



# ANNUAL REPORT

For the year ended 30 June 2018

Investors Central Limited

ABN 34 143 097 385



# Investors Central Limited

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## Annual report - 30 June 2018

### Contents

|   | Page |
|---|------|
| Review of operations and activities         | 1    |
| Directors' report                           | 3    |
| Financial statements                        | 9    |
| Directors' declaration                      | 36   |
| Independent auditor's report to the members | 37   |

## **Investors Central Limited**

### ***Review of operations and activities***

Dear Investor

On behalf of the Board of Directors of Investors Central Limited (Investors Central) it is with pleasure that I present the Consolidated Annual Report for the financial year ending 30 June 2018. This Annual report is a consolidation of Investors Central and its 100% owned subsidiary Fin One Pty Ltd (trading as Finance One).

Investors Central raises the capital for the two separate companies and as such relies upon Finance One (the consumer and commercial motor vehicle lending business) to generate profits for the payment of interest to Investors of Investors Central. Under the current structure Investors Central will continue to be the capital raising arm of the business with the subsidiary Finance One generating revenue for the group.

### **Highlights of the Year**

- . Earned income up 44.28% to \$33.69M (2017: \$23.35M)
- . Net profit before tax up 43.82% to \$6.13M (2017: \$4.26M)
- . Net profit after tax up 44.29% to \$4.28M (2017: \$2.97M)
- . Total Equity up 47.46% to \$13.31M (2017: \$9.03M)
- . Loan book increased by 40.18% to \$121.04M (2017: \$86.35M)

### **Finance Broker (Referrer) Network**

We continue to expand our referrer network throughout Australia with our senior staff regularly visiting the existing broker network to maintain and develop relationships whilst also seeking out new business. Whilst just over 40% of the business remains in Queensland the broker network has spread across Australia, meaning the business is not significantly affected by a downturn in the economy of a specific region.

Finance One is regularly receiving direct enquiries from the mainstream broker network requesting accreditation, which indicates that Finance One has firmly established itself as a significant player within the automotive finance market sector. Finance One currently has over 1,400 Finance Brokers (referrers) across Australia and is expanding on an ongoing basis.

### **Collections**

The success of Finance One's business is contingent on the collection of money loaned. By assessing customers with care and diligence you will find that most people have the capacity to repay. Our employees want to help customers own their own motor vehicle and establish or re-establish a positive credit rating. We achieve this by working closely with our customers to help them manage their repayments. In line with the growth of our lending, the implementation of the Loans Management System and associated reporting is integral to this process. It is pleasing to report that collections are within desirable parameters. Finance One currently incurs bad debt levels at 5% to 7% of revenue, with bad debts written off for 2018 \$1,973,040 (2017: \$1,228,367).

### **Funding**

With Finance One currently writing over \$7 million a month in vehicle loans, it is imperative that Investors Central continue to raise the 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. Our first prospectus was launched in July 2013, and we anticipate the issue of our sixth prospectus, along with our second employee prospectus, in September 2018 enabling Investors Central Limited to raise up to \$70 million over a thirteen-month period.

### **Infrastructure**

With continued growth it has been necessary to periodically expand our staff levels to ensure we provide the high level of customer service which our brokers and customers have come to expect. In addition, we constantly seek productivity improvement within the workplace by small innovations and customising our computer software for more efficient workflows and reporting capabilities which is essential for the growth of the business.

**Dividends**

No dividends have been paid to ordinary shareholders, with all profits redirected to the company to build equity and the continued growth of the business. However, for the 2018 – 2019 financial year not more than 10% of the Net Profit After Tax will be paid in dividends to Ordinary Shareholders.

**Outlook**

Finance One expects to continue steady growth with the broker network increasing. This year we have seen the average number of new loan applications per month increase by 17.76% to 1,977 (2017:1,679 per month). Investors Central and Finance One's websites continue to be upgraded and marketing strategy broadened lifting the profile of the Companies. Finance One remains focused on assisting Australians unable to access traditional forms of credit by enabling them to purchase a motor vehicle. The commitment by the Directors, Management and Employees have contributed to the success of Investors Central and Finance One with the results reflecting their dedication. I would also take the opportunity to thank all Investors for their continued and valued support.

MD.



Jamie McGeachie  
Chairman

## **Directors' report**

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Investors Central Limited and the entities it controlled at the end of, or during, the year ended 30 June 2018.

### **Directors**

The following persons held office as directors of Investors Central Limited during the financial year:

Jamie Edward McGeachie  
Jason William Ryan (resigned 28 June 2018)  
Quinton Cowen  
Stephen Paul Jones  
Andrew Peter Kemp

Joseph Michael McShanag was appointed as a director on 1 July 2018 and continues in office at the date of this report.

### **Principal activities**

During the year the principal continuing activities of the Group consisted of:

- (a) public capital raising to fund the continued expansion of its automotive lending business, Fin One Pty Ltd trading as Finance One; and
- (b) provision of Consumer vehicle loans and Commercial vehicle and mobile plant and equipment loans by Finance One.

There was no significant change in the nature of the activity of the Group during the year.

### **Dividends - Investors Central Limited**

No dividends have been paid during the financial year. The directors do not recommend that a dividend be paid in respect of the financial year (2017: \$nil).

### **Review of operations**

The profit from ordinary activities after income tax amounted to \$4,284,393 (2017: \$2,969,195).

### **Significant changes in the state of affairs**

There have been no significant changes in the state of affairs of the Group during the year ended 30 June 2018.

### **Events since the end of the financial year**

No matter or circumstance has arisen since 30 June 2018 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

### **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 Group.

### **Environmental regulation**

The Group is not subject to any significant environmental regulation and is not aware of any breaches of any environmental regulations during the year.

## Information on Directors

### **Jamie McGeachie, Chairman and Managing Director**

*Cert. IV in Financial Services*

#### **Experience and expertise**

Jamie has over 21 years' experience in the finance industry. He is founder and Managing Director of Finance One and Investors Central Limited. 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. He is also an investor in Investors Central Limited.

#### **Special responsibilities**

Managing Director.

### **Quinnton Cowen, Director and Chief Financial Officer**

*Bachelor of Business, CPA*

#### **Experience and expertise**

Quinn has had 16 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. He is also an investor in Investors Central Limited.

#### **Special responsibilities**

Finance.

### **Jason Ryan, Director and Operations Manager (Resigned 28 June 2018)**

*Diploma in Financial Services*

#### **Experience and expertise**

Until his resignation on 28 June 2018, Jason managed the lending operations, distribution and market strategy across Finance One's business. Before joining the McGeachie Group in 2006 Jason held retail management positions. He was also an investor in Investors Central Limited.

#### **Special responsibilities**

Lending Operations.

### **Stephen Jones, Director and Compliance Manager**

*Senior Associate Australian and New Zealand Institute of Insurance and Finance*

#### **Experience and expertise**

Stephen is responsible for overseeing Finance One's Risk, Audit and Governance framework. Stephen has 8 years' experience in compliance and risk aspects of the finance industry and over 27 years' experience in the general insurance industry. He is also an investor in Investors Central Limited.

#### **Special responsibilities**

Compliance & Risk.

### **Andrew Peter Kemp, Non-executive Director**

*Bachelor of Commerce, CA*

#### **Experience and expertise**

Andrew is a chartered accountant and corporate adviser. His advisory business, Huntington Group, has structured 11 ASX listings since it was formed in 1987. He is currently a director of the ASX-listed Silver Chef Limited and PTB Group Limited. He is also an investor in Investors Central Limited.

#### **Special responsibilities**

Compliance & Risk.

### **Joseph Michael McShanag, Non-executive Director (appointed 1 July 2018)**

*Bachelor of Commerce, CA, MBA, F Fin*

#### **Experience and expertise**

Joseph is a Chartered Accountant and a Professional Investor. He has extensive public practice accounting and banking experience gained from a decade at National Australia Bank Limited. He is also an investor in Investors Central Limited.

### **Company secretary**

Stephen Jones has held the role of Company Secretary of Investors Central Limited since his appointment on 25 September 2013.

## Meetings of directors

The numbers of meetings of the Group's board of directors and of each board committee held during the year ended 30 June 2018, and the numbers of meetings attended by each director were:

|                        | Full meetings of directors |    | Meetings of committees |     |
|------------------------|----------------------------|----|------------------------|-----|
|                        | A                          | B  | Audit and risk         |     |
|                        | A                          | B  | A                      | B   |
| Jamie Edward McGeachie | 15                         | 15 | **                     | **  |
| Jason William Ryan     | 14                         | 15 | **                     | **  |
| Quinnton Cowen         | 15                         | 15 | 3**                    | 3** |
| Stephen Paul Jones     | 14                         | 15 | 3                      | 3   |
| Andrew Peter Kemp      | 15                         | 15 | 3                      | 3   |

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

\*\* = Not a member of the relevant committee

## Remuneration report

The directors present the Investors Central Limited 2018 remuneration report, outlining key aspects of the Groups remuneration policy and framework, and remuneration awarded this year.

### (a) Policy for Determining the Nature and Amount of Key Management Personnel Remuneration

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Management. The Remuneration Committee recommends the cash incentive to be paid to the individuals for approval by the Board. The Board assesses the appropriateness of remuneration packages, given trends in comparative companies. Remuneration packages comprise fixed remuneration and may include bonuses or equity-based remuneration entirely at the discretion of the Board based on the performance of the individual. At the date of this report the Consolidated Entity had entered into performance-based agreements with Directors or Senior Management which included short-term incentives (STI) and long-term incentives (LTI). Both the short-term incentive (STI) and long-term incentive (LTI) are an 'at risk' bonus provided in the form of cash. Both the STI and LTI together equate to a maximum of 25% of KMP base yearly salary (excludes super & leave accruals). No options were issued to Directors or senior executives during the financial period in respect of remuneration.

### Short-term incentive bonus

The financial performance objectives are growth in 'net profit before tax' compared to the previous budget year and is paid on a quarterly basis in arrears. The yearly STI accounts for 60% of the total performance linked bonus available in each year.

### Long-term incentive bonus

This incentive scheme is payable based on achieving key ratios for both Gross Revenue and EBIT over an average Net Loan Book position. The LTI accounts for 40% of the total performance linked remuneration available in each year and is split into two equal segments called LTI- Short and LTI-Long.

Fifty per cent of any benefit earned is payable each year (LTI-Short), with the remainder (LTI-Long) being accrued and payable at the end of a four-year period. This method of assessment was chosen as it aligns the Group's objectives in maintaining a strong return on assets after providing for doubtful debts and keeps operating costs in line with the Company's growth.

### (b) Details of Remuneration for Directors and Executive Officers

During the year there were no other Senior Executives employed by the Company for whom disclosure is required. Details of directors' appointment and resignation dates, and executive/non-executive status are disclosed at the beginning of this director's report. Details of the remuneration of each Director of the Company are as follows:

## Remuneration report (continued)

### (b) Details of Remuneration for Directors and Executive Officers (continued)

| 2018   | Short-term employee benefits |                |                       | Post-employment benefits | Long term benefits            |                      |               | Total          |
|--|------------------------------|----------------|-----------------------|--------------------------|-------------------------------|----------------------|---------------|----------------|
|  | Cash salary and fees         | Cash bonus     | Non-monetary benefits | Super-annuation          | Annual and long service leave | Termination benefits | LTI           |                |
| Name   | \$                           | \$             | \$                    | \$                       | \$                            | \$                   | \$            | \$             |
| Managing Director - Jamie McGeachie* ^             | 239,040                      | -              | 9,928                 | -                        | -                             | -                    | -             | 248,968        |
| Manager - Jason Ryan **                            | 176,000                      | 69,500         | -                     | 23,322                   | -                             | 31,088               | -             | 299,910        |
| Manager - Quinnton Cowen*                          | 164,241                      | 27,945         | -                     | 17,836                   | 4,082                         | -                    | 7,500         | 221,604        |
| Manager - Stephen Jones                            | 109,360                      | 20,694         | -                     | 12,847                   | 2,214                         | -                    | 5,173         | 150,288        |
| Non-Exec.Director – Andrew Kemp ^                  | 45,430                       | -              | -                     | -                        | -                             | -                    | -             | 45,430         |
| <b>Total key management personnel compensation</b> | <b>734,071</b>               | <b>118,139</b> | <b>9,928</b>          | <b>54,005</b>            | <b>6,296</b>                  | <b>31,088</b>        | <b>12,673</b> | <b>966,200</b> |

| 2017   | Short-term employee benefits |            |                       | Post-employment benefits | Long term benefits            |                      |          | Total          |
|--|------------------------------|------------|-----------------------|--------------------------|-------------------------------|----------------------|----------|----------------|
|  | Cash salary and fees         | Cash bonus | Non-monetary benefits | Super-annuation          | Annual and long service leave | Termination benefits | LTI      |                |
| Name   | \$                           | \$         | \$                    | \$                       | \$                            | \$                   | \$       | \$             |
| Managing Director - Jamie McGeachie* ^             | 232,080                      | -          | 7,578                 | -                        | -                             | -                    | -        | 239,658        |
| Manager - Jason Ryan                               | 161,524                      | -          | -                     | 15,675                   | 2,500                         | -                    | -        | 179,699        |
| Manager - Quinnton Cowen*                          | 137,278                      | -          | -                     | 13,048                   | 1,964                         | -                    | -        | 152,290        |
| Manager - Stephen Jones                            | 96,142                       | -          | -                     | 9,133                    | 667                           | -                    | -        | 105,942        |
| Non-Exec.Director – Andrew Kemp ^                  | 45,430                       | -          | -                     | -                        | -                             | -                    | -        | 45,430         |
| <b>Total key management personnel compensation</b> | <b>672,454</b>               | <b>-</b>   | <b>7,578</b>          | <b>37,856</b>            | <b>5,131</b>                  | <b>-</b>             | <b>-</b> | <b>723,019</b> |

\* Key management personnel are remunerated by McGeachie Group Pty Ltd a related entity of director Jamie McGeachie.

\*\* Cash bonus includes a one off special bonus cash payment plus the STI bonus for the period. Resigned as Manager 28 June 2018.

^ Amounts inclusive of GST.

### (c) Director's shareholding

#### (i) Ordinary shares

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. There have been no changes since the prior year.

| Director        | Ordinary Shares |
|-----------------|-----------------|
| James McGeachie | 2,527,367.00    |

#### (ii) Redeemable preference shares

Details of redeemable preference shares held directly, indirectly or beneficially by key management personnel are as follows:

| Key management personnel             | \$               |
|--------------------------------------|------------------|
| Managing Director - Jamie McGeachie  | 3,440,000        |
| Manager - Jason Ryan                 | 550,000          |
| Manager - Quinnton Cowen             | 340,000          |
| Manager - Stephen Jones              | 165,000          |
| Non-Executive Director - Andrew Kemp | <u>1,266,000</u> |
| Total                                | <u>5,761,000</u> |

Redeemable preference shares held by key management personnel have been granted on the same basis as other holders. Details in relation to redeemable preference shares are detailed at Note 15.



### **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 Investors Central Limited were issued during the year ended 30 June 2018 and up to the date of this report on the exercise of options granted.

### **Insurance of officers and indemnities**

#### *(a) Insurance of officers*

During the financial year, Investors Central Limited paid a premium to insure the directors and executives of the Group. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

#### *(b) Indemnity of auditors*

Investors Central Limited 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.

### **Proceedings on behalf of the Group**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group 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 page 8.

### **Rounding of amounts**

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

### **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.



Jamie Edward McGeachie  
Director



Quinton Cowen  
Director

Townsville  
24 August 2018

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 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**



**Rodger Dunstan**  
Director

1/19 Stanley Street Townsville QLD 4810

Dated this 22nd day of August 2018

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# Investors Central Limited

ABN 34 143 097 385

## Annual financial report - 30 June 2018

### Contents

|   | Page |
|---|------|
| Financial statements  |      |
| Consolidated statement of profit or loss and other comprehensive income | 10   |
| Consolidated statement of financial position                            | 11   |
| Consolidated statement of changes in equity                             | 12   |
| Consolidated statement of cash flows                                    | 13   |
| Notes to the consolidated financial statements                          | 14   |
| Directors' declaration  | 36   |
| Independent auditor's report to the members                             | 37   |

These financial statements are the consolidated financial statements of the consolidated entity consisting of Investors Central Limited and its subsidiaries. The financial statements are presented in the Australian currency.

Investors Central Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office is:

Investors Central Limited  
C/- Carey Accountants  
141 Sturt Street,  
Townsville, Queensland, 4810.

Its principal place of business is:

Investors Central Limited  
Unit 2D & 2C  
125 Dalrymple Road,  
Garbutt, Queensland, 4812.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on page 1 and in the directors' report on page 3, both of which are not part of these financial statements.

The financial statements were authorised for issue by the directors on 24 August 2018. The directors have the power to amend and reissue the financial statements.

## Consolidated statement of profit or loss and other comprehensive income

|   |            | * Restated      |
|---|------------|-----------------|
|   | 2018       | 2017            |
|   | Notes      | \$'000          |
| Interest income   |            | 16,874          |
| Fee income  |            | 6,434           |
| Other income  |            | 46              |
| <b>Revenue from continuing operations</b>                   | 2          | <u>23,354</u>   |
| Employee benefits expense                                   |            | (2,390)         |
| Loan establishment fees                                     |            | (1,127)         |
| Doubtful and bad debts expense                              |            | (2,576)         |
| Management fees   |            | (887)           |
| Depreciation and amortisation expense                       | 6(a), 6(b) | (119)           |
| Advertising expenses  |            | (380)           |
| Consultancy   |            | (267)           |
| Accountancy fees  |            | (51)            |
| Finance costs   | 3          | (10,420)        |
| Other expenses  |            | (874)           |
| <b>Total Expenses</b>                                       |            | <u>(19,091)</u> |
| <b>Profit before income tax</b>                             |            | 4,263           |
| Income tax expense  | 4          | (1,294)         |
| <b>Profit for the year</b>                                  |            | <u>2,969</u>    |
| <b>Other comprehensive income for the year</b>              |            | <u>-</u>        |
| <b>Total comprehensive income for the year</b>              |            | <u>2,969</u>    |
| Profit is attributable to:                                  |            |                 |
| Owners of Investors Central Limited                         |            | <u>2,969</u>    |
| Total comprehensive income for the year is attributable to: |            |                 |
| Owners of Investors Central Limited                         |            | <u>2,969</u>    |

\* See note 1 for details regarding the restatement as a result of an error.

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

## Consolidated statement of financial position

|                                      |                | * Restated    |
|--------------------------------------|----------------|---------------|
|                                      | 2018           | 2017          |
| Notes                                | \$'000         | \$'000        |
| <b>ASSETS</b>                        |                |               |
| <b>Current assets</b>                |                |               |
| Cash and cash equivalents            | 5(a) 18,858    | 15,541        |
| Loans and other receivables          | 5(b) 35,122    | 22,866        |
| Other current assets                 | 85             | 35            |
| <b>Total current assets</b>          | <u>54,065</u>  | <u>38,442</u> |
| <b>Non-current assets</b>            |                |               |
| Loans and other receivables          | 5(b) 85,919    | 63,480        |
| Property, plant and equipment        | 6(a) 326       | 283           |
| Deferred tax assets                  | 6(c) 3,130     | 2,246         |
| Intangible assets                    | 6(b) 120       | 157           |
| <b>Total non-current assets</b>      | <u>89,495</u>  | <u>66,166</u> |
| <b>Total assets</b>                  | <u>143,560</u> | 104,608       |
| <b>LIABILITIES</b>                   |                |               |
| <b>Current liabilities</b>           |                |               |
| Trade and other payables             | 5(c) 2,388     | 2,075         |
| Borrowings                           | 5(d) 11,371    | 8,016         |
| Provisions                           | 6(d) 141       | 100           |
| Deferred revenue                     | 4,771          | 3,995         |
| <b>Total current liabilities</b>     | <u>18,671</u>  | <u>14,186</u> |
| <b>Non-current liabilities</b>       |                |               |
| Borrowings                           | 5(d) 111,513   | 81,350        |
| Provisions                           | 6(d) 65        | 45            |
| <b>Total non-current liabilities</b> | <u>111,578</u> | <u>81,395</u> |
| <b>Total liabilities</b>             | <u>130,249</u> | 95,581        |
| <b>Net assets</b>                    | <u>13,311</u>  | 9,027         |
| <b>EQUITY</b>                        |                |               |
| Contributed equity                   | 7(a) 2,527     | 2,527         |
| Reserves                             | 7(b) (1,420)   | (1,420)       |
| Retained earnings                    | 12,204         | 7,920         |
| <b>Total equity</b>                  | <u>13,311</u>  | <u>9,027</u>  |

\* See note 1 for details regarding the restatement as a result of an error.

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

## Consolidated statement of changes in equity

|  | Share<br>capital<br>\$'000 | Business<br>combination<br>under<br>common<br>control<br>\$'000 | Retained<br>earnings<br>\$'000 | Total<br>equity<br>\$'000 |
|--|----------------------------|---|--------------------------------|---------------------------|
| <b>Balance at 1 July 2016</b>                  | 2,527                      | (1,420)   | 4,951                          | 6,058                     |
| Profit for the year                            | -                          | -   | 2,969                          | 2,969                     |
| Other comprehensive income                     | -                          | -   | -                              | -                         |
| <b>Total comprehensive income for the year</b> | -                          | -   | <b>2,969</b>                   | <b>2,969</b>              |
| <b>Balance at 30 June 2017</b>                 | <b>2,527</b>               | <b>(1,420)</b>  | <b>7,920</b>                   | <b>9,027</b>              |
| <b>Balance at 1 July 2017</b>                  | 2,527                      | (1,420)   | 7,920                          | 9,027                     |
| Profit for the year                            | -                          | -   | 4,284                          | 4,284                     |
| Other comprehensive income                     | -                          | -   | -                              | -                         |
| <b>Total comprehensive income for the year</b> | -                          | -   | <b>4,284</b>                   | <b>4,284</b>              |
| <b>Balance at 30 June 2018</b>                 | <b>2,527</b>               | <b>(1,420)</b>  | <b>12,204</b>                  | <b>13,311</b>             |

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

## Consolidated statement of cash flows

|   | 2018            | 2017            |
|---|-----------------|-----------------|
| Notes   | \$'000          | \$'000          |
| <b>Cash flows from operating activities</b>                           |                 |                 |
| Interest received   | 24,932          | 16,395          |
| Interest paid   | (14,200)        | (10,006)        |
| Receipts from customers (inclusive of goods and services tax)         | 6,810           | 5,058           |
| Payments to suppliers and employees                                   | (10,099)        | (6,568)         |
|   | <u>7,443</u>    | <u>4,879</u>    |
| <br>  |                 |                 |
| New customer loans  | (66,804)        | (50,360)        |
| Repayment of customer loans   | 32,191          | 22,561          |
|   | <u>(34,613)</u> | <u>(27,799)</u> |
| <br>  |                 |                 |
| <b>Net cash (outflow) from operating activities before income tax</b> | <b>(27,170)</b> | <b>(22,920)</b> |
| <br>  |                 |                 |
| Income tax paid   | (2,841)         | (1,572)         |
| <b>Net cash (outflow) from operating activities</b>                   | <b>(30,011)</b> | <b>(24,492)</b> |
|   | 8(a)            |                 |
| <b>Cash flows from investing activities</b>                           |                 |                 |
| Acquisition of property, plant and equipment                          | 6(a) (141)      | (203)           |
| Acquisition of intangible assets                                      | 6(b) -          | (46)            |
| <b>Net cash (outflow) from investing activities</b>                   | <b>(141)</b>    | <b>(249)</b>    |
| <br>  |                 |                 |
| <b>Cash flows from financing activities</b>                           |                 |                 |
| Proceeds from issues of preference shares                             | 37,805          | 33,236          |
| Repayment of preference shares  | (4,265)         | (1,369)         |
| Payment for transaction costs related to share issue                  | (71)            | (110)           |
| <b>Net cash inflow from financing activities</b>                      | <b>33,469</b>   | <b>31,757</b>   |
|   | 8(b)            |                 |
| <br>  |                 |                 |
| <b>Net increase in cash and cash equivalents</b>                      | <b>3,317</b>    | <b>7,016</b>    |
| Cash and cash equivalents at the beginning of the financial year      | 15,541          | 8,525           |
| <b>Cash and cash equivalents at end of year</b>                       | <b>18,858</b>   | <b>15,541</b>   |
|   | 5(a)            |                 |

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## 1 Correction of error

During the December 2017 half year period it was found that the calculation of accrued interest on several loan types were not being accrued correctly and that the accumulated value was breaching our materiality limits. Consequently, the interest accrual for the 2016 and 2017 financial years had been understated.

The error has been corrected by restating each of the affected financial statements line items for the prior period as follows:

|  | 30 June 2017<br>\$'000 | Increase/<br>(Decrease)<br>\$'000           | 30 June 2017<br>(Restated)<br>\$'000 |
|--|------------------------|---|--------------------------------------|
| <b>Consolidated opening retained earnings (extract)</b>                                  |                        |   |                                      |
| Retained earnings 1 July 2016  | 4,734                  | 217   | 4,951                                |
| <b>Consolidated statement of financial position (extract)</b>                            |                        |   |                                      |
| Loans and other receivables  | 22,142                 | 724   | 22,866                               |
| Trade and other payables   | (1,858)                | (217)                                       | (2,075)                              |
| <b>Net assets</b>  | <b>8,520</b>           | <b>507</b>                                  | <b>9,027</b>                         |
| Retained earnings  | 7,413                  | 507   | 7,920                                |
| <b>Total equity</b>  | <b>8,520</b>           | <b>507</b>                                  | <b>9,027</b>                         |
|  | 2017<br>\$'000         | Profit<br>Increase/<br>(Decrease)<br>\$'000 | 2017<br>(Restated)<br>\$'000         |
| <b>Consolidated statement of profit or loss and other comprehensive income (extract)</b> |                        |   |                                      |
| Interest income  | 16,459                 | 415   | 16,874                               |
| <b>Profit before income tax</b>  | <b>3,848</b>           | <b>415</b>                                  | <b>4,263</b>                         |
| Income tax expense   | (1,169)                | (125)                                       | (1,294)                              |
| <b>Profit for the year</b>   | <b>2,679</b>           | <b>290</b>                                  | <b>2,969</b>                         |

## 2 Revenue

|   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| <b>From continuing operations</b>               |                |                |
| <i>Interest income</i>                          |                |                |
| Cash and cash equivalent interest income        | 195            | 118            |
| Loans and advances to customers interest income | 25,109         | 16,756         |
|   | <b>25,304</b>  | 16,874         |
| Fee income                                      | 8,284          | 6,434          |
| Sundry income                                   | 106            | 46             |
|   | <b>8,390</b>   | 6,480          |
| <b>Total revenue from continuing operations</b> | <b>33,694</b>  | 23,354         |



### 3 Finance costs

|                           | 2018<br>\$'000 | 2017<br>\$'000 |
|---------------------------|----------------|----------------|
| <b>Interest expense</b>   |                |                |
| Insurance premium funding | 6              | 1              |
| Preference shares         | <u>14,611</u>  | <u>10,419</u>  |
|                           | <u>14,617</u>  | <u>10,420</u>  |

### 4 Income tax expense

#### (a) Income tax expense

|  | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| Current tax on profits for the year                    | 2,731          | 1,949          |
| Adjustments for current tax of prior periods           | -              | 2              |
| <b>Total current tax expense</b>                       | <u>2,731</u>   | <u>1,951</u>   |
| <i>Deferred income tax</i>                             |                |                |
| Decrease (increase) in deferred tax assets (note 6(c)) | <u>(884)</u>   | <u>(657)</u>   |
| <b>Income tax expense</b>                              | <u>1,847</u>   | <u>1,294</u>   |

#### (b) Numerical reconciliation of income tax expense to prima facie tax payable

|   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| Profit from continuing operations before income tax expense                             | 6,131          | 4,263          |
| Tax at the Australian tax rate of 30.0% (2017 - 30.0%)                                  | 1,839          | 1,279          |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: |                |                |
| Sundry non-deductible expenses  | 8              | 13             |
| Adjustments for current tax of prior periods  | -              | 2              |
| <b>Income tax expense</b>   | <u>1,847</u>   | <u>1,294</u>   |

#### (c) Franked dividends

The franked portions of the dividends recommended after 30 June 2018 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2019.

#### Consolidated entity

|   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2017 - 30.0%) | <u>8,917</u>   | <u>5,960</u>   |

The above amounts are calculated from the balance of the franking account as at the end of the reporting year, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

## 5 Financial assets and financial liabilities

### (a) Cash and cash equivalents

|                          | 2018<br>\$'000 | 2017<br>\$'000 |
|--------------------------|----------------|----------------|
| <b>Current assets</b>    |                |                |
| Cash on hand and at bank | 10,858         | 9,541          |
| Deposits at call         | 8,000          | 6,000          |
|                          | <u>18,858</u>  | <u>15,541</u>  |

### (b) Trade and other receivables

|                          | 2018              |                           |                 | 2017              |                           |                 |
|--------------------------|-------------------|---------------------------|-----------------|-------------------|---------------------------|-----------------|
|                          | Current<br>\$'000 | Non-<br>current<br>\$'000 | Total<br>\$'000 | Current<br>\$'000 | Non-<br>current<br>\$'000 | Total<br>\$'000 |
| Loans receivable         | 36,536            | 88,644                    | 125,180         | 23,623            | 65,316                    | 88,939          |
| Provision for impairment | (2,516)           | (2,725)                   | (5,241)         | (1,483)           | (1,836)                   | (3,319)         |
|                          | <u>34,020</u>     | <u>85,919</u>             | <u>119,939</u>  | <u>22,140</u>     | <u>63,480</u>             | <u>85,620</u>   |
| Other receivables        | 3                 | -                         | 3               | 2                 | -                         | 2               |
| Accrued interest         | 1,099             | -                         | 1,099           | 724               | -                         | 724             |
|                          | <u>35,122</u>     | <u>85,919</u>             | <u>121,041</u>  | <u>22,866</u>     | <u>63,480</u>             | <u>86,346</u>   |

|   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| <b>Contractual maturity analysis</b>            |                |                |
| Receivables at call                             | -              | -              |
| Not longer than 3 months                        | 9,887          | 6,095          |
| Longer than 3 months and not longer than 1 year | 26,649         | 17,528         |
| Longer than 1 year but not longer than 5 years  | 85,712         | 63,622         |
| Longer than 5 years                             | 2,932          | 1,694          |
|   | <u>125,180</u> | <u>88,939</u>  |

### (i) Impairment of loans and advances

|   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| <b>Provision for impairment</b>                     |                |                |
| At 1 July   | 3,319          | 1,971          |
| Provision for impairment recognised during the year | 1,922          | 1,348          |
| Balance at 30 June                                  | <u>5,241</u>   | <u>3,319</u>   |

Bad debts written off are recognised directly in profit or loss. Bad debts written off were \$1,973,040 (2017: \$1,228,367).

## Financial assets and financial liabilities

### (b) Trade and other receivables (continued)

#### (ii) Past due but not impaired loans

|                | 2018                     |                    | 2017                     |                    |
|----------------|--------------------------|--------------------|--------------------------|--------------------|
|                | Carrying value<br>\$'000 | Past due<br>\$'000 | Carrying value<br>\$'000 | Past due<br>\$'000 |
| 30 to 90 days  | 7,199                    | 696                | 6,346                    | 623                |
| 90 to 180 days | 3,491                    | 777                | 2,572                    | 604                |
| > 180 days     | 1,873                    | 1,212              | 1,657                    | 1,010              |
|                | <b>12,563</b>            | <b>2,685</b>       | <b>10,575</b>            | <b>2,237</b>       |

#### (iii) Credit quality - security held against loans

|  | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| Secured by mortgage over motor vehicle | 125,180        | 88,939         |
| Value of collateral held at fair value | <b>86,569</b>  | <b>60,954</b>  |

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. From 1 July 2013 the reduction rate of collateral held has increased to 32.5%.

The Group 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 Group may be forced to take possession of the motor vehicle. Normally, the Group 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 Group is forced to take possession of the motor vehicle and sell it on wholesale motor vehicle markets, the Group may receive less for the vehicle than the amount owing under the loan.

### (c) Trade and other payables

|                            | 2018<br>\$'000 | 2017<br>\$'000 |
|----------------------------|----------------|----------------|
| <b>Current liabilities</b> |                |                |
| Trade payables             | 1,438          | 1,206          |
| BAS payable                | 679            | 774            |
| Other payables             | 271            | 95             |
|                            | <b>2,388</b>   | <b>2,075</b>   |

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

### (d) Borrowings

|                              | 2018              |                       |                 | 2017              |                       |                 |
|------------------------------|-------------------|-----------------------|-----------------|-------------------|-----------------------|-----------------|
|                              | Current<br>\$'000 | Non-current<br>\$'000 | Total<br>\$'000 | Current<br>\$'000 | Non-current<br>\$'000 | Total<br>\$'000 |
| <i>Unsecured</i>             |                   |                       |                 |                   |                       |                 |
| Redeemable preference shares | 11,371            | 111,759               | 123,130         | 8,016             | 81,573                | 89,589          |
| Costs related to share issue | -                 | (246)                 | (246)           | -                 | (223)                 | (223)           |
| Total unsecured borrowings   | <b>11,371</b>     | <b>111,513</b>        | <b>122,884</b>  | <b>8,016</b>      | <b>81,350</b>         | <b>89,366</b>   |

## Financial assets and financial liabilities

### (d) Borrowings (continued)

#### (i) Contractual maturity analysis

| Contractual maturities of financial liabilities | Not longer than 1 year | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 4 years | Between 4 and 5 years | Total contractual cash flows | Carrying amount |
|---|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------------|-----------------|
| At 30 June 2018                                 | \$'000                 | \$'000                | \$'000                | \$'000                | \$'000                | \$'000                       | \$'000          |
| <b>Non-derivatives</b>                          |                        |                       |                       |                       |                       |                              |                 |
| Redeemable preference shares                    | 12,202                 | 35,075                | 42,801                | 40,295                | 40,292                | 170,664                      | 123,130         |
|   | <u>12,202</u>          | <u>35,075</u>         | <u>42,801</u>         | <u>40,295</u>         | <u>40,292</u>         | <u>170,664</u>               | <u>123,130</u>  |
| At 30 June 2017                                 |                        |                       |                       |                       |                       |                              |                 |
| <b>Non-derivatives</b>                          |                        |                       |                       |                       |                       |                              |                 |
| Redeemable preference shares                    | 8,649                  | 9,789                 | 38,160                | 33,607                | 36,533                | 126,739                      | 89,589          |
|   | <u>8,649</u>           | <u>9,789</u>          | <u>38,160</u>         | <u>33,607</u>         | <u>36,533</u>         | <u>126,739</u>               | <u>89,589</u>   |

#### (ii) Redeemable preference shares

Redeemable preference shares have been issued with fixed terms of 12 - 60 months and interest paid between 7.2 and 16% p.a. (2017: 8 and 16% p.a.) dependent on the fixed investment term and the principal investment amount. Preference shareholders have the right to receive notice of and to attend any meeting of Shareholders but will only be entitled to vote in the following circumstances:

- (a) On a proposal which affects the rights attached to Preference Shares, to reduce the share capital of the company, to wind up the company or for the disposal of the whole of the property, business and undertaking of the company;
- (b) On a resolution to approve the terms of a buy-back agreement;
- (c) During a period in which money owing on preference shares is in arrears; or
- (d) During the winding up of the company.

## 6 Non-financial assets and liabilities

### (a) Property, plant and equipment

|                                | Plant and equipment<br>\$'000 |
|--------------------------------|-------------------------------|
| <b>At 1 July 2016</b>          |                               |
| Cost                           | 194                           |
| Accumulated depreciation       | <u>(54)</u>                   |
| Net book amount                | <u>140</u>                    |
| <b>Year ended 30 June 2017</b> |                               |
| Opening net book amount        | 140                           |
| Additions                      | 203                           |
| Depreciation charge            | <u>(60)</u>                   |
| Closing net book amount        | <u>283</u>                    |
| <b>At 30 June 2017</b>         |                               |
| Cost                           | 397                           |
| Accumulated depreciation       | <u>(114)</u>                  |
| Net book amount                | <u>283</u>                    |

## Non-financial assets and liabilities

### (a) Property, plant and equipment (continued)

|                                | <b>Plant and<br/>equipment<br/>\$'000</b> |
|--------------------------------|---|
| <b>Year ended 30 June 2018</b> |   |
| Opening net book amount        | 283                                       |
| Additions                      | 141                                       |
| Depreciation charge            | <u>(98)</u>                               |
| Closing net book amount        | <u>326</u>                                |
| <b>At 30 June 2018</b>         |   |
| Cost                           | 537                                       |
| Accumulated depreciation       | <u>(211)</u>                              |
| Net book amount                | <u>326</u>                                |

### (b) Intangible assets

|                                | <b>Software<br/>\$'000</b> |
|--------------------------------|----------------------------|
| <b>At 1 July 2016</b>          |                            |
| Cost                           | 260                        |
| Accumulation amortisation      | <u>(90)</u>                |
| Net book amount                | <u>170</u>                 |
| <b>Year ended 30 June 2017</b> |                            |
| Opening net book amount        | 170                        |
| Additions                      | 46                         |
| Amortisation charge            | <u>(59)</u>                |
| Closing net book amount        | <u>157</u>                 |
| <b>At 30 June 2017</b>         |                            |
| Cost                           | 194                        |
| Accumulation amortisation      | <u>(37)</u>                |
| Net book amount                | <u>157</u>                 |
| <b>Year ended 30 June 2018</b> |                            |
| Opening net book amount        | 157                        |
| Amortisation charge            | <u>(37)</u>                |
| Closing net book amount        | <u>120</u>                 |
| <b>At 30 June 2018</b>         |                            |
| Cost                           | 194                        |
| Accumulated amortisation       | <u>(74)</u>                |
| Net book amount                | <u>120</u>                 |

## Non-financial assets and liabilities

### (c) Deferred tax balances

|   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| <b>The balance comprises temporary differences attributable to:</b> |                |                |
| Plant and equipment   | (8)            | (9)            |
| Employee benefits   | 135            | 60             |
| Deferred revenue  | 1,431          | 1,199          |
| Impairment provision  | 1,572          | 996            |
|   | <b>3,130</b>   | <b>2,246</b>   |
| <b>Movements:</b>   |                |                |
| Opening balance   | 2,246          | 1,589          |
| Credited to profit or loss (note 4)                                 | 884            | 657            |
| Closing balance   | <b>3,130</b>   | <b>2,246</b>   |

### (d) Provisions

|                   | 2018    | 2018        | Total  | 2017    | 2017        | Total  |
|-------------------|---------|-------------|--------|---------|-------------|--------|
|                   | Current | Non-current | \$'000 | Current | Non-current | Total  |
|                   | \$'000  | \$'000      | \$'000 | \$'000  | \$'000      | \$'000 |
| Employee benefits | 141     | 65          | 206    | 100     | 45          | 145    |

#### (i) Defined contribution superannuation funds

The consolidated entity makes contributions to defined contribution superannuation funds. The amount recognised as an expense was \$333,760 for the year ended 30 June 2018 (2017: \$211,014).

## 7 Equity

### (a) Contributed equity

#### (i) Ordinary shares

|                              | 2018<br>Shares   | 2017<br>Shares | 2018<br>\$'000 | 2017<br>\$'000 |
|------------------------------|------------------|----------------|----------------|----------------|
| Ordinary shares - fully paid | <u>2,527,367</u> | 2,527,367      | <u>2,527</u>   | 2,527          |

#### (ii) Ordinary shares

There was no movement in fully paid ordinary shares for the year ended 30 June 2017 or 30 June 2018.

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.

#### (iii) 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 since 30 June 2016.

### (b) Reserves

|                                       | 2018<br>\$'000 | 2017<br>\$'000 |
|---------------------------------------|----------------|----------------|
| Business under common control reserve | <u>(1,420)</u> | (1,420)        |

#### (i) 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) have been recognised in the 'business combinations under common control' reserve.

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.

## 8 Cash flow information

### (a) Reconciliation of profit after income tax to net cash inflow from operating activities

|   | 2018<br>\$'000  | 2017<br>\$'000  |
|---|-----------------|-----------------|
| Profit for the year                                 | 4,284           | 2,969           |
| Adjustment for                                      |                 |                 |
| Depreciation and amortisation                       | 135             | 119             |
| Amortisation of transaction costs                   | 49              | 88              |
| Change in operating assets and liabilities:         |                 |                 |
| Increase in loans and advances                      | (102,944)       | (75,005)        |
| Customer loan repayments                            | 63,632          | 43,849          |
| Bad and doubtful debts allowance                    | 3,896           | 2,575           |
| (increase) decrease in prepayments and other assets | (51)            | 10              |
| Increase in deferred tax asset                      | (884)           | (657)           |
| Increase in other payables                          | 1,769           | 1,505           |
| Increase in employee benefits                       | 103             | 55              |
| Net cash inflow (outflow) from operating activities | <u>(30,011)</u> | <u>(24,492)</u> |

### (b) Net debt reconciliation

|  | 2018<br>\$'000   | 2017<br>\$'000  |
|--|------------------|-----------------|
| <b>Net debt</b>                        |                  |                 |
| Cash and cash equivalents              | 18,858           | 15,541          |
| Borrowings - repayable within one year | (11,371)         | (8,016)         |
| Borrowings - repayable after one year  | <u>(111,513)</u> | <u>(81,350)</u> |
| Net debt                               | <u>(104,026)</u> | <u>(73,825)</u> |

|                                    | Cash<br>\$'000 | Borrowings<br>due within 1<br>year<br>\$'000 | Borrowings<br>due after 1<br>year<br>\$'000 | Total<br>\$'000  |
|------------------------------------|----------------|--|---|------------------|
| <b>Net debt as at 1 July 2017</b>  | 15,541         | (8,016)                                      | (81,350)                                    | (73,825)         |
| Financing cashflows                | -              | 4,265  | (37,734)                                    | (33,469)         |
| Total cashflows                    | 3,317          | -  | -   | 3,317            |
| Amortisation of transaction costs  | -              | -  | (49)  | (49)             |
| Other non-cash movements           | -              | (7,620)                                      | 7,620                                       | -                |
| <b>Net debt as at 30 June 2018</b> | <u>18,858</u>  | <u>(11,371)</u>                              | <u>(111,513)</u>                            | <u>(104,026)</u> |



## 9 Related party transactions

### (a) Parent entity

On 20 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.

### (b) Key management personnel compensation

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

|                              | 2018<br>\$     | 2017<br>\$     |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 862,137        | 680,032        |
| Post-employment benefits     | 54,005         | 37,856         |
| Long-term benefits           | 50,057         | 5,131          |
|                              | <u>966,199</u> | <u>723,019</u> |

### (c) Transactions with other related parties

The following transactions occurred with related parties:

|  | 30 June<br>2018<br>\$ | 30 June<br>2017<br>\$ |
|--|-----------------------|-----------------------|
| Interest received from Fin One Pty Ltd   | 14,523,717            | 10,733,879            |
| McGeachie Group Pty Ltd, a company associated with Jamie McGeachie a director of the company, provided corporate services, administration, accounting, rent and business operation support services. | 789,791               | 686,099               |

## 10 Contingent liabilities

The Group had no contingent liabilities at 30 June 2018 (2017: nil).

## 11 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

## 12 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the entity and its related practices:

|   | 2018<br>\$    | 2017<br>\$    |
|---|---------------|---------------|
| <i>Audit and other assurance services</i>                 |               |               |
| Audit of financial statements                             | 41,117        | 30,660        |
| Total remuneration for audit and other assurance services | <u>41,117</u> | <u>30,660</u> |

## 13 Parent entity financial information

### (a) Summary financial information

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

|  | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| <b>Statement of financial position</b> |                |                |
| Current assets                         | 124,520        | 90,711         |
| Non-current assets                     | 2,528          | 2,527          |
| Total assets                           | <u>127,048</u> | <u>93,238</u>  |
| Current liabilities                    | 12,739         | 9,074          |
| Non-current liabilities                | 111,763        | 81,618         |
| Total liabilities                      | <u>124,502</u> | <u>90,692</u>  |
| Net assets                             | <u>2,546</u>   | <u>2,546</u>   |
| <i>Shareholders' equity</i>            |                |                |
| Contributed equity                     | 2,527          | 2,527          |
| Retained earnings                      | <u>19</u>      | <u>19</u>      |
|  | <u>2,546</u>   | <u>2,546</u>   |
| <b>Profit for the year</b>             | <u>-</u>       | <u>6</u>       |
| <b>Total comprehensive income</b>      | <u>-</u>       | <u>6</u>       |

## 14 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Group'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 Group. The Group 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.

### (a) Market risk

Market risk is the risk that changes in interest rates or other prices and volatilities will have an adverse effect on the Group's financial condition or results. The Group is not exposed to currency risk or other significant price risk. The Group 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:

|                                  | <b>2018</b>      | 2017     |
|----------------------------------|------------------|----------|
|                                  | <b>\$'000</b>    | \$'000   |
| <i>Variable rate instruments</i> |                  |          |
| Cash and cash equivalents        | <b>18,858</b>    | 15,541   |
| <i>Fixed rate instruments</i>    |                  |          |
| Loans and advances to customers  | <b>125,180</b>   | 88,939   |
| Borrowings                       | <b>(123,130)</b> | (89,589) |

An official increase/decrease in interest rates on variable rate instruments of 100 (2017:100) basis points would have a favourable/adverse effect on profit before tax of \$188,584 (2017: \$155,410) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

### (b) Credit risk

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

The Group operates in the automotive lending business and writes loans up to \$75,000 with interest rates to 29% per annum. The Group 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 Group 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 credit analysts, who are also responsible for checking borrowers' documentation including credit files, employment details and bank statements. An application cannot proceed until all required documentation is provided.

Finance One has developed internal lending guidelines in order to ensure that loans are carefully reviewed before funds are advanced. Finance One may approve loans which fall outside its lending guidelines if management considers the applicant to be otherwise creditworthy. The purpose of Finance One's lending guidelines is to screen out undesirable loans by undertaking thorough due diligence on borrowers.

## Financial risk management

### (b) Credit risk (continued)

The lending policy consists of the following steps:

- Initial loan application 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.

|  |   |
|--|---|
| <b>Systems for ongoing monitoring of loans</b>     | 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.   |
| <b>Scheduled repayments not made within 7 days</b> | The borrower is contacted by telephone to assess their current financial situation and ascertain the reason for the default. Our arrears management team works with the borrower to arrive at a mutually satisfactory outcome after taking the borrower's current personal circumstances into consideration. By building rapport with our borrowers we are able to minimise ongoing loan defaults. In addition to our personal contact, a standard loan arrears letter is sent to the client confirming the loan default and reminding them of their legal obligations. |
| <b>Loan in default for 30 days</b>                 | The borrower is again contacted by telephone to assess their current financial situation and ascertain whether there is any new reason for the default. Our arrears management team continues to work with the borrower to try to overcome the continuing default. Often further defaults can be avoided by structuring repayments to the borrower's current financial circumstances. In addition, a loan default letter is sent to the borrower confirming the loan default and reminding them of their legal obligations.   |
| <b>Loan in default for 60 days or more</b>         | 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, we then set in motion our repossession and/or legal procedures. At this point a sterner loan default letter is sent to the client.  |

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 15 for a detailed explanation.

A summary of past due but not impaired loans is set out in note 5.

The geographical concentration of credit risk is as follows:

| <b>State</b>                 | <b>% of Loans and Advances</b> |
|------------------------------|--------------------------------|
| Queensland                   | 40.24                          |
| New South Wales              | 23.62                          |
| Australian Capital Territory | 0.83                           |
| Tasmania                     | 1.56                           |
| Victoria                     | 21.61                          |
| South Australia              | 5.75                           |
| Western Australia            | 5.58                           |
| Northern Territory           | 0.81                           |

## Financial risk management

### **(c) Liquidity risk**

Liquidity risk for the Group 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 Group maintains adequate cash reserves so as to meet the payment of loan and interest payments when required.

The Group 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.

#### *(i) Maturities of financial liabilities*

The Group's financial liabilities into relevant maturity groupings based on their contractual maturities is set out in note 5.

### **(d) Fair value estimation**

The carrying amount of the Group's financial assets and liabilities approximates their fair value. Loans and receivables after allowance for impairment and payables are considered to be a reasonable approximation of fair value.

The carrying amount of current borrowings approximates fair value as the impact of discounting is not significant. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## 15 Summary of significant accounting policies

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.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Investors Central Limited is a for-profit entity for the purpose of preparing the financial statements.

#### (i) Compliance with IFRS

The consolidated financial statements of the Investors Central Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### (ii) Historical cost convention

These financial statements have been prepared under the historical cost basis.

#### (iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for first time in their annual reporting period commencing 1 July 2017:

- AASB 2016-1 *Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses*
- AASB 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107*, and
- AASB 2017-2 *Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle*.

The adoption of these standards and interpretations did not have any material impact on the current or any prior period and is not likely to materially affect future periods. The amendments to AASB 107 require disclosure of changes in liabilities arising from financing activities, see note 8(b).

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting years and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

| Title of standard | <b>AASB 9 <i>Financial Instruments</i></b>  |
|-------------------|---|
| Nature of change  | AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.  |
| Impact            | <p>There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 <i>Financial Instruments: Recognition and Measurement</i> and have not been changed.</p> <p>The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under AASB 15 <i>Revenue from Contracts with Customers</i>, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.</p> <p>The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.</p> |

## Summary of significant accounting policies

### (a) Basis of preparation (continued)

#### (iv) New standards and interpretations not yet adopted (continued)

|   |   |
|---|---|
| Mandatory application date/ Date of adoption by Group | Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 July 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.   |
| <b>Title of standard</b>                              | <b>AASB 15 Revenue from Contracts with Customers</b>  |
| Nature of change                                      | The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts.<br><br>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.<br><br>The standard permits either a full retrospective or a modified retrospective approach for the adoption.                                      |
| Impact  | At this stage, the Group has not estimated the effect of the new rules on the Group's financial statements. The Group will make more detailed assessments of the effect during the year.  |
| Mandatory application date/ Date of adoption by Group | Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 July 2018 and that comparatives will not be restated.   |
| <b>Title of standard</b>                              | <b>AASB 16 Leases</b>   |
| Nature of change                                      | AASB 16 was issued in February 2018. It will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.<br><br>The accounting for lessors will not significantly change.   |
| Impact  | The standard will affect primarily the accounting for the Group's operating leases. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.<br><br>Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16. |
| Mandatory application date/ Date of adoption by Group | Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.  |

### (b) Critical accounting estimates

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:

## Summary of significant accounting policies

### (b) Critical accounting estimates

#### *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.

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 5(b) in respect of impairment of loans and advances.

### (c) Segment reporting

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

### (d) 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 2018 and the results of all subsidiaries for the year then ended. Investors Central Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

#### *(i) Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting, unless the acquisition 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.

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

### (e) Foreign currency translation

#### *(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars (\$), which is Investors Central Limited's functional and presentation currency.

### (f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.



## Summary of significant accounting policies

### (f) Revenue recognition (continued)

The specific accounting policies for the Group's main business activities are recognised on the following basis:

#### (i) 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.

#### (ii) 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.

### (g) Interest expense

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

### (h) 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### (i) 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.

## Summary of significant accounting policies

### (j) Financial assets and liabilities

#### *Recognition*

The Group 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 Group becomes a party to the contractual provisions of the instrument.

#### *Derecognition*

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

The Group 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.

#### *Identification and measurement of impairment*

At each reporting date the Group assesses whether financial assets are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more loss events have had a negative effect on the estimated future cash flows of that asset.

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

Individually significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in profit or loss.

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

#### *Financial assets*

Financial assets held by the Group are described below:

##### *(i) Cash and cash equivalents*

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

##### *(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 Group 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.

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

#### *Financial liabilities*

Financial liabilities held by the Group are described below:

##### *(i) Trade and other 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.

## Summary of significant accounting policies

### **(j) Financial assets and liabilities**

#### *(iv) 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.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

### **(k) Fair value measurement**

Fair values may be used for financial and non-financial asset and liability measurement as well as sundry disclosures

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, the group.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

In measuring fair value, the Group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### **(l) Property, plant and equipment**

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.

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 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.

## Summary of significant accounting policies

### **(m) Intangible assets**

#### *(i) 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.

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 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.

### **(n) Impairment of Non-financial assets**

The carrying amounts of the Group'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.

### **(o) Employee benefits**

#### *(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits, bonuses, fringe benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

#### *(ii) Other long-term employee benefit obligations*

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the year in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting year using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting year of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting year, regardless of when the actual settlement is expected to occur.

#### *(iii) Retirement benefit obligations*

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

## Summary of significant accounting policies

### **(p) Contributed equity**

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (note 5(d)).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **(q) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting year but not distributed at the end of the reporting year.

### **(r) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### **(s) Rounding of amounts**

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

### **(t) Parent entity financial 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.

## Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 9 to 35 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.



Jamie Edward McGeachie  
Director



Quinton Cowen  
Director

Townsville  
24 August 2018

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
INVESTORS CENTRAL LIMITED AND CONTROLLED ENTITIES**

**Report on the Financial Report**

**Opinion**

We have audited the accompanying financial report of Investors Central Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i. Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- ii. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for Opinion**

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

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**Responsibilities of the Directors for the Financial Report**

The directors 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 a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

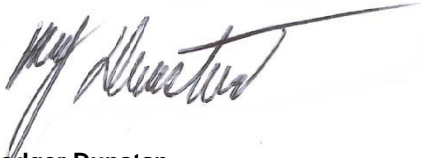
In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.

**JESSUPS**



**Rodger Dunstan**  
Director

1/19 Stanley Street Townsville QLD 4810

Dated this 22nd day of August 2018