



# ANNUAL REPORT

For the year ended 30 June 2016

Investors Central Limited

ACN 143 097 385



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# Investors Central Limited

## *Chairman's Report*

Dear Investor

On behalf of the Board of Directors of Investors Central Ltd it is with pleasure that I present the Consolidated Annual Report for the financial year ending 30<sup>th</sup> June, 2016.

This Annual report is a consolidation of Investors Central Ltd and its 100% owned subsidiary Fin One Pty Ltd (Finance One).

Investors Central Ltd raises the capital for the two separate companies and as such relies upon Finance One (the automotive lending business) to generate profits for the payment of interest to Investors of Investors Central Ltd. Under the current structure Investors Central Ltd 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 49.4% to \$15.55M (2015: \$10.41M)
- . Net profit before tax up 31.0% to \$2.75M (2015: \$2.10M)
- . Net profit after tax up 30.6% to \$1.92M (2015: \$1.47M)
- . Total Equity up 49.4% to \$5.84M (2015:\$3.91M)
- . Loan book increased by 55.4% to \$57.35M (2015: \$36.91M)

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

We continue to expand our referrer network throughout Australia with our senior staff regularly visiting the existing broker network and also attracting new business. Whilst less than half of the business remains in Queensland the broker network has spread across Australia, meaning the business is not 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 1070 Finance Brokers (referrers) across Australia and is expanding daily.

### **Collections**

The success of Finance One's business is contingent on the collection of money loaned. By assessing clients with care and diligence you will find that most people have the capacity to repay. Our employees want to help clients own their own motor vehicle and establish or re-establish a positive credit rating. We achieve this by micro managing each client where necessary to 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 6% to 8% of revenue, with bad debts written off for 2016 \$973,834 (2015:\$564,541).

## **Funding**

With Finance One currently writing \$4 million a month in car 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, second August 2014, third September 2015 and we anticipate the issuing of our fourth prospectus in October 2016 enabling Investors Central Ltd to raise up to \$30 million over a thirteen month period.

## **Infrastructure**

Over the last Financial Year we have experienced continued growth and have increased our staffing levels accordingly to provide the high level of customer service which our brokers and clients deserve. Our business has expanded into a new office location offering more room for all staff and giving us the ability to keep growing the business as anticipated. Through the continued push for increased productivity we have also introduced new loan software increasing the efficiency of our workflows and our reporting capabilities so essential for the growth of this 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.

## **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 109% to 1180 (2015:563 per month). The establishment of an online application base to direct clients is an initiative of Finance One in the coming financial year. New products will be on offer and changes constantly made to attract new clientele. Investors Central and Finance One's websites have been and continue to be upgraded lifting the profile of the Company. Finance One continues to be 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/Finance One and the results are a reflection of 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 (referred to hereafter as the Parent Entity) and the entities it controlled at the end of, or during, the year ended 30 June 2016.

### **Directors and company secretary**

The following persons were directors of the Parent Entity during the whole of the financial year and up to the date of this report:

Jamie Edward McGeachie  
Jason William Ryan  
Quinnton Cowen  
Stephen Paul Jones  
Andrew Peter Kemp

### **Principal activities**

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

- (a) public capital raising to fund the continued expansion of the company's automotive lending business, Fin One Pty Ltd trading as Finance One; and
- (b) provision of motor vehicle loans by Finance One.

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

No dividends have been paid or declared during the year ended 30 June 2016 (2015: \$nil).

### **Review of operations**

The profit from ordinary activities after income tax amounted to \$1,923,604 (2015: \$1,470,879).

### **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 2016.

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

No matter or circumstance has arisen since 30 June 2016 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**

Investors Central Limited intends to issue a new Prospectus which will be lodged with ASIC to gain approval for the Company to raise up to \$30 million by offering investors the opportunity to purchase Redeemable Preference Shares under the Offer contained in the Prospectus. This will enable the Group to continue its steady growth and the expansion of the Finance One loan book.

No other information on likely developments in the operations of the consolidated entity and the expected results of operations have 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 19 years' experience in the finance industry as founder and Managing Director of Finance One & Investors Central. In addition he has a close involvement in several other family business entities which are part of the McGeachie Group and under his guidance the McGeachie Group has expanded with various business lines including personal and motor finance, residential and commercial mortgages.

##### **Special responsibilities**

Managing Director.

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

*Bachelor of Business, CPA*

##### **Experience and expertise**

Quinn has had 14 years' experience as an accountant working in both private industry and public accounting and prior to joining the McGeachie Group acted as an external accountant and business advisor to the Group.

##### **Special responsibilities**

Finance.

#### **Jason Ryan, Director and Operations Manager**

*Diploma in Financial Services*

##### **Experience and expertise**

Jason oversees our lending operations, distribution and market strategy across Finance One's business. Previously Jason held retail management positions before he joined the McGeachie Group in 2006 so he has overseen the steady development of Finance One from its beginnings.

##### **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 had over 27 years involvement in the general insurance industry in both underwriting and claims roles while in recent times he served as a Director/Company Secretary with a local public company in Townsville for over six years.

##### **Special responsibilities**

Compliance & Risk.

#### **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.

##### **Special responsibilities**

Compliance & Risk.

#### **Company secretary**

Stephen Jones has held the role of Company Secretary of Investors Central Pty Ltd 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 2016, 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	10	12	**	**
Jason William Ryan	11	12	**	**
Quinnton Cowen	12	12	2	2
Stephen Paul Jones	11	12	2	2
Andrew Peter Kemp	12	12	2	2

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 2016 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 Board assesses the appropriateness of remuneration packages, given trends in comparative companies and their relevant benchmarks. 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 has not entered into any agreements with Directors or Senior Management which include performance based components. As such there is no relationship between the Consolidated Entity's financial results, market price of its equity securities, dividends declared or paid during the financial period, or other returns to shareholders to the remuneration paid to Directors. No options were issued to Directors or senior executives during the financial year in respect of remuneration.

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

During the year there were no other Senior Executives which were 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:

Name	Short-term employee benefits		Non-monetary benefits	Post-employment benefits	Long-term benefits	Total
	Cash salary and fees	Cash bonus		Super-annuation	Annual and long service leave	
	\$	\$	\$	\$	\$	\$
Managing Director - Jamie McGeachie**†	175,394	-	7,548	-	-	182,942
Manager - Jason Ryan	159,411	-	-	15,616	2,304	177,331
Manager - Quinnton Cowen*	126,984	-	-	11,529	-	138,513
Manager - Stephen Jones	73,492	-	-	6,981	-	80,473
Non-Executive Director – Andrew Kemp†	45,430	-	-	-	-	45,430
<b>Total key management personnel compensation</b>	<b>580,711</b>	<b>-</b>	<b>7,548</b>	<b>34,126</b>	<b>2,304</b>	<b>624,689</b>

**Remuneration report (continued)**

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

2015	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	
Name	\$	\$	\$	\$	\$	\$
Managing Director - Jamie McGeachie*†	124,542	-	5,258	-	-	129,800
Manager - Jason Ryan	151,431	-	-	14,762	3,680	169,873
Manager - Quinnton Cowen*	88,307	-	-	8,272	-	96,579
Manager - Stephen Jones	59,355	-	-	3,240	-	62,595
Non-Executive Director Andrew Kemp†	29,040	-	-	-	-	29,040
<b>Total key management personnel compensation</b>	<b>452,675</b>	<b>-</b>	<b>5,258</b>	<b>26,274</b>	<b>3,680</b>	<b>487,887</b>

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

† 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

*(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	2,045,000
Manager - Jason Ryan	500,000
Manager - Quinnton Cowen	242,000
Manager - Stephen Jones	25,000
Non-Executive Director - Andrew Kemp	991,000
Total	<u>3,803,000</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 4(d).

**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 2016 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.

## **Insurance of officers and indemnities (continued)**

### *(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 7.

## **Rounding of amounts**

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Instrument 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  
07 September 2016

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 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

Dated: 7 September 2016

1/19 Stanley Street  
Townsville QLD 4810

# Investors Central Limited ABN 34 143 097 385

## Annual report - 30 June 2016

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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.

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 2, both of which are not part of these financial statements.

The financial statements were authorised for issue by the directors on 07 September 2016. The directors have the power to amend and reissue the financial statements.

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

	Notes	2016 \$	2015 \$
Interest income		<b>10,890,848</b>	7,180,910
Fee income		<b>4,634,913</b>	3,227,843
Other revenue from ordinary activities		<b>24,389</b>	3,775
<b>Revenue from continuing operations</b>	1	<b><u>15,550,150</u></b>	<u>10,412,528</u>
Employee benefits expense		<b>(1,522,138)</b>	(946,534)
Doubtful and bad debts expense		<b>(1,761,563)</b>	(1,091,248)
Management fees		<b>(643,113)</b>	(403,027)
Depreciation and amortisation expense	5(a), 5(b)	<b>(72,735)</b>	(61,701)
Advertising expenses		<b>(331,345)</b>	(458,652)
Consultancy		<b>(267,702)</b>	(190,125)
Accountancy fees		<b>(38,649)</b>	(56,140)
Finance costs	2	<b>(7,051,129)</b>	(4,609,939)
Other expenses		<b>(1,102,681)</b>	(491,975)
<b>Total Expenses</b>		<b><u>(12,791,055)</u></b>	<u>(8,309,341)</u>
<b>Profit before income tax</b>		<b>2,759,095</b>	2,103,187
Income tax expense	3	<b>(835,491)</b>	(632,308)
<b>Profit for the year</b>		<b><u>1,923,604</u></b>	<u>1,470,879</u>
<b>Other comprehensive income for the year</b>		<b>-</b>	-
<b>Total comprehensive income for the year</b>		<b><u>1,923,604</u></b>	<u>1,470,879</u>
Profit is attributable to:			
Owners of Investors Central Limited		<b>1,923,604</b>	1,470,879
Total comprehensive income for the year is attributable to:			
Owners of Investors Central Limited		<b>1,923,604</b>	1,470,879

*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

### ASSETS

#### Current assets

Cash and cash equivalents	4(a)	<b>8,525,224</b>	6,439,613
Trade and other receivables	4(b)	<b>16,806,924</b>	11,063,774
Current tax receivables		<b>33</b>	42
Other current assets		<b>36,407</b>	13,407
<b>Total current assets</b>		<b><u>25,368,588</u></b>	<u>17,516,836</u>

#### Non-current assets

Receivables	4(b)	<b>40,545,206</b>	25,849,554
Property, plant and equipment	5(a)	<b>140,526</b>	88,412
Deferred tax assets	5(c)	<b>1,588,738</b>	1,079,777
Intangible assets	5(b)	<b>170,024</b>	157,483
<b>Total non-current assets</b>		<b><u>42,444,494</u></b>	<u>27,175,226</u>

#### Total assets

**67,813,082**      44,692,062

### LIABILITIES

#### Current liabilities

Trade and other payables	4(c)	<b>1,187,212</b>	851,465
Borrowings	4(d)	<b>5,445,897</b>	10,109,999
Provisions	5(d)	<b>68,175</b>	48,825
Deferred revenue		<b>3,172,712</b>	2,374,368
<b>Total current liabilities</b>		<b><u>9,873,996</u></b>	<u>13,384,657</u>

#### Non-current liabilities

Borrowings	4(d)	<b>52,074,807</b>	27,369,033
Provisions	5(d)	<b>22,685</b>	20,382
<b>Total non-current liabilities</b>		<b><u>52,097,492</u></b>	<u>27,389,415</u>

#### Total liabilities

**61,971,488**      40,774,072

#### Net assets

**5,841,594**      3,917,990

### EQUITY

Contributed equity	6(a)	<b>2,527,367</b>	2,527,367
Reserves	6(b)	<b>(1,420,082)</b>	(1,420,082)
Retained earnings		<b>4,734,309</b>	2,810,705
<b>Total equity</b>		<b><u>5,841,594</u></b>	<u>3,917,990</u>

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

## Consolidated statement of changes in equity

	Contributed equity \$	Reserves \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2014</b>	<u>2,527,367</u>	<u>(1,420,082)</u>	<u>1,339,826</u>	<u>2,447,111</u>
Profit for the year	-	-	1,470,879	1,470,879
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>-</u>	<u>1,470,879</u>	<u>1,470,879</u>
<b>Balance at 30 June 2015</b>	<u>2,527,367</u>	<u>(1,420,082)</u>	<u>2,810,705</u>	<u>3,917,990</u>
<b>Balance at 1 July 2015</b>	<u>2,527,367</u>	<u>(1,420,082)</u>	<u>2,810,705</u>	<u>3,917,990</u>
Profit for the year	-	-	1,923,604	1,923,604
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>-</u>	<u>1,923,604</u>	<u>1,923,604</u>
<b>Balance at 30 June 2016</b>	<u>2,527,367</u>	<u>(1,420,082)</u>	<u>4,734,309</u>	<u>5,841,594</u>

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

## Consolidated statement of cash flows

	Notes	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Interest received		10,895,385	7,199,907
Interest paid		(6,283,112)	(4,291,827)
Receipts from customers		3,362,790	2,278,335
Payments to suppliers and employees		<u>(4,682,199)</u>	<u>(2,399,687)</u>
		<b>3,292,864</b>	<b>2,786,728</b>
New customer loans		<b>(34,915,899)</b>	(24,245,040)
Repayment of customer loans		<u>15,266,069</u>	<u>8,657,635</u>
		<b>(19,649,830)</b>	<b>(15,587,405)</b>
<b>Net cash (outflow) from operating activities before income tax</b>		<b>(16,356,966)</b>	<b>(12,800,677)</b>
Income tax paid		<u>(1,344,441)</u>	<u>(1,081,227)</u>
<b>Net cash (outflow) from operating activities</b>	7(a)	<b>(17,701,407)</b>	<b>(13,881,904)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	5(a)	<b>(91,940)</b>	(23,076)
Acquisition of intangible assets	5(b)	<u>(57,349)</u>	<u>(90,270)</u>
<b>Net cash (outflow) from investing activities</b>		<b>(149,289)</b>	<b>(113,346)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares and other equity securities	7(b)	<b>20,372,674</b>	16,022,030
Repayment of borrowings		<b>(395,000)</b>	(500,000)
Payment for transaction costs related to share issue		<u>(41,367)</u>	<u>(134,034)</u>
<b>Net cash inflow from financing activities</b>		<b>19,936,307</b>	<b>15,387,996</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,085,611</b>	<b>1,392,746</b>
Cash and cash equivalents at the beginning of the financial year		<u>6,439,613</u>	<u>5,046,867</u>
<b>Cash and cash equivalents at end of year</b>	4(a)	<b>8,525,224</b>	<b>6,439,613</b>

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

## Notes to the Financial Statements for the year ended 30 June 2016

### 1 Revenue

	2016 \$	2015 \$
<b>From continuing operations</b>		
<i>Interest income</i>		
Cash and cash equivalent interest income	86,405	112,248
Loans and advances to customers interest income	<u>10,804,443</u>	<u>7,068,662</u>
	<u>10,890,848</u>	<u>7,180,910</u>
Fee income	4,634,913	3,227,843
Sundry income	<u>24,389</u>	<u>3,775</u>
	<u>4,659,302</u>	<u>3,231,618</u>
<b>Total revenue from continuing operations</b>	<u>15,550,150</u>	<u>10,412,528</u>

### 2 Finance costs

	2016 \$	2015 \$
<b>Interest expense</b>		
Note holders	1,559,360	1,802,582
Preference shares	<u>5,491,769</u>	<u>2,807,357</u>
	<u>7,051,129</u>	<u>4,609,939</u>

### 3 Income tax expense

#### (a) Income tax expense

	2016 \$	2015 \$
Current tax	1,349,145	1,073,399
Adjustments for current tax of prior periods	<u>(4,693)</u>	<u>(7,711)</u>
<b>Total current tax expense</b>	<u>1,344,452</u>	<u>1,065,688</u>
<i>Deferred income tax</i>		
Decrease (increase) in deferred tax assets (note 5(c))	<u>(508,961)</u>	<u>(433,380)</u>
<b>Income tax expense</b>	<u>835,491</u>	<u>632,308</u>

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

	2016 \$	2015 \$
Profit from continuing operations before income tax expense	2,759,095	2,103,187
Tax at the Australian tax rate of 30.0% (2015 - 30.0%)	827,729	630,956
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry non-deductible expenses	12,455	9,063
Adjustments for current tax of prior periods	<u>(4,693)</u>	<u>(7,711)</u>
<b>Income tax expense</b>	<u>835,491</u>	<u>632,308</u>

## Notes to the Financial Statements for the year ended 30 June 2016 (Continued)

### (c) Franked dividends

The franked portions of the dividends recommended after 30 June 2016 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 2017.

#### Consolidated entity

2016  
\$

2015  
\$

Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2015 - 30.0%)

**4,142,628**      2,798,178

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, 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.

## 4 Financial assets and financial liabilities

### (a) Cash and cash equivalents

2016  
\$

2015  
\$

#### Current assets

Cash on hand	1,555	512
Bank balances	6,773,669	4,939,101
Deposits at call	1,750,000	1,500,000
	<b>8,525,224</b>	<b>6,439,613</b>

### (b) Trade and other receivables

	2016			2015		
	Current \$	Non- current \$	Total \$	Current \$	Non- current \$	Total \$
Loans receivable	17,373,54	41,938,519	59,312,067	11,418,280	26,677,828	38,096,108
Provision for impairment	(577,197)	(1,393,313)	(1,970,510)	(354,506)	(828,274)	(1,182,780)
	<b>16,796,351</b>	<b>40,545,206</b>	<b>57,341,557</b>	11,063,774	25,849,554	36,913,328
Other receivables	10,573	-	10,573	-	-	-
Loans receivable	<b>16,806,924</b>	<b>40,545,206</b>	<b>57,352,130</b>	11,063,774	25,849,554	36,913,328

2016  
\$

2015  
\$

#### Contractual maturity analysis

Receivables at call	-	-
Not longer than 3 months	4,198,399	2,764,821
Longer than 3 months and not longer than 1 year	13,175,149	8,653,460
Longer than 1 year but not longer than 5 years	41,719,667	26,629,556
Longer than 5 years	218,852	48,271
	<b>59,312,067</b>	<b>38,096,108</b>

## Notes to the Financial Statements for the year ended 30 June 2016 (Continued)

### (b) Trade and other receivables (cont.)

#### (i) Impairment of loans and advances

	2016 \$	2015 \$
<b>Provision for impairment</b>		
At 1 July	1,182,780	656,074
Provision for impairment recognised during the year	<u>787,730</u>	<u>526,706</u>
Balance at 30 June	<u>1,970,510</u>	<u>1,182,780</u>

Bad debts written off are recognised directly in profit or loss. Bad debts written off were \$973,834 (2015: \$564,541).

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

	2016		2015	
	Carrying value \$	Past due \$	Carrying value \$	Past due \$
30 to 90 days	4,115,146	352,213	2,319,000	205,976
90 to 180 days	1,770,009	370,051	1,202,086	262,809
> 180 days	1,225,936	608,565	773,196	419,599
	<u>7,111,091</u>	<u>1,330,829</u>	<u>4,294,282</u>	<u>888,384</u>

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

	2016 \$	2015 \$
Secured by mortgage over motor vehicle	<u>59,312,067</u>	<u>38,096,108</u>
Value of collateral held at fair value	<u>41,217,011</u>	<u>26,500,417</u>

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

	2016 \$	2015 \$
<b>Current liabilities</b>		
Trade payables	738,356	543,974
BAS payable	317,532	307,491
Other payables	131,324	-
	<u>1,187,212</u>	<u>851,465</u>

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

## Notes to the Financial Statements for the year ended 30 June 2016 (Continued)

### (d) Borrowings

	2016			2015		
	Current \$	Non- current \$	Total \$	Current \$	Non- current \$	Total \$
<b>Unsecured</b>						
Redeemable preference shares	5,445,897	52,276,797	57,722,694	1,429,999	26,879,030	28,309,029
Interest bearing notes	-	-	-	8,680,000	755,991	9,435,991
Costs related to share issue	-	(201,990)	(201,990)	-	(265,988)	(265,988)
<b>Total unsecured borrowings</b>	<b>5,445,897</b>	<b>52,074,807</b>	<b>57,520,704</b>	<b>10,109,999</b>	<b>27,369,033</b>	<b>37,479,032</b>

#### (i) Contractual maturity analysis

Contractual maturities of financial liabilities	Not longer than 1 years \$	Between 1 & 2 years \$	Between 2 & 3 years \$	Between 3 & 4 years \$	Between 4 & 5 years \$	Total contractual cash flows \$	Carrying Amount \$
<b>At 30 June 2016</b>							
<b>Non-derivatives</b>							
Redeemable preference shares	5,802,567	7,894,523	14,711,090	21,737,363	36,603,292	86,748,835	57,722,694
<b>At 30 June 2015</b>							
<b>Non-derivatives</b>							
Interest bearing notes	10,203,584	767,176	-	-	-	10,970,760	9,435,991
Redeemable preference shares	5,269,179	7,129,301	10,987,516	8,301,198	9,508,344	41,195,538	28,309,029
	15,472,763	7,896,477	10,987,516	8,301,198	9,508,344	52,166,298	37,745,020

#### (ii) Interest bearing notes

Unsecured notes were issued with fixed terms of 36 months and interest paid between 16-18% p.a., dependent on the amount of the note. As at 30 June 2016, all unsecured notes have been redeemed and there are no longer any unsecured notes on issue.

#### (iii) Redeemable preference shares

Redeemable preference shares have been issued with fixed terms of 12 - 60 months and interest paid between 9 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:

- 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;
- On a resolution to approve the terms of a buy-back agreement;
- During a period in which money owing on preference shares is in arrears; or
- During the winding up of the company.

**5 Non-financial assets and liabilities**

**(a) Property, plant and equipment**

	<b>Plant and equipment \$</b>
<b>Year ended 30 June 2015</b>	
Opening net book amount	82,228
Additions	23,076
Depreciation charge	<u>(16,892)</u>
Closing net book amount	<u>88,412</u>
<b>At 30 June 2015</b>	
Cost	122,770
Accumulated depreciation	<u>(34,358)</u>
Net book amount	<u>88,412</u>
<b>Year ended 30 June 2016</b>	
Opening net book amount	88,412
Additions	91,940
Disposals	(11,899)
Depreciation charge	<u>(27,927)</u>
Closing net book amount	<u>140,526</u>
<b>At 30 June 2016</b>	
Cost	194,410
Accumulated depreciation	<u>(53,884)</u>
Net book amount	<u>140,526</u>

**(b) Intangible assets**

	<b>Software \$</b>
<b>Year ended 30 June 2015</b>	
Opening net book amount	112,022
Additions	90,270
Amortisation charge	<u>(44,809)</u>
Closing net book amount	<u>157,483</u>
<b>At 30 June 2015</b>	
Cost	202,292
Accumulation amortisation	<u>(44,809)</u>
Net book amount	<u>157,483</u>

## Notes to the Financial Statements for the year ended 30 June 2016 (Continued)

### (b) Intangible assets

#### Year ended 30 June 2016

Opening net book amount	157,483
Additions	57,349
Amortisation charge	<u>(44,808)</u>
Closing net book amount	<u>170,024</u>

#### At 30 June 2016

Cost	259,641
Accumulated amortisation	<u>(89,617)</u>
Net book amount	<u>170,024</u>

### (c) Deferred tax balances

	2016	2015
	\$	\$
<b>The balance comprises temporary differences attributable to:</b>		
Plant and equipment	<b>(8,434)</b>	(8,129)
Employee benefits	<b>54,205</b>	20,762
Deferred revenue	<b>951,814</b>	712,310
Impairment provision	<b>591,153</b>	354,834
	<b><u>1,588,738</u></b>	<u>1,079,777</u>
<b>Movements:</b>		
Opening balance	<b>1,079,777</b>	646,397
Credited to profit or loss (note 3)	<b>508,961</b>	433,380
Closing balance	<b><u>1,588,738</u></b>	<u>1,079,777</u>

### (d) Provisions

	2016			2015		
	Current	Non-current	Total	Current	Non-current	Total
	\$	\$	\$	\$	\$	\$
Employee benefits	<b>68,175</b>	<b>22,685</b>	<b>90,860</b>	48,825	20,382	69,207

#### (i) Defined contribution superannuation funds

The consolidated entity makes contributions to defined contribution superannuation funds. The amount recognised as an expense was \$137,601 for the year ended 30 June 2016 (2015: \$87,345).

## 6 Equity

### (a) Contributed equity

#### (i) Ordinary shares

	2016	2015	2016	2015
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<b><u>2,527,367</u></b>	2,527,367	<b><u>2,527,367</u></b>	2,527,367

#### (ii) Ordinary shares

There was no movement in fully paid ordinary shares for the year ended 30 June 2015 or 30 June 2016.

## Notes to the Financial Statements for the year ended 30 June 2016 (Continued)

### (a) Contributed equity

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.

#### (ii) 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.

### (b) Reserves

	2016	2015
	\$	\$
Business under common control reserve	<u>(1,420,082)</u>	<u>(1,420,082)</u>

#### (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.

## Notes to the Financial Statements for the year ended 30 June 2016 (Continued)

### 7 Cash flow information

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

	2016	2015
	\$	\$
Profit for the year	1,923,604	1,470,879
Depreciation and amortisation	72,735	61,701
Interest expense	105,366	104,565
Net (gain) loss on sale of non-current assets	11,899	-
Change in operating assets and liabilities:		
Increase in loans and advances	(51,603,243)	(35,475,792)
Customer loan repayments	29,413,450	18,019,854
Bad and doubtful debts allowance	1,761,563	1,091,247
Increase in prepayments and other assets	(33,574)	(4,585)
Increase in deferred tax asset	(508,961)	(433,380)
Decrease in income taxes receivable	9	(15,539)
Increase in other payables	1,134,091	1,295,216
Increase in employee benefits	21,654	3,930
Net cash inflow (outflow) from operating activities	<u>(17,701,407)</u>	<u>(13,881,904)</u>

#### (b) Non-cash financing activities

During the year \$9,435,991 (2015:\$750,000) of unsecured notes were redeemed and rolled over into redeemable preference shares. These transactions did not involve physical cash outflows/inflows and as such are not included in the consolidated statement of cash flows.

### 8 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 there were no other key management personnel during the year or prior year:

	2016	2015
	\$	\$
Short-term employee benefits	588,259	457,933
Post-employment benefits	34,126	26,274
Long-term benefits	2,304	3,680
	<u>624,689</u>	<u>487,887</u>

## Notes to the Financial Statements for the year ended 30 June 2016 (Continued)

<b>(c) Transactions with other related parties</b>	<b>2016</b>	<b>2015</b>
The following transactions occurred with related parties:	\$	\$
Interest received from Fin One Pty Ltd	<b>6,945,447</b>	4,505,374
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.	<b>484,490</b>	403,027
Huntington Group Pty Limited, a company associated with Andrew Kemp a director of the company, provided corporate services in respect to capital raising (Incl. GST). *	-	46,750

\*this is in addition to directors' remuneration paid to non-executive director Andrew Kemp of Huntington Group Pty Limited.

### 9 Contingent liabilities

The Group had no contingent liabilities at 30 June 2016 (2015: nil).

### 10 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.

### 11 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:

	<b>2016</b>	<b>2015</b>
	\$	\$
<i>Audit and other assurance services</i>		
Audit of financial statements	<b>25,025</b>	28,105
Total remuneration for audit and other assurance services	<b>25,025</b>	28,105

## Notes to the Financial Statements for the year ended 30 June 2016 (Continued)

### 12 Parent entity financial information

#### (a) Summary financial information

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

	2016	2015
	\$	\$
<b>Balance sheet</b>		
Current assets	58,469,081	38,110,163
Non-current assets	<u>2,527,365</u>	<u>2,527,365</u>
Total assets	<u>60,996,446</u>	<u>40,637,528</u>
Current liabilities	6,126,068	10,439,005
Non-current liabilities	<u>52,330,143</u>	<u>27,688,368</u>
Total liabilities	<u>58,456,211</u>	<u>38,127,373</u>
Net assets	<u>2,540,235</u>	2,510,155
<i>Shareholders' equity</i>		
Contributed equity	2,527,367	2,527,367
Retained earnings (accumulated losses)	<u>12,868</u>	<u>(17,212)</u>
	<u>2,540,235</u>	2,510,155
<b>Profit for the year</b>	<u>30,080</u>	25,701
<b>Total comprehensive income</b>	<u>30,080</u>	25,701

### 13 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:

	2016 \$	2015 \$
<i>Variable rate instruments</i>		
Cash and cash equivalents	8,525,224	6,439,613
<i>Fixed rate instruments</i>		
Loans and advances to customers	57,341,557	36,913,328
Borrowings	(57,540,741)	(37,479,032)

An official increase/decrease in interest rates on variable rate instruments of 100 (2015:100) basis points would have a favourable/adverse effect on profit before tax of \$85,252 (2015: \$64,396) 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 \$50,000 with interest rates to 29% 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.

## Notes to the Financial Statements for the year ended 30 June 2016 (Continued)

### (b) Credit risk (cont.)

The lending policy consists of the following steps:

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

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

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

<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 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.
<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 14 for a detailed explanation.

A summary of past due but not impaired loans is set out in note 4.

The geographical concentration of credit risk is as follows:

<b>State</b>	<b>% of Loans and Advances</b>
Queensland	44.12
New South Wales	20.88
Australian Capital Territory	1.01
Tasmania	1.58
Victoria	20.41
South Australia	5.70
Western Australia	5.62
Northern Territory	0.68

## Notes to the Financial Statements for the year ended 30 June 2016 (Continued)

### (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 4(d).

### (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.

## 14 Summary of significant accounting policies

### (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 2015:

- AASB 2013-3 *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2014-1 *Amendments to Australian Accounting Standards*

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.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods 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.

#### AASB 9 Financial Instruments and its Consequential Amendments

- AASB 9 aims to replace AASB 139 Financial Instruments: Recognition and Measurement in its entirety. The AASB has issued the complete AASB 9. The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. The standard will become effective for annual periods beginning 1 July 2018.

#### AASB 15 Revenue from Contracts with Customers

- AASB 15 aims to replace AASB 111 Construction Contracts, AASB 118 Revenue, AASB 1004 Contributions. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The standard will become effective for annual periods beginning 1 July 2017.

#### IFRS 16 Leases

- IFRS 16 specifies how to recognise, measure, present and disclose leases. The updated standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases. However, if the term is 12 months or less or the underlying asset has a low value, lessors can continue to classify leases as operating or finance. IFRS 16's approach to lessor accounting remains substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019. Expected date of adoption by the Group: 1 July 2019

Management have yet to assess the impact that these amendment are likely to have on the financial statements.

### (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.

## Notes to the Financial Statements for the year ended 30 June 2016 (Continued)

### **(b) Critical accounting estimates** (cont.)

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 4(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 2016 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 asset transferred. 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.

## Notes to the Financial Statements for the year ended 30 June 2016 (Continued)

### (f) Revenue recognition (cont.)

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.

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.

### (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.

## Notes to the Financial Statements for the year ended 30 June 2016 (Continued)

### (j) Financial assets and liabilities (cont.)

#### *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:

##### *(iii) 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.

##### *(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.

## Notes to the Financial Statements for the year ended 30 June 2016 (Continued)

### **(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.

## Notes to the Financial Statements for the year ended 30 June 2016 (Continued)

### (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 period 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 period 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 period of government 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 consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

#### (iii) 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.

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) 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.

## Notes to the Financial Statements for the year ended 30 June 2016 (Continued)

### **(q) Goods and Services Tax (GST)** (cont.)

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.

### **(r) Rounding of amounts**

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest dollar.

### **(s) 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 8 to 32 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 2016 and of its performance for the 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.

Note 14(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Jamie Edward McGeachie  
Director



Quinnton Cowen  
Director

Townsville  
07 September 2016

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF  
INVESTORS CENTRAL LIMITED AND CONTROLLED ENTITY**

**Report on the Financial Report**

I have audited the accompanying financial report of Investors Central Limited and controlled entity (the consolidated entity), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end.

**Directors' Responsibility for the Financial Report**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

**Independence**

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

**Auditor's Opinion**

In my opinion the financial report of Investors Central Limited and the controlled entity is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including Australian Accounting Interpretations), International Financial Reporting Standards and the Corporations Regulations 2001.

Dated:

*7 September 2016*

1/19 Stanley Street  
TOWNSVILLE QLD 4810

  
R. Dunstan  
(Registered Company Auditor)  
RCA No.: 6834