

Hargraves Secured Investments Limited

ABN 74 089 001 267

**Financial Report for the
Year Ended 30 June 2023**

HARGRAVES SECURED INVESTMENTS LIMITED
ACN 089 001 267

DIRECTORS' REPORT

The Directors present their report together with the financial statements of Hargraves Secured Investments Limited ("the Company") for the financial year ended 30 June 2023 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 Ross A Mulquiney
Mr Nicholas L Mulquiney

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

Secretary

Mr Matthew Denny acted as Company Secretary during the year.

Operating results

The profit of the company for the period after providing for income tax amounted to \$3,122,170.

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 \$4,511,343 were paid during the period (2022: \$3,350,699).
- (b) There were no fully franked dividends declared on 30 June 2023 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.

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 2001*.

HARGRAVES SECURED INVESTMENTS LIMITED
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DIRECTORS' REPORT (Continued)

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 PFG (Provincial Finance Group).

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

Nicholas L Mulquiney BE(Hons) BA MBA was appointed a director of the company on 16th October 2017.

All directors have extensive experience in mortgage and property issues and are all actively involved in the management of the company. Directors meetings are held on a monthly basis.

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 2023.

Signed in accordance with a resolution of the Board of Directors.

Director


Mr R A Mulquiney


Mr J B Gorman

Dated this 22nd September, 2023.

■ PARTNERS:

P.J. King	CA
A.P. Powell	CA
D.R. Uden	CA
R.K. Nicoll	CA
M.A. Smith	CA
D.T. Rosetta	CA

AUDITORS INDEPENDENCE DECLARATION

As lead auditor for the audit of Hargraves Secured Investments Limited for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

- (a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) No contraventions of any applicable code of professional conduct in relation to the audit.


JOHN L BUSH & CAMPBELL
Chartered Accountants


Peter King
Partner

22 September 2023
Wagga Wagga

HARGRAVES SECURED INVESTMENTS LIMITED
ACN 089 001 267

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

	NOTE	2023 \$	2022 \$
Interest revenue	2	8,574,135	7,913,930
Interest expense		<u>(3,833,259)</u>	<u>(3,314,990)</u>
Net interest revenue		4,740,876	4,598,940
Non-interest revenue	2	376,379	896,785
Net impairment (loss)/gain on financial assets		(18,991)	125,698
Other expenses	3	<u>(935,371)</u>	<u>(902,584)</u>
Profit before income tax		4,162,893	4,718,839
Income tax expense	4	<u>(1,040,723)</u>	<u>(1,199,940)</u>
Profit for the period		<u>3,122,170</u>	<u>3,518,899</u>
Other Comprehensive Income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain/(loss) on the revaluation of Property, net of tax		-	17,053
Other Comprehensive Income for the year, net of tax		<u>-</u>	<u>17,053</u>
Total Comprehensive Income for the year		<u>3,122,170</u>	<u>3,535,952</u>
Earnings Per Share (Dollars per share)		10.2910	12.5552

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 2023

	NOTE	2023 \$	2022 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	15,820,840	27,806,410
Trade and other receivables	6	98,228,137	81,120,307
Deferred tax assets	9	57,688	49,524
Other assets	8	31,475	633,282
TOTAL CURRENT ASSETS		<u>114,138,140</u>	<u>109,609,523</u>
NON CURRENT ASSETS			
Property, plant and equipment	10	340,118	340,544
TOTAL NON CURRENT ASSETS		<u>340,118</u>	<u>340,544</u>
TOTAL ASSETS		<u>114,478,258</u>	<u>109,950,067</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	534,139	452,802
Interest-bearing liabilities	13	66,999,328	58,283,145
Employee Benefits	16	89,640	85,377
Current tax liabilities	14	280,298	225,899
Deferred tax liabilities	15	48,973	48,730
Other liabilities	12	-	2,207
TOTAL CURRENT LIABILITIES		<u>67,952,378</u>	<u>59,098,160</u>
NON CURRENT LIABILITIES			
Interest-bearing liabilities	13	34,346,130	39,623,447
Employee Benefits	16	13,519	5,216
TOTAL NON CURRENT LIABILITIES		<u>34,359,649</u>	<u>39,628,663</u>
TOTAL LIABILITIES		<u>102,312,027</u>	<u>98,726,823</u>
NET ASSETS		<u>12,166,231</u>	<u>11,223,244</u>
EQUITY			
Issued capital	17	8,863,766	6,531,606
Reserves	18	159,236	159,236
Retained earnings	19	3,143,229	4,532,402
TOTAL EQUITY		<u>12,166,231</u>	<u>11,223,244</u>

To be read in conjunction with the accompanying notes

HARGRAVES SECURED INVESTMENTS LIMITED
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2023

	Note	Asset			Total
		Issued Capital	Retained Earnings	Revaluation Reserves	
Opening balance at 1 July 2021		5,502,821	4,364,202	142,182	10,009,205
Profit attributable to members		-	3,518,899	-	3,518,899
Subtotal		5,502,821	7,883,101	142,182	13,528,104
Revaluations: asset revaluation reserve		-	-	17,054	17,054
Dividends paid or provided for		-	(3,350,699)	-	(3,350,699)
Share Issues/(redemptions)		1,028,785	-	-	1,028,785
Closing balance at 30 June 2022		6,531,606	4,532,402	159,236	11,223,244
Consolidated					
Opening balance at 1 July 2022		6,531,606	4,532,402	159,236	11,223,244
Profit attributable to members		-	3,122,170	-	3,122,170
Subtotal		6,531,606	7,654,572	159,236	14,345,414
Revaluations: asset revaluation reserve		-	-	-	-
Dividends paid or provided for		-	(4,511,343)	-	(4,511,343)
Share Issues/(redemptions)		2,332,160	-	-	2,332,160
Closing balance at 30 June 2023		8,863,766	3,143,229	159,236	12,166,231

To be read in conjunction with the accompanying notes

HARGRAVES SECURED INVESTMENTS LIMITED
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CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2023

	NOTE	2023 \$	2022 \$
Cash Flow From Operating Activities			
Interest received		8,458,233	7,888,406
Interest paid		(3,756,170)	(3,274,675)
Receipts from other services		374,171	898,058
Payments to suppliers and employees		(902,737)	(877,146)
Net (increase)/decrease in loans and advances		(17,010,919)	(9,292,690)
Net increase/(decrease) in debentures		3,438,867	10,503,387
Income tax paid		(994,246)	(1,129,016)
Net cash provided by/(or used in) operating activities	21	<u>(10,392,801)</u>	<u>4,716,324</u>
Cash Flow From Investing Activities			
Proceeds from sale of investment property		-	310,000
Proceeds from Investments		599,882	-
Payments for property, plant & equipment		(13,469)	(20,227)
Net cash (used in)/from investing activities		<u>586,413</u>	<u>289,773</u>
Cash Flow From Financing Activities			
Proceeds from shares issued		2,332,160	1,028,785
Dividends paid		(4,511,342)	(3,350,699)
Net cash provided by/(or used in) financing activities		<u>(2,179,182)</u>	<u>(2,321,914)</u>
Net (decrease)/increase in cash held		(11,985,570)	2,684,183
Cash at the beginning of the period		<u>27,806,410</u>	<u>25,122,227</u>
Cash at the end of the period	5	<u><u>15,820,840</u></u>	<u><u>27,806,410</u></u>

To be read in conjunction with the accompanying notes

HARGRAVES SECURED INVESTMENTS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2023

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report covers the financial statements of Hargraves Secured Investments Limited (the Company). 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 22 September 2023.

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. 25 dated 2nd December, 2022 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.

(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.

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

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

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(t).

(b) Accounting Policies

The accounting policies have been consistently applied throughout the year for the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
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(c) Income recognition

Interest revenue

Interest income arising from financial assets held at amortised cost is recognised using the effective interest method.

Commission and management fee income

Commission and management fees are recognised at an amount that reflects the consideration to which the Company expects to be entitled to in exchange for the services provided. The performance obligations, as well as timing of their satisfaction, are identified, and determined, at the inception of the contract.

Commission and management fees are generally recognised as earned.

Income from property

Rental income from leases is recognised on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

All revenue is stated net of the amount of goods and services tax (GST).

(d) Interest expense

Interest expense is recognised using the effective interest method. Interest expense includes interest on interest-bearing liabilities on issue. Other transaction costs and commitment fees incurred in connection with the origination of the financial liabilities are deferred and recognised as an adjustment to the effective interest rate.

(e) Income tax

The charge for current income tax expense is based on the profit for the period adjusted 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.

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 Profit or Loss 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.

Current and deferred tax balances are recognised in the profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In that case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
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(f) 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 three months and net of bank overdrafts.

Interest-bearing deposits held by the Company in other financial institutions are financial assets with fixed or determinable payments that are held within a business model whose objective is to hold assets to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Such assets are recognised initially at cost plus any directly attributable transaction costs.

Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any expected credit losses / impairment losses.

(g) Loans and advances

Loan and advances are financial assets with fixed or determinable payments that are held within a business model whose objective is to hold assets to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Such assets are recognised initially at cost plus any directly attributable transaction costs.

Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any expected credit losses / impairment losses.

Loan origination fees

Loan establishment fees, discounts and other fees that are deemed to be an integral part of the effective interest rate are initially deferred as part of the loan balance and are brought to account as income over the expected life of the loan or other relevant period. The amounts brought to account are included as part of interest revenue.

Transaction costs

Transaction costs are expenses which are direct and incremental to the establishment of the loan. These costs are initially deferred as part of the loan balance, and are brought to account as a reduction to income over the expected life of the loan. The amounts brought to account are included as part of interest revenue.

An analysis of the Company's loan origination fees and associated cost structure indicated that the net amount of fee revenue required to be deferred is not material, and accordingly no deduction from loans has been made.

Expected credit losses (ECL) will be recorded for all financial assets measured at amortised cost. ECL is calculated as the probability of default (PD) x loss given default (LGD) x exposure at default. The credit models are calibrated to reflect PD and LGD estimates based on historical observed experience, as well as reflecting the influence of unbiased forward-looking views of macroeconomic conditions, through macroeconomic variables that influence credit losses, for example unemployment rates and changes in land, residential property, and commercial property prices.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2023

(h) Provision for impairment of financial assets

The economic forecasts underpinning the PD and LGD estimates are reviewed on at least a 6-monthly basis, taking into account expert judgment, and are approved by the Company directors.

Measurement of ECL

The Company applies a three-stage approach to measuring expected credit losses (ECLs) for financial assets that are measured at amortised cost. Financial assets that are subject to credit risk are assigned to one of the three stages and could be reassigned based on changes in asset quality.

Exposures are assessed on an individual basis in stage 1, stage 2 and stage 3.

Stage 1: 12 month ECL

At initial recognition, and for assets for which there has not been a significant increase in credit risk (SICR), ECL is determined based on the probability of default (PD) over the next 12 months and the life time losses associated with such PD.

Stage 2: Lifetime ECL not credit impaired

Stage 2 assets have experienced a significant increase in credit risk (SICR) since origination. Provisions for loans in Stage 2 are established to provide for ECL for the remaining term of the asset (lifetime ECL). Stage 2 includes 'past due and credit-impaired assets' which have a collective provision determined by the ECL model.

'Past-due loans' are assets where all Principal and Interest is considered recoverable if the security for the asset was sold and arrears are in excess of 30 days.

'Credit-impaired assets' are assets where recovery of all Principal and Interest is considered doubtful if the security for the asset was sold.

Stage 3: Specific Provision: Credit Impairment

Financial assets are classified as Stage 3 where they are determined to be 'credit impaired loans'. A specific provision for impairment is recognised in Stage 3 where there is objective evidence of impairment and full recovery of principal and interest is considered doubtful. The present value of the expected future cash flows is compared to the carrying amounts of the loan. All factors that have a bearing on the expected future cash flows are considered, including the business prospects for the customer, the realisable value of collateral, the Company's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. These judgments can change as new information becomes available and workout strategies evolve.

At each reporting date, the Company assesses the credit risk of exposures in comparison to the risk at initial recognition, to determine the stage that applies to the associated ECL measurement. If the credit risk of an exposure has increased significantly since initial recognition, the asset will migrate to Stage 2. From the perspective of arrears, 30 days past due is always considered Stage 2. If no significant increase in credit risk is observed, the asset will remain in Stage 1. Should an asset become credit-impaired it will be transferred to Stage 3.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event (i.e. arrears are in excess of 30 days);
- the restructuring of a loan by the Company on terms that it would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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NOTES TO THE FINANCIAL STATEMENTS
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(h) Provision for impairment of financial assets (continued)

A write-off is made when all practical recovery efforts have concluded and all or part of a financial asset is deemed unrecoverable or forgiven. Write-offs reduce the principal amount of a claim and are charged against previously established ECLs.

Calculation of expected credit losses

Expected credit losses (ECLs) are calculated using three main parameters i.e. a probability of default (PD), a loss given default (LGD) and an exposure at default (EAD). These parameters are derived from historical loss models.

For accounting purposes, the 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial asset, respectively, based on conditions existing at the balance sheet date.

The LGD represents expected loss conditional on default, taking into account the mitigating effect of collateral and its expected value when realised.

(i) 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(v) 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 capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis (or diminishing value basis in the case of buildings and 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%

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NOTES TO THE FINANCIAL STATEMENTS
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(i) Property, Plant and Equipment (continued)

Disposals

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any Asset Revaluation Reserve surplus relating to the item disposed of is transferred directly to retained profits.

(j) Impairment of non-financial assets

At each reporting date the Company assesses whether there is any indication that individual non-financial assets are impaired. Where impairment indicators exist, recoverable amount is determined, and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount.

(k) 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.

(l) Interest bearing liabilities

Interest bearing liabilities are financial liabilities at amortised cost and are initially measured at fair value plus any directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The Company has adopted the term 'Notes' for its interest bearing liabilities under Section 283BH of the Corporations Act 2001 (as defined by ASIC Class Order 12/1482). Notes are debt securities of the Company and not shares. The Company's obligation to repay the investment In Notes is secured by a floating charge created under the Trust Deed over the assets of the Company and an undertaking of the Company in favour of Melbourne Securities Corporation Ltd as Trustee for the holders of the Notes. The Trustee has a first ranking security interest registered on the Personal Property Security Register for all present and after acquired property of the company without exception.

Interest bearing liabilities are issued for periods of between three months to three years and provide a fixed rate of interest for the period of the investment.

(m) Employee Benefits

Long term service benefits

The Company'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 Company's obligations.

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(m) Employee Benefits (continued)

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 Company expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

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

(n) 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.

(o) Reserves

Asset revaluation reserve

The asset revaluation reserve relates to the revaluation of land and buildings.

(p) 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 Company's main activities are to sell notes to investors and then on lend the funds invested on the security of registered mortgages over real property in Australia.

At 30 June 2023 the net assets of the Group were \$12,166,231. Included in the net assets are liabilities with respect to debentures of \$101,345,458. At balance date the Group's total assets were \$114,478,258. Included in assets are cash and cash equivalents of \$15,820,840.

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NOTES TO THE FINANCIAL STATEMENTS
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30 JUNE 2023

(q) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

(r) 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, the Company 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.

(s) 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 principal market or, in the absence of a principal 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 are used that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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(s) Fair value measurement (continued)

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.

Fair value measurement hierarchy

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; 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.

(t) 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 and 7 - Provision for impairment of loans and advances - assessment with regards to the expected credit loss modelling and judgements, including:

- Determining criteria for significant increase in credit risk: An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information; and
- Choosing appropriate models and assumptions for the measurement of expected credit loss.

Note 10 – Property, Plant and Equipment – fair value assessment and estimation of useful life.

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(u) New or amended accounting standards adopted

The Company has adopted all new or amended Accounting standards and interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

(v) New Accounting Standard – Issued Not Yet Effective

The Company has reviewed the impact of recent pronouncements and changes to Australian Accounting Standards and have determined that these pronouncements will not have a material effect on the financial position or performance of the Company in the future.

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	2023	2022
	\$	\$
NOTE 2: INTEREST AND OTHER REVENUE		
<u>Interest Revenue</u>		
Investment securities, cash and liquid assets	446,822	67,736
Loans and advances	8,127,313	7,846,194
	8,574,135	7,913,930
<u>Non Interest Revenue</u>		
Commission and management fees	376,255	849,670
Rents received	-	47,015
Other Income	124	100
	376,379	896,785
Total Interest and Other Revenue	8,950,514	8,810,715
NOTE 3: OTHER EXPENSES		
Depreciation of non-current assets		
- Buildings & improvements (18 Orr Street)	6,898	7,075
- Plant and equipment (16-18 Orr Street)	6,997	3,425
Total depreciation	13,895	10,500
Remuneration of auditors	37,193	35,200
Loss incurred on loan settlements	-	-
Personnel costs	440,793	409,665
Other expenses	443,490	447,219
Total Other Expenses	935,371	902,584
NOTE 4: INCOME TAX EXPENSE		
Profit before income tax	4,162,893	4,718,839
(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 25.00% (2022: 25.00%)	1,040,723	1,179,710
Add:		
Tax effect of:		
- non allowable items	3,416	3,711
- provision for loan impairment	4,748	(31,425)
	1,048,887	1,151,996
Less:		
Tax effect of:		
- allowable items	(243)	717
- realised loss on loan settlements	-	-
- Other Income	-	-
Current tax expense	1,048,644	1,152,713
Adjustment to opening DTA/DTL due to change in tax rate	-	2,066
Increase/(decrease) in deferred tax liabilities	243	27,507
(Increase)/decrease in deferred tax assets	(8,164)	23,338
ARR Increase/(Decrease)	-	(5,684)
Income tax (over)/under provided in prior period	-	-
Income tax expense attributable to the entity	1,040,723	1,199,940

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	2023	2022
	\$	\$
NOTE 5: CASH AND CASH EQUIVALENTS		
Cash at bank	193,582	9,792,802
Interest bearing deposits	<u>15,627,258</u>	<u>18,013,608</u>
	<u>15,820,840</u>	<u>27,806,410</u>
NOTE 6: TRADE AND OTHER RECEIVABLES		
Accrued income	610,590	494,688
Loans and advances (secured by mortgage)	97,719,840	80,708,921
Less provision for loan impairment	<u>(102,293)</u>	<u>(83,302)</u>
Net loans and advances	<u>97,617,547</u>	<u>80,625,619</u>
Total trade and other receivables	<u>98,228,137</u>	<u>81,120,307</u>
NOTE 7: PROVISION FOR LOAN IMPAIRMENT		
Total provision comprises of:		
Collective provisions	102,293	83,302
Specific provisions	<u>-</u>	<u>-</u>
	<u>102,293</u>	<u>83,302</u>

The collective provisions for 2023 and comparative 2022 are calculated and disclosed under the expected credit loss regime as per Note 1(h).

RECONCILIATION OF PROVISION FOR LOAN IMPAIRMENT

The table below shows the reconciliation of the new ECL for the financial year ended 30 June 2023. Please refer to Note 1(h) for a definition of each stage.

	Collective Provisions		Specific Provision	Total
	Stage 1 - 12-month ECL \$	Stage 2 - Lifetime ECL \$	Stage 3 - Specific Provision \$	
Consolidated				
Total provision for impairment on loans and advances as at 1 July 2022	82,457	845	-	83,302
Transfers				
Transfer to stage 1			-	-
Transfer to stage 2			-	-
Transfer to stage 3			-	-
New and increased provisions	183	19,653	-	19,836
Write-back of provision no longer required		(845)	-	(845)
Specific provisions written off			-	-
Total provision for impairment on loans and advances as at 30 June 2023	<u>82,640</u>	<u>19,653</u>	<u>-</u>	<u>102,293</u>

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NOTE 7: PROVISION FOR LOAN IMPAIRMENT (continued)

	2023	2022
	\$	\$
Collective Provision		
Balance at the beginning of the year	83,302	209,000
New and increased provisioning	18,991	-
Write back against impairment losses	-	(125,698)
Balance at the end of the financial year	102,293	83,302
Specific Provision		
Balance at the beginning of the year	-	-
New and increased provisioning	-	-
Write back of provisions no longer required	-	-
Impaired provision written off	-	-
Balance at the end of the financial year	-	-
Total Provision for impairment	102,293	83,302

RECONCILIATION OF GROSS CARRYING AMOUNT OF LOANS

The table below shows the effect of movements in the gross carrying amount of loans in different stages during the financial year ended 30 June 2023.

	Collective Provisions		Specific Provision	Total
	Stage 1 - 12-month ECL \$	Stage 2 - Lifetime ECL \$	Stage 3 - Specific Provision \$	
Gross carrying amount as at 1 July 2022	80,269,963	438,958	-	80,708,921
Transfers				
Transfer to stage 1	(10,370,000)	-	-	(10,370,000)
Transfer to stage 2	-	10,370,000	-	10,370,000
Transfer to stage 3	-	-	-	-
New loans made during the year	35,147,469	629,009	-	35,776,478
Loans derecognised during the year	(18,326,601)	(438,958)	-	(18,765,559)
Gross carrying amount as at 30 June 2023	86,720,831	10,999,009	-	97,719,840
Provision for loan impairment	(82,640)	(19,653)	-	(102,293)
Net carrying amount as at 30 June 2023	86,638,191	10,979,356	-	97,617,547

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	2023	2022
	\$	\$
NOTE 7: PROVISION FOR LOAN IMPAIRMENT (continued)		
IMPAIRMENT LOSS ON LOANS AND ADVANCES		
Increase / (decrease) in specific provision for impairment	-	-
Increase / (decrease) in collective provision for impairment	(18,991)	(125,698)
Bad debts written off	-	-
Bad debts recovered	-	-
Total impairment loss on loans and advances	<u>(18,991)</u>	<u>(125,698)</u>
NOTE 8: OTHER ASSETS		
Prepayments and Debtors	28,457	630,361
GST Inputs/GST Refundable	3,018	2,921
	<u>31,475</u>	<u>633,282</u>
NOTE 9: DEFERRED TAX ASSETS		
Deferred Tax Assets	<u>57,688</u>	<u>49,524</u>
<i>Deferred tax assets are attributable to the following:</i>		
Provision for impairment on loans	25,573	20,826
Trade & other payables	6,325	6,050
Provision for employee benefits	25,790	22,648
	<u>57,688</u>	<u>49,524</u>

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2023 2022
\$ \$

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

Freehold land and buildings at fair value	325,000	325,000
Less accumulated depreciation	<u>(13,973)</u>	<u>(7,075)</u>
	<u>311,027</u>	<u>317,925</u>
Plant and equipment at cost	165,434	151,965
Less accumulated depreciation	<u>(136,343)</u>	<u>(129,346)</u>
	<u>29,091</u>	<u>22,619</u>
Total property, plant and equipment	<u>340,118</u>	<u>340,544</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.

	Freehold Land and Buildings	Freehold Land and Buildings
Balance at the beginning of the period	317,925	302,262
Additions	-	-
Revaluation increments	-	22,738
Depreciation expense	<u>(6,898)</u>	<u>(7,075)</u>
Carrying amount at the end of the period	<u>311,027</u>	<u>317,925</u>
	Plant and Equipment	Plant and Equipment
Balance at the beginning of the period	22,619	7,973
Additions	13,469	20,227
Disposals	-	(2,156)
Depreciation expense	<u>(6,997)</u>	<u>(3,425)</u>
Carrying amount at the end of the period	<u>29,091</u>	<u>22,619</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 last revalued in July 2021 based on independent assessments performed by a qualified valuer (Eishold Property).

NOTE 11: TRADE AND OTHER PAYABLES

Trade creditors	27,191	23,992
Accrued interest	481,648	404,610
Accrued expenses	<u>25,300</u>	<u>24,200</u>
Total trade and other payables	<u>534,139</u>	<u>452,802</u>

NOTE 12: OTHER LIABILITIES

GST Payable	<u>-</u>	<u>2,207</u>
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NOTE 13: INTEREST BEARING LIABILITIES

CURRENT		
Secured Notes	<u>66,999,328</u>	<u>58,283,145</u>
NON CURRENT		
Secured Notes	<u>34,346,130</u>	<u>39,623,447</u>

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	2023	2022
	\$	\$
NOTE 14: CURRENT TAX ASSETS AND LIABILITIES		
Current tax (asset)/liability	280,298	225,899
<i>Movement during the year was as follows:</i>		
Balance at the beginning of the year	225,899	202,201
Current year's income tax expense on profit before tax	1,048,644	1,152,713
Income tax paid - Current year	(768,347)	(926,815)
Income tax paid - Prior year	(225,898)	(202,200)
Under/(over) provision in prior period	-	-
Balance at the end of the year	280,298	225,899
NOTE 15: DEFERRED TAX LIABILITIES		
Deferred tax liabilities	48,973	48,730
<i>Deferred tax liabilities are attributable to the following:</i>		
Other assets	-	-
Property, Plant & Equipment	48,973	48,730
	48,973	48,730
NOTE 16: EMPLOYEE BENEFITS		
CURRENT		
Long service leave	45,191	40,354
Annual leave	44,449	45,023
	89,640	85,377
NON-CURRENT		
Long service leave	13,519	5,216
NOTE 17: ISSUED CAPITAL		
Ordinary shares	253,701	253,701
Cumulative redeemable preference shares	8,609,400	6,277,450
Employee shares	665	455
	8,863,766	6,531,606

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The holders of cumulative redeemable preference shares and employee share are entitled to receive non-cumulative dividends from time to time but attract no voting rights or capital entitlements upon winding up of the Company beyond the preferred face value of the shares.

Dividends

Fully franked dividends of \$4,511,343 were paid during the period (2022: \$3,350,699). All dividends declared and paid during the year were franked at the tax rate of 25.00%.

Dividend franking account

Franking credits of \$3,024,393 are available to shareholders of the Company for subsequent financial years (2022: \$3,533,928). The ability to utilise franking credits is dependent upon there being sufficient available profits to declare dividends.

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	2023	2022
	\$	\$
NOTE 18: RESERVES		
Asset revaluation reserve	159,236	159,236
Balance at the beginning of the financial year	159,236	142,182
Add revaluation increment	-	17,054
Balance at the end of the financial year	<u>159,236</u>	<u>159,236</u>

The asset revaluation reserve accounts for the unrealised gains on assets due to revaluation to fair value.

NOTE 19: RETAINED EARNINGS

Retained earnings at the beginning of the period	4,532,402	4,364,202
Net profit attributable to members of the company	3,122,170	3,518,899
Share buyback	-	-
Dividends provided for or paid	<u>(4,511,343)</u>	<u>(3,350,699)</u>
Retained earnings at the end of the period	<u>3,143,229</u>	<u>4,532,402</u>

NOTE 20: AUDITORS REMUNERATION

Remuneration of the auditor of the company for auditing or reviewing the financial report and other services

	<u>37,193</u>	<u>35,200</u>
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NOTE 21: CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Profit after Income Tax

Profit after income tax	3,122,170	3,518,899
Non-cash flows in profit:		
Disbursements re Investment Property sale	-	118
Loss on disposal of Plant & Equipment	-	2,156
Depreciation	13,895	10,500
Provision for loan impairment	18,991	(125,698)
ARR Increase/(Decrease)	-	(5,684)
Changes in assets and liabilities		
(Increase)/decrease in loans and advances	(17,010,919)	(9,292,690)
(Increase)/decrease in prepayments	2,022	(3,850)
(Increase)/decrease in accrued interest receivable	(115,902)	(25,523)
(Increase)/decrease in deferred tax assets	(8,164)	30,589
Increase/(decrease) in deferred tax liabilities	243	22,322
Increase/(decrease) in debentures	3,438,867	10,503,387
Increase/(decrease) in provision for employee entitlements	12,565	16,603
Increase/(decrease) in payables and accruals	79,032	41,497
Increase/(decrease) in current tax liability	54,399	23,698
Cash flows from operations	<u>(10,392,801)</u>	<u>4,716,324</u>

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2023 2022
\$ \$

NOTE 22: 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
Nicholas Lindsay Mulquiney - 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	69,808	69,808
Other key management personnel	93,585	89,830
Post-employment benefits - superannuation contributions		
Directors	7,330	6,632
Other key management personnel	9,594	7,258
Other long-term benefits		
Directors	-	-
Other key management personnel	3,077	3,614
Share based payments	15,000	10,500
	<u>198,394</u>	<u>187,642</u>

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

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 Company'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 held by key management personnel and other related parties	<u>85,927</u>	<u>61,850</u>
Total interest paid on interest bearing liabilities to key management personnel and other related parties	<u>3,381</u>	<u>3,518</u>

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 within legal and consultancy fees. Director Ross Mulquiney (current owner) was the owner of the legal firm Hargraves Solicitors during the period.

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NOTE 23: FINANCIAL RISK MANAGEMENT

The Company'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 Company 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 Company 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 Company. The Company 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 Company 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 Company's loan portfolio, net of impairment provisions for loans and advances, by security type, geographic location and loan to valuation ratio of the borrower is set out below:

	2023	2022
Loan portfolio by security type		
Registered first mortgages - non development loans	97,719,840	80,657,921
Registered first mortgages - development loans	-	-
Other	-	51,000
	<u>97,719,840</u>	<u>80,708,921</u>
Loan portfolio by geographic region		
New South Wales	43,551,745	28,002,361
Victoria	54,168,095	52,706,560
South Australia	-	-
	<u>97,719,840</u>	<u>80,708,921</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	96,943,684	80,657,921
Loan to valuation ratio more than 80%	776,156	51,000
	<u>97,719,840</u>	<u>80,708,921</u>

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NOTE 23: FINANCIAL RISK MANAGEMENT (Continued)

The Directors of the Company have implemented a structured framework of systems and controls to monitor and manage the credit risk of the Company. 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 Company 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 Company to meet the rights of note holders to be able to redeem their funds as required.

The Company maintains a liquidity risk management policy that establishes practices in order to meet this mismatch under a range of market conditions. The Company 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 Company prepares quarterly and annual cash flow budgets as part of its overall liquidity management strategy. The Company at all times maintains cash or cash equivalents on hand sufficient to meet its projected needs for the next quarter.

The Company 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 Company 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 Company 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 Company 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 Company's exposure to interest rate risk showing the contractual dates for classes of assets and liabilities are disclosed on pages 28 and 29.

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NOTE 23: FINANCIAL RISK MANAGEMENT (Continued)

The Company's exposure to interest rate risk showing the contractual dates for classes of assets and liabilities for 2023 is shown below;

2023	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 \$		
Assets									
Cash & cash equivalents	4.09%	15,820,840	-	-	-	-	-	-	15,820,840
Trade & other receivables		-	-	-	-	-	-	610,590	610,590
Loans & advances	8.82%	97,719,840	-	-	-	-	-	(102,293)	97,617,547
Property, plant & equipment		-	-	-	-	-	-	340,118	340,118
Deferred tax assets		-	-	-	-	-	-	57,688	57,688
Other assets		-	-	-	-	-	-	31,475	31,475
Total Assets		113,540,680	-	-	-	-	-	937,578	114,478,258
Liabilities									
Trade & other payables		-	-	-	-	-	-	534,139	534,139
Interest-bearing liabilities	4.11%	-	14,409,276	52,590,052	34,346,131	-	-	-	101,345,458
Provisions		-	-	-	-	-	-	103,159	103,159
Current tax Liabilities		-	-	-	-	-	-	280,298	280,298
Deferred tax liabilities		-	-	-	-	-	-	48,973	48,973
Other liabilities		-	-	-	-	-	-	-	-
Total Liabilities		-	14,409,276	52,590,052	34,346,131	-	-	966,569	102,312,027
Total Equity									12,166,231
Net Mismatch		113,540,680	(14,409,276)	(52,590,052)	(34,346,131)	-	-	(28,991)	
Cumulative Mismatch		113,540,680	99,131,404	46,541,352	12,195,222	12,195,222	12,195,222	12,166,231	

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NOTE 23: FINANCIAL RISK MANAGEMENT (Continued)

The Company's exposure to interest rate risk showing the contractual dates for classes of assets and liabilities for 2022 is shown below;

2022	Weighted average rate %	Floating interest rate \$	Fixed Interest Rate				Over 5 \$	No maturity specified \$	Non- interest bearing \$	Total \$
			0 - 3 months \$	3 -12 months \$	1 - 5 years \$					
Assets										
Cash & cash equivalents	1.21%	9,792,802	8,013,608	10,000,000	-	-	-	-	27,806,410	
Trade & other receivables		-	-	-	-	-	-	494,688	494,688	
Loans & advances	8.75%	80,708,921	-	-	-	-	-	(83,302)	80,625,619	
Deferred tax assets		-	-	-	-	-	-	49,524	49,524	
Property, plant & equipment		-	-	-	-	-	-	340,544	340,544	
Other assets		-	-	-	-	-	-	633,282	633,282	
Total Assets		90,501,723	8,013,608	10,000,000	-	-	-	1,434,736	109,950,067	
Liabilities										
Trade & other payables		-	-	-	-	-	-	452,802	452,802	
Interest-bearing liabilities	3.60%	934,358	16,574,749	40,774,038	39,623,447	-	-	-	97,906,592	
Provisions		-	-	-	-	-	-	90,593	90,593	
Current tax Liabilities		-	-	-	-	-	-	225,899	225,899	
Deferred tax liabilities		-	-	-	-	-	-	48,730	48,730	
Other liabilities		-	-	-	-	-	-	2,207	2,207	
Total Liabilities		934,358	16,574,749	40,774,038	39,623,447	-	-	820,231	98,726,823	
Total Equity										
Net Mismatch		89,567,365	(8,561,141)	(30,774,038)	(39,623,447)	-	-	614,505		
Cumulative Mismatch		89,567,365	81,006,224	50,232,186	10,608,739	10,608,739	10,608,739	11,223,244		

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 23: FINANCIAL RISK MANAGEMENT (Continued)

Sensitivity analysis

The following table illustrates the sensitivities to the Company's exposure to changes in interest rates. The Company 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 2022.

	Profit or loss		Equity	
	1% p.a.	1% p.a.	1% p.a.	1% p.a.
	Increase	Decrease	Increase	Decrease
2023	\$	\$	\$	\$
Interest bearing financial assets	1,134,384	(1,134,384)	1,134,384	(1,134,384)
Interest bearing financial liabilities	(1,013,455)	1,013,455	(1,013,455)	1,013,455
Cash flow sensitivity (net)	120,929	(120,929)	120,929	(120,929)

	Profit or loss		Equity	
	1% p.a.	1% p.a.	1% p.a.	1% p.a.
	Increase	Decrease	Increase	Decrease
2022	\$	\$	\$	\$
Interest bearing financial assets	1,084,320	(1,084,320)	1,084,320	(1,084,320)
Interest bearing financial liabilities	(979,066)	979,066	(979,066)	979,066
Cash flow sensitivity (net)	105,254	(105,254)	105,254	(105,254)

(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 three months) or are receivable on demand.

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NOTE 23: FINANCIAL RISK MANAGEMENT (Continued)

Recognised financial instruments

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 2023 approximates net fair value.

Trade and other payables

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

Interest bearing liabilities

The carrying value for interest-bearing debentures is considered a reasonable estimate of their fair value. Discounted cash flow models are used to calculate the fair value using a yield curve appropriate to the remaining maturity of the instrument.

(v) Categories of financial instruments

The following table classifies the financial assets and liabilities into measurement classes:

	2023	2022
	\$	\$
Financial Assets		
Financial assets at amortised cost		
Cash and cash equivalents	15,820,840	27,806,410
Trade and other receivables	98,228,137	81,120,307
Total Financial Assets	<u>114,048,977</u>	<u>108,926,717</u>
Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables	534,139	452,802
Interest-bearing liabilities	101,345,458	97,906,592
Total financial liabilities	<u>101,879,597</u>	<u>98,359,394</u>

NOTE 24: CAPITAL RISK MANAGEMENT

Consolidated entity

The Company'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.

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NOTE 24: CAPITAL RISK MANAGEMENT (continued)

Parent entity

Under ASIC's Regulatory Guide 69 issuers of unlisted 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 2023 the company's capital ratio was 10.63% (2022: 10.21%).

NOTE 25: LOAN ANALYSIS AND IMPAIRMENT

The following table details the Company'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 Company 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 Company.

	Gross Amount	Past Due and Impaired	MIP	Past Due but Not Impaired (Days Overdue)			Within Initial Terms
				30 - 60	61 - 90	> 90	
2022							
Loans Secured by Mortgage	80,708,921	-	-	438,958	-	-	80,269,963
Provision for Impairment	(83,302)	-	-	(845)	-	-	(82,457)
Other receivables	494,688	-	-	-	-	-	494,688
Total	81,120,307	-	-	438,113	-	-	80,682,194

	Gross Amount	Past Due and Impaired	MIP	Past Due but Not Impaired (Days Overdue)			Within Initial Terms
				30 - 60	61 - 90	> 90	
2023							
Loans Secured by Mortgage	97,719,840	-	-	4,402,800	-	6,596,209	86,720,831
Provision for Impairment	(102,293)	-	-	(7,867)	-	(11,786)	(82,640)
Other receivables	610,590	-	-	-	-	-	610,590
Total	98,228,137	-	-	4,394,933	-	6,584,423	87,248,781

The Company holds first mortgage collateral security over all mortgages.

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NOTE 26: Fair value measurement

Fair value hierarchy

The following tables detail the Company'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.

2022	Level 1	Level 2	Level 3	Total
<i>Assets measured at fair value</i>				
Investment Properties	-	-	-	-
Land and buildings	-	317,925	-	317,925
Total Fair valued assets	-	317,925	-	317,925

2023	Level 1	Level 2	Level 3	Total
<i>Assets measured at fair value</i>				
Investment Properties	-	-	-	-
Land and buildings	-	311,027	-	311,027
Total Fair valued assets	-	311,027	-	311,027

The Company has assessed that at balance date, the carrying amount of all financial instruments approximates fair value. Refer to Note 23 (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:

	Investment Properties	Land & Buildings	Total
Balance at 1 July 2021	910,000	302,262	1,212,262
Additions	-	-	-
Disposals/Reclassifications	(910,000)	-	(910,000)
Fair value adjustment	-	(5,000)	(5,000)
Depreciation	-	20,663	20,663
Balance at 30 June 2022	-	317,925	317,925
Additions	-	-	-
Disposals/Reclassifications	-	-	-
Fair value adjustment	-	-	-
Depreciation	-	(6,898)	(6,898)
Balance at 30 June 2023	-	311,027	311,027

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	2023	2022
	\$	\$
NOTE 27: SCHEDULE OF DEBTS RECEIVABLE AND DEBTS PAYABLE		
Debts payable:-		
(a) Not later than 1 year	66,999,328	58,283,145
(b) Later than 1 year but not later than 5 years	34,346,130	39,623,447
(c) Later than 5 years	-	-
Debts receivable:-		
(a) Not later than 1 year	97,617,547	80,625,619
(b) Later than 1 year but not later than 5 years	-	-
(c) Later than 5 years	-	-

of repayment of the "Principal Sum together with any outstanding interest" on "thirty (30) days written notice by the Lender. The Debts receivable (Loans) figures above are inclusive of all collective impairment provisions.

NOTE 28: SUBSEQUENT EVENTS

Other than as noted below 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 Company, the results of those operations, or the state of affairs of the Company in subsequent periods.

NOTE 29: CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30 June 2023, there are no Contingent Liabilities or Capital Commitments

NOTE 30: 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 31: COMPANY DETAILS

The registered office of the company is:

Hargraves Secured Investments Limited
 18 Orr Street
 Yarrowonga Vic 3730

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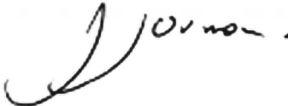
DIRECTORS' DECLARATION

The directors of the Company declare that:

- 1 The financial statements and notes, as set out on pages 4 to 34 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 2023 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 R A Mulquiney


Mr J B Gorman

Dated this 22nd September, 2023.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF:
HARGRAVES SECURED INVESTMENTS LIMITED**

Opinion

We have audited the accompanying financial report of Hargraves Secured Investments Limited (The Company), which comprises the Statement of Financial Position as at 30 June 2023, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

In our opinion, the financial report of Hargraves Secured Investments Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2023 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section of our report. We are independent of the Company in accordance with 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 responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

Directors' Responsibility for the Financial Report

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

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

Auditor's Responsibility

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 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 the financial report.

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

John L Bush & Campbell
JOHN L BUSH & CAMPBELL
Chartered Accountants



Peter King
Partner

ASIC Registration No: 210345
Wagga Wagga
22 September 2023