidation at their carrying amounts in Fin One Pty Ltd's financial statements.

The difference between the cost of the acquisition (i.e. the fair value of the consideration paid), and the amounts at which the assets and liabilities have been recorded is recognised in the 'business combinations under common control' reserve.

The information in the following table summarises the consideration paid for Fin One Pty Ltd and the amount of the assets acquired and the liabilities assumed that were recognised at acquisition date.

| | $ |
|---|---|
| **Consideration at 20 May 2013** | |
| Shares in Investors Central Limited | 2,527,365 |
| **Total Consideration** | 2,527,365 |
| | |
| **Recognised amounts (predecessor values)** | |
| Cash and cash equivalents | 2,071,094 |
| Loans and advances (net) | 12,142,009 |
| Plant and equipment | 33,971 |
| Intangible assets | 39,646 |
| Deferred tax assets | 524,080 |
| Other assets | 134,019 |
| Payables | (1,603,490) |
| Income tax payable | (3,875) |
| Employee benefits | (12,865) |
| Amounts due to related entities | (12,217,305) |
| Total recognised net assets | 1,107,283 |
| | |
| **Difference taken to common control reserve** | 1,420,082 |

**Revenue and profit contribution**
The acquired business contributed revenue of $586,562 and net profit of $108,005 to the group for the period from 20 May 2013 to 30 June 2013.
If the acquisition has occurred on 1 July 2012, consolidated revenue and consolidated profit for the year ended 30 June 2013 would have been $3,774,111 and $713,020 respectively.

**Acquisition – related costs**
Acquisition related costs of $72 are included in other expenses in the statement of profit or loss and other comprehensive income and in operating cash flows in the statement of cash flows.

| | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | $ | $ | $ | $ |
| **22 NOTES TO THE STATEMENT OF CASH FLOWS** | | | | |
| **Reconciliation of cash flows from operating activities** | | | | |
| Profit/(loss) for the year | 107,811 | 1,077 | (1,057) | 1,077 |
| *Adjustments for:* | | | | |
| Depreciation and amortisation | 609 | 164 | 164 | 164 |
| Income tax expense | 45,408 | 865 | 782 | 865 |
| Operating profit before changes in working capital and provisions | 153,828 | 2,106 | (111) | 2,106 |
| Increase/(decrease) in other payables | 48,610 | (13,567) | (983) | (13,567) |
| (Increase)/decrease in prepayments and other assets | (95,933) | 14,111 | 849 | 14,111 |
| (Increase)/decrease in loans and advances | (951,092) | - | - | - |
| Increase/(decrease) in employee benefits | 246 | - | - | - |
| | (844,341) | 2,650 | (245) | 2,650 |
| Income taxes paid | (66,009) | (1,595) | 730 | (1,595) |
| Net cash from operating activities | (910,350) | 1,055 | 485 | 1,055 |

## 23 RELATED PARTIES

**Parent Entity**

On the 20th May 2013, Investors Central Limited became the parent entity of Fin One Pty Ltd, by purchasing a 100% of the shares from the previous shareholder.

**Key management personnel compensation**

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

| | 2013 | 2012 | 2013 | 2012 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Short-term employee benefits | 34,073 | 0 | 0 | 0 |
| Post-employment benefits | 0 | 0 | 0 | 0 |
| | 34,073 | 0 | 0 | 0 |

**Transactions with related parties**

The following transactions occurred with related parties:

| | | | | |
|---|---|---|---|---|
| Interest received from Fin One Pty Ltd | - | - | 1,449,429 | 586,326 |
| In addition, the following transactions have occurred with related parties at no cost: Jamaur Enterprises Pty Ltd, a company associated with a director of the company, provided administration, accounting and other support services. | | | 64,173 | 59,551 |

**Loans to/from related parties**

| | | | | |
|---|---|---|---|---|
| Loan to Fin One Pty Ltd | | | 13,542,805 | 5,135,706 |

## 24 EFFECT OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs

As stated in Note 1, these are the Group's first financial statements prepared in accordance with IFRSs.

As required by AASB 1, the accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 30 June 2013, the comparative information presented in these financial statements for the year ended 30 June 2012 and in the preparation of an opening IFRSs balance sheet at 1 July 2011 (the company's date of transition).

In preparing its opening AIFRSs balance sheet, there were no adjustments required between the amounts reported previously in the financial statements of the parent entity prepared in accordance with its old basis of accounting ("previous GAAP").

## 25 FINANCIAL INSTRUMENTS

### (a) Financial risk management objectives

The company's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk, ageing analysis for credit risk.

Risk management is carried out by senior finance management ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the company and appropriate procedures, controls and risk limits. Finance identifies and evaluates financial risks within the company. Finance reports to the Board on a monthly basis.

### (b) Market risk

Market risk is the risk that changes in interest rates or other prices and volatilities will have an adverse effect on the company's financial condition or results. The company is not exposed to currency risk or other significant price risk. The company does not trade in the financial instruments it holds on its books. It is exposed only to interest rate risk arising from changes in market interest rates.

**Interest rate risk**

Interest rate risk is the risk of variability of the fair value or future cash flows arising from financial instruments due to the changes in interest rates. The company's main interest rate risk arises from cash and cash equivalents, loans and advances to customers and amounts payable to related entities. Amounts payable to related entities attract a fixed interest rate which exposes the company to fair value interest rate risk. The company manages this risk by charging a fixed interest on loans and advances to customers at a higher margin than the required interest paid.

At the reporting date the interest profile of the Group's interest-bearing financial instruments was:

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| *Variable rate instruments* | | |
| Cash and cash equivalents | 2,465,403 | 1,280 |
| *Fixed rate instruments* | | |
| Loans and advances to customers | 13,093,101 | 5,135,706 |
| Borrowings | (13,541,991) | (5,136,302) |

An official increase/decrease in interest rates on variable rate instruments of 100 (2012:100) basis points would have a favourable/adverse effect on profit before tax of $24,654 (2012: $13) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

**25 FINANCIAL INSTRUMENTS (CONTINUED)**

**(c) Liquidity risk**

Liquidity risk for the company is that it may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments or loans written. It is the policy of the Board that the company maintains adequate cash reserves so as to meet the payment of loan and interest payments when required.
The company manages liquidity risk by:

- Monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities; and
- Maintaining adequate reserves.

The maturity profile of the financial liabilities, based on the contractual repayment terms is set out in Note 16.

**(d) Credit risk**

Credit risk is the risk that customers and other counterparties will be unable to meet their obligations to the company which may result in financial losses. Credit risk arises principally from loans and advances to customers.

The company operates an automotive lending business and writes loans of $5,000 - $50,000 at interest rates between 19%p.a. – 29%p.a. The company specialises in lending to individuals with poor credit histories, who can demonstrate that they are able to service loan repayments without suffering financial hardship. These borrowers may be unable to obtain finance from banks and accordingly may be regarded at a higher risk of defaulting on their loans exposing the company to credit risk.

All loan applications are measured against a tested credit matrix which is reviewed and refined to take into account demographic and economic conditions. This matrix is clearly communicated and well understood by our lending consultants. Credit files, employment details and bank statements are checked by our loans application team. An application cannot proceed until all required documentation is provided.

Finance One has developed an internal lending policy in order to ensure that loans are carefully reviewed before funds are advanced. Finance One will only approve loans which fall within its lending policies. The purpose of Finance One's lending policies are to screen out undesirable loans by undertaking thorough due diligence on borrowers. The lending policy consists of the following steps:

- Initial loan review
- Borrower credit checks
- Valuation of loan security
- Loan approval
- Settlement of loan documents

In order to minimise the potential for loan defaults, Finance One will schedule a borrower's loan repayment date to coincide with the borrower's pay cycle to ensure a greater likelihood of successful loan repayments being made.
All the loans are subject to ongoing monitoring of borrowers progress in making repayments by a dedicated arrears management team using a loan arrears software package. Any loan default is immediately highlighted in a specific loan repayment report. In the event that a borrower fails to make a scheduled repayment, the company will implement its loan default management procedures.

Set out below is a summary of Finance One's loan management policy.

| | |
|---|---|
| **Systems for ongoing monitoring of loans** | With all loan repayments being electronic, Finance One utilises a specific software package to monitor all loan repayments, and in particular, any loan defaults. This results in early remedial action being taken, often within 24 hours but generally within 3 days of default. |
| **Scheduled repayments not made within 7 days** | The borrower is contacted by telephone to assess their current financial situation and ascertain the reason for the default. The arrears management team works with the borrower to arrive at a mutually satisfactory outcome after taking the borrower's current personal circumstances into consideration. In addition, a standard loan default letter is sent to the client confirming the loan default and reminding them of their legal obligations. |

| | |
|---|---|
| **Loan in default for 30 days** | The borrower is again contacted by telephone to assess their current financial situation and ascertain whether there is any new reason for the default. The arrears management team continues to work with the borrower to try to overcome the continuing default. In addition, a sterner loan default letter is sent to the borrower confirming the loan default and reminding them of their legal obligations. |
| **Loan in default for 60 days** | The borrower is contacted by telephone to assess their current financial situation and why the loan remains in default. We continue to work with the borrower to try to overcome the default. Unless a more satisfactory arrangement can be made or in the event of the borrower not being contactable then we set in motion our repossession procedures. At this point a strongly worded loan default letter is sent to the client.<br><br>It is Finance One's policy to have all arrears over 60 days satisfactorily resolved within 90 days of default. |

## 25 FINANCIAL INSTRUMENTS (CONTINUED)

A provision for Impairment is established on all past due loans after a specified period of repayment default where it is probable that some of the capital will not be repaid or recovered. Refer to Note 2 for a detailed explanation.

A summary of past due but not impaired loans is set out in Note 9(b).

The geographical concentration of credit risk is as follows:

| State | % of Loans and Advances |
|---|---|
| Queensland | 73.4 |
| New South Wales | 10.6 |
| Australian Capital Territory | 0.2 |
| Tasmania | 0.8 |
| Victoria | 9.6 |
| South Australia | 2.6 |
| Western Australia | 1.8 |
| Northern Territory | 1.0 |

## 26 Subsequent Event

On the 26th July 2013 Investors Central Limited issued a Prospectus which was lodged with ASIC on that date and will allow the company to raise up to $25 million by offering investors the opportunity to purchase Redeemable Preference Shares under the Offer contained in the Prospectus. This will enable the company to continue our steady growth and the expansion of the Finance One loan book.

## 27 COMPANY DETAILS

The registered office of the company is 118 Ross River Road, Mundingburra QLD 4812.

***Directors' Declaration***

In the opinion of the directors of Investors Central Limited ('the company'):

(a) the financial statements and notes, set out on pages 7 to 27, are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of the company as at 30 June 2013 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors draw attention to Note 2(a) to the financial statements which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

| | |
|---|---|
| Jamie McGeachie | Quinnton Cowen |
| *Director* | *Director* |

Townsville
31 October 2013

*INDEPENDENT AUDIT REPORT TO THE DIRECTORS OF INVESTORS CENTRAL LIMITED*

**Report on the Financial Report**

I have audited the accompanying financial report of Investors Central Limited (the company) and Investors Central Limited and Fin One Pty Ltd (the consolidated entity), which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end.

**Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

**Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on my audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Independence**

In conducting my audit, I have complied with the independence requirements of the Corporations Act 2001. I confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Investors Central Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

**Auditor's Opinion**

In my opinion the financial report of Investors Central Limited and Investors Central Limited and Fin One Pty Ltd is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including Australian Accounting Interpretations), International Financial Reporting Standards and the Corporations Regulations 2001.

**Basis of Accounting**

Without modifying our opinion, we draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose.

**Dated:** 31st October 2013

**1/19 Stanley Street**
**TOWNSVILLE QLD 4810**

**I.D. Jessup**
**(Registered Company Auditor)**

Finance 1

# ANNUAL REPORT

2012 - 2013

Fin One Pty Ltd

ACN 139 719 903

*FIN ONE PTY LTD*
*ACN 139 719 903*

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***Chairman's Report***

On behalf of the managing director of Fin One Pty Ltd (Finance One), it is my pleasure to present the Annual Report for the end of financial year 2013(FY 2013).

Continuing the growth in the first half of the financial year Finance One has generated a full year profit after tax of $714,077, an increase of 126% on the previous year.

This result is a product of our continued development of our customer base, both from our Finance Broker (referrer) network and our own lead generation.

**2013 Financial Highlights:**
. Earned income up 137% to $3.77M (2012: $1.58M)
. Net profit before tax up 128% to $1.02M (2012: $449K)
. Net profit after tax up 126% to $714K (2012: $314K)
. Total Equity up 142% to $1.21M (2012:$501K)
. Loan book increased by 145% to $13.09M (2012: $5.34M)

**Finance Broker (Referrer) Network:**
Our expansion of the referrer network continues. The network's core business has been predominantly in Queensland and we are increasing our presence in the other states. The first half of the year was focused on personally meeting new referrers and promoting the advantages of utilising our range of loan products. This has seen the average number of new loan applications received each month grow to 261 per month, which is an increase of 101% (2012: 130 per month).

Finance One is continuing the expansion of the–referrer network. Interestingly (However), as our brand grows, we are now receiving direct enquiries from the mainstream broker network, requesting accreditation to carry our loan products. We are in control of how and when we add new referrers to our network as all referrers are required to meet specific criteria to carry our range of products. Finance One currently has 140 Finance Brokers (referrers).

Along with the increased Finance Broker (referral) network Finance One is developing its online lead generation capability via both a direct affiliation with a national car loan aggregator and with the launch of two new websites within the next 6 months.

**Collections:**
The success of Finance One's business is contingent on how effective money is repaid by customers. In line with the growth of our lending, the implementation of the Loans Management System and associated reporting is integral to this process. Focus has always been on the micro management of each customer through their opportunity to own a motor vehicle. It is pleasing to report that collections are within desirable parameters. It is prudent for Finance One to continue to maintain a robust contingency for doubtful debts. Finance One currently maintains bad debt levels at 3% to 7% of revenue, with bad debts written off for 2013 $113,962 (2012:$89,096).

**Funding:**
Due to the continued steady expansion of the motor vehicle finance business it is necessary to seek capital to sustain this growth. Our business model for raising capital is built on the personal approach to expanding our Investor base through the use of an offer document. With the launch of our new prospectus under Investors Central Ltd we will have the flexibility to provide more Investors with the opportunity to invest in our company. This new offer document enables Investors Central Ltd to raise up to $25M over a thirteen month period.

**Infrastructure:**
The expansion of our loan processing team including verification, approval (credit analysts) and collections has been completed. Finance One now has the infrastructure to meet the demands of growing the business.

**Dividends:**
No dividends have been declared to be paid to ordinary shareholders. The future growth of the company and its equity is to be built on the ability to use retained earnings into the foreseeable future to help grow the business.

**Outlook:**
Through the expanding referrer network we will see an increased volume in new applications. The infrastructure is in place to meet this demand and capitalise on this opportunity.
Finance One remains focused on providing sustainable credit products to the thousands of Australians unable to access traditional forms of credit.

We now have a platform through our Prospectus to raise the required capital to meet the current demands of the existing referrers.

The commitment of Directors, Management and Staff are evidenced by the company's impressive financial results. I, personally take this opportunity to thank them all for their loyalty and collective efforts while I must also thank our valued Investors for their continuing interest and support.

Jamie McGeachie
Chairman

***Directors Report***

The director presents his report, together with the financial statements for Fin One Pty Ltd (Finance One), ended 30 June 2013.

**Director**
The following person was director of Fin One Pty Ltd for the full year ended 30 June 2013:

- Jamie Edward McGeachie

**Principal activities**
During the financial year the principal continuing activities of Fin One Pty Ltd consisted of:

- Provision of motor vehicle loans by Finance One

**Dividends**
No Dividends were paid to shareholders during the financial year.

**Significant changes in the state of affairs**
On the 20th May 2013 Investors Central Ltd acquired 100% of the ordinary shares of Fin One Pty Ltd.
There were no other significant changes in the state of affairs of Fin One Pty Ltd during the financial year.

**Matters subsequent to the end of the financial year**
On the 26th July 2013 Investors Central Limited issued a Prospectus which was lodged with ASIC on that date and will allow the company to raise up to $25 million by offering investors the opportunity to purchase Redeemable Preference Shares under the Offer contained in the Prospectus. This will enable the company to continue our steady growth and the expansion of the Finance One loan book.

**Likely developments and expected results of operations**
Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

**Environmental regulation**
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Information on director**

| | |
|---|---|
| **Title:** | Chairman and Managing Director |
| **Qualifications** | Cert. IV in Financial Services |
| **Experience and expertise** | Jamie has over 12 years experience in the finance industry as founder and Managing Director of Finance One & Investors Central. In addition he has a close involvement in several other family business entities which are part of the McGeachie Group and under his guidance the McGeachie Group has expanded with various business lines including personal and motor finance, residential and commercial mortgages. |
| **Special Responsibilities** | Managing Director |

**Company secretary**
Jamie McGeachie has held the role of Company Secretary of Fin One Pty Ltd since inception in September 2009.

**Meetings of director**
The number of meetings of the Director held during the year ended 30 June 2013, and the number of meetings attended by each director were:

| | Attended | Held |
|---|---|---|
| **Jamie McGeachie** | 11 | 11 |

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

**Director's Shareholding**
The following table sets out the director's relevant interest in shares of the company or a related body corporate as at the date of this report.

| **Director** | **Ordinary Shares** |
|---|---|
| J. McGeachie | 10 |

**Shares under option**
There are no unissued ordinary shares of Fin One Pty Ltd under option at the date of this report.

**Shares issued on the exercise of options**
No ordinary shares of Fin One Pty Ltd were issued during the year ended 30 June 2013 and up to the date of this report on the exercise of options granted.

**Indemnity and insurance of officers**
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.
During the financial year, the company has not paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. A contract of insurance will be in place in the following financial year. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

**Indemnity and insurance of auditor**
The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.
During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

**Proceedings on behalf of the company**
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

**Rounding of amounts**

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

**Auditor**

Jessups Accountants and Business Advisors continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the director

**Jamie McGeachie**
**Director**

**31 October 2013**
**Townsville**

***AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF FIN ONE PTY LTD***

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 there have been no contraventions of:

i. The auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

**Jessups**

**Ian Jessup**
**Partner**

**Dated:** 31st October 2013

**1/19 Stanley Street**
**Townsville QLD 4810**

***Statement of Profit or Loss and Other Comprehensive Income***
***for the year ended 30 June 2013***

| | Note | 2013 $ | 2012 $ |
|---|---|---|---|
| Interest income | 4 | 2,519,310 | 1,073,119 |
| Interest expense | 4 | (1,449,343) | (583,228) |
| Net interest income | | 1,069,967 | 489,891 |
| Fee income | | 1,253,301 | 513,906 |
| Sundry income | 5 | 1,500 | - |
| | | 2,324,768 | 1,003,797 |
| Employee benefits expense | | (455,462) | (207,490) |
| Depreciation and amortisation expense | | (4,854) | (1,367) |
| Doubtful and bad debts expense | | (422,997) | (262,606) |
| Accountancy fees | | (33,004) | (19,944) |
| Advertising expenses | | (89,713) | (12,895) |
| Management fees | | (76,089) | - |
| Consultancy fees | | (54,702) | - |
| Other expenses | | (162,243) | (49,832) |
| **Profit before income tax** | | 1,025,704 | 449,663 |
| Income tax expense | 7(a) | (311,627) | (134,898) |
| **Profit for the year** | | 714,077 | 314,765 |
| Other comprehensive income | | - | - |
| **Total comprehensive income** | | 714,077 | 314,765 |

*The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.*

***Statement of Changes in Equity***
***for the year ended 30 June 2013***

| | Issued Share Capital $ | Retained Earnings $ | Total $ |
|---|---|---|---|
| **Balance at 1 July 2011** | 10 | 186,437 | 186,447 |
| *Total comprehensive income for the year* | | | |
| Profit for the year | - | 314,765 | 314,765 |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the year | - | 314,765 | 314,765 |
| **Balance at 30 June 2012** | 10 | 501,202 | 501,212 |
| **Balance at 1 July 2012** | 10 | 501,202 | 501,212 |
| *Total comprehensive income for the year* | | | |
| Profit for the year | - | 714,077 | 714,077 |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the year | - | 714,077 | 714,077 |
| **Balance at 30 June 2013** | 10 | 1,215,279 | 1,215,289 |

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

***Statement of Financial Position***
***as at 30 June 2013***

| | Note | 2013 $ | 2012 $ | 2011 $ |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | 8 | 2,465,048 | 954,333 | 297 |
| Loans and advances (net) | 9 | 13,093,101 | 5,341,028 | 2,219,641 |
| Plant and equipment | 10 | 40,039 | 5,793 | - |
| Intangible assets | 11 | 53,844 | 283 | 425 |
| Deferred tax assets | 13 | 545,329 | 270,802 | 103,524 |
| Other | 12 | 230,801 | 1,041 | 5,622 |
| **Total assets** | | 16,428,162 | 6,573,280 | 2,329,509 |
| **LIABILITIES** | | | | |
| Payables | 14 | 1,653,083 | 798,051 | 380,030 |
| Income tax payable | 15 | 3,875 | 129,958 | 79,991 |
| Employee benefits | 16 | 13,110 | 8,353 | 4,683 |
| Amounts due to related entities | 17 | 13,542,805 | 5,135,706 | 1,678,358 |
| **Total liabilities** | | 15,212,873 | 6,072,068 | 2,143,062 |
| **Net assets** | | 1,215,289 | 501,212 | 186,447 |
| **EQUITY** | | | | |
| Issued share capital | 18 | 10 | 10 | 10 |
| Retained earnings | | 1,215,279 | 501,202 | 186,437 |
| **Total equity** | | 1,215,289 | 501,212 | 186,447 |

*The above Statement of Financial Position should be read in conjunction with the accompanying notes.*
***Statement of Cash Flows***

***for the year ended 30 June 2013***

| | Note | 2013 $ | 2012 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Interest received | | 2,519,310 | 1,073,118 |
| Interest paid | | (1,449,343) | (583,228) |
| Fees and other income received | | 1,843,845 | 876,135 |
| Payments to suppliers and employees | | (830,086) | (315,071) |
| *(Increase)/decrease in operating assets:* | | 2,083,726 | 1,050,954 |
| Net (increase)/decrease in customer loans advanced | | (8,179,608) | (3,290,359) |
| Net cash from operating activities before income tax | | (6,095,882) | (2,239,405) |
| Income tax paid | | (712,237) | (252,209) |
| **Net cash from operating activities** | 19 | (6,808,119) | (2,491,614) |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Net (increase)/decrease in receivables due from related parties | | 4,538 | (4,538) |
| Acquisition of plant and equipment | | (39,100) | (7,160) |
| Acquisition of intangible assets | | (53,703) | - |
| **Net cash (used in) investing activities** | | (88,265) | (11,698) |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net increase/(decrease) in payables to related parties | | 8,407,099 | 3,457,348 |
| **Net cash from financing activities** | | 8,407,099 | 3,457,348 |
| | | | |
| Net increase in cash and cash equivalents | | 1,510,715 | 954,036 |
| Cash and cash equivalents at 1 July | | 954,333 | 297 |
| **Cash and cash equivalents at 30 June** | 8 | 2,465,048 | 954,333 |

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*

***Notes to the Financial Statements***
***for the year ended 30 June 2013***

**1 REPORTING ENTITY**

Fin One Pty Ltd ("Fin One" or "the company") is a for-profit company incorporated and domiciled in Australia. The company is an individual entity. As of 20 May 2013, Fin One Pty Ltd became a wholly owned subsidiary of Investors Central Limited. It is consolidated as part of Investors Central Limited which produces consolidated financial statements.

The financial report was authorised for issue by the Directors on 31 October 2013.

**2 BASIS OF PREPARATION**

**(a) Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The financial report of the company also complies with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board. These are the company's first financial statements prepared in accordance with IFRS (see note 21 for explanation of transition to IFRS). The company is a for-profit entity for the purpose of preparing the financial statements.

**(b) Basis of measurement**

The financial report has been prepared on the basis of historical costs.

**(c) Functional and presentation currency**

The financial report is presented in Australian dollars, which is the company's functional currency.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these financial statements. The company does not plan to adopt these standards early.

**AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)**

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting. AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is expected to have an impact on the company's financial assets, but no impact on the company's financial liabilities.

**AASB 13 Fair Value Measurement (2011)**

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The entity has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 July 2013. When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required about fair values.

**AASB 119 Employee Benefits (2011)**

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. The company does not consider that there will be a material impact on the calculation of annual leave liability due to the change in the Accounting Standard. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

**2 BASIS OF PREPARATION (CONTINUED)**

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

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

*Impairment losses on loans and advances*

All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty, or where the debt has been restructured to reduce the burden to the borrower.

The amount provided for impairment of loans is determined by management and the Board. An impairment loss is recognised on loans which have not maintained loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as bankruptcy, job losses or economic circumstances.

Management and the Board take guidance from the Prudential Standards issued by APRA and allocate a specific percentage in regards to loan balances outstanding dependent on the number of days contractual repayments are past due. Percentages utilised are as follows:

| Terms of payments past due | Amount of Provision % |
|---|---|
| Up to 14 days | 0 |
| 14 days and less than 90 days | 40 |
| 90 days and less than 182 days | 75 |
| 182 days and over | 100 |

The actual amount of the future cash flows and their timing may differ significantly from the assumptions made for the purposes of determining the impairment provision given the number of customers and current economic conditions. This uncertainty is exacerbated in the current economic climate, where the timing of, and value realisable from the collateral held in the form of motor vehicles is particularly uncertain. Consequently, these allowances can be subject to variation. Refer to Note 9 in respect of impairment of loans and advances.

**3 SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Financial assets and liabilities**

***Recognition***

The company initially recognises loans and advances on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the company becomes a party to the contractual provisions of the instrument.

***Derecognition***

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire.

The company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Financial assets and liabilities (continued)

***Amortised cost measurement***
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

***Fair value measurement***
The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets.

***Financial assets***
Financial assets held by the company are described below:

**(i) Cash and cash equivalents**
Cash and cash equivalents comprise cash on hand and at call deposits with banks or financial institutions.

**(ii) Loans and advances**
Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the company does not intend to sell immediately or in the next term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method and after assessing provisions for impairment losses.

Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed as described in Note 2.

Bad debts are written off when identified. Write-offs for bad debts are recognised as expenses through profit or loss.

***Financial liabilities***
Financial liabilities comprise payables.

Financial liabilities are measured at their amortised cost using the effective interest method. Interest accrued on deposits is included in payables.

### (b) Plant and equipment

***Recognition and measurement***
Items of plant and equipment are measured at cost less accumulated depreciation (see below) and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

***Subsequent costs***
The cost of replacing part of an item of 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 the company and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

***Depreciation***
Depreciation is recognised in profit or loss on a diminishing value basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives range from 3 to 20 years.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Intangible assets

***Software***

Costs associated with the development of software for internal use are capitalised if the software is technically feasible and the company has both the intent and sufficient resources to complete the development. Costs are only capitalised if the asset can be reliably measured, will generate future economic benefits and there is an ability to use or sell the asset.

Only costs that are directly attributable to bring the asset into working condition for its intended use are capitalised. These costs include all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in a manner intended by management. Other development expenditure is recognised in profit or loss as an expense is incurred.

***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.

***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 range from 4 to 5 years.

### (d) Impairment of non-financial assets

The carrying amounts of the company'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.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset 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 used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### (e) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services. Trade accounts payable are stated at cost, are non-interest bearing and are normally settled within 30 days.

### (f) Employee benefits

***Wages, salaries, annual leave and sick leave***

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and superannuation.

***Long service leave***

The company's net obligation in respect of long-term employee benefits is the amount of future benefit 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. The discount rate is the yield at the reporting date on Commonwealth Government bonds that have maturity dates approximating the terms of the company's obligations. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

***Superannuation***

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) Revenue**

***Interest income***

Interest revenue is recognised as it accrues using the effective interest rate method. The effective interest rate method calculates the amortised cost of a financial asset and allocates the interest income over the expected life of the financial asset so as to achieve a constant yield on the financial asset. Expected life is determined on the basis of the historical behaviour of the loan portfolio, taking into account contractual obligations and prepayment experience. This is assessed on a regular basis.

***Fee income***

Upfront fee income in relation to loan origination that are integral to the effective interest rate of a financial asset are recognised using the effective interest rate method. This involves recognising the loan origination fees, net of direct loan origination costs, over the life of the loan as an adjustment of yield.
Fees charged for providing ongoing services (for example, maintaining and administering existing facilities) are recognised as income over the period the service is provided.

**(h) Interest expense**

Interest expense is recognised in profit or loss as it accrues, using the effective interest method.

**(i) Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised 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 using the balance sheet method, providing for 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 on the initial recognition of assets or liabilities, in a transaction that is not a business combination and that affects neither accounting nor taxable profit.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

**(j) Segment reporting**

The company operates in one business and geographical segment, being a used automotive lending business in Australia.

***Notes to the Financial Statements***
***for the year ended 30 June 2013***

**4 INTEREST INCOME AND EXPENSE**

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| *Interest income* | | |
| Cash and cash equivalents | 42,211 | 13,421 |
| Loans and advances to customers | 2,477,099 | 1,059,697 |
| | 2,519,310 | 1,073,118 |
| *Interest expense* | | |
| Related entities | 1,449,343 | 583,228 |
| ***Net interest income*** | 1,069,967 | 489,891 |

**5 OTHER INCOME**

| | | |
|---|---|---|
| Government subsidies | 1,500 | - |

**6 AUDITORS' REMUNERATION**

| | | |
|---|---|---|
| *Auditors of the company* | | |
| ***Audit services*** | | |
| Audit of the financial report | 25,304 | 12,100 |
| Other regulatory audit services | - | - |
| | 25,304 | 12,100 |

**7 INCOME TAX**

**(a) Income tax expense**

| | | |
|---|---|---|
| *Current tax expense* | | |
| Current year | 586,154 | 302,176 |
| Underprovided prior years | - | |
| *Sub-total* | 586,181 | 302,176 |
| *Deferred tax expense* | | |
| Adjustment for prior years deferred tax | - | |
| Origination and reversal of temporary differences | (274,527) | (167,278) |
| Total income tax expense | 311,627 | 134,898 |
| Numerical reconciliation between tax expense and pre-tax net profit | | |
| Profit before tax | 1,025,704 | 449,663 |
| Income tax using the company tax rate of 30% (2012: 30%) | 307,711 | 134,898 |
| Increase in income tax expense due to: | | |
| Non-deductible expenses | 3,916 | - |
| | 311,627 | 134,898 |
| Under/(over) provided in prior years | - | - |
| Income tax expense on pre-tax net profit | 311,627 | 134,898 |

***Notes to the Financial Statements***
***for the year ended 30 June 2013***

| | | 2013 | 2012 |
|---|---|---|---|
| | | $ | $ |
| **7** | **INCOME TAX (continued)** | | |
| **(B)** | **Dividend franking amount** | | |
| | 30% franking credits available to members of the company for subsequent financial years | 1,071,784 | 485,630 |

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of current tax liabilities.

(b) franking credits that the company may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

| | | 2013 | 2012 |
|---|---|---|---|
| **8** | **CASH AND CASH EQUIVALENTS** | | |
| | *Current* | | |
| | Cash on hand | 260 | 10 |
| | Cash at bank | 2,464,788 | 954,323 |
| | Cash and cash equivalents in the statement of cash flows | 2,465,048 | 954,333 |
| **9** | **LOANS AND ADVANCES** | | |
| | *Current* | | |
| | Loans receivable | 4,105,868 | 1,766,208 |
| | Receivables – related parties | - | 4,538 |
| | *Non-Current* | | |
| | Loans Receivable | 9,490,290 | 3,764,304 |
| | Gross loans and advances | 13,596,158 | 5,535,050 |
| | Provision for impairment | (503,057) | (194,022) |
| | Net loans and advances | 13,093,101 | 5,341,028 |
| | *Contractual maturity analysis* | | |
| | Receivables – at call | - | 4,538 |
| | Not longer than 3 months | 976,878 | 548,092 |
| | Longer than 3 months and not longer than 1 year | 3,128,990 | 1,222,654 |
| | Longer than 1 year and not longer than 5 years | 9,477,807 | 3,758,104 |
| | Longer than 5 years | 12,483 | 6,200 |
| | | 13,596,158 | 5,535,050 |

All loans and advances are denominated in Australian dollars.

| | | 2013 | 2012 |
|---|---|---|---|
| **(a)** | **Impairment of loans and advances** | | |
| | *Provision for impairment* | | |
| | Balance at 1 July | 194,022 | 20,512 |
| | Increase of impairment | 309,035 | 173,510 |
| | Balance at 30 June | 503,057 | 194,022 |

Bad debts written off are recognised directly in Profit or loss. Bad debts written off were $113,962 (2012: $89,096).

***Notes to the Financial Statements***
***for the year ended 30 June 2013***

**9 LOANS AND ADVANCES (CONTINUED)**

**(b) Past due but not impaired loans**

| | 2013 Carrying value $ | 2013 Past due $ | 2012 Carrying value $ | 2012 Past due $ |
|---|---|---|---|---|
| < 30 days | 2,162,862 | 108,834 | 1,076,501 | 66,390 |
| 30 to 90 days | 951,248 | 101,064 | 273,113 | 63,158 |
| 90 to 180 days | 354,257 | 88,085 | 45,322 | 15,380 |
| >180 days | 206,022 | 95,652 | 14,145 | 4,037 |
| | 3,674,389 | 393,635 | 1,409,081 | 148,965 |

**(c)**

**Credit quality –security held against loans**

| | 2013 $ | 2012 $ |
|---|---|---|
| **Loans** | | |
| Secured by mortgage over motor vehicle | 13,596,158 | 5,530,512 |
| | 13,596,158 | 5,530,512 |
| Value of collateral held at fair value | 10,263,218 | 3,872,906 |

The value of collateral held was determined by reference to the wholesale value of motor vehicles held as collateral at date of loan origination reduced by 22.5% for each year since loan origination.

The company may not have sufficient security over the borrower's assets to recover the full amount of the loan and/or interest repayments payable to it under the loan. In most cases, borrowers will provide their motor vehicle as security for their loan. If a borrower fails to make their loan repayments, the company may be forced to take possession of the motor vehicle. Normally, the company would seek to immediately sell the vehicle via wholesale second hand motor vehicle markets. Often motor vehicles are sold via wholesale second hand markets at significantly less than the price at which they are sold by car dealers. In addition, motor vehicles are depreciating assets, and therefore, the value of motor vehicles will also erode over time. Accordingly, if the company is forced to take possession of the motor vehicle and sell it on wholesale motor vehicle markets, the company may receive less for the vehicle than the amount owing under the loan.

**10**

**PLANT AND EQUIPMENT**

| | | |
|---|---|---|
| *Non-Current* | | |
| Plant and equipment, at cost | 46,260 | 7,160 |
| Accumulated depreciation | (6,221) | (1,367) |
| | 40,039 | 5,793 |

**Reconciliation**

Reconciliation of the carrying amount is set out below:

| | | |
|---|---|---|
| Balance at 1 July | 5,793 | - |
| Additions | 39,100 | 7,160 |
| Depreciation | (4,854) | (1,367) |
| Balance at 30 June | 40,039 | 5,793 |

***Notes to the Financial Statements***
***for the year ended 30 June 2013***

| | | 2013 | 2012 |
|---|---|---|---|
| | | $ | $ |
| **11** | **INTANGIBLE ASSETS** | | |
| | *Non-Current* | | |
| | Formation Expenses | 708 | 708 |
| | Less accumulated amortisation | (567) | (425) |
| | | | |
| | Software development | 53,703 | - |
| | Accumulated amortisation | - | - |
| | | 53,844 | 283 |
| | **Reconciliation** | | |
| | Reconciliation of the carrying amount is set out below: | | |
| | | | |
| | Balance at 1 July | 283 | 425 |
| | Additions | 53,703 | - |
| | Disposals | - | - |
| | Amortisation | (142) | (142) |
| | Balance at 30 June | 53,844 | 283 |
| | | | |
| **12** | **OTHER ASSETS** | | |
| | *Current* | | |
| | Prepaid prospectus expenses | 216,044 | - |
| | Other | 14,757 | 1,041 |
| | | 230,801 | 1,041 |
| | | | |
| **13** | **DEFERRED TAX** | | |
| | *Non-Current* | | |
| | Deferred tax asset and liabilities comprises temporary differences attributable to: | | |
| | Amounts recognised in profit or loss: | | |
| | Plant and equipment | (607) | - |
| | Super payable | 3,353 | 1,655 |
| | Employee benefits | 9,824 | 5,811 |
| | Deferred revenue | 381,842 | 205,129 |
| | Impairment provision | 150,917 | 58,207 |
| | Net tax assets/(liabilities) | 545,329 | 270,802 |
| | | | |
| | Movements: | | |
| | Opening balance | 270,802 | 103,524 |
| | Credited to profit or loss (note 7) | 274,527 | 167,278 |
| | Credited to equity | - | - |
| | Closing balance | 545,329 | 270,802 |

***Notes to the Financial Statements***
***for the year ended 30 June 2013***

| | | 2013 $ | 2012 $ |
|---|---|---|---|
| **14** | **PAYABLES** | | |
| | *Current* | | |
| | Accounts payable | 103,287 | 29,101 |
| | Liability for annual leave | 32,955 | 24,339 |
| | BAS payable | 232,855 | 55,329 |
| | Super payable | 11,178 | 5,518 |
| | Deferred income | 1,272,808 | 683,764 |
| | | 1,653,083 | 798,051 |

Loans approved but not yet drawn have been recognised at reporting date as accounts payable.

| | | 2013 $ | 2012 $ |
|---|---|---|---|
| **15** | **INCOME TAX PAYABLE** | | |
| | *Current* | | |
| | Income tax payable | 3,875 | 129,958 |

The current income tax payable represents the amount of income tax payable in respect of the current and prior financial years less amounts paid during those years.

| | | 2013 $ | 2012 $ |
|---|---|---|---|
| **16** | **EMPLOYEE BENEFITS** | | |
| | *Non-Current* | | |
| | Liability for long service leave | 13,110 | 8,353 |

**Defined contribution superannuation funds**
The company makes contributions to defined contribution superannuation funds. The amount recognised as an expense was – $36,459 for the year ended 30 June 2013 (2012: $15,783).

| | | 2013 $ | 2012 $ |
|---|---|---|---|
| **17** | **LIABILITIES DUE TO RELATED PARTIES** | | |
| | *Current* | | |
| | Loan payable to related party - secured | 13,542,805 | 5,135,706 |

The loans payable are secured by the loans advanced to customers.
Principal reductions to be repaid on demand by the parent entity. Interest is payable on the outstanding balance of each draw down on the last business day of each month. The fixed interest rate applicable for the 2013 year was between 14 – 18% (2012: 14-18%) dependent on amount of drawdown. The weighted average interest rate for the 2013 year was 17.061452% (2012: 17.7611%)

| | | 2013 $ | 2012 $ |
|---|---|---|---|
| **18** | **ISSUED CAPITAL** | | |
| | Ordinary shares – fully paid | 10 | 10 |

There was no movement in fully paid ordinary shares for the year ended 30 June 2013 and 30 June 2012.

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

## 18 ISSUED CAPITAL (continued)

*Capital risk management*

The company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, amounts payable to related parties and share issues.

The company's capital comprises equity as shown in the statement of financial position. The company is not exposed to externally imposed capital requirements.

The capital risk management policy remains unchanged from the 30 June 2012 Annual Report.

## 19 NOTES TO THE STATEMENT OF CASH FLOWS

| | 2013 $ | 2012 $ |
|---|---|---|
| **Reconciliation of cash flows from operating activities** | | |
| Profit for the year | 714,077 | 314,764 |
| *Adjustments for:* | | |
| Depreciation and amortisation | 4,996 | 1,509 |
| Income tax expense | 311,627 | 134,898 |
| Operating profit before changes in working capital and provisions | 1,030,700 | 451,171 |
| Increase/(decrease) in other payables | 855,032 | 418,022 |
| (Increase)/decrease in prepayments and other assets | (229,760) | 4,581 |
| (Increase)/decrease in loans and advances | (7,756,611) | (3,116,849) |
| Increase/(decrease) in employee benefits | 4,757 | 3,670 |
| | (6,095,882) | (2,239,405) |
| Income taxes paid | (712,237) | (252,209) |
| Net cash from operating activities | (6,808,119) | (2,491,614) |

## 20 RELATED PARTIES

**Parent Entity**

On the 20th May 2013, Investors Central Limited became the parent entity of Fin One Pty Ltd, by purchasing a 100% of the shares from the previous shareholder.

**Key management personnel compensation**

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

| | 2013 $ | 2012 $ |
|---|---|---|
| Short-term employee benefits | 223,701 | 99,777 |
| Post-employment benefits | 0 | 0 |
| | 223,701 | 99,777 |

Key management personnel are remunerated by McGeachie Group Pty Ltd – a related entity of the company.

***Notes to the Financial Statements***
***for the year ended 30 June 2013***

| | | 2013 | 2012 |
|---|---|---|---|
| | | $ | $ |
| **20** | **RELATED PARTIES (CONTINUED)** | | |
| | **Transactions with related parties** | | |
| | The following transactions occurred with related parties: | | |
| | Payment of management fees | 76,089 | - |
| | Interest paid to Investors Central Limited | 1,449,343 | 583,228 |
| | In addition, the following transactions have occurred with related parties at no cost: Jamaur Enterprises Pty Ltd, a company associated with a director of the company, provided administration, accounting and other support services. | 64,173 | 59,551 |
| **(c)** | **Loans to/from related parties** | | |
| | Loan to related parties: | | |
| | - Cars HQ | - | 1,050 |
| | - Jamaur Pty Ltd | - | 3,488 |
| | | - | 4,538 |
| | Loan from Investors Central Limited | 13,542,805 | 5,135,706 |

Further details of the loan payable refer Note 17.

## 21 EFFECT OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs

As stated in Note 1, these are the company's first financial statements prepared in accordance with IFRSs.

As required by AASB 1, the accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 30 June 2013, the comparative information presented in these financial statements for the year ended 30 June 2012 and in the preparation of an opening IFRSs balance sheet at 1 July 2011 (the company's date of transition).

In preparing its opening AIFRSs balance sheet, the company has adjusted amounts reported previously in the financial statements prepared in accordance with its old basis of accounting ("previous GAAP"). An explanation of how the transition from previous GAAP to AIFRSs has affected the company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

| | | | Effect of transition to AIFRSs | | |
|---|---|---|---|---|---|
| **Balance sheet reflecting reconciliation of adjustments to AIFRSs as at 1 July 2011** | **Note** | **Previous GAAP** | **Reclassifi-cation** | **Adjust-ments** | **AIFRSs** |
| | | **$** | **$** | **$** | **$** |
| **ASSETS** | | | | | |
| Cash and cash equivalents | | 297 | | | 297 |
| Loans and advances | | 2,219,641 | | | 2,219,641 |
| Plant and equipment | | - | | | - |
| Intangible assets | | 425 | | | 425 |
| Deferred tax assets | (b) | - | | 103,524 | 103,524 |
| Other | | 5,622 | | | 5,622 |
| **Total assets** | | 2,225,985 | | 103,524 | 2,329,509 |
| **LIABILITIES** | | | | | |
| Payables | (a) | 58,495 | | 321,535 | 380,030 |
| Income tax payable | | 79,991 | | - | 79,991 |
| Employee benefits | | 4,683 | | - | 4,683 |
| Amounts due to related entities | | 1678358 | | - | 1,678,358 |
| **Total liabilities** | | 1,821,527 | | 321,535 | 2,143,062 |
| **Net assets** | | 404,458 | 0 | (218,011) | 186,447 |
| **EQUITY** | | | | | |
| Contributed equity | | 10 | | - | 10 |
| Retained earnings | (c) | 404,448 | - | (218,011) | 186,437 |
| **Total equity** | | 404,458 | - | (218,011) | 186,447 |

***Notes to the Financial Statements***
***for the year ended 30 June 2013***

**21 EFFECT OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONTINUED)**

| Balance sheet reflecting reconciliation of adjustments to AIFRSs as at 30 June 2012 | Note | Previous GAAP | Effect of transition to AIFRSs<br>Reclassifi-cation | Effect of transition to AIFRSs<br>Adjust-ments | AIFRSs |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| **ASSETS** | | | | | |
| Cash and cash equivalents | | 954,333 | | | 954,333 |
| Loans and advances | | 5,341,028 | | | 5,341,028 |
| Plant and equipment | | 5,793 | | | 5,793 |
| Intangible assets | | 283 | | | 283 |
| Deferred tax assets | (b) | - | | 270,802 | 270,802 |
| Other | | 1,041 | | | 1,041 |
| **Total assets** | | 6,302,478 | | 270,802 | 6,573,280 |
| **LIABILITIES** | | | | | |
| Payables | (a) | 114,288 | | 683,763 | 798,051 |
| Income tax payable | | 129,958 | | - | 129,958 |
| Employee benefits | | 8,353 | | - | 8,353 |
| Amounts due to related entities | | 5,135,706 | | - | 5,135,706 |
| **Total liabilities** | | 5,388,305 | | 683,763 | 6,072,068 |
| **Net assets** | | 914,173 | | (412,961) | 501,212 |
| **EQUITY** | | | | | |
| Issued share capital | | 10 | - | - | 10 |
| Retained earnings | (c) | 914,163 | - | (412,961) | 501,202 |
| **Total equity** | | 914,173 | - | (412,961) | 501,212 |

**21 EFFECT OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs (CONTINUED)**

| Reconciliation of profit for 2012 | Note | Previous GAAP | Effect of transition to AIFRS: Reclassifi-cation | Effect of transition to AIFRS: Adjust-ments | AIFRSs |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| Interest income | | 1,073,119 | | | 1,073,119 |
| Interest expense | | (583,228) | | | (583,228) |
| Net interest income | | 489,891 | | | 489,891 |
| Fee income | (a) | 876,135 | | (362,229) | 513,906 |
| Other income | | - | | | - |
| | | 1,366,026 | | (362,229) | 1,003,797 |
| Employee benefits expense | | 207,490 | | | 207,490 |
| Depreciation and amortisation expense | | 1,367 | | | 1,367 |
| Doubtful and bad debts expense | | 262,606 | | | 262,606 |
| Accountancy fees | | 19,944 | | | 19,944 |
| Advertising expenses | | 12,895 | | | 12,895 |
| Management fees | | - | | | - |
| Consultancy fees | | - | | | - |
| Other expenses | | 49,832 | | | 49,832 |
| **Profit before tax** | | 811,892 | | (362,229) | 449,663 |
| Income tax expense | (b) | 302,177 | | (167,279) | 134,898 |
| **Profit for the year** | | 509,715 | | (194,950) | 314,765 |

(a) Under previous GAAP professional fees were recognised as revenue in the period in which they were received. In accordance with AASB 139 *Financial Instruments – Recognition and Measurement* and AASB 118 *Revenue*, the company is required to defer fees integral to the effective interest rates, such as loan origination fees, net of direct incremental costs over the expected lives of the loans and as an adjustment to interest income.

The effect of the above is to increase other liabilities by $321,535 and $683,763 at 1 July 2011 and at 30 June 2012 respectively, to decrease retained earnings by $321,535 at 1 July 2011 and 30 June 2012, to decrease fee income by $362,229 for the year ended 30 June 2012, and to decrease retained earnings by $362,229 at 30 June 2012.

(b) The impact on deferred tax of the adjustments described above has resulted in an increase in deferred tax asset of $103,524 and $270,802 at 1 July 2011 and 30 June 2012 respectively, an increase in retained earnings of $103,524 at 1 July 2011 and 30 June 2012, a decrease in tax expense of $167,279 for the year ended 30 June 2012 and an increase of $167,279 in retained earnings at 30 June 2012.

(c) The effect of the above adjustments on retained earnings is as follows:

| | Note | 1 July 2011 | 30 June 2012 |
|---|---|---|---|
| | | $ | $ |
| Deferral of loan origination fees | (a) | (321,535) | (683,763) |
| Adjustment to deferred tax assets | (b) | 103,524 | 270,802 |
| | | (218,011) | (412,961) |

***Notes to the Financial Statements***
***for the year ended 30 June 2013***

## 22 FINANCIAL INSTRUMENTS

### (a) Financial risk management objectives

The company's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk, ageing analysis for credit risk.

Risk management is carried out by senior finance management ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the company and appropriate procedures, controls and risk limits. Finance identifies and evaluates financial risks within the company. Finance reports to the Board on a monthly basis.

### (b) Market risk

Market risk is the risk that changes in interest rates or other prices and volatilities will have an adverse effect on the company's financial condition or results. The company is not exposed to currency risk or other significant price risk. The company does not trade in the financial instruments it holds on its books. It is exposed only to interest rate risk arising from changes in market interest rates.

**Interest rate risk**

Interest rate risk is the risk of variability of the fair value or future cash flows arising from financial instruments due to the changes in interest rates. The company's main interest rate risk arises from cash and cash equivalents, loans and advances to customers and amounts payable to related entities. Amounts payable to related entities attract a fixed interest rate which exposes the company to fair value interest rate risk. The company manages this risk by charging a fixed interest on loans and advances to customers at a higher margin than the required interest paid.

At the reporting date the interest profile of the Company's interest-bearing financial instruments was:

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| *Variable rate instruments* | | |
| Cash and cash equivalents | 2,465,048 | 954,333 |
| *Fixed rate instruments* | | |
| Loans and advances to customers | 13,093,101 | 5,341,028 |
| Amounts payable to related entity | (13,542,805) | (5,135,706) |

An official increase/decrease in interest rates on variable rate instruments of 100 (2012:100) basis points would have a favourable/adverse effect on profit before tax of $24,650 (2012: $9,543) per annum. The percentage changes is based on the expected volatility of interest rates using market data and analysts forecasts.

### (c) Liquidity risk

Liquidity risk for the company is that it may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments or loans written. It is the policy of the Board that the company maintains adequate cash reserves so as to meet the payment of loan and interest payments when required.
The company manages liquidity risk by:

- Monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities; and
- Maintaining adequate reserves.

The maturity profile of the financial liabilities, based on the contractual repayment terms is set out in Note 17.

**22 FINANCIAL INSTRUMENTS (CONTINUED)**

**(d) Credit risk**

Credit risk is the risk that customers and other counterparties will be unable to meet their obligations to the company which may result in financial losses. Credit risk arises principally from loans and advances to customers.

The company operates an automotive lending business and writes loans of $5,000 - $50,000 at interest rates between 19%p.a. – 29%p.a. The company specialises in lending to individuals with poor credit histories, who can demonstrate that they are able to service loan repayments without suffering financial hardship. These borrowers may be unable to obtain finance from banks and accordingly may be regarded at a higher risk of defaulting on their loans exposing the company to credit risk.

All loan applications are measured against a tested credit matrix which is reviewed and refined to take into account demographic and economic conditions. This matrix is clearly communicated and well understood by our lending consultants. Credit files, employment details and bank statements are checked by our loans application team. An application cannot proceed until all required documentation is provided.

Finance One has developed an internal lending policy in order to ensure that loans are carefully reviewed before funds are advanced. Finance One will only approve loans which fall within its lending policies. The purpose of Finance One's lending policies are to screen out undesirable loans by undertaking thorough due diligence on borrowers. The lending policy consists of the following steps:

- Initial loan review
- Borrower credit checks
- Valuation of loan security
- Loan approval
- Settlement of loan documents

In order to minimise the potential for loan defaults, Finance One will schedule a borrower's loan repayment date to coincide with the borrower's pay cycle to ensure a greater likelihood of successful loan repayments being made. All the loans are subject to ongoing monitoring of borrowers progress in making repayments by a dedicated arrears management team using a loan arrears software package. Any loan default is immediately highlighted in a specific loan repayment report. In the event that a borrower fails to make a scheduled repayment, the company will implement its loan default management procedures.

Set out below is a summary of Finance One's loan management policy.

| | |
|---|---|
| **Systems for ongoing monitoring of loans** | With all loan repayments being electronic, Finance One utilises a specific software package to monitor all loan repayments, and in particular, any loan defaults. This results in early remedial action being taken, often within 24 hours but generally within 3 days of default. |
| **Scheduled repayments not made within 7 days** | The borrower is contacted by telephone to assess their current financial situation and ascertain the reason for the default. The arrears management team works with the borrower to arrive at a mutually satisfactory outcome after taking the borrower's current personal circumstances into consideration. In addition, a standard loan default letter is sent to the client confirming the loan default and reminding them of their legal obligations. |
| **Loan in default for 30 days** | The borrower is again contacted by telephone to assess their current financial situation and ascertain whether there is any new reason for the default. The arrears management team continues to work with the borrower to try to overcome the continuing default. In addition, a sterner loan default letter is sent to the borrower confirming the loan default and reminding them of their legal obligations. |
| **Loan in default for 60 days** | The borrower is contacted by telephone to assess their current financial situation and why the loan remains in default. We continue to work with the borrower to try to overcome the default. Unless a more satisfactory arrangement can be made or in the event of the borrower not being contactable then we set in motion our repossession procedures. At this point a strongly worded loan default letter is sent to the client.<br><br>It is Finance One's policy to have all arrears over 60 days satisfactorily resolved within 90 days of default. |

**22 FINANCIAL INSTRUMENTS (CONTINUED)**

A provision for Impairment is established on all past due loans after a specified period of repayment default where it is probable that some of the capital will not be repaid or recovered. Refer to Note 2 for a detailed explanation.

A summary of past due but not impaired loans is set out in Note 9(b).

The geographical concentration of credit risk is as follows:

| **State** | **% of Loans and Advances** |
|---|---|
| Queensland | 73.4 |
| New South Wales | 10.6 |
| Australian Capital Territory | 0.2 |
| Tasmania | 0.8 |
| Victoria | 9.6 |
| South Australia | 2.6 |
| Western Australia | 1.8 |
| Northern Territory | 1.0 |

**23 Subsequent Event**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

**24 COMPANY DETAILS**

The registered office of the company is 118 Ross River Road, Mundingburra QLD 4812.

***Directors' Declaration***

In the opinion of the directors of Fin One Pty Ltd ('the company'):

(a) the financial statements and notes, set out on pages 6 to 27, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the company as at 30 June 2013 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors draw attention to Note 2(a) to the financial statements which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Jamie McGeachie
*Director*

Townsville
31 October 2013

*INDEPENDENT AUDIT REPORT TO THE DIRECTORS OF FIN ONE PTY LTD*

**Report on the Financial Report**

I have audited the accompanying financial report of Fin One Pty Ltd (the company), which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory notes and the directors' declaration.

**Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

**Auditor's Responsibility**

My responsibility is to express an opinion on the financial report based on my audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Independence**
In conducting my audit, I have complied with the independence requirements of the Corporations Act 2001. I confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Fin One Pty Ltd, would be in the same terms if provided to the directors as at the date of this auditor's report.

**Auditor's Opinion**
In my opinion the financial report of Fin One Pty Ltd is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including Australian Accounting Interpretations), International Financial Reporting Standards and the Corporations Regulations 2001.

**Basis of Accounting**
Without modifying our opinion, we draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose.

**Dated:** 31st October 2013

**1/19 Stanley Street**
**TOWNSVILLE QLD 4810**

**I.D. Jessup**
**(Registered Company Auditor)**