

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

**ABN 74 089 001 267**

**Financial Report for the  
Half Year Ended 31 December 2016**

**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 six months ended 31 December, 2016 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 \$491,310

**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 period are as follows:

- (a) Fully franked dividends of \$192,807 were paid during the period.  
There were no fully franked dividends declared on 31 December, 2016 for payment during a later period.
- (b) 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.

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

**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 period 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 periods.

**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 the following page and forms part of the Directors' report for the half year ended 31 December 2016.

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

Director .....  
Mr Ross A Mulquiney

.....  
Mr J B Gorman

Dated this 3rd March, 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 half-year ended 31 December 2016 there have been no contraventions of:

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

This declaration is in respect of Hargraves Secured Investments Limited and the entities it controlled during the half-year ended 31 December 2016.



**CROWE HORWATH ALBURY**



**BRADLEY D BOHUN**  
Partner

Dated at Albury this 3<sup>rd</sup> day of March 2017.

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

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	NOTE	Consolidated 31/12/2016 \$	Consolidated 31/12/2015 \$
Interest revenue	2	2,147,533	1,998,171
Interest expense	2	<u>(1,257,792)</u>	<u>(1,355,113)</u>
Net interest revenue		889,741	643,058
Non-interest revenue	2	251,535	112,153
Amortisation Expense	7	(50,000)	(50,000)
Share of net profit in associates		-	8,195
Other expenses	3	<u>(385,184)</u>	<u>(420,022)</u>
<b>Profit before income tax</b>		706,092	293,384
Income tax expense	4	<u>(214,782)</u>	<u>(88,210)</u>
<b>Profit for the period</b>		<u>491,310</u>	<u>205,174</u>
<b>Other Comprehensive Income</b>		<u>-</u>	<u>-</u>
<b>Total Comprehensive Income for the year</b>		<u>491,310</u>	<u>205,174</u>

To be read in conjunction with the accompanying notes

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

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016**

	NOTE	Consolidated 31/12/16 \$	Consolidated 30/06/16 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		6,208,870	17,324,962
Trade and other receivables	5	53,566,721	41,082,139
Deferred tax assets	6	110,073	110,333
Current tax assets	9	-	22,594
Other assets		24,993	6,779
<b>TOTAL CURRENT ASSETS</b>		<u>59,910,657</u>	<u>58,546,807</u>
<b>NON CURRENT ASSETS</b>			
Intangible assets	7	50,000	100,000
Investments in associates	8	-	-
Investment properties		2,775,000	2,775,000
Property, plant and equipment		256,723	261,149
<b>TOTAL NON CURRENT ASSETS</b>		<u>3,081,723</u>	<u>3,136,149</u>
<b>TOTAL ASSETS</b>		<u>62,992,380</u>	<u>61,682,956</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		360,014	454,433
Interest-bearing liabilities		36,999,004	33,301,580
Employee Benefits		44,818	38,154
Deferred tax liabilities	10	33,860	49,167
Current tax liabilities	9	157,108	-
Other liabilities		4,297	4,094
<b>TOTAL CURRENT LIABILITIES</b>		<u>37,599,101</u>	<u>33,847,428</u>
<b>NON CURRENT LIABILITIES</b>			
Interest-bearing liabilities		21,130,738	23,868,480
Employee Benefits		3,196	6,276
<b>TOTAL NON CURRENT LIABILITIES</b>		<u>21,133,934</u>	<u>23,874,756</u>
<b>TOTAL LIABILITIES</b>		<u>58,733,035</u>	<u>57,722,184</u>
<b>NET ASSETS</b>		<u>4,259,345</u>	<u>3,960,772</u>
<b>EQUITY</b>			
Issued capital		3,134,530	3,134,460
Reserves		75,000	75,000
Retained earnings		1,049,815	751,312
<b>TOTAL EQUITY</b>		<u>4,259,345</u>	<u>3,960,772</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 HALF YEAR ENDED  
31 DECEMBER 2016**

<b><u>Consolidated</u></b>	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		-	205,174	-	205,174
Subtotal		2,484,490	1,027,059	75,000	3,586,549
Dividends paid or provided for		-	(172,757)	-	(172,757)
Share Issue		89,990	-	-	89,990
<b>Balance at 31 December 2015</b>		2,574,480	854,302	75,000	3,503,782
 <b><u>Consolidated</u></b>					
<b>Balance at 1 July 2016</b>		3,134,460	751,312	75,000	3,960,772
Profit attributable to members		-	491,310	-	491,310
Subtotal		3,134,460	1,242,622	75,000	4,452,082
Dividends paid or provided for		-	(192,807)	-	(192,807)
Share Issue		70	-	-	70
<b>Balance at 31 December 2016</b>		3,134,530	1,049,815	75,000	4,259,345

**HARGRAVES SECURED INVESTMENTS LIMITED  
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**CASH FLOW STATEMENT  
FOR THE HALF YEAR ENDED  
31 DECEMBER 2016**

	NOTE	Consolidated 31/12/16 \$	Consolidated 31/12/15 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Interest received		2,105,642	1,993,125
Interest paid		(1,261,855)	(1,366,748)
Receipts from other services		249,939	83,673
Payments to suppliers and employees		(404,650)	(282,995)
Net (increase)/decrease in loans and advances		(12,460,805)	(2,223,858)
Net increase/(decrease) in debentures		959,683	2,900,085
Income tax paid		<u>(111,309)</u>	<u>(267,033)</u>
Net cash provided by operating activities	<b>11</b>	<u>(10,923,355)</u>	<u>836,249</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from investments		-	3,300
Payments for property, plant & equipment		-	-
Decrease in Asset Shareholdings		-	-
Net (increase)/decrease in investments		<u>-</u>	<u>(227,122)</u>
Net cash (used in)/provided by investing activities		<u>-</u>	<u>(223,822)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from shares issued		70	89,990
Dividends paid		<u>(192,807)</u>	<u>(172,758)</u>
Net cash used in financing activities		<u>(192,737)</u>	<u>(82,768)</u>
Net (decrease)/increase in cash held		(11,116,092)	529,659
Cash at the beginning of the period		<u>17,324,962</u>	<u>16,595,785</u>
Cash at the end of the period		<u><u>6,208,870</u></u>	<u><u>17,125,444</u></u>

To be read in conjunction with the accompanying notes



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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED  
31 DECEMBER 2016**

**Note 1. Summary of accounting policies**

**(a) Corporate Information**

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 3 March, 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 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)

**(b) Basis of Preparation**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 '*Interim Financial Reporting*' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

**(c) Accounting Policies**

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

**New Accounting Standards and Interpretations not yet mandatory**

Certain accounting standards and interpretations have been published that are not mandatory for the 31 December 2016 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

Changes that are not likely to materially impact the financial report of the Group have not been reported.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED  
31 DECEMBER 2016**

The following Accounting Standards and Interpretations are most relevant to the Group:

- *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 for 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 - Recognition and Instrument* - 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.

**HARGRAVES SECURED INVESTMENTS LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED  
31 DECEMBER 2016**

**Consolidated  
31/12/16  
\$**      **Consolidated  
31/12/15  
\$**

**NOTE 2: INTEREST AND OTHER REVENUE AND INTEREST EXPENSE**

Interest Revenue

Investment securities, cash and liquid assets	145,582	258,174
Loans and advances	2,001,951	1,739,997
	2,147,533	1,998,171

Non Interest Revenue

Commission and management fees	163,950	81,217
Rents received	85,694	22,519
Other Income	1,891	8,417
	251,535	112,153
	2,399,068	2,110,324

Total Interest and Other Revenue

Interest expense

	1,257,792	1,355,113
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**NOTE 3: OTHER EXPENSES**

Depreciation of non-current assets		
- Buildings & improvements (18 Orr Street)	2,504	2,568
- Plant and equipment (16-18 Orr Street)	1,923	2,437
- Plant and equipment (121-125 Belmore Street)	-	-
Total depreciation	4,427	5,005

Provision for loan impairment

20,000      167,527

Remuneration of auditors

7,450      7,500

Personnel costs

153,139      131,220

Other expenses

200,168      108,770

Total Other Expenses

385,184      420,022

**NOTE 4: INCOME TAX EXPENSE**

(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 30% (2015: 30%)	211,827	88,015
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Add:

Tax effect of:		
- non allowable items	15,307	15,289
- provision for loan impairment	6,000	50,258
	233,134	153,562

Less:

Tax effect of:		
- allowable items	(6,260)	(6,213)
- realised loss on loan settlements	-	-
- Other Income	-	-
Current tax expense	226,874	147,349

Increase/(decrease) in deferred tax liabilities

(15,307)      1,180

(Increase)/decrease in deferred tax assets

260      (59,045)

Income tax (over)/under provided in prior period

2,955      (1,274)

Income tax expense attributable to the entity

214,782      88,210

**HARGRAVES SECURED INVESTMENTS LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
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31 DECEMBER 2016**

	<b>Consolidated 31/12/16</b>	<b>Consolidated 30/06/16</b>
	\$	\$

**NOTE 5: TRADE AND OTHER RECEIVABLES**

**CURRENT**

Accrued income	335,079	291,302
Loans (secured by mortgage)	53,487,158	41,026,353
Less provision for loan impairment	<u>(255,516)</u>	<u>(235,516)</u>
	<u>53,231,642</u>	<u>40,790,837</u>
Total current trade and other receivables	<u><u>53,566,721</u></u>	<u><u>41,082,139</u></u>

**Movement in the provision for impairment - specific provision**

Balance at beginning of period	235,516	235,516
Add/(deduct):		
* Transfers from/(to) profit or loss	20,000	167,525
* Bad debts written off provision	-	<u>(167,525)</u>
Balance at end of period	<u><u>255,516</u></u>	<u><u>235,516</u></u>

**NOTE 6: DEFERRED TAX ASSETS**

Deferred Tax Assets	<u><u>110,073</u></u>	<u><u>251,333</u></u>
<i>Deferred tax assets are attributable to the following:</i>		
Provision for impairment on loans	76,655	70,655
Investment Property	16,044	16,044
Accrued Expenses	2,970	10,305
Provision for employee benefits	<u>14,404</u>	<u>13,329</u>
	<u><u>110,073</u></u>	<u><u>110,333</u></u>

*Unrecognised deferred tax assets:*

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions of deductibility set out in note 1(c) occur:

- Tax losses (capital in nature)	156,000	141,000
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**NOTE 7: INTANGIBLE ASSETS**

Intangible Asset		
At Cost	570,000	570,000
Less accumulated amortisation	<u>(520,000)</u>	<u>(470,000)</u>
Total Intangible asset	<u><u>50,000</u></u>	<u><u>100,000</u></u>

**HARGRAVES SECURED INVESTMENTS LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED  
31 DECEMBER 2016**

	<b>Consolidated 31/12/16</b>	<b>Consolidated 30/06/2016</b>
	\$	\$

**NOTE 8: INVESTMENTS IN ASSOCIATES**

Interests in unit trusts

- Orr Street Yarrowonga Unit Trust	-	-
Ownership interest	100.00%	100.00%

On 1 March 2016 Hargraves Secured Investments Limited purchased 63.47% of the units of the Orr Street Yarrowonga Unit Trust, gaining control and bringing its total unitholding to 100% of the Units of the trust. For the year ended 30 June 2016, Investments in associates were accounted for using the equity method of accounting. Information relating to associates are set out below:

*Summarised statement of financial position*

Current assets	-	-
Non-current assets	-	-
Total Assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-
Total liabilities	-	-
Net assets	-	-

*Summarised statement of profit or loss and other comprehensive income*

Revenue	-	-
Expenses	-	-
Net Profit	-	-
Other Comprehensive Income	-	-
Total Comprehensive Income	-	-

**Reconciliation of the consolidated entity's carrying amount**

Balance as at the beginning of the period	-	268,706
Contribution paid **	-	-
Distributions received **	-	(5,800)
Share of net profit for the period **	-	8,839
Carrying amount of investment **	-	271,745
Eliminated on consolidation **	-	(271,745)
Carrying amount of investment at 30 June 2016 **	-	-

\* Note - the 2016 amounts shown are for the period 1 July, 2015 to 1 March, 2016 which is the date that the Group obtained control.

**NOTE 9: CURRENT TAX ASSETS AND LIABILITIES**

Current tax (asset)/liability	157,108	(22,594)
<i>Movement during the period was as follows:</i>		
Balance at the beginning of the period	(22,594)	138,938
Current period's income tax expense on profit before tax	226,874	223,623
Income tax paid - Current period	(69,766)	(246,217)
Income tax (paid)/refund - Prior period	19,639	(137,664)
Under/(over) provision in prior period	2,955	(1,274)
Balance at the end of the period	157,108	(22,594)

**NOTE 10: DEFERRED TAX LIABILITIES**

Deferred tax liabilities	33,860	49,167
<i>Deferred tax liabilities are attributable to the following:</i>		
Intangible Assets	15,000	30,000
Property, Plant & Equipment	18,860	19,167
	33,860	49,167

**HARGRAVES SECURED INVESTMENTS LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED**

	<b>Consolidated</b>	<b>Consolidated</b>
<b>31 DECEMBER 2016</b>	<b>31/12/16</b>	<b>31/12/15</b>
	\$	\$

**NOTE 11: CASH FLOW INFORMATION**

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

Profit after income tax	491,310	205,174
Non-cash flows in profit:		
Share of profits from Associate	-	(8,195)
Depreciation	4,427	5,005
Loss on Disposal of Assets	-	-
Amortisation - Other Intangibles	50,000	50,000
Impairment - Investments	-	-
Charge for Bad and Doubtful Debts	20,000	167,527
Changes in assets and liabilities		
(Increase)/decrease in loans and advances	(12,460,805)	(2,223,858)
(Increase)/decrease in prepayments	(17,316)	(16,381)
(Increase)/decrease in accrued interest receivable	(43,777)	(13,463)
(Increase)/decrease in deferred tax assets	260	(81,157)
Increase/(decrease) in deferred tax liabilities	(15,307)	23,292
Increase/(decrease) in debentures	959,683	2,900,085
Increase/(decrease) in provision for employee entitlements	3,583	719
Increase/(decrease) in payables and accruals	(33,932)	(51,541)
Increase/(decrease) in current tax liability	118,519	(120,959)
Cash flows from operations	<u>(10,923,355)</u>	<u>836,248</u>

**HARGRAVES SECURED INVESTMENTS LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED  
31 DECEMBER 2016**

**NOTE 12: 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.

<b>Consolidated - 31 December 2016</b>	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Investment Properties	-	2,775,000	-	2,775,000
Land and buildings	-	239,839	-	239,839
<b>Total Fair valued assets</b>	-	<b>3,014,839</b>	-	<b>3,014,839</b>

<b>Consolidated - 30 June 2016</b>	Level 1	Level 2	Level 3	Total
<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>3,017,343</b>	-	<b>3,017,343</b>

The Company has assessed that at balance date, the carrying amount of all financial instruments approximates fair value.

There were no transfer between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

**Loan and advances**

The majority of the Company's loans are variable rate loans. The carrying amount of these loans less provisions for impairment, is considered to approximate fair value. 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 less provision for impairment, as at 31 December, 2016 approximates net fair value.

**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 financial half year are set out below

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED  
31 DECEMBER 2016**

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**NOTE 12: Fair value measurement cont..**

	<b>Investment Properties</b>	<b>Land &amp; Buildings</b>	<b>Total</b>
Balance at 1 July 2016	2,775,000	242,343	3,017,343
Additions	-	-	-
Disposals/Reclassifications	-	-	-
Fair value adjustment	-	-	-
Depreciation	-	(2,504)	(2,504)
Balance at 31 December 2016	<u>2,775,000</u>	<u>239,839</u>	<u>3,014,839</u>

**NOTE 13: CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

As at the 31st December, 2016 there we no contingent liabilities or capital commitments.



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

**DIRECTORS' DECLARATION**

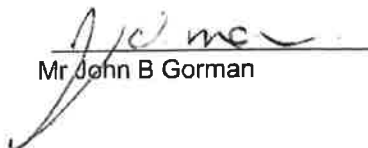
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The directors of the company declare that:

- 1 The financial statements and notes, as set out on pages 3 to 14 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 31 December 2016 of the Company and its controlled entities 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 and its controlled entities 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 Ross A Mulquiney

  
Mr John B Gorman

Dated this 3rd March, 2017.

## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF HARGRAVES SECURED INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES**

### *Report on the Financial Report*

We have reviewed the accompanying half-year financial report of Hargraves Secured Investments Limited and its controlled entities, which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity, the statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

### *Director's responsibility for the Financial Report*

The directors of Hargraves Secured Investments Limited and its controlled entities are responsible for the preparation and fair presentation of the half-year 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 and fair presentation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not presented fairly, in all material respects accordance with the *Corporations Act 2001* including: giving a true and fair view of Hargraves Secured Investments Limited's and its controlled entities financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Hargraves Secured Investments Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

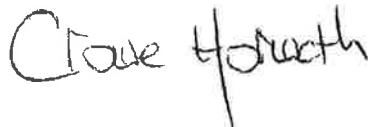
*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

**CONCLUSION**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hargraves Secured Investments Limited and its controlled entities does not present fairly, in all material respects, in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of Hargraves Secured Investments Limited and its controlled entities financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.



**CROWE HORWATH ALBURY**



**BRADLEY D BOHUN**  
Partner

3 March 2017