

**Hargraves Secured Investments Limited  
And Its Controlled Entities**

**ABN 74 089 001 267**

**Financial Report for the  
Year Ended 30 June 2017**

**HARGRAVES SECURED INVESTMENTS LIMITED  
AND ITS CONTROLLED ENTITIES  
ACN 089 001 267**

**DIRECTORS' REPORT**

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The Directors present their report together with the financial statements of the Group, being Hargraves Secured Investments Limited ("the Company") and its controlled entities, for the financial year ended 30 June 2017 and the auditor's report thereon.

**Directors**

The names of the directors in office at any time during or since the end of the period are:

Mr John B Gorman  
Mr Andrew W S MacPherson  
Mr Ross A Mulquiney

All directors have been in office since the start of the period to the date of this report.

**Secretary**

Mr Matthew Denny remains Company Secretary pursuant to his appointment on the 13th December 2000.

**Operating results**

The profit of the company for the period after providing for income tax amounted to \$1,156,054.

**Significant changes in state of affairs**

No significant changes in the company's state of affairs occurred during the period.

**Principal activities**

The principal activities of the company during the period were mortgage lending, property and general investment.

No significant change in the nature of this activity occurred during the period.

**Matters or circumstances arising after end of the period**

No matters or circumstances have arisen since the end of the period 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 periods.

**Future developments and results**

Likely developments in the operations of the company and the expected results of those operations in future periods have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

**Dividends paid or declared**

Dividends paid or declared since the start of the year are as follows:

- (a) Fully franked dividends of \$383,418 were paid during the period.
- (b) There were no fully franked dividends declared on 30 June 2017 for payment during a later period.

**Share options**

No options over issued shares or interests in the company were granted during or since the end of the period and there were no options outstanding at the date of this report.

**Directors and officers**

During the period, the company paid a premium in respect of a contract insuring the directors of the company, the company secretary, and all executive officers of the company against a liability incurred as a director, secretary or executive officer to the extent deemed appropriate by the directors.

The company has not otherwise, during or since the end of the period, indemnified or agreed to indemnify an officer or auditor of the company against a liability incurred as such as officer or auditor.

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**DIRECTORS' REPORT (Continued)**

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**Events subsequent to balance date**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

**Environmental regulation**

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company.

**Indemnification and insurance of Officers and auditors**

The Company has not given any indemnities to Directors, Officers or Auditors.

The Company has arranged Directors' and Officers' Liability insurance coverage, against legal costs imposed on Directors and Officers, in a manner that complies with the Corporations Act.

**Proceedings on behalf of company**

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the period.

**Information on directors**

**John B Gorman LL.B.** was appointed a director of the company on 17th August 1999. John is a former partner in the legal firm of Hargraves Solicitors and now is a employee of the same firm. John is a past president of PROVIC.

**Andrew W S Macpherson B.Comm LL.B.** was appointed a director of the company on the 5th April 2006. Andrew is a partner in the legal firm of Hargraves Solicitors.

**Ross A Mulquiney LL.B.** was appointed a director of the company on 15th August 2011. Ross is a partner in the legal firm of Hargraves Solicitors.

All directors have extensive experience in legal, mortgage and property issues and are all actively involved in the management of the company.

**Auditor's Independence Declaration**

The lead auditor's independence declaration is set out on page 3 and forms part of the Directors' report for the financial year ended 30 June 2017.

Signed in accordance with a resolution of the Board of Directors

Director

  
Mr J B Gorman

  
Mr R A Mulquiney

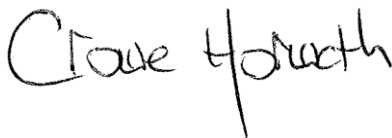
Dated this 27th September, 2017.

**Auditor Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Hargraves Secured Investments Limited**

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2017 there have been no contraventions of:

- (1) The auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (2) Any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Hargraves Secured Investments Limited and the entities it controlled during the financial year ended 30 June 2017.

**CROWE HORWATH ALBURY****BRADLEY D BOHUN**

Partner

Albury, 27 September 2017

**HARGRAVES SECURED INVESTMENTS LIMITED  
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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	NOTE	Consolidated 2017 \$	Consolidated 2016 \$
Interest revenue	2	4,590,392	3,922,196
Interest expense		<u>(2,490,913)</u>	<u>(2,653,850)</u>
Net interest revenue		2,099,479	1,268,346
Non-interest revenue	2	455,294	250,572
Amortisation Expense	9	(100,000)	(100,000)
Revaluation increments on Investment Properties	11	130,000	-
Share of net profit in associates		-	8,839
Other expenses	3	<u>(984,731)</u>	<u>(767,366)</u>
<b>Profit before income tax</b>		1,600,042	660,391
Income tax expense	4	<u>(443,988)</u>	<u>(362,299)</u>
<b>Profit for the period</b>		<u><u>1,156,054</u></u>	<u><u>298,092</u></u>
<b>Other Comprehensive Income</b>		-	-
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Revaluation increment on Property	12	67,182	-
<b>Total Comprehensive Income for the year</b>		<u><u>1,223,236</u></u>	<u><u>298,092</u></u>

To be read in conjunction with the accompanying notes

**HARGRAVES SECURED INVESTMENTS LIMITED  
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**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

	NOTE	Consolidated 2017 \$	Consolidated 2016 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	13,287,617	17,324,962
Trade and other receivables	6	50,533,951	41,082,139
Deferred tax assets	8	22,165	110,333
Current tax assets	16	1,341	22,594
Other assets	7	8,172	6,779
<b>TOTAL CURRENT ASSETS</b>		<u>63,853,246</u>	<u>58,546,807</u>
<b>NON CURRENT ASSETS</b>			
Intangible assets	9	-	100,000
Investment properties	11	2,905,000	2,775,000
Property, plant and equipment	12	350,451	261,149
<b>TOTAL NON CURRENT ASSETS</b>		<u>3,255,451</u>	<u>3,136,149</u>
<b>TOTAL ASSETS</b>		<u>67,108,697</u>	<u>61,682,956</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	452,333	454,433
Interest-bearing liabilities	15	43,741,200	33,301,580
Employee Benefits	18	50,447	38,154
Deferred tax liabilities	17	64,588	49,167
Other liabilities	14	4,122	4,094
<b>TOTAL CURRENT LIABILITIES</b>		<u>44,312,690</u>	<u>33,847,428</u>
<b>NON CURRENT LIABILITIES</b>			
Interest-bearing liabilities	15	16,920,900	23,868,480
Employee Benefits	18	3,751	6,276
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>16,924,651</u>	<u>23,874,756</u>
<b>TOTAL LIABILITIES</b>		<u>61,237,341</u>	<u>57,722,184</u>
<b>NET ASSETS</b>		<u>5,871,356</u>	<u>3,960,772</u>
<b>EQUITY</b>			
Issued capital	19	4,205,226	3,134,460
Reserves	20	142,182	75,000
Retained earnings	21	1,523,948	751,312
<b>TOTAL EQUITY</b>		<u>5,871,356</u>	<u>3,960,772</u>

**HARGRAVES SECURED INVESTMENTS LIMITED  
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**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2017**

**Consolidated**

	Note	Issued Capital	Retained Earnings	Reserves	Total
<b>Balance at 1 July 2015</b>		2,484,490	821,885	75,000	3,381,375
Profit attributable to members		-	298,092	-	298,092
Subtotal		2,484,490	1,119,977	75,000	3,679,467
Dividends paid or provided for		-	(368,665)	-	(368,665)
Share Issue		649,970	-	-	649,970
<b>Balance at 30 June 2016</b>		3,134,460	751,312	75,000	3,960,772

**Consolidated**

<b>Balance at 1 July 2016</b>		3,134,460	751,312	75,000	3,960,772
Profit attributable to members		-	1,156,054	-	1,156,054
Subtotal		3,134,460	1,907,366	75,000	5,116,826
Revaluations: asset revaluation reserve		-	-	67,182	67,182
Dividends paid or provided for		-	(383,418)	-	(383,418)
Share Issue		1,070,766	-	-	1,070,766
<b>Balance at 30 June 2017</b>		4,205,226	1,523,948	142,182	5,871,356

**HARGRAVES SECURED INVESTMENTS LIMITED  
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**CASH FLOW STATEMENT  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2017**

	NOTE	Consolidated 2017 \$	Consolidated 2016 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Interest received		4,603,090	3,977,585
Interest paid		(2,499,865)	(2,672,090)
Receipts from other services		453,695	220,102
Payments to suppliers and employees		(725,820)	(529,396)
Net (increase)/decrease in loans and advances		(9,711,099)	(2,314,860)
Net increase/(decrease) in debentures		3,492,040	3,200,569
Income tax paid		(327,900)	(388,776)
Net cash provided (or used) in operating activities	<b>23</b>	<u>(4,715,859)</u>	<u>1,493,134</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from investments		-	11,032
Payments for property, plant & equipment		(8,834)	-
Acquisition of subsidiary		-	(556,295)
Net (increase)/decrease in investments		<u>-</u>	<u>-</u>
Net cash used in investing activities		<u>(8,834)</u>	<u>(545,263)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from shares issued		1,070,766	149,970
Dividends paid		(383,418)	(368,665)
Net cash provided (or used in) financing activities		<u>687,348</u>	<u>(218,695)</u>
Net (decrease)/increase in cash held		(4,037,345)	729,176
Cash at the beginning of the period		<u>17,324,962</u>	<u>16,595,786</u>
Cash at the end of the period	<b>5</b>	<u><u>13,287,617</u></u>	<u><u>17,324,962</u></u>



**HARGRAVES SECURED INVESTMENTS LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2017**

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**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

This financial report covers the financial statements of Hargraves Secured Investments Limited and its controlled entities (the Group). Hargraves Secured Investments Limited is a company limited by shares, incorporated and domiciled in Australia. The financial statements were authorised for and issued by the board of directors on 27 September 2017.

The financial statements have been prepared in order to provide additional information to current and potential investors and should be read in conjunction with Hargraves Prospectus No. 19 dated 5th December, 2016 together with any announcements made by the Company during the year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Prospectus and important notice announcements are available on the Company's website at [www.hargravesinvest.com.au](http://www.hargravesinvest.com.au).

**(a) Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The financial statements are presented in Australian dollars.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB.

Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial information is representative of consolidated information. Refer Note 29 for parent entity disclosures.

On 1 July 2010 the *Corporations Amendment (Corporate Reporting Reform) Act 2010* became effective. One outcome of this Act was entities that report under Chapter 2M of the *Corporations Act 2001* are no longer required to present parent entity statements within the consolidated financial statements.

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1(za).

**(b) Accounting Policies**

The accounting policies have been applied consistently by all entities in the Group.

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**New standards and interpretations not yet adopted**

The following standards have been identified as ones which may impact the Group in the period of initial application. They are available for early adoption, but have not been applied by the Group in these financial statements:

- **AASB 15 *Revenue from Contracts with Customers*** establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces most of the existing standards and interpretations relating to revenue recognition including AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The standard shifts the focus from the transaction level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to, while measurement encompasses estimation by the Group of the amount expected to be entitled for performing under the contract. AASB 15 is effective from annual reporting periods commencing 1 January, 2018, with early adoption permitted. The Group does not expect the changes to revenue recognition to have a material effect on the financial statements when AASB 15 is first adopted.

- **AASB 9 *Financial Instruments*** - Replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Instrument*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition on financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group does not expect the changes to AASB 9 to have a material effect on the financial statements other than the move to an expected loss model for impairment which may result in increases to provisions for impairment.

- **AASB 16 *Leases***: AASB 16 requires all leases to be accounted for 'on-balance sheet' by lessees, other than short term and low value asset leases. Based on the Company's preliminary assessments, the likely impact on the transactions and balances recognised will be an increase in property, plant and equipment and a corresponding increase in financial liabilities; the assets will be depreciated over the life of the leases; and lease payments will be split between interest and principal reduction, rather than being included in operating expenses. The quantitative impact of this standard has not yet been determined by the Company. AASB 16 is effective for periods beginning on or after 1 January 2019.

**Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either in the principle market; or in the absence of a principle market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising 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 comparison, where applicable, with external sources of data.

**(c) Income Tax**

The charge for current income tax expense is based on the profit for the period adjusted for the period for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**(c) Income tax (continued)**

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Profit or Loss and Other Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

**(d) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

**Property**

Freehold land and buildings are shown at their fair value based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Refer to Note 1(b) in regards to further information on fair value measurement.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

**Plant and equipment**

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

**Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis (or diminishing value basis in the case of plant & equipment) over their estimated useful lives to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired financial year of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of assets are:

Class of fixed asset	Depreciation Rate
Freehold Buildings	2.5%
Improvements	2.5%
Plant and equipment	10% - 50%

**(e) Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entity are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

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**(f) Investments**

Investments are recorded at the lower of cost and recoverable amount. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for shares in listed companies or the underlying net assets for other non-listed corporations. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

**(g) Employee Benefits**

*Long term service benefits*

The Group's net obligation in respect of long term service benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to high quality corporate bonds at the balance date which have maturity dates approximating to the terms of the Group's obligations.

*Short term benefits*

Liabilities for employee benefits for wages, salaries and annual leave expected to be taken within 12 months represent present obligations resulting from employees services provided to reporting date, calculated at undiscounted amounts based on remuneration wages and salary rates that the Group expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax. Annual leave expected to be taken after 12 months is discounted back to present value using the rates attached to high quality corporate bond rates at balance date.

Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred.

**(h) Cash and Cash Equivalents**

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than six months and net of bank overdrafts.

**(i) Trade and Other Payables**

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled in accordance with supplier terms.

**(j) Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

**(k) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

As an entity involved in financial supplies, Hargraves Secured Investments Limited is input taxed on all revenue except for revenue from commissions, rents and some fees. An input taxed supply is not subject to GST collection and similarly the GST paid on related apportioned purchases cannot be recovered.

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**(l) Intangibles**

Intangibles in the nature of customer lists are being amortised over a four year period being their assessed finite life.

**(m) Provisions**

A provision is recognised in the statement of financial position when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**(n) Going Concern**

The financial report has been prepared on a going concern basis that considers the continuity of normal operating activities and the realisation of assets and settlement of liabilities in the normal course of business.

The Group's main activities are to accept deposits of monies via debentures from investors and then on lend the funds invested on the security of registered mortgages over real property in Australia.

At 30 June 2017 the net assets of the Group were \$5,871,356. Included in the net assets are liabilities with respect to debentures of \$60,662,100. At balance date the Group's total assets were \$67,108,697. Included in assets are cash and cash equivalents of \$13,287,617.

**(o) Financial Instruments**

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes party to the contractual provisions of the instrument. For financial assets this is equivalent to the date that the Company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

**Classification and subsequent measurement**

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost is calculated as:*

- a. the amount at which the financial asset or financial liability is measured at initial recognition;
- b. less principal repayments;
- c. plus or minus the cumulative amortisation of the difference, if any between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- d. less any reduction in impairment.

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**(o) Financial instruments (continued)**

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payment to receipts (including fees, transactions costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interest in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arms length transactions, reference to similar instruments and options pricing models.

**Impairment**

At each reporting date the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

**(i) Financial assets at fair value through profit or loss**

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

**(ii) Loans and advances (finance receivables)**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method. Refer to accounting policy 1(p) below for detailed information on the accounting policy relating to this asset class.

**(iii) Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

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**(o) Financial Instruments (continued)**

If during the period the Group sold or reclassified more than an insignificant amount to held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available for sale.

**(iv) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

After initial recognition, they are subsequently measured at fair value with changes in such fair value recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

**(v) Financial liabilities**

Secured Notes compromise at call and term investments ranging from 31 days to 36 months from customers. Interest accrues daily on each investment and is debited to the Profit/Loss account each business day.

**(p) Loans and Advances**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an effective market and are subsequently measured at amortised cost using the effective interest method.

Loans and advances represent loans to customers. They are carried at a recoverable amount represented by the gross value of the outstanding balance less the provision for loan impairment.

**Provision for impairment**

Impairment of a loan is recognised when there is reasonable doubt that not all of the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the value of expected future cash flows.

Bad debts are written off when identified. If a provision for impairment has been recognised in relation to a specific loan, write-offs for bad debts are made against the provision. If no provision for impairment has been recognised, write-offs for bad debts are recognised as expenses in the profit and loss account.

**Credit risk exposures**

The credit risk on financial assets of the entity that have been recognised in the financial statements is generally the carrying amount less any provisions for impairment.

**Interest rate risk exposures**

Exposures predominantly arise from assets and liabilities bearing variable interest rates as the entity intends to hold all fixed rate assets and liabilities to maturity.

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**(q) Investments in Associates**

Associates are entities in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the entity. Investments in associates are accounted for in the financial statements by applying the equity method of accounting.

Under the equity method, investments in associate entities are carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the jointly controlled entity.

The Group's share of an associate entity's post-acquisition profits or losses is recognised in the Statement of Profit or Loss and Other Comprehensive Income, and its share of post acquisition movements in reserves is recognised in the reserves.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Distributions or dividends received from associate entities are recognised the statement of financial position, reducing the carrying amount of the investment.

The reporting dates of the associate entities and the Group are identical and the associate entities accounting policies conform to those used by the Group and like transactions and events in similar circumstances.

**(r) Investments in Subsidiaries**

A subsidiary is an entity in which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company has such power over another entity.

An investment in subsidiary, is stated in the Group's separate financial statements (non consolidated financial statements) at cost less impairment losses, if any. On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

**(s) Investment Properties**

Investment properties represent properties held to earn rentals or for capital appreciation or both.

Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the entity.

Subsequent to initial recognition at cost for 2014, investment properties are re-valued to fair value with changes in the fair value recognised as revenue or expenses in the period that they arise. The properties are not depreciated.



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**(t) Investment Securities**

Investment securities are intended to be held to maturity, and are recorded at the lower of cost and recoverable amount.

**(u) Impairment**

The carrying amounts of the consolidated entity's assets and deferred tax assets (see accounting policy (c)), are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

**(v) Reversals of Impairment**

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

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.

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**(w) Calculation of Recoverable Amount**

The recoverable amount of the consolidated entity's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

**(x) Principles of Consolidation**

The parent entity and its subsidiaries are collectively referred to as the "Group". The parent of this Group is Hargraves Secured Investment Limited. Entities (including structured entities) over which the parent (or the Group) directly or indirectly exercises control are called "subsidiaries". The consolidated financial statements incorporate the assets, liabilities and results of all subsidiaries. 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 over the entity. A list of the Group's subsidiaries is provided in Note 10 and parent entity disclosures are included in Note 29.

The assets, liabilities and results of subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group companies are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are referred to as "non-controlling interests". The Group recognises any non-controlling interests in subsidiaries on a case-by-case basis either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

**(y) Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree.

Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

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**(y) Business Combinations (continued)**

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

**(z) Share Capital**

**(i) Dividends**

Dividends are recognised as a liability in the period in which they are declared.

**(ii) Transaction costs**

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

**(za) Accounting estimates and judgments**

Management has been involved in the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates. In particular, information about 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 in the following notes:

Note 6 - Loans Secured by Mortgage - provision of loan impairment assessment

Note 8 - Deferred Tax Assets - recognition of temporary differences and capital losses

Note 11 - Investment Properties - fair value assessment

Note 12 - Property, Plant and Equipment - fair value assessment and estimation of useful life

*Determination of fair values*

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

*Fair value measurement hierarchy*

The Group is required to classify all asset and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in the active markets for identical assets or liabilities that the Group can access at the measurement date; Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as Level 3 is determined by the use of valuation models these include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

*Property, plant and equipment*

The fair value of land and buildings and investment properties are based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's land and buildings.

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	<b>Consolidated 2017 \$</b>	<b>Consolidated 2016 \$</b>
<b>NOTE 2: INTEREST AND OTHER REVENUE</b>		
<u>Interest Revenue</u>		
Investment securities, cash and liquid assets	259,563	499,366
Loans and advances	4,330,829	3,422,830
	<u>4,590,392</u>	<u>3,922,196</u>
<u>Non Interest Revenue</u>		
Commission and management fees	276,306	148,952
Rents received	177,097	90,977
Other Income	1,891	10,643
	<u>455,294</u>	<u>250,572</u>
Total Interest and Other Revenue	<u>5,045,686</u>	<u>4,172,768</u>
<b>NOTE 3: OTHER EXPENSES</b>		
Depreciation of non-current assets		
- Buildings & improvements (18 Orr Street)	5,008	5,137
- Plant and equipment (16-18 Orr Street)	3,931	4,873
- Plant and equipment (121-125 Belmore Street)	-	-
Total depreciation	<u>8,939</u>	<u>10,010</u>
Provision for loan impairment	148,000	167,525
Remuneration of auditors	42,650	44,250
Loss incurred on loan settlements	100,471	39,465
Personnel costs	317,201	265,625
Other expenses	<u>367,470</u>	<u>240,491</u>
Total Other Expenses	<u>984,731</u>	<u>767,366</u>
<b>NOTE 4: INCOME TAX EXPENSE</b>		
(a) The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie tax payable on profit before income tax at 27.50% (2016: 30%)	440,012	198,117
Add:		
Tax effect of:		
- non allowable items	(5,685)	25,506
- provision for loan impairment	40,700	50,257
	<u>475,027</u>	<u>273,880</u>
Less:		
Tax effect of:		
- allowable items	(6,632)	-
- realised loss on loan settlements	(105,467)	(50,257)
- Other Income	-	-
Current tax expense	<u>362,928</u>	<u>223,623</u>
Adjustment to opening DTA/DTL due to change in tax rate	5,097	-
Increase/(decrease) in deferred tax liabilities	19,518	27,055
(Increase)/decrease in deferred tax assets	78,974	112,895
ARR Increase/(Decrease)	(25,483)	-
Income tax (over)/under provided in prior period	<u>2,954</u>	<u>(1,274)</u>
Income tax expense attributable to the entity	<u>443,988</u>	<u>362,299</u>

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<b>NOTE 5: CASH AND CASH EQUIVALENTS</b>		
Cash in hand	6	6
Cash at bank	244,685	215,221
Interest bearing deposits	13,042,926	17,109,735
	<u>13,287,617</u>	<u>17,324,962</u>
<b>NOTE 6: TRADE AND OTHER RECEIVABLES</b>		
<b>CURRENT</b>		
Accrued income	280,486	291,302
Loans (secured by mortgage)	50,253,465	41,026,353
Less provision for loan impairment	-	(235,516)
	<u>50,253,465</u>	<u>40,790,837</u>
Total current trade and other receivables	<u>50,533,951</u>	<u>41,082,139</u>
<b>Movement in the provision for impairment - specific provision</b>		
Balance at beginning of year	235,516	235,516
Add/(deduct):		
* Transfers from/(to) profit or loss	148,000	167,525
* Bad debts written off provision	(383,516)	(167,525)
Balance at end of year	<u>-</u>	<u>235,516</u>
<b>NOTE 7: OTHER ASSETS</b>		
<b>CURRENT</b>		
Prepayments	5,711	5,528
GST Inputs/GST Refundable	2,461	1,251
	<u>8,172</u>	<u>6,779</u>
<b>NOTE 8: DEFERRED TAX ASSETS</b>		
Deferred Tax Assets	<u>22,165</u>	<u>110,333</u>
<i>Deferred tax assets are attributable to the following:</i>		
Provision for impairment on loans	-	70,655
Investment Property	-	16,044
Trades & other payables	7,260	10,305
Provision for employee benefits	14,905	13,329
	<u>22,165</u>	<u>110,333</u>

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**NOTE 9: INTANGIBLE ASSETS**

Intangible Asset

At cost

Less: accumulated amortisation

570,000	570,000
(570,000)	(470,000)
<u>-</u>	<u>100,000</u>

movement in the carrying amount of intangible assets between the beginning and end of the current period

Balance at the beginning of the period

Less: Amortisation expense

Carrying amount at the end of the period

100,000	200,000
(100,000)	(100,000)
<u>-</u>	<u>100,000</u>

**NOTE 10: CONSOLIDATED ENTITIES**

	<b>Country of Incorporation</b>	<b>Percentage Owned %</b>
<b>Subsidiaries of Hargraves Secured Investments Limited</b>	<b>Australia</b>	
Solex Nominees Pty Ltd	100	100
Orr Street Yarrawonga Unit Trust	100	100

On 1 March 2013 Hargraves Secured Investments Limited purchased 100% of the share capital of Solex Nominees Pty Ltd. This comprised 138,373 ordinary shares at \$4.119 per unit for a total consideration of \$570,000. Solex Nominees is the trustee of The 121 Belmore Street Unit Trust and was previously owned by JB Gorman Superannuation Fund.

The consideration paid by Hargraves Secured Investments Limited for the 138,373 ordinary shares, involved the issue of 570,000 Non Cumulative Redeemable Preference Shares to JB Gorman Superannuation Fund. In 2016 the Non Redeemable Preference Shares were transferred to Cumulative Redeemable Preference Shares. These redeemable preference shares are disclosed in Note 19 Issued Capital.

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<b>NOTE 11: INVESTMENT PROPERTIES</b>		
<b>Investment properties - at independent valuation</b>	2,905,000	2,775,000
Balance as at the beginning of the period	2,775,000	1,450,000
Additions through business combination (per Note 36)		1,325,000
Revaluation increments	<u>130,000</u>	<u>-</u>
Balance as at the end of the period	<u>2,905,000</u>	<u>2,775,000</u>

Investment properties are carried at fair value. The valuations were undertaken using the fair value basis as described in note 1(b).

Investment properties are principally comprised of commercial property located at 76 - 78 Murphy Street Wangaratta, 16 Orr Street, 20-20A Orr Street and 121-125 Belmore Street Yarrawonga and are leased or available for lease to third parties.

*Valuations of investment properties*

The basis of the valuation of investment properties is fair value, fair value being the amounts for which the assets are used for their highest and best use or could be exchanged between willing parties in an arm's length transaction, based on their highest and best use. Valuations are based on current prices in an active market for similar properties in the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment. Investment properties were revalued in March and June 2017 based on independent assessment performed by qualified valuers (Eishold Property & Opteon (Goulburn North East Vic) Pty Ltd).

Refer to Note 28 for further information on fair value measurement.

**Leasing Arrangements**

The investment properties are leased to tenants under short term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

Within 1 year	88,384	147,400
Later than 1 and not later than 2 years	11,723	60,900
Later than 2 and not later than 5 years	<u>-</u>	<u>10,500</u>
Aggregate lease payments receivable at balance date	<u>100,107</u>	<u>218,800</u>
<b>Amount recognised in profit and loss for investment properties</b>		
Rental Income	177,097	90,977
Direct operating expenses	<u>(13,861)</u>	<u>(24,809)</u>
Net rental income received	<u>163,236</u>	<u>66,168</u>

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<b>NOTE 12: PROPERTY, PLANT AND EQUIPMENT</b>		
Freehold land and buildings at fair value	330,000	305,000
Less accumulated depreciation	-	(62,657)
	<u>330,000</u>	<u>242,343</u>
Plant and equipment at cost	143,138	149,232
Less accumulated depreciation	(122,687)	(130,426)
	<u>20,451</u>	<u>18,806</u>
Total property, plant and equipment	<u>350,451</u>	<u>261,149</u>

**(a) Movements in Carrying Amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current period

	<b>Freehold Land and Buildings</b>	<b>Freehold Land and Buildings</b>
Balance at the beginning of the period	242,343	247,480
Additions	-	-
Reclassification to Investment Property	-	-
Revaluation increments **	92,665	-
Depreciation expense	(5,008)	(5,137)
Carrying amount at the end of the period	<u>330,000</u>	<u>242,343</u>
	<b>Plant and Equipment</b>	<b>Plant and Equipment</b>
Balance at the beginning of the period	18,806	23,679
Additions	8,834	-
Disposals	(3,258)	-
Depreciation expense	(3,931)	(4,873)
Carrying amount at the end of the period	<u>20,451</u>	<u>18,806</u>

*Valuations of Land & Buildings*

The basis of the valuation of land and buildings is fair value, being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. \*\* The land and buildings were revalued in June 2017 based on independent assessments performed by a qualified valuer (Eishold Property).

**NOTE 13: TRADE AND OTHER PAYABLES**

<b>CURRENT</b>		
Trade creditors	105,034	90,075
Accrued interest	320,899	330,008
Accrued expenses	26,400	34,350
Total trade and other payables	<u>452,333</u>	<u>454,433</u>

**NOTE 14: OTHER LIABILITIES**

<b>CURRENT</b>		
GST Outputs	<u>4,122</u>	<u>4,094</u>

**NOTE 15: INTEREST BEARING LIABILITIES**

<b>CURRENT</b>		
Loans - unsecured	<u>43,741,200</u>	<u>33,301,580</u>
<b>NON CURRENT</b>		
Loans - unsecured	<u>16,920,900</u>	<u>23,868,480</u>



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	Consolidated 2017 \$	Consolidated 2016 \$
<b>NOTE 16: CURRENT TAX ASSETS AND LIABILITIES</b>		
Current tax (asset)/liability	(1,341)	(22,594)
<i>Movement during the year was as follows:</i>		
Balance at the beginning of the year	(22,594)	138,938
Current year's income tax expense on profit before tax	362,928	223,623
Income tax paid - Current year	(364,269)	(246,217)
Income tax paid - Prior year	19,640	(137,664)
Under/(over) provision in prior period	2,954	(1,274)
Balance at the end of the year	<u>(1,341)</u>	<u>(22,594)</u>
<b>NOTE 17: DEFERRED TAX LIABILITIES</b>		
Deferred tax liabilities	64,588	49,167
<i>Deferred tax liabilities are attributable to the following:</i>		
Other assets	1,570	-
Investment properties	21,043	-
Intangible assets	-	30,000
Property, Plant & Equipment	41,975	19,167
	<u>64,588</u>	<u>49,167</u>
<b>NOTE 18: EMPLOYEE BENEFITS</b>		
<b>CURRENT</b>		
Long service leave	25,586	17,444
Annual leave - expected to be settled within 12 months	12,308	9,647
Annual leave - expected to be settled after 12 months	12,553	11,063
	<u>50,447</u>	<u>38,154</u>
<b>NON-CURRENT</b>		
Long service leave	<u>3,751</u>	<u>6,276</u>
<b>NOTE 19: ISSUED CAPITAL</b>		
Ordinary shares	596,000	596,000
Cumulative redeemable preference shares	3,608,966	2,240,250
Employee shares	260	210
Redeemable preference shares	-	298,000
	<u>4,205,226</u>	<u>3,134,460</u>
<b>NOTE 20: RESERVES</b>		
Asset revaluation reserve	142,182	75,000
	<u>142,182</u>	<u>75,000</u>
The asset revaluation reserve accounts for the unrealised gains on assets due to revaluation to fair value.		
<b>NOTE 21: RETAINED EARNINGS</b>		
Retained earnings at the beginning of the period	751,312	821,885
Net profit attributable to members of the company	1,156,054	298,092
Dividends provided for or paid	(383,418)	(368,665)
Retained earnings at the end of the period	<u>1,523,948</u>	<u>751,312</u>

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**Consolidated  
2017  
\$**

**Consolidated  
2016  
\$**

**NOTE 22: AUDITORS REMUNERATION**

Amounts received or due and receivable by the External Auditor of the Group for:

Audit/review of the financial statements of the Group	31,150	36,400
Other services in relation to the Group	11,500	7,850
	<u>42,650</u>	<u>44,250</u>

**NOTE 23: CASH FLOW INFORMATION**

**Reconciliation of Cash Flow from Operations with  
Profit after Income Tax**

Profit after income tax	1,156,054	298,092
Non-cash flows in profit:		
Share of profits from Associate	-	(8,839)
Gain from Bargain purchase arising on acquisition (per Note 36)	-	(2,193)
Investment Property revaluations	(130,000)	-
Loss on disposal of Plant & Equipment	3,258	-
Depreciation	8,939	10,010
Amortisation - Other Intangibles	100,000	100,000
Provision for loan impairment	235,516	167,525
Charge for Bad and Doubtful Debts	12,955	39,465
ARR Increase/(Decrease)	(25,483)	-
Changes in assets and liabilities		
(Increase)/decrease in loans and advances	(9,711,099)	(2,314,860)
(Increase)/decrease in prepayments	(183)	202
(Increase)/decrease in accrued interest receivable	10,815	46,946
(Increase)/decrease in deferred tax assets	88,169	112,895
Increase/(decrease) in deferred tax liabilities	15,421	27,055
Increase/(decrease) in debentures	3,492,040	3,200,569
Increase/(decrease) in provision for employee entitlements	9,768	3,325
Increase/(decrease) in payables and accruals	(20,011)	(20,630)
Increase/(decrease) in current tax liability	37,982	(166,428)
Cash flows from operations	<u>(4,715,859)</u>	<u>1,493,134</u>

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	<b>Consolidated 2017 \$</b>	<b>Consolidated 2016 \$</b>
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**NOTE 24: KEY MANAGEMENT PERSONNEL DISCLOSURE**

The following were key management personnel of the Company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

John Brian Gorman - Director  
Ross Anthony Mulquiney - Director  
Andrew Wayne Stuart Macpherson - Director  
Matthew Scott Denny - Secretary

**Key management personnel compensation**

The aggregate compensation of key management personnel during the year comprising amounts paid, payable or provided for was as follows:

Short-term employee benefits		
Directors	249,808	249,808
Other key management personnel	78,097	74,745
Post-employment benefits - superannuation contributions		
Directors	6,631	6,631
Other key management personnel	6,158	6,158
Other long-term benefits		
Directors	-	-
Other key management personnel	2,610	1,182
Share based payments	75,136	63,150
	418,440	401,674

Short term employee benefits include (where applicable) wages, salaries, paid annual leave, paid sick leave, dividends paid in line with Directorship or employment, bonuses and the value of fringe benefits received but excludes out of pocket expense reimbursements.

**Loans to key management personnel and other related parties**

The Company does not permit loans to key management personnel.

**Interest bearing liabilities from key management personnel and other related parties**

Company directors (and related entities) and staff have held debentures with the Company during the period. The Group's policy for interest bearing liabilities received from key management personnel is that all transactions are approved and deposits accepted on the same commercial terms and conditions, no more favourable to those which apply to all customers.

Total value of interest bearing liabilities received from key management personnel and other related parties	12,884	89,778
Total interest paid on interest bearing liabilities to key management personnel and other related parties	4,537	3,615

**Other key management personnel transactions with the Company**

The Company performed consultancy and secretarial services on behalf of Hargraves Solicitors. These services are treated as non interest revenue and are captured withing legal and consultancy fees. Directors Andrew Macpherson and Ross Mulquiney were partners in the legal firm Hargraves Solicitors during the period.

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**NOTE 25: FINANCIAL RISK MANAGEMENT**

The Group's financial instruments consist mainly of cash and deposits with banks, accounts receivable and payable, loans and advances, unsecured notes and unlisted shares.

**Specific financial risk exposures**

The Group has exposure to the following risks from its use of financial instruments:

- (i) Credit Risk
- (ii) Liquidity Risk
- (iii) Interest rate risk
- (iv) Net fair values

**Financial risk management strategy**

The directors' overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are reviewed by the directors on a regular basis. These include credit risk policies and cash flow requirements.

**(i) Credit risk**

Credit risk arises from lending and associated activities. Credit risk is the potential loss that may arise when the counterparty to a financial instrument fails to meet its contractual obligations to the Group. The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

**Exposure to credit risk**

The maximum exposure at balance date of the Group to credit risk is recognised in the carrying amount of financial assets net of any provisions for impairment of those assets as disclosed in the Statement of Financial Position and notes to the financial statements.

An analysis of the Group's loan portfolio, net of Specific Impairment provisions, by security type, geographic location and loan to valuation ratio of the borrower is set out below:

	<b>Consolidated 2017</b>	<b>Consolidated 2016</b>
<b>Loan portfolio by security type</b>		
Registered first mortgages - non development loans	49,879,734	40,411,567
Registered first mortgages - development loans	310,000	310,000
Other	63,731	69,270
	<u>50,253,465</u>	<u>40,790,837</u>
<b>Loan portfolio by geographic region</b>		
New South Wales	10,465,583	12,125,920
Victoria	39,427,006	28,303,114
South Australia	360,876	361,803
	<u>50,253,465</u>	<u>40,790,837</u>

It is not practicable to value all collateral as at the balance date due to the variety of assets and their condition. A breakdown of the quality of the mortgage security on a portfolio basis is as follows:

**Loan portfolio by loan to valuation ratio**

Loan to valuation ratio of 80% or less	50,253,465	39,147,588
Loan to valuation ratio of 80% or more	-	1,643,249
	<u>50,253,465</u>	<u>40,790,837</u>

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**NOTE 25: FINANCIAL RISK MANAGEMENT (Continued)**

The Directors of the Group have implemented a structured framework of systems and controls to monitor and manage the credit risk of the Group. These systems and controls include the following:

- (i) Documented credit risk management processes that are adhered to by all staff involved in the lending process.
- (ii) A systematic process for loan approvals including approval of loans by the Board.
- (iii) An assessment of the financial capacity of the borrower for all loan applications.

The Company has entered into an arrangement with member companies of the Provincial Finance Group to become a joint mortgagee on a credit exposure with a single security. The joint mortgage arrangement is that equal security interest over the secured property by common mortgage to be apportioned between the interested parties. All other credit risk associated with the joint mortgage are consistent with Company's Credit Risk Management Policy and associated policies and procedures referred to above.

**(ii) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due as the result of a maturity mismatch in its cash flows. Principally this reflects the need for the Group to meet the rights of note holders to be able to redeem their funds as required.

The Group maintains a liquidity risk management policy that establishes practices in order to meet this mismatch under a range of market conditions. The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate liquid investments are held at all times. Liquidity management is ultimately the responsibility of the Board.

The Group prepares quarterly and annual cash flow budgets as part of its overall liquidity management strategy. The Group at all times maintains cash or cash equivalents on hand sufficient to meet its projected needs for the next quarter.

The Group estimates incoming cash flows from the maturity profile of its loan portfolio. Outgoing cash flows with respect to maturing Notes are determined by the terms of the Notes and take into account available historical experience of the redemption of Notes.

Liquidity scenarios are modelled by the Group over a 12 month rolling time frame and take into account the expected rollover rates of Note holders. The objective of the modelling is to ensure that the Group will have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions and without incurring unacceptable losses or risking damage to the companies reputation.

The Group is exposed to the liquidity risk of meeting at call note holder withdrawals at any time.

**(iii) Interest rate risk**

Exposure to interest rate risk arises on financial assets and financial liabilities due to the risk of any mismatch between the interest rate on borrowings and to that of lending.

Interest rate risk is managed using a mix of fixed rate and floating rate lending together with unsecured notes issued at call and on a fixed term basis.

The Group's exposure to interest rate risk showing the contractual dates for classes of assets and liabilities are disclosed on pages 29 and 30.

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**NOTE 25: FINANCIAL RISK MANAGEMENT (Continued)**

The consolidated entities exposure to interest rate risk showing the contractual dates for classes of assets and liabilities for 2016 is shown below;

Consolidated 2016	Weighted average rate %	Floating interest rate \$	Fixed Interest Rate					Non- interest bearing \$	Total \$
			0 - 3 months \$	3 -12 months \$	1 - 5 years \$	Over 5 years \$	No maturity specified \$		
<b>Assets</b>									
Cash & cash equivalents	2.752%	3,359,718	13,965,244	-	-	-	-	-	17,324,962
Trade & other receivables	-	-	-	-	-	-	-	291,302	291,302
Loans & advances	8.408%	40,897,353	-	129,000	-	-	-	(235,516)	40,790,837
Intangible assets	-	-	-	-	-	-	-	100,000	100,000
Current tax assets	-	-	-	-	-	-	-	22,594	22,594
Investment properties	-	-	-	-	-	-	-	2,775,000	2,775,000
Property, plant & equipment	-	-	-	-	-	-	-	261,149	261,149
Deferred tax assets	-	-	-	-	-	-	-	110,333	110,333
Other assets	-	-	-	-	-	-	-	6,779	6,779
<b>Total Assets</b>		<b>44,257,071</b>	<b>13,965,244</b>	<b>129,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,331,641</b>	<b>61,682,956</b>
<b>Liabilities</b>									
Trade & other payables	-	-	-	-	-	-	-	454,433	454,433
Interest-bearing liabilities	4.471%	1,005,392	8,658,878	23,637,310	23,868,480	-	-	-	57,170,060
Provisions	-	-	-	-	-	-	-	44,430	44,430
Current tax Liabilities	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	49,167	49,167
Other liabilities	-	-	-	-	-	-	-	4,094	4,094
<b>Total Liabilities</b>		<b>1,005,392</b>	<b>8,658,878</b>	<b>23,637,310</b>	<b>23,868,480</b>	<b>-</b>	<b>-</b>	<b>552,124</b>	<b>57,722,184</b>
<b>Total Equity</b>		<b>43,251,679</b>	<b>5,306,366</b>	<b>(23,508,310)</b>	<b>(23,868,480)</b>	<b>-</b>	<b>-</b>	<b>2,779,517</b>	<b>3,960,772</b>
<b>Net Mismatch</b>		<b>43,251,679</b>	<b>48,558,045</b>	<b>25,049,735</b>	<b>1,181,255</b>	<b>1,181,255</b>	<b>1,181,255</b>	<b>3,960,772</b>	
<b>Cumulative Mismatch</b>									

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**NOTE 25: FINANCIAL RISK MANAGEMENT (Continued)**

The consolidated entity's exposure to interest rate risk showing the contractual dates for classes of assets and liabilities for 2017 is shown below:

Consolidated 2017	Weighted average rate %	Floating interest rate \$	Fixed Interest Rate					Non- interest bearing \$	Total \$
			0 - 3 months \$	3 -12 months \$	1 - 5 years \$	Over 5 years \$	No maturity specified \$		
<b>Assets</b>									
Cash & cash equivalents	1.952%	8,775,042	4,512,575	-	-	-	-	-	13,287,617
Trade & other receivables	-	-	-	-	-	-	-	280,486	280,486
Loans & advances	8.680%	44,253,630	-	5,999,835	-	-	-	-	50,253,465
Deferred tax assets	-	-	-	-	-	-	-	22,165	22,165
Current tax assets	-	-	-	-	-	-	-	1,341	1,341
Investment properties	-	-	-	-	-	-	-	2,905,000	2,905,000
Property, plant & equipment	-	-	-	-	-	-	-	350,451	350,451
Other assets	-	-	-	-	-	-	-	8,172	8,172
<b>Total Assets</b>		53,028,672	4,512,575	5,999,835	-	-	-	3,567,615	67,108,697
<b>Liabilities</b>									
Trade & other payables	-	-	-	-	-	-	-	452,333	452,333
Interest-bearing liabilities	4.067%	1,279,615	12,320,549	30,141,036	16,920,900	-	-	-	60,662,100
Provisions	-	-	-	-	-	-	-	54,198	54,198
Current tax Liabilities	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	64,588	64,588
Other liabilities	-	-	-	-	-	-	-	4,122	4,122
<b>Total Liabilities</b>		1,279,615	12,320,549	30,141,036	16,920,900	-	-	575,241	61,237,341
<b>Total Equity</b>									5,871,356
<b>Net Mismatch</b>		51,749,057	(7,807,974)	(24,141,201)	(16,920,900)	-	-	2,992,374	
<b>Cumulative Mismatch</b>		51,749,057	43,941,083	19,799,882	2,878,982	2,878,982	2,878,982	5,871,356	

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**NOTE 25: FINANCIAL RISK MANAGEMENT (Continued)**

***Sensitivity analysis***

The following table illustrates the sensitivities to the Group's exposure to changes in interest rates. The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

***Cash flow sensitivity analysis***

A change of +/- 1% in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2016.

	Profit or loss		Equity	
	1% p.a. Increase	1% p.a. Decrease	1% p.a. Increase	1% p.a. Decrease
	\$	\$	\$	\$
<b>2016</b>				
Interest bearing financial assets	581,158	(581,158)	581,158	(581,158)
Interest bearing financial liabilities	(571,701)	571,701	(571,701)	571,701
Cash flow sensitivity (net)	9,457	(9,457)	9,457	(9,457)

	Profit or loss		Equity	
	1% p.a. Increase	1% p.a. Decrease	1% p.a. Increase	1% p.a. Decrease
	\$	\$	\$	\$
<b>2017</b>				
Interest bearing financial assets	635,411	(635,411)	635,411	(635,411)
Interest bearing financial liabilities	(606,621)	606,621	(606,621)	606,621
Cash flow sensitivity (net)	28,790	(28,790)	28,790	(28,790)

**(iv) Net fair values**

The fair value is required to be disclosed where the financial instruments are not measured at fair value in the Statement of Financial Position. Disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.

Assets where the fair value is lower than the book value have not been written down in the accounts of the Company on the basis that they are held to maturity, or in the case of loans, all amounts due are expected to be recovered in full.

The Company has assessed that at balance date, the carrying amount of all financial instruments approximates fair value. The description of the valuation techniques and assumptions are detailed below:

**Recognised financial instruments**

***Cash and cash equivalents***

The carrying amounts approximate fair value because of their short-term to maturity (i.e. less than six months) or are receivable on demand.



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**NOTE 25: FINANCIAL RISK MANAGEMENT (Continued)**

*Other receivables*

The carrying amount approximates fair value as they are short term in nature.

*Loan and advances*

The majority of the Company's loans are variable rate loans. The carrying amount of these loans is considered to appropriate fair value. The net fair value of any non-variable rate loans are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The net fair value of impaired loans was calculated by using a method not materially different from discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows. The carrying amount of loans at 30 June 2017 approximates net fair value.

*Trade and other payables and interest bearing liabilities*

The carrying amount approximates fair value as they are short term in nature.

**NOTE 26: CAPITAL RISK MANAGEMENT**

**Consolidated entity**

The Group's key objectives in terms of its capital management are as follows;

- to maintain a sufficient level of capital to provide a buffer against losses arising from unanticipated events and to safeguard its ability to continue as a going concern; and
- to optimise the level and use of its capital resources so that it can provide returns to the company shareholders and benefits for other stakeholders.

In order to maintain or adjust its capital structure the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

**Parent entity**

Under ASIC's Regulatory Guide 69 issuers of unsecured notes should maintain a minimum equity ratio , calculated as equity/(total liabilities + equity) of 8% where only a minor part of the Group's activity is property development or lending for property development.

The capital ratio benchmark in RG69 is calculated based upon the parent entity only i.e. Hargraves Secured Investments Limited. As at 30 June 2017 the company's capital ratio was 8.75% (2016 6.42%).

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**NOTE 27: LOAN ANALYSIS AND IMPAIRMENT**

The following table details the Group's trade and other receivables with ageing analysis and impairment provided thereon. Amounts are considered past due when the debt has not been settled within the terms and conditions agreed between the Group and the counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining the solvency of the counterparty to the transaction and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

	<b>Gross Amount</b>	<b>Past Due and Impaired</b>	<b>MIP</b>	<b>Past Due but Not Impaired (Days Overdue)</b>			<b>Within Initial Terms</b>
				<b>30 - 60</b>	<b>61 - 90</b>	<b>&gt; 90</b>	
<b>2017</b>							
Loans Secured by Mortgage	50,253,465	-	-	-	737,910	770,317	48,745,238
Provision for Impairment	-	-	-	-	-	-	-
Other receivables	280,486	-	-	-	-	-	280,486
<b>Total</b>	<b>50,533,951</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>737,910</b>	<b>770,317</b>	<b>49,025,724</b>

	<b>Gross Amount</b>	<b>Past Due and Impaired</b>	<b>MIP</b>	<b>Past Due but Not Impaired (Days Overdue)</b>			<b>Within Initial Terms</b>
				<b>30 - 60</b>	<b>61 - 90</b>	<b>&gt; 90</b>	
<b>2016</b>							
Loans Secured by Mortgage	41,026,353	913,510	-	1,250,572	548,755	2,512,854	35,800,662
Provision for Impairment	(235,516)	(235,516)	-	-	-	-	-
Other receivables	291,302	-	-	-	-	-	291,302
<b>Total</b>	<b>41,082,139</b>	<b>677,994</b>	<b>-</b>	<b>1,250,572</b>	<b>548,755</b>	<b>2,512,854</b>	<b>36,091,964</b>

The company holds first mortgage collateral security over all mortgages.

	<b>2017 \$</b>	<b>2016 \$</b>
<b>Assets acquired through enforcement of security</b>		
The Group has acquired the following assets via enforcement of security at balance date.		
Real estate acquired through enforcement of security	-	-
Specific provision for impairment	-	-
Balance at the end of the financial year	-	-

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**NOTE 28: Fair value measurement**

**Fair value hierarchy**

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** Unobservable inputs for the asset or liability.

<b>Consolidated 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets measured at fair value</b>				
Investment Properties	-	2,905,000	-	2,905,000
Land and buildings	-	330,000	-	330,000
<b>Total Fair valued assets</b>	<b>-</b>	<b>3,235,000</b>	<b>-</b>	<b>3,235,000</b>

<b>Consolidated 2016</b>	<b>Level1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets measured at fair value</b>				
Investment Properties	-	2,775,000	-	2,775,000
Land and buildings	-	242,343	-	242,343
<b>Total Fair valued assets</b>	<b>-</b>	<b>3,017,343</b>	<b>-</b>	<b>3,017,343</b>

The Company has assessed that at balance date, the carrying amount of all financial instruments approximates fair value. Refer to Note 26 (iv)).

*Valuation techniques for fair value measurements categorised as level 2*

Land and buildings and investment properties have been valued based on similar assets, location and market conditions.

*Level 2 assets and liabilities*

Movements in level 2 assets and liabilities during the current and previous financial year are as set out below:

	<b>Investment Properties</b>	<b>Land &amp; Buildings</b>	<b>Total</b>
Balance at 1 July 2015	1,450,000	247,480	1,697,480
Additions	1,325,000	-	1,325,000
Disposals/Reclassifications	-	-	-
Fair value adjustment	-	-	-
Depreciation	-	(5,137)	(5,137)
Balance at 30 June 2016	2,775,000	242,343	3,017,343
Additions	-	-	-
Disposals/Reclassifications	-	-	-
Fair value adjustment	130,000	92,665	222,665
Depreciation	-	(5,008)	(5,008)
Balance at 30 June 2017	2,905,000	330,000	3,235,000

**HARGRAVES SECURED INVESTMENTS LIMITED  
AND ITS CONTROLLED ENTITIES  
ACN 089 001 267**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2017**

	2017 \$	2016 \$
<b>NOTE 29: PARENT ENTITY DISCLOSURES</b>		
<b>Financial Assets</b>		
Current Assets	63,849,634	58,525,461
Non-Current Assets	3,262,151	3,143,302
Total Assets	<u>67,111,785</u>	<u>61,668,763</u>
<b>Financial Liabilities</b>		
Current Liabilities	44,323,412	33,842,813
Non-Current Liabilities	16,924,652	23,874,756
Total Liabilities	<u>61,248,064</u>	<u>57,717,569</u>
<b>Net Assets</b>	<u>5,863,721</u>	<u>3,951,194</u>
<b>Shareholders Equity</b>		
Issued Capital	4,205,226	3,134,460
Reserves	142,182	75,000
Retained Profits	1,516,313	741,734
Total Shareholders Equity	<u>5,863,721</u>	<u>3,951,194</u>
<b>Statement of Comprehensive Income</b>		
Net (loss)/profit attributable to the parent entity	<u>1,160,997</u>	<u>231,154</u>
Total comprehensive (loss)/income for the period attributable to the parent entity	<u>1,160,997</u>	<u>231,154</u>

There have been no guarantees entered into by the Parent entity in relation to the debts of its subsidiary.

The Parent entity has no contingent liabilities as at the date of this report.

The Parent entity has not entered into any contractual commitments for the acquisition of property, plant and equipment at the date of this report.

**HARGRAVES SECURED INVESTMENTS LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2017**

	Consolidated 2017 \$	Consolidated 2016 \$
<b>NOTE 30: SCHEDULE OF DEBTS RECEIVABLE AND DEBTS PAYABLE</b>		
Debts payable:-		
(a) Not later than 1 year	43,741,200	33,301,580
(b) Later than 1 year but not later than 5 years	16,920,900	23,868,480
(c) Later than 5 years	-	-
Debts receivable:-		
(a) Not later than 1 year	50,253,465	40,790,837
(b) Later than 1 year but not later than 5 years	-	-
(c) Later than 5 years	-	-

**NOTE 31: SUBSEQUENT EVENTS**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent periods.

**NOTE 32: CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

As at 30 June, 2017 there were no loans approved but not yet advanced to borrowers.

**NOTE 33: SEGMENT REPORTING**

Hargraves Secured Investments Limited operates predominantly in the debenture issuing (unlisted, unrated mortgage financing) finance industry within Australia. Customers and clients are predominantly based in regional areas of New South Wales, Victoria and South Australia.

**NOTE 34: COMPANY DETAILS**

The registered office of the company is:

Hargraves Secured Investments Limited  
18 Orr Street  
Yarrawonga Vic 3730

**HARGRAVES SECURED INVESTMENTS LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2017**

**NOTE 35: BUSINESS COMBINATIONS**

**a) Details of subsidiaries acquired**

On 1 March 2016 the company acquired a further 63.47% of units in the Orr Street Yarrawonga Unit Trust bringing its ownership interest to 100%. From the date of 1 March 2016 the Orr Street Yarrawonga Unit Trust has been consolidated into the company's financial statements. The primary activity of the Orr Street Yarrawonga Unit Trust is property investment.

In the three months to 30 June 2016, Orr Street Yarrawonga Unit Trust contributed revenue of \$31,874 and profit of \$31,487 to the Group's results. If the acquisition had occurred on 1 July 2015, management estimates that the contribution to consolidated revenue would have been \$95,614 and contribution to consolidated profit for the year would have been \$55,686. In determining these amounts, management has assumed that fair value adjustments that arose at acquisition date would have been the same if the acquisition had occurred on 1 July 2015.

**b) Consideration transferred**

Consideration transferred in relation to the acquisition of 63.47% of the units in the Orr Street Yarrawonga Unit Trust was as follows:

	<b>Fair value 2016 \$</b>
Paid to the outgoing unitholders as consideration for their units	500,000
Acquisition of additional units	550,000
Total consideration transferred	<u>1,050,000</u>

**c) Assets acquired and liabilities assumed at date of acquisition**

**Current Assets**

Cash and sundry receivables	1,731
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**Non current assets**

Property plant & equipment	1,325,000
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**Current Liabilities**

Sundry creditors & accruals	(2,793)
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<b>Net Assets acquired</b>	<u><u>1,323,938</u></u>
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**d) Gain arising on acquisition**

Consideration transferred	1,050,000
Plus: Fair value of existing investment in associate (36.53%)	271,745
Less: Fair value of Identified net assets	1,323,938
Equals: Gain from bargain purchase arising on acquisition	<u><u>(2,193)</u></u>

**e) Measurement of fair values**

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

*Property Plant and equipment*

Market comparison technique and cost technique: The valuation considered quoted market prices for similar items when available, and depreciated replacement cost when appropriate.

**HARGRAVES SECURED INVESTMENTS LIMITED  
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**DIRECTORS' DECLARATION**

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The directors of the company declare that:

- 1 The financial statements and notes, as set out on pages 3 to 37 are in accordance with the Corporations Act 2001; and
  - (a) comply with the Accounting Standards which as stated in accounting policy note 1 to the financial statements constitutes compliance with International Financial Reporting Standards; and
  - (b) give a true and fair view of the financial position as at 30 June 2017 of the company and of its performance for the year ended on that date
- 2 In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director

  
Mr John B Gorman

  
Mr Ross A Mulquiney

Dated this 27th September, 2017.

## **Independent Auditor's Report to the members of Hargraves Secured Investments Limited and its controlled entities**

### **Opinion**

We have audited the financial report of Hargraves Secured Investments Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in members' equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the accompanying financial report of the consolidated 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 2017 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### **Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### **Other Information**

The directors are responsible for the other information. The other information comprises the directors report included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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



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

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

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

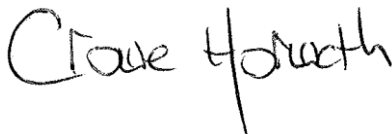
The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

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

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_files/ar3.pdf](http://www.auasb.gov.au/auditors_files/ar3.pdf). This description forms part of our auditor's report.



**CROWE HORWATH ALBURY**



**BRADLEY D BOHUN**

Partner

Dated at Albury this 27 day of September 2017.