



# HALF YEAR REPORT

FY 2015

Report period: 1<sup>st</sup> July 2014 – 31<sup>st</sup> Dec 2014

Investors Central Limited

ACN 143 097 385



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## Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'group') consisting of Investors Central Limited (referred to hereafter as the 'company') and the entities it controlled for the half-year ended 31 December 2014.

### Directors

The following persons were directors of Investors Central Limited up to the date of this report, unless otherwise stated:

#### Director

Jamie Edward McGeachie  
Jason William Ryan  
Quinnton Cowen  
Stephen Paul Jones

#### Non-Executive Director

Andrew Kemp

### Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- Public capital raising to fund the continued expansion of our automotive lending business, Fin One Pty Ltd trading as Finance One.
- Provision of motor vehicle loans by Finance One.

### Review of operations

The profit for the consolidated entity for the period ended 31 December 2014 after providing for income tax amounted to \$757,718 (HYE2013: \$604,574)

### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the half-year to 31 December 2014.

### Matters subsequent to the end of the financial year

Subsequent to 31 December 2014, Investors Central Limited issued 1,680,000 redeemable preference shares for \$1,680,000. One million six hundred and eighty thousand dollars was received prior to 31 December 2014 and is included in the redeemable preference shares balance in Note 4. There were no other significant matters subsequent to the end of the half-year to 31 December 2014.

### Likely developments and expected results of operations

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

### Auditor's independence declaration

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

### Auditor

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3) (a) of the Corporations Act 2001.

On behalf of the directors

  
Jamie McGeachie  
Director

  
Quinnton Cowen  
Director

5 February 2015  
Townsville



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

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2014 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

A handwritten signature in black ink, appearing to read "Ian Jessup".

Ian Jessup

Partner

Dated:

5/2/15

1/19 Stanley Street

Townsville QLD 4810

**Consolidated Statement of Profit or Loss  
and Other Comprehensive Income  
for the half-year ended 31 December 2014**

	Note	Consolidated Entity	
		Half-Year	
		2014	2013
		\$	\$
Interest income	2	3,181,133	2,113,039
Interest expense	2	(1,987,277)	(1,254,242)
Net interest income		1,193,856	858,797
Fee income		1,551,948	845,273
Sundry income		3,165	2,767
		<u>2,748,969</u>	<u>1,706,837</u>
Employee benefits expense		(481,651)	(328,472)
Depreciation and amortisation expense		(30,010)	(4,243)
Doubtful and bad debts expense		(356,539)	(111,596)
Accountancy fees		(32,380)	(37,183)
Advertising expenses		(232,406)	(81,969)
Management fees		(198,466)	(95,801)
Consultancy fees		(72,326)	(33,349)
Other expenses		(256,191)	(147,363)
<b>Profit / (Loss) before income tax</b>		<u>1,089,000</u>	<u>866,861</u>
Income tax benefit/(expense)		(331,282)	(262,287)
<b>Profit / (Loss) for the year</b>		<u>757,718</u>	<u>604,574</u>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<u><u>757,718</u></u>	<u><u>604,574</u></u>

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

*Consolidated Statement of Changes in Equity  
for the half-year ended 31 December 2014*

	Issued Share Capital \$	Retained Earnings \$	Business Combination under Common Control \$	Total \$
<b>Consolidated Entity</b>				
<b>Balance at 1 July 2013</b>	2,527,367	109,552	(1,420,082)	1,216,837
<i>Total comprehensive income for the year</i>				
Profit for the year	-	604,574	-	604,574
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	604,574	-	604,574
<b>Balance at 31 December 2013</b>	<u>2,527,367</u>	<u>714,126</u>	<u>(1,420,082)</u>	<u>1,821,411</u>
<b>Balance at 1 July 2014</b>	2,527,367	1,339,826	(1,420,082)	2,447,111
<i>Total comprehensive income for the year</i>				
Profit for the year	-	757,718	-	757,718
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	757,718	-	757,718
<b>Balance at 31 December 2014</b>	<u>2,527,367</u>	<u>2,097,544</u>	<u>(1,420,082)</u>	<u>3,204,829</u>

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

**Consolidated Statement of Financial Position  
as at 31 December 2014**

		<b>Consolidated Entity</b>	
		<b>31 December</b>	<b>30 June</b>
		<b>2014</b>	<b>2014</b>
<b>Note</b>		<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
	Cash and cash equivalents	5,939,872	5,046,867
3	Loans and advances (net)	28,930,639	20,548,636
	Plant and equipment	84,703	82,228
	Intangible assets	111,752	112,022
	Deferred tax assets	833,987	646,397
	Other	6,210	8,822
	<b>Total assets</b>	<b>35, 907,163</b>	<b>26, 444,972</b>
<b>LIABILITIES</b>			
	Payables	2,539,028	1,979,442
4	Borrowings	30,128,632	21,986,471
	Income tax payable	15,497	15,497
	Employee benefits	19,177	16,451
	<b>Total liabilities</b>	<b>32,702,334</b>	<b>23,997,861</b>
	<b>Net assets</b>	<b>3,204,829</b>	<b>2,447,111</b>
<b>EQUITY</b>			
	Issued share capital	2,527,367	2,527,367
	Reserves	(1,420,082)	(1,420,082)
	Retained earnings	2,097,544	1,339,826
	<b>Total equity</b>	<b>3,204,829</b>	<b>2,447,111</b>

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

**Consolidated Statement of Cash Flow**  
**for the half-year ended 31 December 2014**

	Consolidated Entity	
	Half-Year	
	2014	2013
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	3,201,266	2,113,039
Interest paid	(1,867,478)	(1,254,242)
Fees and other income received	1,162,683	837,508
Payments to suppliers and employees	(1,180,157)	(911,941)
	<u>1,316,314</u>	<u>784,364</u>
<i>(Increase)/decrease in operating assets:</i>		
Net (increase)/decrease in customer loans advanced	(8,035,351)	(3,094,029)
Net cash from operating activities before income tax	(6,719,037)	(2,309,665)
Income tax paid	(458,959)	(137,063)
<b>Net cash from operating activities</b>	<u>(7,177,996)</u>	<u>(2,446,728)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	(10,081)	(16,947)
Acquisition of intangible assets	(22,134)	(50,874)
<b>Net cash (used in) investing activities</b>	<u>(32,215)</u>	<u>(67,821)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of preference shares	8,714,499	-
Payment for transaction costs related to share issue	(111,283)	-
Net increase/(decrease) in payables to note holders	(500,000)	4,065,000
<b>Net cash from financing activities</b>	<u>8,103,216</u>	<u>4,065,000</u>
Net increase in cash and cash equivalents	893,005	1,550,451
Cash and cash equivalents at 1 July	5,046,867	2,465,404
<b>Cash and cash equivalents at 31 December</b>	<u>5,939,872</u>	<u>4,015,855</u>

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



***Notes to the Financial Statements***  
***for the half-year ended 31 December 2014***

**1 BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS**

These general purpose financial statements for the half-year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the Corporations Act 2001.

The historical cost basis has been used.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2014 of Investors Central Limited.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements.

**(a) Segment reporting**

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

*Notes to the Financial Statements*  
*for the half-year ended 31 December 2014*

**2 NET INTEREST INCOME**

	<b>Consolidated Entity</b>	
	<b>Half-Year</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Interest income</i>		
Cash and cash equivalents	56,730	31,216
Loans and advances to customers	3,124,403	2,081,823
	<u>3,181,133</u>	<u>2,113,039</u>
<i>Interest expense</i>		
Note holders	(940,588)	(1,160,022)
Preference shares	(1,046,689)	(94,220)
<b>Net interest income</b>	<u>1,193,856</u>	<u>858,797</u>

	<b>Consolidated Entity</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2014</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>3 LOANS AND ADVANCES</b>		
<i>Current</i>		
Loans receivable	9,017,047	6,650,741
<i>Non-Current</i>		
Loans Receivable	20,729,617	14,553,969
Gross loans and advances	29,746,664	21,204,710
Provision for impairment	(816,025)	(656,074)
<b>Net loans and advances</b>	<u>28,930,639</u>	<u>20,548,636</u>
<i>Contractual maturity analysis</i>		
Not longer than 3 months	2,105,275	1,596,098
Longer than 3 months and not longer than 1 year	6,911,772	5,054,643
Longer than 1 year and not longer than 5 years	20,601,839	14,238,047
Longer than 5 years	127,778	315,922
	<u>29,746,664</u>	<u>21,204,710</u>

Notes to the Financial Statements  
for the half-year ended 31 December 2014

		Consolidated Entity	
		31 December 2014	30 June 2014
		\$	\$
<b>3</b>	<b>LOANS AND ADVANCES (CONTINUED)</b>		
(a)	Impairment of loans and advances		
	Provision for impairment		
	Opening Balance	656,074	503,057
	Increase of impairment	159,951	153,017
	Closing Balance	<u>816,025</u>	<u>656,074</u>
	Bad Debts written off are recognised directly in profit or loss. Bad debts written off for the half year ended 31 December 2014 were \$196,588 (HYE 2013: \$54, 279).		

(b) Past due but not impaired loans

	31 December 2014 Carrying value \$	31 December 2014 Past due \$	30 June 2014 Carrying Value \$	30 June 2014 Past due \$
< 90 days	4,192,384	229,647	3,832,235	197,038
90 to 180 days	1,098,129	225,347	694,259	164,003
>180 days	560,334	300,700	456,067	231,148
	<u>5,850,847</u>	<u>755,694</u>	<u>4,982,561</u>	<u>592,189</u>

(c) Credit quality - security held against loans

	Consolidated Entity	
	31 December 2014 \$	30 June 2014 \$
<b>Loans</b>		
Secured by mortgage over motor vehicle	<u>29,746,664</u>	<u>21,204,710</u>
	<u>29,746,664</u>	<u>21,204,710</u>
Value of collateral held at fair value	21,197,605	15,448,529

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 to the 30 June 2013. From the 1<sup>st</sup> of July 2013 the reduction rate of collateral held was increased to 32.5%.

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

**Notes to the Financial Statements**  
**for the half-year ended 31 December 2014**

		Consolidated Entity	
		31 December 2014	30 June 2014
		\$	\$
<b>4</b>	<b>BORROWINGS</b>		
	<i>Current</i>		
	Interest bearing notes - unsecured	500,000	1,000,000
	Redeemable preference shares	844,999	250,000
		1,344,999	1,250,000
	<i>Non-Current</i>		
	Interest bearing notes - unsecured	9,685,991	9,685,991
	Redeemable preference shares	19,406,499	11,286,999
	Less costs related to share issue	(308,857)	(236,519)
		28,783,633	20,736,471
		30,128,632	21,986,471
	 <i>Contractual maturity analysis- unsecured interest bearing notes</i>		
	Not longer than 1 year	2,245,295	2,815,592
	Longer than 1 year and not longer than 2 years	10,387,651	10,490,407
	Longer than 2 years and not longer than 3 years	-	767,176
		12,632,946	14,073,175
	 <i>Contractual maturity analysis- redeemable preference shares</i>		
	Not longer than 1 year	3,677,417	1,830,020
	Longer than 1 year and not longer than 2 years	4,016,710	2,183,243
	Longer than 2 years and not longer than 3 years	7,771,367	4,822,232
	Longer than 3 years and not longer than 4 years	5,316,260	3,343,512
	Longer than 4 years and not longer than 5 years	9,841,899	4,884,854
		30,623,653	17,063,861

**Unsecured Notes**

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

**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:

- 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.

*Notes to the Financial Statements*  
*for the half-year ended 31 December 2014*

**5 CONTINGENT LIABILITIES**

There have been no changes in contingent liabilities or contingent assets since the previous annual reporting period, 30 June 2014.

**6 FAIR VALUES OF FINANCIAL INSTRUMENTS**

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.

**7 SUBSEQUENT EVENTS**

Subsequent to 31 December 2014, Investors Central Limited issued 1,680,000 redeemable preference shares for \$1,680,000. One million six hundred and eighty thousand dollars was received prior to 31 December 2014 and is included in the redeemable preference shares balance in Note 4. There were no other significant matters subsequent to the end of the half-year to 31 December 2014.

**8 COMPANY DETAILS**

The registered office of the company is 73 - 81 Lannercost Street, Ingham QLD 4850.


***Directors' Declaration***

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

- (a) the financial statements and notes, set out on pages 3 to11, are in accordance with the Corporations Act 2001 and:
  - (i) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
  - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date.
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

  
Jamie McGeachie  
Director

  
Quinton Cowen  
Director

Townsville  
5 February 2015



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

### Report on the Financial Report

I have audited the accompanying financial report of Investors Central Limited (the company) and Investors Central Limited and Fin One Pty Ltd (the consolidated entity), which comprises the statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half 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 half year's end.

### Directors' Responsibility for the Financial Report

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

### Auditor's Responsibility

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

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

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

### Independence

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



**Auditor's Opinion**

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

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2014 and of its performance for the half 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: 5/2/15

1/19 Stanley Street  
TOWNSVILLE QLD 4810

A handwritten signature in black ink, appearing to read "I. Jessup".

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I. Jessup  
(Registered Company Auditor)  
RCA No.: 5985