INVESTORS CENTRAL

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

Investors Central Limited

ABN 34 143 097 385

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INVESTORS CENTRAL

A SMART ROAD TO WEALTH

Review of **operations & 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 2019.

Investors Central, the group holding company, provides the funding to its wholly owned subsidiary, Fin One Pty Ltd trading as Finance One to operate its consumer and commercial motor vehicle lending business.

HIGHLIGHTS OF THE YEAR

$44.93m
earned income up 33.35%
(2018: $33.69m)

$7.31m
net profit before tax up 19.25%
(2018: $6.13)

$5.38m
net profit after tax up 25.58%
(2018: $4.28)

$18.13m
total equity up 36.21%
(2018: $13.31m)

$168.79m
loan book increased by 39.45%
(2018: $121.04m)

FINANCIAL BROKER (REFERRER NETWORK)

We continue to expand our introducer network throughout Australia with our senior staff regularly visiting the existing broker network to maintain and develop relationships while also seeking out new business. While just over 38% 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 enquiries from the mainstream broker network requesting accreditation, which indicates that Finance One has firmly established itself as a significant player within the motor vehicle finance market sector. Finance One currently has over 1,400 accredited finance brokers (introducers) across Australia and is expanding on an ongoing basis. Finance One is also pleased to have entered into introducer agreements with two of Australia's largest aggregators in the past 12 months which provides the opportunity to present our products to a broader range of brokers and potential borrowers through services such as online comparison platforms.

Our Direct Business team continue their success, introducing 10.06% of all new loans in 2019 FY (2018:6%) with new and repeat business.

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. It is pleasing to report that collections are within excepted parameters. Finance Ones' 2019 doubtful debt expense to revenue was (5.79%) along with bad debt expense to revenue of (5.80%) for a total of 11.59%, (2018:11.56%).

FUNDING

With Finance One currently writing over $9 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 seventh prospectus, along with our third employee prospectus, in September 2019 enabling Investors Central Limited to raise up to $80 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.

DIVIDENDS

An interim dividend of $238,000 was paid to ordinary shareholders during the year. As previously advised, 90% of net profits after tax earned during the 2019 financial year will be retained in the Company to build equity and help fund the continued growth of the business.

OUTLOOK

Finance One expects to continue steady growth with the broker network increasing and success of our Direct Business team. This year we had a similar number of new loan applications per month to last year 1,965 (2018:1,977 per month), however with the help of our Business Development Managers and use of our online broker portal we have seen an improvement in quality of those applications. Investors Central and Finance One's websites continue to be upgraded and marketing strategy broadened to lift their profiles. Finance One remains focused on assisting Australians unable to access traditional forms of credit to purchase a motor vehicle as well as providing commercial loans to businesses to purchase business assets. The commitment by the Directors, Management and Employees has 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.

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 2019.

DIRECTORS

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

Jamie Edward McGeachie
Quinnton Cowen
Stephen Paul Jones
Andrew Peter Kemp
Joseph Michael McShanag (appointed 1 July 2018)

PRINCIPAL ACTIVITIES

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

a. public capital raising to fund the continued expansion of our 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

Dividends paid to members during the financial year were as follows:

	2019 $'000	2018 $'000
Interim ordinary dividend for the year	238	-

REVIEW OF OPERATIONS

The profit from ordinary activities after income tax amounted to $5.38m (2018: $4.28m).

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 2019.

EVENT SINCE THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2019 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 *Cert. IV in Financial Services*

- Chairman and Managing Director

Jamie has over 22 years experience in the finance industry. He is the founder and Managing Director of Finance One and Investors Central. In addition he has a close involvement in several other family business entities which are part of the McGeachie Group. He is also a Redeemable Preference Share investor in Investors Central Limited.

Quinnton Cowen *Bachelor of Business, CPA*

- Director and Chief Financial Officer

Quinn 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 a Redeemable Preference Share investor in Investors Central Limited.

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

- Director and Compliance Manager
- Audit & Risk Committee

Stephen had over 27 years involvement in the general insurance industry in both underwriting and claims roles while in recent times he served as a Director/Company Secretary with a local public company in Townsville for over six years.He is also a Redeemable Preference Share investor in Investors Central Limited.

Andrew Peter Kemp *Bachelor of Commerce, CA*

- Non-executive Director
- Audit & Risk Committee

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 a Redeemable Preference Share investor in Investors Central Limited.

Joseph Michael McShanag *Bachelor of Commerce, CA, MBA, F Fin*

- Non-executive Director (appointed 1 July 2018)

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 a Redeemable Preference Share 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 2019, and the numbers of meetings attended by each director were:

	Full meetings of Directors		Meetings of committees Audit and risk	
	A	B	A	B
Jamie Edward McGeachie	16	16	**	**
Quinnton Cowen	16	16	2	2
Stephen Paul Jones	16	16	2	2
Andrew Peter Kemp	16	16	2	2
Joseph Michael McShanag	12	16	**	**

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 2019 remuneration report, outlining key aspects of our 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:

(b) Details of Remuneration for Directors and Executive Officer (continued)

2019

	Short-term employee benefits			Post-employment benefits	Long-term benefits			
	Cash salary & fees	Cash bonus	Non-monetary benefits	Superannuation	Annual & long service leave	Termination benefits	LTI	Total
Managing Director Jamie McGeachie* ^	315,536	-	10,677	-	-	-	-	326,213
Manager Quinnton Cowen*	162,046	17,115	-	17,384	2,254	-	4,620	203,419
Manager Stephen Jones	122,660	11,904	-	13,442	597	-	2,977	151,580
Non-Exec.Director Andrew Kemp ^	60,500	-	-	-	-	-	-	60,500
Non-Exec.Director Joseph McShanag	50,000	-	-	4,750	-	-	-	54,750
Total key management personnel compensation	**710,742**	**29,019**	**10,677**	**35,576**	**2,851**	**-**	**7,597**	**796,462**

2018

	Short-term employee benefits			Post-employment benefits	Long-term benefits			
	Cash salary & fees	Cash bonus	Non-monetary benefits	Superannuation	Annual & long service leave	Termination benefits	LTI	Total
Managing Director Jamie McGeachie* ^	239,040	-	9,928	-	-	-	-	248,968
Manager Jason Ryan **	176,000	69,500	-	23,322	-	31,088	-	268,822
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
Total key management personnel compensation	**734,071**	**118,139**	**9,928**	**54,005**	**6,296**	**31,088**	**12,673**	**935,112**

* 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**
Jamie McGeachie	2,527,367

(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 #^	$4,395,000
Manager - Quinnton Cowen #	$424,000
Manager - Stephen Jones#	$198,000
Non-Executive Director - Andrew Kemp ^	$1,490,000
Non-Executive Director - Joseph McShanag #^	$2,884,000
Total	**$9,391,000**

Redeemable preference shares held by key management personnel have been granted pursuant to the Employee Prospectus and are current as at 30 June 2019.
^ Redeemable preference shares held by key management personnel have been granted pursuant to the Company Prospectus and are current as at 30 June 2019.

Details in relation to redeemable preference shares are detailed at Note15.

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 OPERTIONS

No ordinary shares of Investors Central Limited were issued during the year ended 30 June 2019 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 11.

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

Quinnton Cowen
Director

Townsville
28 August 2019

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

Townsville Office
Level 1
19 Stanley Street
Townsville Q. 4810
PO Box 1269
Townsville Q. 4810

Telephone
07 4755 3330

Facsimile
07 4755 3320

info@jessupsnq.com.au

www.jessupsnq.com.au

Other Office
Cairns

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019, 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

Darren Thamm
Partner

1/19 Stanley Street Townsville QLD 4810

Dated this 28th day of August 2019

Professional Services
- *Audits*
- *Business Plans*
- *Business Pre-Purchase Reviews (Due Diligence)*
- *Business Valuations*
- *Forensic Accounting*
- *Intensive Care Assignments*
- *Investigative Accountants Reports*
- *Litigation Support*
- *Security & Pre-Lending Reviews*
- *Strategic & Management Advice*

INVESTORS CENTRAL

A SMART ROAD TO WEALTH

INVESTORS CENTRAL LIMITED ABN 34 143 097 385
ANNUAL FINANCIAL REPORT - 30 JUNE 2019

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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. 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
49 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 4 and in the directors' report on page 6, both of which are not part of these financial statements.

The financial statements were authorised for issue by the directors on 28 August 2019. The directors have the power to amend and reissue the financial statements.

Consolidated statement of profit or loss & other comprehensive income

	Notes	**2019 $ '000**	2018 $ '000
Interest income	1,2	**34,977**	25,304
Fee income	2	**9,842**	8,284
Other income		**111**	106
		44,930	33,694
Employee benefits expense		**(5,036)**	(3,987)
Loan establishment fees		**(2,931)**	(1,807)
Loss allowance and bad debts expense		**(5,209)**	(3,896)
Management fees		**(1,374)**	(991)
Depreciation and amortisation expense	6(a), 6(b)	**(198)**	(134)
Advertising expenses		**(919)**	(651)
Consultancy		**(554)**	(325)
Accounting fees		**(46)**	(60)
Finance costs	3	**(19,785)**	(14,616)
Other expenses		**(1,565)**	(1,096)
Total expenses		**(37,617)**	(27,563)
Profit before income tax		**7,313**	6,131
Income tax expense	4	**(1,933)**	(1,847)
Profit for the year		**5,380**	4,284
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**5,380**	4,284
Profit is attributable to: Owners of Investors Central Limited		**5,380**	4,284
Total comprehensive income for the year is attributable to: Owners of Investors Central Limited		**5,380**	4,284

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

Consolidated statement of financial position

	Notes	**2019 $ '000**	2018 $ '000
ASSETS			
Current Assets			
Cash and cash equivalents	5(a)	**25,529**	18,858
Loans and other receivables	5(b)	**39,136**	35,122
Other current assets		**77**	85
Total current assets		**64,742**	54,065
Non-current assets			
Loans and other receivables	5(b)	**129,653**	85,919
Property, plant and equipment	6(a)	**1,255**	326
Deferred tax assets	6(c)	**4,357**	3,130
Intangible assets	6(b)	**80**	120
Total non-current assets		**135,345**	89,495
Total assets		**200,087**	143,560
LIABILITIES			
Current liabilities			
Trade and other payables	5(c)	**2,995**	2,388
Borrowings	5(d)	**33,462**	11,371
Provisions	6(d)	**195**	141
Deferred revenue		**5,766**	4,771
Total current liabilities		**42,418**	18,671
Non-current liabilities			
Borrowings	5(d)	**139,482**	111,513
Provisions	6(d)	**55**	65
Total non-current liabilities		**139,537**	111,578
Total liabilities		**181,955**	130,249
Net assets		**18,132**	13,311
EQUITY			
Contributed equity	7(a)	**2,527**	2,527
Reserves	7(b)	**(1,420)**	(1,420)
Retained earnings		**17,025**	12,204
Total equity		**18,132**	13,311

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

Condensed consolidated statement of changes in equity

	Share Capital $ '000	Business combination under common control $ '000	Retained earnings $ '000	Total equity $ '000
Balance at 1 July 2017	2,527	(1,420)	7,920	9,027
Profit for the year	-	-	4,284	4,284
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**4,284**	**4,284**
Balance at 30 June 2018	**2,527**	**(1,420)**	**12,204**	**13,311**
Balance at 1 July 2018	**2,527**	**(1,420)**	**12,204**	**13,311**
Adjustment on adoption of AASB 9 (net of tax)	-	-	(321)	(321)
Restated total equity at the beginning of the financial year	**2,527**	**(1,420)**	**11,883**	**12,990**
Profit for the year	-	-	5,380	5,380
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**5,380**	**5,380**
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	-	(238)	(238)
Balance at 30 June 2019	**2,527**	**(1,420)**	**17,025**	**18,132**

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

Condensed consolidated statement of cash flows

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Interest received		**34,503**	24,932
Interest paid		**(19,278)**	(14,200)
Receipts from customers (inclusive of goods and services tax)		**7,942**	6,810
Payments to suppliers and employees		**(8,301)**	(10,099)
		14,866	7,443
New customer loans		**(93,463)**	(66,804)
Repayment of customer loans		**39,697**	32,191
		(53,766)	(34,613)
Net cash (outflow) from operating activities before income tax		**(38,900)**	(27,170)
Income tax paid		**(3,021)**	(2,841)
Net cash (outflow) from operating activities	**8(a)**	**(41,921)**	(30,011)
Cash flows from investing activities			
Acquisition of property, plant and equipment	6(a)	**(1,121)**	(141)
Net cash (outflow) from investing activities		**(1,121)**	(141)
Cash flows from financing activities			
Proceeds from issues of preference shares	8(b)	**54,317**	37,805
Repayment of preference shares	8(b)	**(4,160)**	(4,265)
Payment for transaction costs related to share issue	8(b)	**(206)**	(71)
Dividends paid to Company's shareholders		**(238)**	-
Net cash inflow from financing activities		**49,713**	33,469
Net increase in cash and cash equivalents		**6,671**	3,317
Cash and cash equivalents at the beginning of the financial year		**18,858**	15,541
Cash and cash equivalents at end of year	**5(a)**	**25,529**	18,858

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

1. INTEREST INCOME

	2019 $ '000	2018 $ '000
Cash and cash equivalent interest income	**346**	195
Loans and advances to customers interest income	**34,631**	25,109
	34,977	**25,304**

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group derives revenue over time and at a point in time as follows:

	Interest income $ '000	Fee income $ '000	Total $ '000
2019			
Timing of revenue recognition			
At a point in time	-	2,466	2,466
Over time	34,977	7,376	42,353
	34,977	**9,842**	**44,819**
2018			
Timing of revenue recognition			
At a point in time	-	1,939	1,939
Over time	25,304	6,345	31,649
	25,304	**8,284**	**33,588**

3. FINANCE COSTS

Interest expense	**2019 $'000**	2018 $'000
Insurance premium funding	**1**	6
Preference shares	**19,784**	14,611
	19,785	14,617

4. INCOME TAX EXPENSE

(a) Income tax expense

	2019 $'000	2018 $'000
Current tax on profits for the year	**3,023**	2,731
Total current tax expense	**3,023**	**2,731**
Deferred income tax		
Decrease (increase) in deferred tax assets (note 6(c))	**(1,090)**	(884)
Income tax expense	**1,933**	**1,847**

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

	2019 $'000	2018 $'000
Profit from continuing operations before income tax expense	**7,313**	6,131
Tax at the Australian tax rate of 27.5% (2018 - 30.0%)	**2,011**	1,839
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry non-deductible expenses	**5**	8
Change in tax rates	**(83)**	-
Income tax expense	**1,933**	**1,847**

(c) Franked dividends

The franked portions of the dividends recommended after 30 June 2019 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 2020.

	Consolidated entity	
	2019 $'000	2018 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 27.5% (2018 - 30.0%)	**11,830**	8,917

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 ability to utilise the franking credits is dependent upon the ability to declare dividends.

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

	2019 $'000	2018 $'000
Current assets		
Cash on hand and at bank	**13,529**	10,858
Deposits at call	**12,000**	8,000
	25,529	18,858

(b) Trade and other receivables

	2019			2018		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Loans receivable	**41,188**	**134,320**	**175,508**	36,536	88,644	125,180
Loss allowance	**(3,637)**	**(4,667)**	**(8,304)**	(2,516)	(2,725)	(5,241)
	37,551	**129,653**	**167,204**	34,020	85,919	119,939
Other receivables	**27**	**-**	**27**	3	-	3
Accrued interest	**1,558**	**-**	**1,558**	1,099	-	1,099
	39,136	**129,653**	**168,789**	35,122	85,919	121,041

	2019 $'000	2018 $'000
Contractual maturity analysis		
Receivables at call	**-**	-
Not longer than 3 months	**10,886**	9,887
Longer than 3 months and not longer than 1 year	**30,302**	26,649
Longer than 1 year but not longer than 5 years	**128,898**	85,712
Longer than 5 years	**5,422**	2,932
	175,508	125,180

(i) Impairment of loans and advances

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for loans receivable.

To measure the expected credit losses, loans receivable have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of loans over a period of 48 months before 30 June 2019 or 1 July 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows for loan receivables:

30 June 2019	**Current**	**> 30 days past due**	**> 90 days past due**	**> 180 days past due**	**Total**
Expected loss rate	0.43%	2.14%	20.70%	53.08%	
Gross carrying amount $'000	144,990	11,879	7,616	11,023	175,508
Loss allowance provision $'000	**621**	**255**	**1,577**	**5,851**	**8,304**

(b) Trade and other receivables (cont)

01 July 2018	Current	> 30 days past due	> 90 days past due	> 180 days past due	Total
Expected loss rate	0.43%	2.45%	23.86%	65.96%	
Gross carrying amount $'000	107,376	7,199	4,585	6,020	125,180
Loss allowance provision $'000	**458**	**176**	**1,094**	**3,970**	**5,698**

(i) Impairment of loans and advances

The loss allowance for loans receivables as at 30 June 2019 reconciles to the opening loss allowance as follows:

	30 June 2019 $'000
Closing provision as at 30 June 2018 (calculated under AASB 139)	**5,241**
Amounts restated through opening retained earnings	**457**
Opening loss allowance as at 1 July 2018 (calculated under AASB 9)	**5,698**
Increase in loss allowance recognised in profit or loss during the period	**2,606**
As at 30 June 2019	**8,304**

(ii) Credit quality - security held against loans

	2019 $'000	2018 $'000
Secured by mortgage over motor vehicle	**175,442**	125,180
Value of collateral held at fair value	**119,653**	86,569

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 32.5% for each year since loan origination.

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

Current liabilities	2019 $'000	2018 $'000
Trade payables	**2,054**	1,438
BAS payable	**691**	679
Other payables	**250**	271
	2,995	2,388

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

(d) Borrowings

	2019			2018		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Unsecured						
Redeemable preference shares	**33,462**	**139,826**	**173,288**	11,371	111,759	123,130
Costs related to share issue	**-**	**(344)**	**(344)**	-	(246)	(246)
Total unsecured borrowings	**33,462**	**139,482**	**172,944**	11,371	111,513	122,884

(i) Contractual maturity analysis

Contractual maturities of financial liabilities	Not longer than 1year $ '000	Between 1 & 2years $ '000	Between 2 & 3years $ '000	Between 3 & 4years $ '000	Between 4 & 5years $ '000	Total contractual cash flows $ '000	Carrying amount $ '000
At 30 June 2019							
Non-derivatives							
Redeemable preference shares	**35,781**	**41,923**	**49,981**	**38,202**	**64,251**	**230,141**	**173,288**
	35,781	**41,923**	**49,981**	**38,202**	**64,251**	**230,141**	**173,288**
At 30 June 2018							
Non-derivatives							
Redeemable preference shares	12,202	35,075	42,801	40,295	40,292	170,664	123,130
	12,202	35,075	42,801	40,295	40,292	170,664	123,130

(ii) Redeemable preference shares

Redeemable preference shares have been issued with fixed terms of 3 - 60 months and interest paid between 4.25 and 16% p.a. (2018: 7.2 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 & LIABILITIES

(a) Property, plant and equipment

	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
At 1 July 2017			
Cost or fair value	397	-	397
Accumulated depreciation	(114)	-	(114)
Net book amount	**283**	**-**	**283**
Year ended 30 June 2018			
Opening net book amount	283	-	283
Additions	132	9	141
Depreciation charge	(98)	-	(98)
Closing net book amount	**317**	**9**	**326**
At 30 June 2018			
Cost or fair value	528	9	537
Accumulated depreciation	(211)	-	(211)
Net book amount	**317**	**9**	**326**
Year ended 30 June 2019			
Opening net book amount	317	9	326
Additions	327	751	1,121
Disposals	(35)	-	(31)
Depreciation charge	(114)	-	(161)
Closing net book amount	**495**	**760**	**1,255**
At 30 June 2019			
Cost	766	760	1,526
Accumulated depreciation	(271)	-	(271)
Net book amount	**495**	**760**	**1,255**

(b) Intangible assets

	Software $'000
At 1 July 2017	
Cost	194
Accumulation amortisation	(37)
Net book amount	**157**
Year ended 30 June 2018	
Opening net book amount	157
Amortisation charge	(37)
Closing net book amount	**120**
At 30 June 2018	
Cost	194
Accumulation amortisation	(74)
Net book amount	**120**
Year ended 30 June 2019	
Opening net book amount	120
Additions	43
Amortisation charge	(83)
Closing net book amount	**80**
At 30 June 2019	
Cost	191
Accumulated amortisation	(111)
Net book amount	**80**

(c) Deferred tax balances

	2019 $'000	2018 $'000
The balance comprises temporary differences attributable to:		
Plant and equipment	**(4)**	(8)
Employee benefits	**131**	135
Deferred revenue	**1,730**	1,431
Loss allowance	**2,500**	1,572
	4,357	3,130
Movements:		
Opening balance	**3,130**	2,246
Adoption of AASB 9	**137**	-
Credited to profit or loss (note 4)	**1,090**	884
Closing balance	**4,357**	3,130

(d) Provisions

	2019			2018		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Employee benefits	**195**	**55**	**250**	141	65	206

7. EQUITY

(a) Contributed equity

(i) Ordinary shares

	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Ordinary Shares - fully paid	**2,527,367**	2,527,367	**2,527**	2,527

(ii) Ordinary shares
There was no movement in fully paid ordinary shares for the year ended 30 June 2018 or 30 June 2019.

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

	2019 $'000	2018 $'000
Business under common control reserve	**(1,420)**	(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

	2019 $'000	2018 $'000
Profit for the year	**5,380**	4,284
Adjustment for		
Depreciation and amortisation	**198**	135
Amortisation of transaction costs	**108**	49
Net loss on sale of non-current assets	**35**	-
Change in operating assets and liabilities:		
Increase in loans and advances	**(135,105)**	(102,944)
Customer loan repayments	**81,713**	63,632
Loss allowance	**5,209**	3,896
Increase in prepayments and other assets	**(16)**	(51)
Increase in deferred tax asset	**(1,090)**	(884)
Increase in other payables	**1,534**	1,769
Increase in employee benefits	**113**	103
Net cash inflow (outflow) from operating activities	**(41,921)**	(30,011)

(b) Net debt reconciliation

Net debt	**2019 $'000**	2018 $'000
Cash and cash equivalents	**25,529**	18,858
Borrowings - repayable within one year	**(33,462)**	(11,371)
Borrowings - repayable after one year	**(139,482)**	(111,513)
Net debt	**(147,415)**	(104,026)

	Cash $'000	**Borrowings due within 1yr $'000**	**Borrowings due after 1 yr $'000**	**Total $'000**
Net debt as at 1 July 2017	**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	-
Net debt as at 30 June 2018	**18,858**	**(11,371)**	**(111,513)**	**(104,026)**

	Cash $'000	**Borrowings due within 1 yr $'000**	**Borrowings due after 1 yr $'000**	**Total $'000**
Net debt as at 1 July 2018	**18,858**	**(11,371)**	**(111,514)**	**(104,027)**
Financing cashflows	-	4,160	(54,111)	(49,951)
Total cashflows	6,671	-	-	6,671
Amortisation of transaction costs	-	-	(108)	(108)
Other non-cash movements	-	(26,251)	26,251	-
Net debt as at 30 June 2019	**25,529**	**(33,462)**	**(139,482)**	**(147,415)**

9. RELATED PARTY TRANSACTIONS

(a) Parent entity

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

(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:

	2019 $'000	2018 $'000
Short-term employee benefits	**750,438**	862,137
Post-employment benefits	**35,576**	54,005
Long-term benefits	**10,448**	50,057
	796,462	966,199

(c) Transactions with other related parties

The following transactions occurred with related parties:

	30 June 2019 $	30 June 2018 $
Interest received from Fin One Pty Ltd	**19,730,042**	14,523,717
McGeachie Group Pty Ltd and McGeachie Property Pty Ltd, companies associated with Jamie McGeachie a director of the Company, provided corporate services, administration, accounting, business operation support services and rent.	**1,087,326**	789,791

During the year the Company paid interest on Redeemable Preference Shares ('RPS') held by Directors in respect to their RPS holdings. This was on arms length terms and at rates from the relevant Company and/or Employee Prospectus under which they subscribed.

10. CONTINGENT LIABILITIES

The Group had no contingent liabilities at 30 June 2019 (2018: 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:

	2019 $	2018 $
Audit and other assurance services		
Audit of financial statements	**31,858**	41,117
Total remuneration for audit and other assurance services	**31,858**	41,117

13. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2019 $'000	2018 $'000
Statement of financial position		
Current assets	**175,046**	124,520
Non-current assets	**2,540**	2,528
Total assets	**177,586**	127,048
Current liabilities	**35,319**	12,739
Non-current liabilities	**139,754**	111,763
Total liabilities	**175,073**	124,502
Net assets	**2,513**	2,546
Shareholders' equity		
Contributed equity	**2,527**	2,527
(Accumulated losses) retained earnings	**(14)**	19
	2,513	2,546
Loss for the year	**(33)**	-
Total comprehensive loss	**(33)**	-

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.

(a) Market risk (continued)

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:

	2019 $'000	2018 $'000
Variable rate instruments		
Cash and cash equivalents	**25,529**	18,858
Fixed rate instruments		
Loans and advances to customers	**175,508**	125,180
Borrowings	**(173,288)**	(123,130)

An official increase/decrease in interest rates on variable rate instruments of 100 (2018:100) basis points would have a favourable/adverse effect on profit before tax of $255,286 (2018: $188,584) 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 consumer loans up to $75,000 with interest rates from 12% to 28% p.a, and commercial loans up to $125,000 with interest rates from 12% to 28% p.a. 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 are to screen out undesirable loans by undertaking thorough due diligence on borrowers.

The lending policy consists of the following steps:

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

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

(b) Credit risk (continued)

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

Systems for ongoing monitoring of loans	With all loan repayments being electronic, Finance One utilises a specific software package to monitor all loan repayments, and in particular, any loan defaults. This results in early remedial action being taken, often within 24 hours but generally within 3 days of default.
Scheduled repayments not made within 7 days	The borrower is contacted by telephone to assess their current financial situation and ascertain the reason for the default. Our customer care 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 borrower's 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.
Loan in default for 30 days	The borrower is again contacted by telephone to assess their current financial situation and ascertain whether there is any new reason for the default. Our account 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.
Loan in default for 60 days or more	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 enforcement and/or legal procedures. At this point a pending enforcement 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:

State	% of Loans and Advances
Queensland	38.62
New South Wales	24.22
Australian Captial Territory	0.71
Tasmania	1.52
Victoria	22.24
South Australia	5.47
Western Australia	6.38
Northern Territory	0.84

(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.

(c) Liquidity risk (continued)

(i) Maturities of financial liabilities
The Group's financial liabilities into relevant maturity groupings based on their contractual maturities is set out in note 4.

(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 2018:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*

The Group has implemented AASB 15 Revenue from Contracts with Customers. There is no significant impact on accounting policies and adoption did not require retrospective adjustments. As such separate disclosure of changes in accounting policies has not been included in the financial statements.

The impact of the adoption of AASB 9 and the new accounting policies are disclosed in note 16.

(a) Basis or preparation (continued)

(iv) New standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 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	AASB 16 *Leases*
Nature of change	AASB 16 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.
Impact	As at the reporting date, the Group has non-cancellable operating lease commitments in relation to its office facilities. The Group expects to recognise right-of-use assets and lease liabilities of approximately $1,943,801 on 1 July 2019. 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	The Group will apply the standard from its mandatory adoption date of 1 July 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

(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:

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 2019 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 from contracts with customers is recognised by reference to each distinct performance obligation in the contract with the customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

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

(i) Interest income

Interest revenue is recognised over time 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.

(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

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost. Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

(j) Financial assets and liabilities (continued)

The ECL on loans and other receivables is determined as follows:

a. The Group collectively assesses ECLs on loans receivable where there has not been a significant increase in credit risk since initial recognition and that were not credit impaired upon origination. For these loans receivable, the Group recognises as a collective provision the 12 month ECL. The 12-month ECL is the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

b. The Group identifies, both collectively and individually, ECLs on loans receivable where there has been a significant increase in credit risk since initial recognition and/or are considered credit impaired. For these loans, a lifetime ECL is recognised as a collective or specific provision. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

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

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

Financial assets
Financial assets held by the Group are described below:

(iii) 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.

(iv) 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:

(v) 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.

(vi) 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.

(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.

(n) Impairment of non-financial assets (continued)

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. I n 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.

(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.

(r) Goods and Services Tax (GST) (continued)

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.

16. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of AASB 9 *Financial Instruments* on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

(a) Impact on financial statements

The adoption of AASB 9 *Financial Instruments* from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below and in note 15(j). In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the Group's retained earnings as at 1 July 2018 is as follows:

	30 June 2018 As orginally presented '000	Adoption of AASB 9 '000	1 July 2018 Restate '000
Balance sheet (extract)			
Loss allowance	(5,241)	(459)	(5,699)
Deferred tax assets	3,131	137	3,268
Total assets	**143,562**	**(321)**	**143,242**
Retained earnings	12,204	(321)	11,884

(b) AASB 9 Financial Instruments – Accounting policies applied from 1 July 2018

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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.

Impairment

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost. Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The ECL on loans and other receivables is determined as follows:

a. The Group collectively assesses ECLs on loans receivable where there has not been a significant increase in credit risk since initial recognition and that were not credit impaired upon origination. For these loans receivable, the Group recognises as a collective provision the 12 month ECL. The 12-month ECL is the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

(b) AASB 9 Financial Instruments – Accounting policies applied from 1 July 2018 (continued)

b. The Group identifies, both collectively and individually, ECLs on loans receivable where there has been a significant increase in credit risk since initial recognition and/or are considered credit impaired. For these loans, a lifetime ECL is recognised as a collective or specific provision. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

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

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

Policy applicable before 1 July 2018
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.

DIRECTORS' DECLARATION

In the directors' opinion:

a. the interim financial statements and notes set out on pages 13 to 39 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 2019 and 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

Quinnton Cowen
Director

Townsville
28 August 2019

Jessups
Accountants & Business Advisors

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 2019, 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 2019 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 2019, 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.

Townsville Office
Level 1
19 Stanley St
Townsville Q. 4810
PO Box 1269
Townsville Q. 4810

Telephone
07 4755 3330

Facsimile
07 4755 3320

info@jessupsnq.com.au

www.jessupsnq.com.au

Other Office
Cairns

Jessups
Accountants & Business Advisors

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.

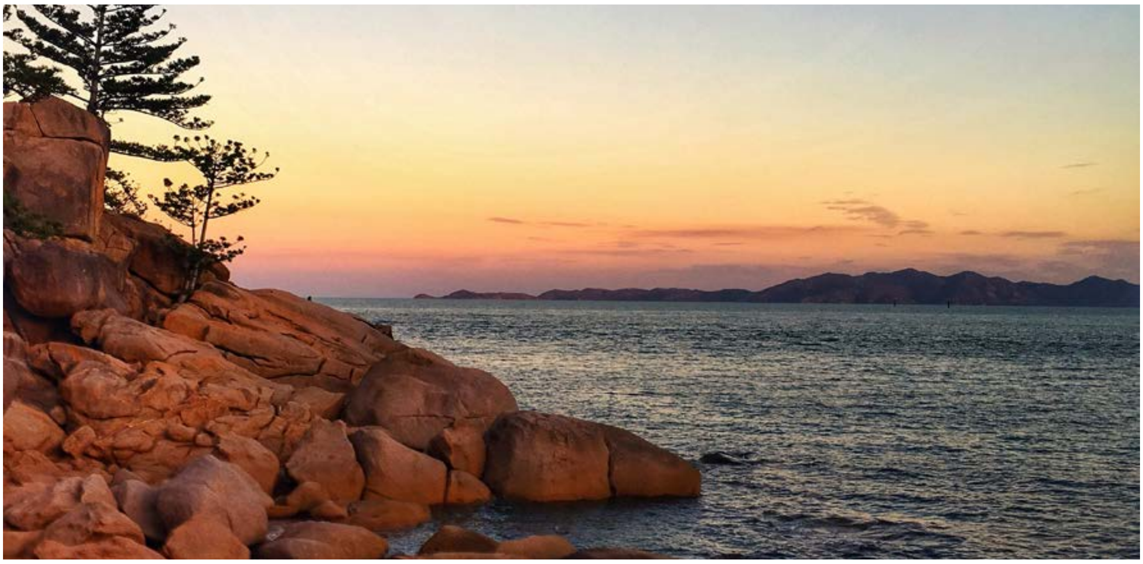
A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/Home.aspx. This description forms part of our auditor's report.

JESSUPS

Darren Thamm
Partner
1/19 Stanley Street Townsville QLD 4810

Dated this 28th day of August 2019

Corporate **Information**



COMPANY

INVESTORS CENTRAL LIMITED
49 Dalrymple Road
Garbutt Qld 4814

PO Box 339
Hyde Park Castletown Qld 4812

Phone 1300 468 236
Fax 07 4723 5466
Email invest@investorscentral.net.au
Web www.investorscentral.net.au

SHARE REGISTRY

COMPUTERSHARE INVESTOR SERVICES PTY LIMITED
Level 1, 200 Mary Street
Brisbane Qld 4000

AUDITORS

JESSUPS ACCOUNTANTS AND BUSINESS ADVISORS
Level 1, 19 Stanley Street
Townsville Qld 4810

COMPANY DIRECTORS

Executive Directors
Jamie McGeachie
Quinnton Cowen
Stephen Jones

Non-Executive Directors
Andrew Kemp
Joseph McShanag

SOLICITORS

NEW ERA LAWYERS
Unit 2-3, 38 Burnett Street
Mooloolaba Qld 4557