



# HALF YEAR REPORT

FY 2014

Report period: 1st July 2013 - 31st Dec 2013

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' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2013.

**Directors**

The following persons were directors of Investors Central Limited from 18<sup>th</sup> December 2012 when it transitioned from a proprietary limited company to a public company and up to the date of this report, unless otherwise stated:

Jamie Edward McGeachie

Jason William Ryan

Quinnton Cowen

Stephen Paul Jones

**Principal activities**

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

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

**Review of Operations**

The profit for the consolidated entity after providing for income tax amounted to (Dec 2013: \$604,574) (Dec 2012: -\$77)

**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 2013.

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

Matters subsequent to 31 December 2013, Investors Central Limited has issued 975,000 redeemable preference shares for \$975,000. \$625,000 was received prior to 31 December 2013 and is included in the redeemable preference shares balance in Note 4. The remainder of \$350,000 represents unsecured interest bearing notes which were rolled over to redeemable preference shares on 1 January 2014. There were no other significant matters subsequent to the end of the half-year to 31 December 2013.

**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

21 February 2014  
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 2013 there have been no contraventions of:

- i. The auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

Jessups



Ian Jessup

Partner

Dated: *21st February 2014*

1/19 Stanley Street

Townsville QLD 4810

*Consolidated Statement of Profit or Loss  
and Other Comprehensive Income  
for the half- year ended 31 December  
2013*

	Note	Consolidated Entity		Parent Entity	
		Half-Year		Half-Year	
		2013	2012	2013	2012
		\$	\$	\$	\$
Interest income	2	2,113,039	541,077	1,254,581	541,077
Interest expense	2	(1,254,242)	(540,932)	(1,254,242)	(540,932)
Net interest income		858,797	145	339	145
Fee income		845,273	7,151	-	7,151
Sundry income		2,767	-	81,118	-
		<u>1,706,837</u>	<u>7,296</u>	<u>81,457</u>	<u>7,296</u>
Employee benefits expense		(328,472)	-	-	-
Depreciation expense		(4,243)	-	-	-
Doubtful and bad debts expense		(111,596)	(7,151)	-	(7,151)
Accountancy fees		(37,183)	-	(29,800)	-
Advertising expenses		(81,969)	-	(3,960)	-
Management fees		(95,801)	-	-	-
Consultancy fees		(33,349)	-	(45,173)	-
Other expenses		(147,363)	(222)	(2,421)	(222)
<b>Profit / (Loss) before income tax</b>		<u>866,861</u>	<u>(77)</u>	<u>103</u>	<u>(77)</u>
Income tax benefit/(expense)		(262,287)	-	(82)	-
<b>Profit / (Loss) for the year</b>		<u>604,574</u>	<u>(77)</u>	<u>21</u>	<u>(77)</u>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income</b>		<u>604,574</u>	<u>(77)</u>	<u>21</u>	<u>(77)</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 2013*

	Issued Share Capital \$	Retained Earnings \$	Business Combination under Common Control \$	Total \$
<b>Consolidated Entity</b>				
Balance at 1 July 2012	2	1,739	-	1,741
<i>Total comprehensive income for the year</i>				
Profit for the year	-	(77)	-	(77)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	(77)	-	(77)
<b>Balance at 31 December 2012</b>	<b>2</b>	<b>1,662</b>	<b>-</b>	<b>1,664</b>
<b>Balance at 1 July 2013</b>	<b>2,527,367</b>	<b>109,552</b>	<b>(1,420,082)</b>	<b>1,216,837</b>
<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>	<b>2,527,367</b>	<b>714,126</b>	<b>(1,420,082)</b>	<b>1,821,411</b>
<b>Parent Entity</b>				
Balance at 1 July 2012	2	1,739	-	1,741
<i>Total comprehensive income for the year</i>				
Profit for the year	-	(77)	-	(77)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	(77)	-	(77)
<b>Balance at 31 December 2012</b>	<b>2</b>	<b>1,662</b>	<b>-</b>	<b>1,664</b>
<b>Balance at 1 July 2013</b>	<b>2,527,367</b>	<b>1,547</b>	<b>-</b>	<b>2,528,914</b>
<i>Total comprehensive income for the year</i>				
Profit for the year	-	21	-	21
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	21	-	21
<b>Balance at 31 December 2013</b>	<b>2,527,367</b>	<b>1,568</b>	<b>-</b>	<b>2,528,935</b>

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

*Consolidated Statement of Financial  
Position  
for the half-year ended 31 December  
2013*

	Note	Consolidated Entity		Parent Entity	
		31 December 2013	30 June 2013	31 December 2013	30 June 2013
		\$	\$	\$	\$
<b>ASSETS</b>					
Cash and cash equivalents		4,015,855	2,465,403	46,075	355
Loans and advances (net)	3	16,075,534	13,093,101	17,617,229	13,542,805
Income tax assets		-	-	800	82
Plant and equipment		52,743	40,039	-	-
Intangible assets		104,730	54,007	82	164
Other financial assets		-	-	2,527,365	2,527,365
Deferred tax assets		561,948	545,329	-	-
Other		233,328	230,935	74	134
<b>Total assets</b>		<b>21,044,138</b>	<b>16,428,814</b>	<b>20,191,625</b>	<b>16,070,905</b>
<b>LIABILITIES</b>					
Payables		1,455,867	1,653,083	55,699	-
Borrowings	4	17,606,991	13,541,991	17,606,991	13,541,991
Income tax payable		145,636	3,793	-	-
Employee benefits		14,233	13,110	-	-
<b>Total liabilities</b>		<b>19,222,727</b>	<b>15,211,977</b>	<b>17,662,690</b>	<b>13,541,991</b>
<b>Net assets</b>		<b>1,821,411</b>	<b>1,216,837</b>	<b>2,528,935</b>	<b>2,528,914</b>
<b>EQUITY</b>					
Issued share capital		2,527,367	2,527,367	2,527,367	2,527,367
Reserves		(1,420,082)	(1,420,082)	-	-
Retained earnings		714,126	109,552	1,568	1,547
<b>Total equity</b>		<b>1,821,411</b>	<b>1,216,837</b>	<b>2,528,935</b>	<b>2,528,914</b>

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

**Consolidated Statement of Cash Flows**  
**for the half-year ended 31 December 2013**

	Consolidated Entity		Parent Entity	
	Half-Year		Half-Year	
	2013	2012	2013	2012
Note	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Interest received	2,113,039	541,077	1,254,581	541,077
Interest paid	(1,254,242)	(541,974)	(1,254,242)	(541,974)
Fees and other income received	837,508	8,134	81,118	8,134
Payments to suppliers and employees	(911,941)	(7,291)	(25,513)	(7,291)
<i>(Increase)/decrease in operating assets:</i>	784,364	(54)	55,944	(54)
Net (increase)/decrease in customer loans advanced	(3,094,029)	-	-	-
Net cash from operating activities before income tax	(2,309,665)	(54)	55,944	(54)
Income tax paid	(137,063)	730	(800)	730
<b>Net cash from operating activities</b>	<b>(2,446,728)</b>	<b>676</b>	<b>55,144</b>	<b>676</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Net (increase)/decrease in receivables due from related parties	-	(3,202,499)	(4,074,424)	(3,202,499)
Acquisition of plant and equipment	(16,947)	-	-	-
Acquisition of intangible assets	(50,874)	-	-	-
<b>Net cash (used in) investing activities</b>	<b>(67,821)</b>	<b>(3,202,499)</b>	<b>(4,074,424)</b>	<b>(3,202,499)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net increase/(decrease) in payables to note holders	4,065,000	3,201,350	4,065,000	3,201,350
<b>Net cash from financing activities</b>	<b>4,065,000</b>	<b>3,201,350</b>	<b>4,065,000</b>	<b>3,201,350</b>
Net increase in cash and cash equivalents	1,550,451	(473)	45,720	(473)
Cash and cash equivalents at 1 July	2,465,404	1,280	355	1,280
<b>Cash and cash equivalents at 31 December</b>	<b>4,015,855</b>	<b>807</b>	<b>46,075</b>	<b>807</b>

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

*Notes to the Financial Statements*  
*for the half-year ended 31 December 2013*

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

These general purpose financial statements for the half-year reporting period ended 31 December 2013 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 2013 of Investors Central Limited.

On 20 May 2013 the group acquired 100% of the share capital of Fin One Pty Ltd. This acquisition was recognised as a business combination under common control. It has been accounted for by the group prospectively from the date of obtaining the ownership interest

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, except for the application of the following standards as of 1 January 2013:

**AASB 10 Consolidated Financial Statements**

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements and Interpretation 112 Consolidation - Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these 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 2013*

**2 NET INTEREST INCOME**

	Consolidated Entity		Parent Entity	
	Half-Year		Half-Year	
	2013	2012	2013	2012
	\$	\$	\$	\$
<i>Interest income</i>				
Cash and cash equivalents	31,216	145	339	145
Loans and advances to customers	2,081,823		-	
Finance One Pty Ltd (pre-acquisition)	-	540,932	1,254,242	540,932
Other	-	-	-	-
	<u>2,113,039</u>	<u>541,077</u>	<u>1,254,581</u>	<u>541,077</u>
<i>Interest expense</i>				
Note holders	(1,254,242)	(540,932)	(1,254,242)	(540,932)
<i>Net interest income</i>	<u>858,797</u>	<u>145</u>	<u>339</u>	<u>145</u>

**3 LOANS AND ADVANCES**

*Current*

	Consolidated Entity		Parent Entity	
	31 December	30 June	31 December	30 June
	2013	2013	2013	2013
	\$	\$	\$	\$
Loans receivable	5,170,914	4,105,868	-	-
Receivables - related parties	-	-	17,617,229	13,542,805

*Non-Current*

Loans Receivable	11,464,993	9,490,290	-	-
Gross loans and advances	<u>16,635,907</u>	<u>13,596,158</u>	<u>17,617,229</u>	<u>13,542,805</u>
Provision for impairment	(560,373)	(503,057)	-	-
Net loans and advances	<u>16,075,534</u>	<u>13,093,101</u>	<u>17,617,229</u>	<u>13,542,805</u>

*Contractual maturity analysis*

Receivables - at call	-	-	17,617,229	13,542,805
Not longer than 3 months	1,192,951	976,878	-	-
Longer than 3 months and not longer than 1 year	3,977,963	3,128,990	-	-
Longer than 1 year and not longer than 5 years	11,152,102	9,477,807	-	-
Longer than 5 years	312,891	12,483	-	-
	<u>16,635,907</u>	<u>13,596,158</u>	<u>17,617,229</u>	<u>13,542,805</u>

*Notes to the Financial Statements*  
*for the half-year ended 31 December 2013*

	Consolidated Entity		Parent Entity	
	31 December 2013	30 June 2013	31 December 2013	30 June 2013
	\$	\$	\$	\$
<b>3 LOANS AND ADVANCES (CONTINUED)</b>				
<b>(a) Impairment of loans and advances</b>				
<i>Provision for impairment</i>				
Opening Balance	503,057	-	-	-
Acquisition through business combination under common control	-	485,770	-	-
Increase of impairment	57,317	17,287	-	-
Closing Balance	560,374	503,057	-	-

Bad Debts written off are recognised directly in profit or loss. Bad debts written off for the half year ended 31 December 2013 were \$54,280 (HYE 2012: \$NIL).

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

	31 December 2013 Carrying value	31 December 2013 Past due	30 June 2013 Carrying value	30 June 2013 Past due
	\$	\$	\$	\$
< 30 days	2,397,819	73,414	2,162,862	108,834
30 to 90 days	1,238,441	108,506	951,248	101,064
90 to 180 days	185,391	58,542	354,257	88,085
>180 days	277,157	130,648	206,022	95,652
	4,098,807	371,111	3,674,389	393,635

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

	Consolidated Entity		Parent Entity	
	31 December 2013	30 June 2013	31 December 2013	30 June 2013
	\$	\$	\$	\$
<b>Loans</b>				
Secured by mortgage over motor vehicle	16,635,907	13,596,158	-	-
	16,635,907	13,596,158	-	-
Value of collateral held at fair value	12,440,496	10,263,218	-	-

The value of collateral held was determined by reference to the wholesale value of motor vehicles held as collateral at date of loan origination reduced by 22.5% for each year since loan origination to the 30 June 2013. From the 1<sup>st</sup> of July 2013 the reduction rate of collateral held has been 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 2013*

	Consolidated Entity		Parent Entity	
	31	30 June	31	30 June
	December 2013	2013	December 2013	2013
	\$	\$	\$	\$
<b>4 BORROWINGS</b>				
<i>Current</i>				
Interest bearing notes - unsecured	3,031,000	1,852,000	3,031,000	1,852,000
Redeemable preference shares	330,000	-	330,000	-
	<u>3,361,000</u>	<u>1,852,000</u>	<u>3,361,000</u>	<u>1,852,000</u>
<i>Non-Current</i>				
Interest bearing notes - unsecured	10,185,991	11,689,991	10,185,991	11,689,991
Redeemable preference shares	4,060,000	-	4,060,000	-
	<u>14,245,991</u>	<u>11,689,991</u>	<u>14,245,991</u>	<u>11,689,991</u>
	<u>17,606,991</u>	<u>13,541,991</u>	<u>17,606,991</u>	<u>13,541,991</u>
<i>Contractual maturity analysis- unsecured interest bearing notes</i>				
Not longer than 1 year	3,031,000	1,852,000	3,031,000	1,852,000
Longer than 1 year and not longer than 2 years	500,000	2,004,000	500,000	2,004,000
Longer than 2 years and not longer than 3 years	9,685,991	9,685,991	9,685,991	9,685,991
	<u>13,216,991</u>	<u>13,541,991</u>	<u>13,216,991</u>	<u>13,541,991</u>
<i>Contractual maturity analysis- redeemable preference shares</i>				
Not longer than 1 year	330,000	-	330,000	-
Longer than 1 year and not longer than 2 years	280,000	-	280,000	-
Longer than 2 years and not longer than 3 years	555,000	-	555,000	-
Longer than 3 years and not longer than 4 years	1,325,000	-	1,325,000	-
Longer than 4 years and not longer than 5 years	1,900,000	-	1,900,000	-
	<u>4,390,000</u>	<u>-</u>	<u>4,390,000</u>	<u>-</u>
<i>Unsecured Notes</i>				
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.				
<i>Redeemable Preference Shares</i>				
Redeemable preference shares have been issued with fixed terms of 12 - 60 months and interest paid between 11 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 2013*

**5 CONTINGENT LIABILITIES**

There have been no changes in contingent liabilities or contingent assets since the end of the previous annual reporting period, 30 June 2013.

**6 SUBSEQUENT EVENT**

Subsequent to 31 December 2013, Investors Central Limited has issued 975,000 redeemable preference shares for \$975,000. \$625,000 was received prior to 31 December 2013 and is included in the redeemable preference shares balance in Note 4. The remainder of \$350,000 represents unsecured interest bearing notes which were rolled over to redeemable preference shares on 1 January 2014.

**7 COMPANY DETAILS**

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

*Directors' Declaration*

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

- (a) the financial statements and notes, set out on pages 8 to, 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 2013 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:



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Jamie McGeachie  
*Director*



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Quinton Cowen  
*Director*

Townsville  
21 February 2014

**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 2013, 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 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.

**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 2013 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.

### Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose.

Dated: *21st February 2014*

1/19 Stanley Street  
TOWNSVILLE QLD 4810



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I.D. Jessup  
(Registered Company Auditor)



# HALF YEAR REPORT

FY 2014

Report Period: 1st July 2013 - 31st Dec 2013

Fin One Pty Ltd

ACN 139 719 903





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### *Directors Report*

The director presents his report, together with the financial statements for Fin One Pty Ltd (Finance One), for the half-year ended 31 December 2013.

#### **Director**

The following person was director of Fin One Pty Ltd during the whole of the half-year and up to the date of this report:

- Jamie Edward McGeachie

#### **Review of Operations**

Over the last 6 months the conversion rate of loan applications into settled loans dropped from 20% to 16.6%. This, we believe, was attributable to the prevailing uncertain economic conditions and an impending Federal Election. Despite this Finance One achieved its financial forecasts.

Finance One responded by reviewing its position in the lending market. We adapted by offering and actively promoting a new 3.5 year loan term product. This was well received by our broker network and provided a more saleable and competitive loan product and was a key to maintaining our growth.

#### **Key financial highlights for the period were:**

- Earned income up 104% to \$2.95M (Dec 2013) from \$1.44M (Dec 2012).
- Net profit before tax up 117% to \$866K (Dec 2013) from \$399K (Dec 2012).
- Net profit after tax up 116% to \$604K (Dec 2013) from \$279K (Dec 2012).
- Total Equity up 49% to \$1.81M (Dec 2013) from \$1.21M (Jun 2013).
- Loan book increased by 22% to \$16.07M (Dec 2013) from \$13.09M (Jun 2013).

#### **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 continue in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors and is signed for and on behalf of the directors by:



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Jamie McGeachie  
Director

21 February 2014  
Townsville

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

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2013 there have been no contraventions of:

- i. The auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

Jessups



Ian Jessup

Partner

Dated: 21st February 2014

1/19 Stanley Street

Townsville QLD 4810

*Statement of Profit or Loss and Other Comprehensive  
Income  
for the half-year ended 31 December 2013*

	Note	Half-Year	
		31 Dec 2013	31 Dec 2012
		\$	\$
Interest income	2	2,112,701	947,396
Interest expense	2	(1,254,242)	(540,931)
Net interest income		858,459	406,465
Fee income		845,273	501,072
Sundry income		2,767	-
		1,706,499	907,537
Employee benefits expense		(328,472)	(188,322)
Depreciation and amortisation expense		(4,243)	(1,947)
Doubtful and bad debts expense		(111,596)	(200,642)
Accountancy fees		(37,183)	(17,604)
Advertising expenses		(81,969)	(21,296)
Management fees		(95,801)	-
Consultancy fees		(33,336)	(20,174)
Other expenses		(147,143)	(58,247)
<b>Profit before income tax</b>		866,756	399,305
Income tax expense		(262,205)	(120,301)
<b>Profit for the year</b>		604,551	279,004
Other comprehensive income		-	-
<b>Total comprehensive income</b>		604,551	279,004

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

*Statement of Changes in Equity  
for the half-year ended 31 December 2013*

	Issued Share Capital	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2012	10	501,202	501,212
<i>Total comprehensive income for the year</i>			
Profit for the year	-	279,004	279,004
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	279,004	279,004
Balance at 31 December 2012	10	780,206	780,216
Balance at 1 July 2013	10	1,215,279	1,215,289
<i>Total comprehensive income for the year</i>			
Profit for the year	-	604,551	604,551
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	604,551	604,551
Balance at 31 December 2013	10	1,819,830	1,819,840

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

*Statement of Financial Position*  
*for the half-year ended 31 December 2013*

	Note	31 Dec 2013 \$	30 Jun 2013 \$
<b>ASSETS</b>			
Cash and cash equivalents		3,969,779	2,465,048
Loans and advances (net)	3	16,075,534	13,093,101
Plant and equipment		52,743	40,039
Intangible assets		104,648	53,844
Deferred tax assets		561,948	545,329
Other		233,254	230,801
<b>Total assets</b>		<u>20,997,906</u>	<u>16,428,162</u>
<b>LIABILITIES</b>			
Payables		1,410,252	1,653,083
Income tax payable		146,436	3,875
Employee benefits		14,233	13,110
Amounts due to related entities	4	17,607,145	13,542,805
<b>Total liabilities</b>		<u>19,178,066</u>	<u>15,212,873</u>
<b>Net assets</b>		<u>1,819,840</u>	<u>1,215,289</u>
<b>EQUITY</b>			
Issued share capital		10	10
Retained earnings		1,819,830	1,215,279
<b>Total equity</b>		<u>1,819,840</u>	<u>1,215,289</u>

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

*Statement of Cash Flows*  
*for the half-year ended 31 December 2013*

	Note	Half-Year	
		31 Dec 2013	31 Dec 2012
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		2,112,701	947,396
Interest paid		(1,254,242)	(540,931)
Fees and other income received		837,508	721,443
Payments to suppliers and employees		<u>(957,463)</u>	<u>(92,724)</u>
<i>(Increase)/decrease in operating assets:</i>		738,504	1,035,184
Net (increase)/decrease in customer loans advanced		<u>(3,094,029)</u>	<u>(3,169,953)</u>
Net cash from operating activities before income tax		(2,355,525)	(2,134,769)
Income tax paid		<u>(136,263)</u>	<u>(336,231)</u>
Net cash from operating activities		<u>(2,491,788)</u>	<u>(2,471,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net (increase)/decrease in receivables due from related parties		-	814
Acquisition of plant and equipment		(16,947)	(10,168)
Acquisition of intangible assets		<u>(50,874)</u>	<u>-</u>
Net cash (used in) investing activities		<u>(67,821)</u>	<u>(9,354)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net increase/(decrease) in payables to related parties		<u>4,064,340</u>	<u>3,202,499</u>
Net cash from financing activities		<u>4,064,340</u>	<u>3,202,499</u>
Net increase in cash and cash equivalents		1,504,731	722,145
Cash and cash equivalents at 1 July		<u>2,465,048</u>	<u>954,333</u>
Cash and cash equivalents at 31 December		<u>3,969,779</u>	<u>1,676,478</u>

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

*Notes to the Financial Statements*  
*for the half-year ended 31 December 2013*

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

These general purpose financial statements for the half-year reporting period ended 31 December 2013 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 company 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 2013 of Fin One Pty Ltd.

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 company 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 2013*

2 INTEREST INCOME AND EXPENSE

	Half-Year	
	31 Dec 2013	31 Dec 2012
	\$	\$
<i>Interest income</i>		
Cash and cash equivalents	28,109	15,356
Loans and advances to customers	2,081,824	927,974
Other	2,768	4,066
	<u>2,112,701</u>	<u>947,396</u>
<i>Interest expense</i>		
Related entities	1,254,242	540,931
<i>Net interest income</i>	<u>858,459</u>	<u>406,465</u>

3 LOANS AND ADVANCES

	31 Dec 2013	30 Jun 2013
	\$	\$
<i>Current</i>		
Loans receivable	5,170,914	4,105,868
Receivables - related parties	-	-
<i>Non-Current</i>		
Loans Receivable	11,464,993	9,490,290
Gross loans and advances	16,635,907	13,596,158
Provision for impairment	(560,373)	(503,057)
Net loans and advances	<u>16,075,534</u>	<u>13,093,101</u>
<i>Contractual maturity analysis</i>		
Receivables - at call	-	-
Not longer than 3 months	1,192,951	976,878
Longer than 3 months and not longer than 1 year	3,977,963	3,128,990
Longer than 1 year and not longer than 5 years	11,152,102	9,477,807
Longer than 5 years	312,891	12,483
	<u>16,635,907</u>	<u>13,596,158</u>

All loans and advances are denominated in Australian dollars.

(a) Impairment of loans and advances

<i>Provision for impairment</i>		
Opening Balance	503,057	194,022
Increase of impairment	57,317	309,035
Closing Balance	<u>560,374</u>	<u>503,057</u>

Bad debts written off are recognised directly in Profit or loss. Bad debts written off were \$54,279 (Dec 2013) and \$41,493 (Dec 2012).

*Notes to the Financial Statements  
for the half-year ended 31 December 2013*

3 LOANS AND ADVANCES (CONTINUED)

(b) Past due but not impaired loans

	31 Dec 2013 Carrying value \$	31 Dec 2013 Past due \$	30 Jun 2013 Carrying value \$	30 Jun 2013 Past due \$
< 30 days	2,397,819	73,414	2,162,862	108,834
30 to 90 days	1,238,441	108,506	951,248	101,064
90 to 180 days	185,391	58,542	354,257	88,085
>180 days	277,157	130,648	206,022	95,652
	<u>4,098,807</u>	<u>371,111</u>	<u>3,674,389</u>	<u>393,635</u>

(c)

Credit quality -security held against loans

	31 Dec 2013 \$	30 Jun 2013 \$
<b>Loans</b>		
Secured by mortgage over motor vehicle	<u>16,635,907</u>	<u>13,596,158</u>
	<u>16,635,907</u>	<u>13,596,158</u>
Value of collateral held at fair value	12,440,496	10,263,218

The value of collateral held was determined by reference to the wholesale value of motor vehicles held as collateral at date of loan origination reduced by 22.5% for each year since loan origination. From 1<sup>st</sup> of July 2013 the reduction rate of collateral held has 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.

4 LIABILITIES DUE TO RELATED PARTIES

*Current*

Loan payable to related party - secured	<u>17,607,145</u>	<u>13,542,805</u>
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The loans payable are secured by the loans advanced to customers. Principal reductions to be repaid on demand by the parent entity. Interest is payable on the outstanding balance of each draw down on the last business day of each month. The fixed interest rate applicable for the half-year Dec 2013 year was between 11 - 18% (Jun 2013: 14-18%) dependent on amount of drawdown. The applicable interest rate as at December 2013 was 16.570891% (Jun 2013: 17.061452%)

5 Subsequent Event

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

*Directors' Declaration*

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

- (a) the financial statements and notes, set out on pages 3 to 9, are in accordance with the Corporations Act 2001, including:
  - (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 financial position of the company as at 31 December 2013 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*

Townsville  
21 February 2014

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

**Report on the Financial Report**

I have audited the accompanying financial report of Fin One Pty Ltd (the company), which comprises the statement of financial position as at 31 December 2013, 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.

**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.

**Auditor's Responsibility**

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

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

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

**Independence**

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

**Auditor's Opinion**

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

- (a) giving a true and fair view of the company's financial position as at 31 December 2013 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.

**Basis of Accounting**

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose.

Dated: *21st February 2014*

1/19 Stanley Street  
TOWNSVILLE QLD 4810



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I.D. Jessup  
(Registered Company Auditor)