APA FINANCIAL SERVICES LTD
& Controlled Entities

ACN 057 046 607

2014

ANNUAL REPORT

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CORPORATE DIRECTORY

For the year ended 30 June 2014

Directors

Michael Hackett	Non-Executive Chairman
Graham Anderson	Non-Executive Director
Adrian Rowley	Non-Executive Director

Share registry

Link Market Services
Locked Bag A14
Sydney South
NSW 1235
Investor Enquiries: 1300 554 474

Company Secretary and Chief Financial Officer

Jerome Jones

Financial Accountant
Evelyn Anderson

Auditor

Hayes Knight Audit (QLD) Pty Ltd
Level 23
10 Eagle Street
Brisbane QLD 4000
Telephone: (07) 3229 2022
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Registered office and principal place of business

Level 1
41 Edward Street
Brisbane QLD 4001
Telephone: (07) 3020 3020
Facsimile: (07) 3020 3080

Stock exchange listing

Australian Stock Exchange Limited
(Home Branch - Perth)
ASX Code: APP

Bankers

Westpac Banking Corporation
1257 Hay Street
West Perth WA 6005

Website

www.apafs.com.au

DIRECTORS' REPORT

For the year ended 30 June 2014

Your directors present their report, together with the financial statements of APA Financial Services Limited and its controlled entities ("the group") for the year ended 30 June 2014.

DIRECTORS

The following persons were directors of the group from the commencement of the financial year to the date of this report:

Michael Hackett	Non-Executive Chairman
Graham Anderson	Non-Executive Director
Adrian Rowley	Non-Executive Director

PRINCIPAL ACTIVITIES

During the financial year the principal activity of the group was investment. There was no significant change in the nature of the principal activity during the financial year. However, on 1 August 2014, the directors called a meeting of shareholders to be held on 1 September 2014, to consider a number of resolutions including a resolution to change the nature and scale of the group's business activities. Details of these resolutions can be found in The Meeting Booklet and associated reports issued to shareholders on 1 August 2014.

DIVIDENDS

No dividends were paid during the year and the directors do not recommend the payment of a dividend.

OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR

Operating Results

The consolidated loss of the group for the year after income tax was $423,889 (2013 loss: $100,536). The group had an $82,825 decrease in revenue for the period, comprised of a decrease in interest received of $3,792 and a decrease of $79,033 in costs recovered for the IPR transaction last year that were a one-off recovery. Expenses were up by $240,528, comprising increases in administration costs of $2,675, professional costs of $161,718, finance costs of $168 and employment costs of $155,000. These increases were offset by a reduction in IPR transaction costs of $79,033. Cost increases are largely attributable to legal and consulting costs associated with the dairy aggregation project discussed in detail below and the accrual of unpaid director fees.

Review of Operations

The company's only non-cash investment is a minority interest in OneVue Holdings Limited (OneVue), which acquired the investment administration assets of the company in 2009. During the 2014 financial year, OneVue announced plans to raise additional capital from a public offer of its shares and seek listing on the ASX. Subsequent to the end of the financial year, on 24 July 2014, OneVue was listed on the ASX after raising approximately $14 million in new capital.

During the 2013 and 2014 financial years the directors advised shareholders and the ASX that they have been undertaking negotiations to acquire, manage and operate a planned aggregation of Australian dairy farms, predominantly in Victoria (the Dairy Aggregation Project).

Considerable work was undertaken on this project during the last financial year and this has culminated in the directors giving notice to APA shareholders of a shareholder meeting to be held in Melbourne on 1 September 2014 (the September General Meeting). The Notice of Meeting proposes and directors recommend a series of resolutions, which if approved will see the group embark on a significant new direction with prospects of new capital and additional shareholders.

A comprehensive Meeting Booklet was dispatched to all shareholders on or about 1 August 2014. The Meeting Booklet contained a Notice of Meeting together with an Explanatory Memorandum and was accompanied by an Independent Expert's Report for the information and guidance of shareholders. A copy of the Meeting Booklet is available on the company's website at www.apafs.com.au .

Net Financial Position

The net assets of the group have decreased by $226,122 from 30 June 2013 to $483,449 in 2014. The net assets have decreased predominantly as a result of operating losses, offset by the increased value of the investment in OneVue Holdings Limited, as disclosed in Note 9.

DIRECTORS' REPORT

For the year ended 30 June 2014

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors there were no significant changes in the state of affairs of the group that occurred during the year that are not disclosed elsewhere in this report or in the accompanying financial statements. Subsequent to the end of the financial year, if shareholders approve the resolutions proposed at the September General Meeting scheduled for 1 September 2014, there are likely to be significant changes in the future business activities and state of affairs of the group.

EVENTS SUBSEQUENT TO REPORTING DATE

OneVue became an ASX listed company on 24 July 2014. Between 25 July 2014 and 31 July 2014 the group sold 1,164,306 shares in OneVue for $352,065 to be used as working capital. The group intends to divest the remainder of its minority interest in OneVue as proposed in the September General Meeting.

On 14 August 2014, APA announced to the ASX that the Australian Dairy Farms Group has received firm commitments of new capital amounting to $8.5 million, which is in excess of the minimum subscription for the proposed capital raising.

If shareholders approve the change of activity proposed by the directors at the September General Meeting, the group's future activities will focus on the ownership and operation of Australian dairy farms. Further details are included in the material comprising the Notice of Meeting for the intended general meeting.

Other than the matters mentioned above and those in relation to significant changes in the state of affairs, likely developments and expected results of operations, and the dispatch of the Meeting Booklet for the September General Meeting, there are no further matters that have arisen since 30 June 2014 that have significantly affected or may significantly affect the operations of the group, the results of those operations or the state of affairs of the group in future years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The group intends to divest the remainder of its minority interest in OneVue as proposed in the September General Meeting. Proceeds from the sale of OneVue shares will be used as working capital for the group.

If shareholders approve the change of activity proposed by the directors at the September General Meeting, the group's future activities will focus on the ownership and operation of Australian dairy farms. It is not possible at this stage to predict future results of these operations. However, the directors have given considerable thought and attention to the proposals put to shareholders and believe that if approved, the outcomes will be positive for the company and the group.

ENVIRONMENTAL ISSUES

The group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

INFORMATION ON DIRECTORS

Michael Hackett	Non-Executive Chairman
Qualifications	Mr Hackett is a member of the Institute of Chartered Accountants.
Experience	Mr Hackett is a Chartered Accountant who is the Managing Director of Trustees Australia Limited (ASX CODE: TAU). He has a Bachelor of Commerce degree from the University of Queensland and is a Fellow of the Institute of Chartered Accountants in Australia. Michael has had considerable experience in managing and operating a wide range of businesses and property developments.
Interest in Shares and Options	Mr Hackett has a relevant interest in 20,870,325 ordinary shares in APA Financial Services Ltd.
Special Responsibilities	Mr Hackett is a Member of the Audit Committee, Nominating Committee and Remuneration Committee.
Directorships held in other listed entities in the last three years	Mr Hackett is currently a director of Trustees Australia Limited.

DIRECTORS' REPORT

For the year ended 30 June 2014

INFORMATION ON DIRECTORS (cont'd)

Graham Anderson	Non-Executive Director
Qualifications	Mr Anderson is a member of the Institute of Chartered Accountants.
Experience	Mr Anderson is a Chartered Accountant who operates his own specialist accounting and management consultancy practice. He has extensive experience in providing a range of corporate services to ASX Listed companies.
Interest in Shares and Options	Mr Anderson has a relevant interest in 5,470,014 ordinary shares in APA Financial Services Ltd.
Special Responsibilities	Mr Anderson is a Member of the Audit Committee, Nominating Committee and Remuneration Committee.
Directorships held in other listed entities in the last three years	Mr Anderson is currently a director of Oakajee Corporation Ltd, Mako Hydrocarbons Ltd, Pegasus Metals Ltd, Kangaroo Resources Ltd and Gulf Minerals Corporation Ltd. He is also a former director of Echo Resources Ltd, Tangiers Petroleum Ltd, Dynasty Metals Australia Ltd, Ethan Minerals Ltd and WAG Ltd.

Adrian Rowley	Non-Executive Director
Qualifications	Mr Rowley is a Certified Financial Planner.
Experience	Mr Rowley was appointed to the board of APA Financial Services Ltd on 20 July 2011. Adrian has had a career in financial services spanning more than 16 years and is currently a director of FYM Financial Pty Ltd which he established in 2009 to provide portfolio management and financial planning services to high net worth clients.
Interest in Shares and Options	Mr Rowley has a relevant interest in 8,369,932 ordinary shares in APA Financial Services Ltd.
Special Responsibilities	Mr Rowley is a Member of the Audit Committee, Nominating Committee and Remuneration Committee.
Directorships held in other listed entities in the last three years	No other current or former directorships with ASX listed companies.

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

Jerome Jones was appointed as company secretary on 26 August 2013. Jerome has been the CFO of the group on a contract basis since December 2012 and prior to that handled the financial accounting of the company as an employee of Trustees Australia Limited.

DIRECTORS' REPORT

For the year ended 30 June 2014

MEETINGS OF DIRECTORS

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2014, including the number of meetings attended by each director were:

Directors	Directors' Meetings	
	Number held while a director	Number attended
Graham Anderson	8	8
Michael Hackett	8	8
Adrian Rowley	8	8

The Audit, Nominating and Remuneration Committees did not meet separately during the year.

SHARES UNDER OPTION

There are no unissued ordinary shares of the company under option at the date of this report (2013: nil).

No options were exercised during the year (2013: nil).

REMUNERATION REPORT (audited)

This report details the nature and amount of remuneration for each director of APA Financial Services Ltd and for the executives receiving the highest remuneration. The report assumes that there are directors and employees who receive remuneration from the company and is retained in this Annual Report to detail the principles that the company would rely on and use if remuneration was paid in full.

The remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the group's financial results. The board of APA Financial Services Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the group, as well as create goal congruence between directors, executives and shareholders.

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Employment details of members of KMP
D Share-based compensation
E KMP shareholdings
F Other equity – related KMP transactions
G Other transactions – with KMP and/or related parties

The information provided includes remuneration disclosures that are required by Section 300 A (1) of the Corporations Act 2001.

A Principles used to determine the nature and amount of remuneration

The board assesses the appropriateness of the nature and amount of remuneration of directors and senior executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct. For the 2014 and 2013 financial years the company did not engage remuneration consultants.

REMUNERATION REPORT (audited) (cont'd)

Non-Executive Directors

The board seeks to set aggregate remuneration at a level that provides the group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board. The board has received the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fee is determined independently to the fees of non-executive directors based on comparative roles in the external market.

The constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The maximum currently stands at $150,000 per annum. As detailed in the Meeting Booklet for the September General Meeting, shareholder approval is sought to increase the maximum aggregate amount which can be paid as fees to the non-executive directors by $200,000 from $150,000 to $350,000 per annum. The increase is in order to attract and retain directors of the calibre required to effectively guide and monitor the company and to maintain directors' fees in line with market conditions.

There is no direct link between remuneration paid to any non-executive directors and corporate performance. There are no termination or retirement benefits for non-executive directors other than statutory superannuation.

Performance Conditions Linked to Remuneration

Short-term incentives

No short-term performance payments linked to remuneration were made for the year ended 30 June 2014.

Long-term incentives

Long term incentives are designed to reward executive directors, officers and senior management for their role in achieving corporate objectives.

At the September General Meeting, shareholder approval will be sought to adopt a long term incentive plan. The purpose of the long term incentive plan is to allow the board to make offers to eligible employees to acquire either directly or via performance rights or options, stapled securities in the group. The long term incentive plan is intended to provide an opportunity to eligible participants to participate in the group's future growth, provide an incentive to contribute to that growth and assist in attracting and retaining employees.

Other remuneration

There is no other performance-linked remuneration.

B Details of remuneration

Directors

The following persons were directors of APA Financial Services Ltd during the 2014 and 2013 financial years:

- Michael Hackett (Non-Executive Chairman)
- Graham Anderson (Non-Executive Director)
- Adrian Rowley (Non-Executive Director)

DIRECTORS' REPORT

For the year ended 30 June 2014

REMUNERATION REPORT (audited) (cont'd)

Other key management personnel

There were no other key management personnel in the 2014 and 2013 financial years.

Table of Benefits and Payments for year ended 30 June 2014:

2014	Short-term benefits			Post-employment	Share-based payment	
	Directors' fees	Salary and wages	Motor vehicle	Super contributions	Options	Total
	$	$	$	$	$	$
Non-Executive Directors						
Michael Hackett	-	-	-	-	-	-
Graham Anderson	-	-	-	-	-	-
Adrian Rowley	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

The directors have held office for varying times between 1 July 2009 and 30 June 2014 and during that time have declined to draw directors' fees in the interests of preserving the group's capital and solvency. During that period the board has evaluated numerous projects and maintained the group's financial and legal status as an ASX listed entity. Each director has, in the interests of conserving the capital of the group, contributed time and effort and carried the legal risks in holding office as director of a public company without remuneration during the periods specified.

To reflect the contribution that each director has made, an accrual of $155,000 has been made for unpaid directors' fees as follows:

- Michael Hackett - $75,000 for 5 years to 30 June 2014 at 15,000 per year as Chairman
- Adrian Rowley - $30,000 for 3 years to 30 June 2014 at $10,000 per year as a non-executive director
- Graham Anderson - $50,000 for 5 years to 30 June 2014 at 10,000 per year as a non-executive director

The proposal is subject to shareholder approval per resolutions 8-10 of the Notice of Meeting for the September General Meeting where it is proposed that directors' fees are to be paid by the issue of stapled securities.

The remuneration of the directors is fixed and there is not a component linked to performance.

2013	Short-term benefits			Post-employment	Share-based payment	
	Directors' fees	Salary and wages	Motor vehicle	Super contributions	Options	Total
	$	$	$	$	$	$
Non-Executive Directors						
Michael Hackett	-	-	-	-	-	-
Graham Anderson	-	-	-	-	-	-
Adrian Rowley	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

Securities Received that are not Performance Related

No members of KMP are entitled to receive securities that are not performance related as part of their package.

DIRECTORS' REPORT

For the year ended 30 June 2014

REMUNERATION REPORT (audited) (cont'd)

C Employment Details of Members of Key Management Personnel

CFO and Company Secretarial work is currently performed on a month by month basis with no formal agreement in place. It is expected a formal agreement will be signed on completion of any proposed capital raising. There are no other employment contracts or service contracts in place at the date of this report.

D Share-based compensation

Shares

During the year there were no shares issued as equity compensation benefits.

Options

Options are granted by the board as an incentive to key employees. Options are granted for no consideration and have a term of four years, no options were issued during the year.

Details of options over ordinary shares in the company provided as remuneration to each director of the company are set out below.

Directors	Number of options granted during the year		Number of options vested during the year	
	2014	2013	2014	2013
Michael Hackett	-	-	-	-
Graham Anderson	-	-	-	-
Adrian Rowley	-	-	-	-

E KMP Shareholdings

The numbers of shares in the company held during the financial year by each director of APA Financial Services Ltd and other key management personnel of the group, including their personally related parties, are set out as follows.

2014	Balance at 01/07/13	Granted as remuneration	Net change other	Purchased on market	Balance at 30 06/14
Directors					
Michael Hackett	20,870,325	-	-	-	20,870,325
Graham Anderson	5,470,014	-	-	-	5,470,014
Adrian Rowley	8,369,932	-	-	-	8,369,932

2013	Balance at 01/07/12	Granted as remuneration	Net change other	Purchased on market	Balance at 30 06/13
Directors					
Michael Hackett	20,870,325	-	-	-	20,870,325
Graham Anderson	5,470,014	-	-	-	5,470,014
Adrian Rowley	8,369,932	-	-	-	8,369,932

KMP Option holdings

The numbers of options in the company held during the financial year by each director of APA Financial Services Ltd and other key management personnel of the group is set out in the table below:

Name	Number of options granted during the year		Number of options vested during the year	
	2014	2013	2014	2013
Directors				
Michael Hackett	-	-	-	-
Graham Anderson	-	-	-	-
Adrian Rowley	-	-	-	-

DIRECTORS' REPORT

For the year ended 30 June 2014

REMUNERATION REPORT (audited) (cont'd)

F Other Equity – Related KMP Transactions

There have been no other transactions involving equity instruments

G Other Transactions with KMP and/or Related Parties

Trustees Australia Limited and associated entities

During the year ended 30 June 2014, Trustees Australia Limited provided accounting and administration services to APA Financial Services Limited. The total cost of the provision of these services was $18,000 (2013: $18,000). Michael Hackett is a director of Trustees Australia Limited. There was $523 (2013: $160) due to associated entities for expense reimbursement at 30 June 2014.

Dairy Farm Investments Trust

In February 2013, the Dairy Farm Investments Trust was established as the intended property holding entity by Trustees Australia Limited, an associate of Michael Hackett. APA is registered as a holder of 70 fifty cent units ($35) which are held as nominee for Trustees Australia. Additionally, an amount of $120,000 was lent by APA to the Dairy Farm Investments Trust for use as refundable deposits. $100,000 was repaid to APA before the 30 June 2013 and the balance of $20,000 was repaid on 29 August 2013. The Dairy Farm Investments Trust changed its name to Australian Dairy Farm Trust on or about 25 February 2014.

INDEMNIFYING OFFICERS

During the financial year, the company paid an insurance premium in respect of an insurance policy insuring the directors, the company secretary and all executive officers of the group against a liability incurred as a consequence of holding that office in the company to the extent permitted by the Corporations Act 2001. The amount of the premium was $7,624 (2013: $6,895) for all directors and officers for the year commencing 1 May 2014.

PROCEEDINGS ON BEHALF OF COMPANY

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

ASSURANCE SERVICES

During the year, the group's auditor, Hayes Knight Audit (QLD) Pty Ltd, has not performed any other services apart from their statutory duties.

Details of the amounts paid to the auditor of the group are set out below. There were no non-audit services provided during the year by Hayes Knight Audit (QLD) Pty Ltd and its related practices for the year ended 30 June 2014.

	2014	**2013**
Statutory audit	$	$
Audit and review of financial reports – Hayes Knight Audit (QLD) Pty Ltd	12,740	12,050

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the lead auditor's independence declaration as required under section 307C of the Corporations Act set out on page 10.

This Directors' Report, incorporating the remuneration report is signed in accordance with a resolution of the directors.

Michael Hackett
Director

Dated: 19 August 2014

Hayes Knight
Accountants, Advisors & Auditors

Hayes Knight Audit (Qld) Pty Ltd
ABN 49 115 261 722
Registered Audit Company 299289
Level 23, 10 Eagle Street, Brisbane Qld 4000
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AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF APA FINANCIAL SERVICES LIMITED AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

This declaration is in respect of APA Financial Services Limited and the entities it controlled during the period.

Hayes Knight Audit (Qld) Pty. Ltd.

Hayes Knight Audit (Qld) Pty Ltd

Robertson.

A M Robertson
Director

Level 23, 10 Eagle Street,
Brisbane, QLD, 4000

Date: 19 August 2014

An independent Member of the Hayes Knight Group and Morison International.
Liability limited by a scheme approved under Professional Standards Legislation
Associated Offices : Sydney | Melbourne | Adelaide | Perth | Darwin | Auckland

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2014

The board of directors is responsible for corporate governance of the company. The board considers good corporate governance a matter of high importance and aims for best practice in the area of corporate governance. This section describes the main corporate governance practices of the group.

In reviewing the corporate governance structure of the company, the board has reviewed and considered the ASX Corporate Governance Council's recommendations. Comment is made where key principles are not followed due to the size and nature of the group.

Board responsibilities

The board's key responsibilities are:

- overseeing the operation of the company including establishing, reviewing and changing corporate strategies;
- ensuring that appropriate internal control, reporting, risk management and compliance frameworks are in place;
- appointing, removing, reviewing and monitoring the performance of the Chief Executive Officer to whom the board have delegated the day to day management of the group;
- approval of the annual report (including the accounts), the budget and the business plan of the group;
- regular (at present at least monthly) review of the company's performance against the budget and the business plan;
- approving material contractual arrangements including all major investments and strategic commitments;
- making decisions concerning the company's capital structure, the issue of any new securities and the dividend policy;
- enhancing and protecting the reputation of the company;
- establishing and monitoring appropriate committees of the board;
- reporting to shareholders; and
- ensuring the company's compliance with all legal requirements including the ASX Listing Rules.

Structure of board

The company for the year under review had three (3) directors on the board. A director may be appointed by resolution passed at a general meeting or in the case of casual vacancies, by the directors.

Potential additions to the board are carefully considered by the board prior to being nominated to shareholders or appointed as casual vacancies.

The skills, experience, expertise and period of office of each of the directors are set out in the Directors' Report.

Under ASX guidelines none of the current directors are considered to be an independent director. The board is satisfied that the structure of the board is appropriate for the size of the company and the nature of its operations and is a cost effective structure for managing the company.

The company facilitates and pays for directors and board committee members to obtain professional independent advice if they require it.

Code of Conduct

The company has a code of conduct as well as a number of internal policies and operating procedures aimed at providing guidance to directors, senior management and employees on the standards of personal and corporate behaviour required of all the group personnel.

The code of conduct covers specific issues such as trading in company securities by directors, officers and employees and also provides guidance on how to deal with business issues in a manner that is consistent with the company's responsibilities to its shareholders.

Audit and Risk Committee

The board has an audit and risk committee. Given the current size of the board all board members are responsible for ensuring:

- the system of internal control which management has established effectively safeguards the assets of the economic entity;
- accounting records are properly maintained in accordance with statutory requirements;
- financial information provided to shareholders is accurate and reliable; and
- the external audit function is effective.

The board is responsible for the appointment of the external auditor and ensures that the incumbent firm (and the responsible service team) has suitable qualifications and experience to conduct an effective audit.

The external audit partner will be required to rotate every five years in accordance with Clerp 9 requirements.

The board meets to review the half-year and annual results of the company, and to review the audit process, and those representations made by management in support of monitoring the group's commitment to integrity in financial reporting.

Disclosure

The company's policy is that shareholders are informed of all major developments that impact on the group. The group treats its continuous disclosure obligations seriously and has a number of internal operating policies and principles (including the Code of Conduct referred to above) that are designed to promote responsible decision-making and timely and balanced disclosure.

The board is ultimately responsible for ensuring compliance by senior management and employees of the group with the company policies and therefore requires that senior management and employees have an up-to-date understanding of ASX listing requirements.

The company also ensures that the directors and senior management obtain timely and appropriate external advice where necessary.

Additionally, the company ensures that its external auditor is represented at the annual general meeting to answer shareholder questions about the conduct of the audit and the preparation of the Auditor's Report.

Business risk management

The company endeavours at all times to minimise and effectively manage risk. The board reviews the control systems and policies of the company in relation to risk management on an ongoing basis and maintains a diagrammatic representation of the key operating and control systems of the group.

The board reviews key matters of business risk management and ensures appropriate measures are in place to protect the assets of the company including the security of its software, the security of its premises and the appropriate provisioning of insurance policies.

In addition, the audit and risk committee provides specific advice or recommendations to the board regarding the existence and status of business risks that the group faces.

Performance and remuneration

The board monitors and reviews the performance of the Chief Executive Officer as well as the performance of management. The board receives regular updates of the performance of the group as a whole. The board also has responsibility for ensuring that the group:

- has coherent remuneration policies and practices to attract and retain executives and directors who will create value for shareholders;
- observes those remuneration policies and practices; and
- fairly and responsibly rewards executives having regard to the performance of the group, the performance of the executives and the general pay environment.

The board receives external assistance and advice to assist it in determining appropriate levels of remuneration for the directors of the company.

Remuneration details of each of the directors and senior management are set out in the Remuneration Report section of the Directors' Report.

In March 2003, the Australian Stock Exchange (ASX) Corporate Governance Council released a document entitled Principles of Good Corporate Governance and Best Practice recommendations. These Principles and Recommendations were updated in June 2010. These were to be adopted for financial years commencing on or after 1 January 2011. Since that time, APA Financial Services Ltd has ensured adoption of those recommendations where possible. The table below summarises those recommendations and APA Financial

Services Ltd.'s current practice, including explanations in the rare instance where the company does not comply.

Recommendation		APA Financial Services Ltd.'s current practice
1.		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The board is comprised of a Non-Executive Chairman and two Non-Executive Directors. Management of the group is carried out by the board. The full board meets on a regular basis for both management and board meetings.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Due to the size and structure of the board a formal evaluation process is not conducted. The company uses consultants for accounting and company secretarial functions and pays market rates for experienced professionals.
1.3	Companies should provide the information indicated in the Guide to reporting to Principle 1.	Refer comments above.
2.		
2.1	A majority of board should be independent directors.	None of the three directors are independent according to the ASX definition of independence due to all directors being either substantial or significant shareholders in the company. In view of the size of the company and the nature of its activities the board considers that the current board is a cost effective and practical method of directing and managing the company.
2.2	The chair should be an independent director.	As stated above the Chairman is a Non-Executive Director and is not considered independent under the ASX definition. The company is mindful of the costs and availability of an experienced Non-Executive Independent Chairman and is satisfied the current board structure is appropriate for the size of the company and the nature of its activities.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	As stated above the company operates with a Non-Executive Chairman and management of the company is carried out by the board.
2.4	The board should establish a nomination committee.	The board has established a nomination committee which comprises the full board.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Due to the size and structure of the board a formal evaluation process is not conducted.
2.6	Companies should provide the information in the guide to reporting on Principle 2.	Refer comments above.

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2014

Recommendation		APA Financial Services Ltd.'s current practice
3.		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: - the practices necessary to maintain confidence in the company's integrity. - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders. - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	In view of the size of the company and the nature of its activities, the board has considered that an informal code of conduct is appropriate to guide executives, management and employees in carrying out their duties and responsibilities.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	In view of the size of the company and the nature of its activities, the board has not established a policy.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Refer comments above.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Refer comments above.
3.5	Companies should provide the information in the guide to reporting on Principle 3.	Refer comments above.
4.		
4.1	The board should establish an audit committee.	The board has established an Audit Committee that comprises the full board.
4.2	The audit committee should be structured so that it: - consists only of non-executive directors. - consists of a majority of independent directors. - is chaired by an independent chair, who is not chair of the board. - has at least three members.	Refer comments above.
4.3	The audit committee should have a formal charter.	Refer comments above.
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Refer comments above.

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2014

Recommendation		APA Financial Services Ltd.'s current practice
5.		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Due to its size and structure the board is able to meet on a regular basis for both management and board meetings to ensure compliance with ASX Listing Rule disclosure requirements. The full board is accountable for ASX compliance.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	See comments above.
6.		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	The company keeps shareholders and the market regularly informed through the annual, half-year and quarterly reports. The company discloses material developments to the ASX and the media as required. All announcements are also available from the company's website. The board encourages full participation of shareholders at the AGM to ensure a high level of accountability and identification of the company's strategies and goals.
6.2	Companies should provide the information in the guide to reporting on Principle 6.	Refer comments above.
7.		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	In view of the size of the company and the nature of its activities, the board has considered that establishing a formally constituted risk oversight and management committee would contribute little to its effective management. Accordingly risk oversight and management issues and policies are reviewed by the board as a whole and approved by resolution of the board (with abstentions from relevant directors where there is a conflict of interest).
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Refer comments above.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Managing Directors and Company Secretary are required to sign a declaration addressing the integrity of the financial statements and maintenance of financial records in accordance with s286 of the Corporations Act and any other matters that are prescribed by the Regulations for the purpose of Section 295S(2) in relation to the financial statements and notes for the financial year.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Refer comments above.

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2014

Recommendation		APA Financial Services Ltd.'s current practice
8.		
8.1	The board should establish a remuneration committee.	The board has established a remuneration committee which comprises the full board.
8.2	The remuneration committee should be structured so that it: - consists of a majority of independent directors. - is chaired by an independent chair. - has at least three members.	See comments above.
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Executive Directors are paid consulting fees to entities which they control. Directors' fees are paid separately to all directors. The different types of remuneration including fringe benefits, superannuation, consulting fees and directors' fees are all clearly outlined in the Annual Report.
8.4	Companies should provide the information indicated in the guide to reporting on Principle 8.	See comments above and refer to the Remuneration Report included in the Directors' Report in the Annual Report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Notes	2014	2013
		$	$
Revenue	3(a)	2,635	85,460
Employment costs		(155,000)	-
Finance costs – other persons/corporations		(168)	-
Other expenses	3(b)	(271,356)	(185,996)
Loss before income tax		**(423,889)**	**(100,536)**
Income tax expense	4	-	-
Loss for the year		**(423,889)**	**(100,536)**
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Fair value gain/(loss) on available-for-sale financial asset, net of tax	4(d)	197,767	(94,175)
		(197,767)	**(94,175)**
Items that will not be reclassified subsequently to profit or loss:		**-**	**-**
Total other comprehensive income for the year		**197,767**	**(94,175)**
Total comprehensive loss for the year		**(226,122)**	**(194,711)**
Net loss attributable to:			
Members of the parent entity		(423,889)	(100,536)
Total comprehensive loss attributable to:			
Members of the parent entity		(226,122)	(194,711)
Earnings per share:			
Basic and diluted earnings/(loss) per share (cents)	18	(0.70)	(0.16)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2014

	Notes	2014 $	2013 $
Current assets			
Cash and cash equivalents	6	36,367	157,362
Trade and other receivables	7	21,229	32,685
Other current assets	8	11,853	6,268
Non-current assets held for sale	9	725,147	-
Total current assets		**794,596**	**196,315**
Non-current assets			
Other financial assets	9	-	527,380
Total non-current assets		**-**	**527,380**
Total assets		**794,596**	**723,695**
Current liabilities			
Trade and other payables	10	304,495	14,124
Borrowings	11	6,652	-
Total current liabilities		**311,147**	**14,124**
Total liabilities		**311,147**	**14,124**
Net assets		**483,449**	**709,571**
Equity			
Issued capital	12	7,866,059	7,866,059
Reserves	14	197,767	-
Retained earnings	13	(7,580,377)	(7,156,488)
Total equity		**483,449**	**709,571**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Notes	Share capital ordinary $	Reserve – Financial Assets $	Retained earnings $	Total $
2014					
Balance 1 July 2013	12, 13, 14	7,866,059	-	(7,156,488)	709,571
Comprehensive income:					
Loss for the year		-	-	(423,889)	(423,889)
Other comprehensive income for the year	14	-	197,767	-	197,767
Total comprehensive income / (loss) for the year		**-**	**197,767**	**(423,889)**	**(226,122)**
Balance at 30 June 2014		**7,866,059**	**197,767**	**(7,580,377)**	**483,449**
2013					
Balance 1 July 2012	12, 13, 14	7,866,059	94,175	(7,055,952)	904,282
Comprehensive income:					
Loss for the year		-	-	(100,536)	(100,536)
Other comprehensive loss for the year	14	-	(94,175)	-	(94,175)
Total comprehensive income / (loss) for the year		**-**	**(94,175)**	**(100,536)**	**(194,711)**
Balance at 30 June 2013		**7,866,059**	**-**	**(7,156,488)**	**709,571**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	Notes	2014 $	2013 $
Cash flows from operating activities			
IPR transaction costs recovered		-	79,033
Payments to suppliers and employees		(150,114)	(215,646)
Finance costs		(168)	
Interest received	3	2,635	6,427
Net cash provided by operating activities	5	**(147,647)**	**(130,186)**
Cash flows from investing activities		-	-
Net cash used in investing activities		**-**	**-**
Cash flows from financing activities			
Loan payments to related parties	24(b)(ii)	-	(120,000)
Loan repayments from related parties	24(b)(ii)	20,000	100,000
Repayment of other borrowings		(1,663)	-
Proceeds from other borrowings	11	8,315	-
Net cash provided by (used in) financing activities		**26,652**	**(20,000)**
Net increase (decrease) in cash held		**(120,995)**	**(150,186)**
Cash and cash equivalents at beginning of the financial year		157,362	307,548
Cash and cash equivalents at end of the financial year	6	36,367	157,362

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and notes represent those of APA Financial Services Ltd and its controlled entities ("the group").

The separate financial statements of the parent entity, APA Financial Services Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 19 August 2014 by the directors of the company.

Basis of preparation
The financial statements are general purpose financial statements that have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards, Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

Except for the cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent APA Financial Services Ltd and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 27.

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

Equity interests in a subsidiary not attributable, directly or indirectly, to the group are presented as "non-controlling interests". The group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

(b) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(c) Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Financial instruments

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Classification and subsequent measurement

Finance instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

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

The group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

i. **Financial assets at fair value through profit or loss**

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

ii. **Loans and receivables**

   Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

iii. **Held-to-maturity investments**

   Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

iv. **Available-for-sale financial assets**

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

   They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

   Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

v. **Financial liabilities**

   Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

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

(e) Impairment of assets

At the end of each reporting period, the group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Employee benefits

Short-term employee benefits
Provision is made for the group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits
Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Equity-settled compensation
The group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(h) Revenue and other income

Interest revenue is recognised using the effective interest method.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(d) for further discussion on the determination of impairment losses.

(j) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

(k) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(l) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(m) Segment reporting

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions. The group does not have any operating segments with discrete financial information. The group does not have any customers, and all the group's assets and liabilities are located within Australia. The board of directors review internal management reports on a monthly basis that is consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required because the information as presented is what is used by the board to make strategic decisions.

(n) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group. See Note 21.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(0) New Accounting Standards for Application in Future Periods

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014 and have not been applied in preparing these financial statements. None of these is expected to have a significant impact on the financial statements of the group except for AASB9 Financial Instruments, which becomes mandatory for the company's 2018 financial statements and could change the classification and measurement of financial assets. The group does not plan to adopt this standard early and the extent of the impact has not been determined.

(p) New and Amended Accounting Policies Adopted

The adoption of the following accounting standards has been deemed either not to effect the financial statements of the group or to have an effect that is immaterial such that no AASB108 or other transitional disclosures have been triggered:

- AASB 13: Fair Value Measurement. AASB 13 refines the requirements for determining fair value as a measurement and captures the requirements for fair value measurement in a single standard. As a result, the measurement of certain assets of an entity measured at fair value may be affected. It is deemed that there was no material impact on the accounts of the group. Nevertheless, AASB 13 requires enhanced disclosures regarding assets and liabilities that are measured at fair value, and fair values disclosed in the group's financial statements. These enhanced disclosures are provided in Note 23.
- AASB 119: Employee Benefits (September 2011). AASB 119 (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related services. In accordance with AASB 119 (September 2011), provisions for short-term employee benefits are measured at the (undiscounted) amounts expected to be paid to employees when the obligation is settled, whereas provisions that do not meet the criteria for classification as short-term (other long-term employee benefits) are measured at the present value of the expected future payments to be made to employees. The group has determined that it expects most employee benefits to be taken within 24 months of the reporting period in which they were earned, but this change does not have a material impact on the amounts recognised in respect of obligations for employees' leave entitlements. These changes do not impact the classification of leave entitlements between current and non-current liabilities in the group's financial statements.

NOTE 2: PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

	2014	2013
	$	$
Statement of Financial Position		
Assets		
Current assets	69,449	196,315
Non-current assets	556,605	556,605
Total assets	**626,054**	**752,920**
Liabilities		
Current liabilities	311,147	14,124
Total liabilities	**311,147**	**14,124**
Equity		
Issued capital	7,866,059	7,866,059
Retained earnings	(7,551,152)	(7,127,263)
Total equity	**314,907**	**738,796**
Statement of Profit or Loss and Other Comprehensive Income		
Total profit / (loss)	(423,889)	(100,536)
Total comprehensive income / (loss)	(423,889)	(100,536)

NOTE 2: PARENT INFORMATION (cont'd)

Contingent liabilities and guarantees

APA Financial Services Ltd (APA) and Trustees Australia Limited (TAU) made announcements to ASX in October and November 2013 regarding a purported claim against APA and TAU by Technology Capital Pty Ltd, a former corporate adviser to DFI Management, a New Zealand company of which Mr Keith Jackson is a director. Mr Jackson is a proposed director of Australian Dairy Farms Limited and is a director of DFI Brucknell, the vendor of the Brucknell No 1 Farm in the Dairy Aggregation.

Technology Capital alleges that APA and TAU have breached the terms of a confidentiality agreement said to exist between them, to have procured DFI Management to breach its mandate with Technology Australia, and that APA and/or TAU are liable for certain fees that Technology Capital claim to be entitled to, including a success fee of $100,000, 6% of equity amounts raised by DFI Management and 2% of debt amounts raised by DFI Management.

No mandate exists between APA and/or Trustees Australian and Technology Capital, and APA and TAU do not believe that there is any sound basis for Technology Capital's claim, or that they have any material liability to Technology Capital.

No proceedings have been commenced against either APA or Trustees Australia. Any proceedings will be defended.

On 8 August 2014 APA signed an engagement letter with Bell Potter Securities Limited appointing them the lead manager for the initial public offer of stapled securities of between $7.5m and $14m in the proposed dairy aggregation. The lead manager will be paid an offer management fee and selling fee equal to 4% and 2% respectively of the gross amount raised under the Offers.

The company has no guarantees in place (2013: $nil).

Contractual commitments

At 30 June 2014, the company had not entered into any contractual commitments (2013: $nil).

NOTE 3: REVENUE AND EXPENSES

	2014	2013
	$	$
(a) Revenue		
IPR transaction costs recovered	-	79,033
Interest received – other persons/corporations	2,635	6,427
Total revenue	**2,635**	**85,460**
(b) Other expenses		
IPR transaction costs	-	79,033
Administration costs	45,692	43,017
Professional costs	225,664	63,946
Total other expenses	**271,356**	**185,996**

NOTE 4: INCOME TAX EXPENSE

	2014	2013
	$	$
(a) The components of tax comprise:		
Current Tax	-	-

NOTE 4: INCOME TAX EXPENSE (cont'd)

(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:

	2014 $	2013 $
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2013: 30%)	(127,167)	(30,161)
Tax effect of:		
Non-deductible expenses	77,978	-
Other deductible expenses	(2,520)	(1,458)
Tax losses not recognised	51,709	31,619
Income tax attributable to entity	**-**	**-**
Weighted average effective consolidated tax rate	- %	- %

(c) Tax losses

	2014 $	2013 $
Unused tax losses for which no deferred tax asset has been recognised	5,811,218	5,638,857
Potential tax benefit @ 30%	1,743,366	1,691,657

(d) Tax effect of each component of comprehensive income

	2014 $	2013 $
Financial asset revaluation	197,767	(94,175)
Tax expense	-	-
Net gain / (loss) on revaluation of financial assets	**197,767**	**(94,175)**

NOTE 5: CASH FLOW INFORMATION

	2014 $	2013 $
Reconciliation of cash flow from operations with loss after income tax		
Loss after income tax	(423,889)	(100,536)
Changes in assets and liabilities:		
- (increase)/decrease in receivables and other assets	(14,129)	(12,572)
- increase/(decrease) in trade creditors	290,371	(17,078)
Cash flow from operations	**(147,647)**	**(130,186)**

NOTE 6: CASH AND CASH EQUIVALENTS

	2014 $	2013 $
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash at bank	36,367	157,362
Total cash and cash equivalents	**36,367**	**157,362**

The group's exposure to interest rate risk is discussed in Note 22.

NOTE 7: TRADE AND OTHER RECEIVABLES

	Notes	2014	2013
		$	**$**
Current			
Other receivables		13,953	12,685
GST Receivable		7,276	-
Loans – related party	(a)	-	20,000
Total current receivables		**21,229**	**32,685**

(a) The loan to a related party was a short-term unsecured loan made to the Dairy Farm Investment Trust in February 2013. The $20,000 was repaid by Dairy Farm Investment Trust on 29 August 2013. Please refer to Note 24(b)(i).

NOTE 8: OTHER ASSETS

	2014	2013
	$	**$**
Current		
Prepayments	11,853	6,268
Total other current assets	**11,853**	**6,268**

NOTE 9: OTHER FINANCIAL ASSETS

	Notes	2014	2013
		$	**$**
Current			
Non-current assets held for sale			
Unlisted investment at fair value	(a)	725,147	-
Non-current			
Available for sale financial assets			
Unlisted investment at fair value		-	527,380
Total available for sale financial assets at fair value		**725,147**	**527,380**
Movements during the year			
Opening balance		527,380	621,555
Financial asset revaluation reserve	(b)	197,767	(94,175)
Total available for sale financial assets as at 30 June		**725,147**	**527,380**

(a) At 30 June 2014 the fair value of the OneVue Holdings Pty Ltd (OHPL) shares has been reclassified as current to reflect the proposal by the board to dispose of the shares within the next 12 months. This proposal is subject to shareholder approval as per Resolution 1 on the agenda for the September General Meeting.

(b) The board has assessed the value of the 2,071,850 fully paid OHPL shares for the year ended 30 June 2014 and has increased the carrying value by $197,767 to $725,147. In determining the fair value, the board has considered observable market evidence with OHPL lodging a prospectus with ASIC on 23 June 2014 seeking a listing on the ASX and issuing a public offer of shares with an issue price of $0.35 per share.

NOTES TO FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 10: TRADE AND OTHER PAYABLES

	Notes	2014	2013
		$	$
Current			
Unsecured			
Trade creditors		44,567	8,375
Accrued expenses		104,928	5,749
Accrued directors' fees	15	155,000	-
Total trade and other payables		**304,495**	**14,124**

Details of the group's exposure to risks arising from current trade and other payables are set out in Note 22.

NOTE 11: BORROWINGS

	2014	2013
	$	$
Current		
Unsecured		
Loan	6,652	-
Total borrowings	**6,652**	**-**

At 30 June 2014 the group has an unsecured loan with Monument Premium Finance for its directors and officers insurance.

NOTE 12: ISSUED CAPITAL

	2014	2013
	$	$
Share capital		
Fully paid ordinary shares	7,866,059	7,866,059

(a) Movements in ordinary share capital	**2014 Number of Shares**	**2014 $**	**2013 Number of Shares**	**2013 $**
Beginning of the financial year	60,986,733	7,866,059	60,986,733	7,866,059
Issued during the year	-	-	-	-
Pursuant to rights issue prospectus	-	-	-	-
End of the financial year	**60,986,733**	**7,866,059**	**60,986,733**	**7,866,059**

Ordinary shares entitle the holder to participate in dividends and a share of the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Share options

For information relating to the company employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 25.

For information relating to share options issued to key management personnel during the financial year, refer to Note 15.

NOTE 12: ISSUED CAPITAL (cont'd)

(c) Capital risk management

The group's objectives when managing capital are to safeguard their ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or adjust the capital structure, the company may issue new shares or reduce its capital, subject to the provisions of the constitution and any relevant regulatory requirements. There are no externally imposed capital requirements.

The capital structure of the group consists of equity attributable to equity holders comprising issued capital, reserves and retained earnings as disclosed in Notes 12, 13 and 14.

There has been no change in the group's capital management strategy during the 2014 financial year. However, if resolutions are approved at the 1 September 2014 General Meeting of shareholders the capital structure, nature and scale of the group's activities will change and will require a revision of the capital risk management strategies.

NOTE 13: RETAINED EARNINGS

	2014	2013
	$	$
Opening Balance	(7,156,488)	(7,055,952)
Net loss for the year	(423,889)	(100,536)
Closing Balance	**(7,580,377)**	**(7,156,488)**

NOTE 14: RESERVES

Financial Assets Reserve

	Notes	2014	2013
		$	$
Financial assets reserve		197,767	-
Total reserves		**197,767**	**-**

		2014	2013
		$	$
Movement in financial assets reserve			
Opening Balance		-	94,175
Fair value gain/(loss) on available for sale financial asset	9	197,767	(94,175)
Closing Balance		**197,767**	**-**

NOTE 15: KEY MANAGEMENT COMPENSATION

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of key management personnel (KMP) for the year ended 30 June 2014.

The totals of remuneration paid to KMP of the group during the year are as follows:

	2014	2013
	$	$
Short term employee benefits	-	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Share based payments	-	-
Total KMP compensation	**-**	**-**

The directors have held office for varying times between 1 July 2009 and 30 June 2014 and during that time have declined to draw directors' fees in the interests of preserving the group's capital and solvency. During that period the board has evaluated numerous projects and maintained the group's financial and legal status as an ASX listed entity. Each director has, in the interests of conserving the capital of the group, contributed time and effort and carried the legal risks in holding office as director of a public company without remuneration during the periods specified.

To reflect the contribution that each director has made, an accrual of $155,000 has been made for unpaid directors' fees as follows:

- Michael Hackett - $75,000 for 5 years to 30 June 2014 at 15,000 per year as Chairman
- Adrian Rowley - $30,000 for 3 years to 30 June 2014 at $10,000 per year as a non-executive director
- Graham Anderson - $50,000 for 5 years to 30 June 2014 at 10,000 per year as a non-executive director

The proposal is subject to shareholder approval per resolutions 8-10 of the Notice of Meeting for the September General Meeting where it is proposed that directors' fees are to be paid by the issue of stapled securities.

Refer to Note 24 for other Key Management Personnel disclosures.

NOTE 16: REMUNERATION OF AUDITORS

	2014	2013
	$	$
Hayes Knight Audit (QLD) Pty Ltd		
Statutory audit		
- Audit and review of financial reports	12,740	12,050

No other services were provided by the auditor or its related entities.

NOTE 17: CONTINGENT LIABILITIES, CAPITAL AND LEASING COMMITMENTS

APA Financial Services Ltd (APA) and Trustees Australia Limited (TAU) made announcements to ASX in October and November 2013 regarding a purported claim against APA and TAU by Technology Capital Pty Ltd, a former corporate adviser to DFI Management, a New Zealand company of which Mr Keith Jackson is a director. Mr Jackson is a proposed director of Australian Dairy Farms Limited and is a director of DFI Brucknell, the vendor of the Brucknell No 1 Farm in the Dairy Aggregation.

Technology Capital alleges that APA and TAU have breached the terms of a confidentiality agreement said to exist between them, to have procured DFI Management to breach its mandate with Technology Australia, and that APA and/or TAU are liable for certain fees that Technology Capital claim to be entitled to, including a success fee of $100,000, 6% of equity amounts raised by DFI Management and 2% of debt amounts raised by DFI Management.

NOTES TO FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 17: CONTINGENT LIABILITIES, CAPITAL AND LEASING COMMITMENTS (cont'd)

No mandate exists between APA and/or Trustees Australian and Technology Capital, and APA and TAU do not believe that there is any sound basis for Technology Capital's claim, or that they have any material liability to Technology Capital.

No proceedings have been commenced against either APA or Trustees Australia. Any proceedings will be defended.

On 8 August 2014 APA signed an engagement letter with Bell Potter Securities Limited appointing them the lead manager for the initial public offer of stapled securities of between $7.5m and $14m in the proposed dairy aggregation. The lead manager will be paid an offer management fee and selling fee equal to 4% and 2% respectively of the gross amount raised under the Offers.

NOTE 18: EARNINGS / (LOSS) PER SHARE

	2014	2013
	Cents	**Cents**
(a) Basic earnings/(loss) per share		
Basic profit / (loss) per share	(0.70)	(0.16)
Diluted profit / (loss) per share	(0.70)	(0.16)

(b) Reconciliation of earnings used in calculating earnings/(loss) per share	**2014**	**2013**
	$	**$**
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share:	(423,889)	(100,536)

(c) Weighted average number of shares used as the denominator	**2014**	**2013**
	Number	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share	60,986,733	60,986,733
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings/(loss) per share	**60,986,733**	**60,986,733**

NOTE 19: EVENTS AFTER THE BALANCE DATE

OneVue became an ASX listed company on 24 July 2014. Between 25 July 2014 and 30 July 2014 the group sold 1,164,306 shares in OneVue for $352,065 to be used as working capital. The group intends to divest the remainder of its minority interest in OneVue as proposed in the September General Meeting.

On 14 August 2014, APA announced to the ASX that the Australian Dairy Farms Group has received firm commitments of new capital amounting to $8.5 million, which is in excess of the minimum subscription for the proposed capital raising.

If shareholders approve the change of activity proposed by the directors at the September General Meeting, the group's future activities will focus on the ownership and operation of Australian dairy farms. Further details are included in the material comprising the Notice of Meeting for the intended General Meeting.

Other than the matters disclosed elsewhere in this report and particularly the disclosures regarding the resolutions to be put at the September General Meeting, the directors are not aware of any other matter since 30 June 2014 that has significantly affected or may significantly affect the operations of the group, the results of those operations or the state of affairs of the group in future years.

NOTES TO FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 20: SEGMENT INFORMATION

Management has determined that the group operates in one reportable segment, being the financial services industry in Australia.

NOTE 21: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The directors make estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Deferred tax

The group presently expects to have carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable.

Impairment – general

The group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Financial investments

The group has assessed the fair value of the available-for-sale investment in OneVue Holdings Limited (OneVue) at $0.35 per share. The group has considered observable market evidence with OneVue lodging a prospectus with ASIC on 23 June 2014 seeking a listing on the ASX and issuing a public offer of shares with an issue price of $0.35 per share. In the absence of readily and regularly quoted prices the group is satisfied this is the most appropriate measure of the fair value.

The directors do not consider that any of the estimates and judgements adopted present a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the 30 June 2014 financial year.

NOTE 22: FINANCIAL RISK MANAGEMENT

The group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, and loans to and from subsidiaries.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Notes	2014	2013
		$	**$**
Financial assets			
Cash and cash equivalents	6	36,367	157,362
Trade and other receivables	7	21,229	32,685
Available-for-sale financial assets:			
- Unlisted investment at fair value	9	725,147	527,380
Total financial assets		**782,743**	**717,427**
Financial liabilities			
Financial liabilities at amortised cost:			
Trade and other payables	10	304,495	14,124
Borrowings	11	6,652	-
Total financial liabilities		**311,147**	**14,124**

NOTE 22: FINANCIAL RISK MANAGEMENT (cont'd)

Financial Risk Management Policies

The directors' overall risk management strategy seeks to assist the group in meeting its financial targets, while minimizing potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for group operations. The group does not have any derivative instruments at 30 June 2014.

The Board meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most economic conditions and forecasts. The Board's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimizing potential adverse effects on financial performance.

Specific Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are market risk relating to price risk, credit risk and liquidity risk.

There have been no substantive changes in the types of risks the company is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Market risk

(i) Price risk
The group is exposed to equity securities price risk. This arises from investments held by the group in the statement of financial position as available-for-sale. The group is not exposed to commodity price risk.

(ii) Interest rate risk
Interest rate risk is where the value of a financial instrument may fluctuate as a result of changes in market interest rates.

The group is exposed to interest rate risks through the cash and cash equivalents that it holds. The cash and cash equivalents are held by Westpac Bank. The objective of managing interest rate risk is to minimise the group's exposure to fluctuations in interest rates that might impact its interest revenue and cash flow. Interest rate risk in respect of interest received is not anticipated to be material.

(iii) Sensitivity analysis
The following table illustrates sensitivities to the group's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities also assume that the movement in a particular variable is independent of other variables.

Index	Impact on profit		Impact on equity	
	2014 $	2013 $	2014 $	2013 $
+/- 2% interest rates	727	3,147	727	3,147
+/- 10% in listed investments	72,515	52,738	72,515	52,738

(b) Credit risk

The group has no significant concentrations of credit risk in relation to trade receivables, other receivables and cash at bank. The group's trade receivables are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant.

Credit risk related to balances with banks and other financial institutions is managed by the finance committee in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standards and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings:

NOTE 22: FINANCIAL RISK MANAGEMENT (cont'd)

Cash at bank and short-term bank deposits

	2014	2013
	$	$
AA Rated	36,367	157,362
	36,367	157,362

(c) Liquidity risk

Liquidity risk is where the group may encounter difficulty in raising funds to meet its financial liabilities.

The group is exposed to liquidity risk through its trade and other payables obligations. Responsibility for liquidity risk rests with the board who regularly review liquidity risk by monitoring undiscounted cash flow forecasts and actual cash flows provided to them by the group's management at board meetings to ensure that the group continues to be able to meet its debts as and when they fall due. Contracts are not entered into unless the board is satisfied that there is sufficient cash flow to fund the additional commitment. The board determines when reviewing the undiscounted cash flow forecasts whether the company needs to raise additional working capital from its existing shareholders, the equity capital markets or any other available sources.

Financial liability and financial asset maturity analysis:

	Within 1 year		1 to 5 Years		Over 5 years		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Financial liabilities due for payment								
Borrowings	(6,652)	-	-	-	-	-	(6,652)	-
Trade and other payables	(304,495)	(14,124)	-	-	-	-	(304,495)	(14,124)
Total expected outflows	**(311,147)**	**(14,124)**	**-**	**-**	**-**	**-**	**(311,147)**	**(14,124)**
Financial assets – cash flows realisable								
Cash and cash equivalents	36,367	157,362	-	-	-	-	36,367	157,362
Trade and other receivables	21,229	32,685	-	-	-	-	21,229	32,685
Available for sale financial assets	725,147	-	-	527,380	-	-	725,147	527,380
Total anticipated inflows	**782,743**	**190,047**	**-**	**527,380**	**-**	**-**	**782,743**	**717,427**
Total (outflow) /inflow on financial instruments	**471,596**	**175,923**	**-**	**527,380**	**-**	**-**	**471,596**	**703,303**

(d) Fair value estimations

The fair value of financial assets and financial liabilities approximate their carrying value as represented in the statement of financial position. Refer to Note 23 for detailed disclosures regarding the fair value measurement of the group's financial assets and liabilities.

NOTE 23: FAIR VALUE MEASUREMENTS

The group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

– available-for-sale financial assets

The group does not subsequently measure any liabilities at fair value on a non-recurring basis.

a. Fair Value Hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

NOTE 23: FAIR VALUE MEASUREMENTS (cont'd)

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the group are consistent with one or more of the following valuation approaches:

– *Market approach:* valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
– *Income approach:* valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
– *Cost approach:* valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

Recurring fair value measurements	**Level 1**	**Level 2**	**Level 3**	**Total**
30 June 2014	**$**	**$**	**$**	**$**
Available-for-sale financial assets (refer Note 9)				
- Shares in unlisted companies	-	725,147	-	725,147
Total financial assets recognised at fair value on a recurring basis	**-**	**725,147**	**-**	**725,147**

Recurring fair value measurements	**Level 1**	**Level 2**	**Level 3**	**Total**
30 June 2013	**$**	**$**	**$**	**$**
Available-for-sale financial assets (refer Note 9)				
- Shares in unlisted companies	-	527,380	-	527,380
Total financial assets recognised at fair value on a recurring basis	**-**	**527,380**	**-**	**527,380**

NOTE 23: FAIR VALUE MEASUREMENTS (cont'd)

b. Valuation Techniques and Inputs Used to Measure Level 2 Fair Values

Description	Fair value at 30 June 2014 $	Valuation Techniques	Inputs Used
Financial assets			
Shares in unlisted companies	725,147	Market approach using observable market data	Prospectus and public offer of shares lodged with ASIC

NOTE 24: RELATED PARTY TRANSACTIONS

(a) The group's main related parties are as follows:

(i) Key management personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 15: Key Management Compensation.

(ii) Entities subject to significant influence by the group:

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control of those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statue or agreement.

APA Equities Ltd is a 100% owned subsidiary of the company. This subsidiary has been dormant and had no related party transactions with the parent entity for the year ended 30 June 2014. On 11 July 2014 APA Equities Ltd changed its name to Dairy Fund Management Limited. It is intended that this company will apply to ASIC for an Australian Financial Services Licence which will authorise it to act as the internal responsible entity of the Australian Dairy Farms Trust on retirement of the existing responsible entity.

DFI Operations Pty Ltd is a 100% owned subsidiary of the company. This subsidiary is dormant and had no related party transactions with the parent entity for the year ended 30 June 2014. It is intended that this company will become an operational dairy farmer if the resolutions proposed at the September General Meeting are approved by shareholders.

(iii) Other related parties:

Other related parties include entities over which key management personnel exercise significant influence.

(b) Transactions with related parties

Key management personnel

(i) Trustees Australia Limited and associated entities

During the year ended 30 June 2014, Trustees Australia Limited provided accounting and administration services to APA Financial Services Limited. The total cost of the provision of these services was $18,000 (2013: $18,000). Michael Hackett is a director of Trustees Australia Limited. There was $523 (2013: $160) due to associated entities for expense reimbursement at 30 June 2014.

(ii) Dairy Farm Investments Trust

In February 2013, the Dairy Farm Investments Trust was established as the intended property holding entity by Trustees Australia Limited, an associate of Michael Hackett. Additionally, an amount of $120,000 was lent by APA to the Dairy Farm Investments Trust for use as refundable deposits. $100,000 was repaid to APA before the 30 June 2013 and the balance of $20,000 was repaid on 29 August 2013. The Dairy Farm Investments Trust changed its name to Australian Dairy Farm Trust on or about 25 February 2014. Please refer Note 7.

NOTE 25: SHARE BASED PAYMENTS

Employee Share Option Plan

The Employee Share Option Plan (ESOP) was adopted by the company in a general meeting on 13 April 2006. The ESOP provides for the issue of options to persons engaged in full or part-time work for the company, and includes directors, secretary, and any contractor or consultant engaged by the company.

Options issued under the ESOP are subject to certain terms and conditions including:

(i) each option will be issued for no consideration;

(ii) each option will entitle the holder to subscribe for one ordinary share;

(iii) each option may only be exercised after two years of continuous service following issue of the option;

(iv) each option must be exercised before the expiry date (see details above);

(v) options issued under ESOP carry no dividend or voting rights;

(vi) all shares issued upon exercise of the options will rank equally with all other shares on issue, and the company will apply for quotation of the shares issued on exercise of an option within ten business days of issue; and

(vii) the ESOP rules may not be amended without the prior approval of both shareholders of the company in general meeting and the ASX, if required.

There were no options issued to directors and employees during the year (2013: nil) and no options are outstanding as at 30 June 2014 (2013: nil).

NOTE 26: DIVIDENDS

The company has not declared or paid any dividends during the year (2013: $nil).

NOTE 27: CONTROLLED ENTITIES

			Percentage Owned	
		Country	2014	2013
	Note	of Incorporation	%	%
Subsidiaries of APA Financial Services Ltd:				
Dairy Fund Management Ltd	(i)	Aust.	100	100
DFI Operations Pty Ltd		Aust.	100	100

(i) On 11 July 2014 APA Equities Ltd changed its name to Dairy Fund Management Limited.

DIRECTOR'S DECLARATION

For the year ended 30 June 2014

In the opinion of the directors of APA Financial Services Limited:

1) The financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

   a) give a true and fair view of the consolidated groups' financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   b) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS);

2) 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 has been made after receiving the declaration required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial period ended 30 June 2014.

This declaration is made in accordance with a resolution of the board of directors.

Michael Hackett
Director

Dated: 19 August 2014

Hayes Knight
Accountants, Advisors & Auditors

Hayes Knight Audit (Qld) Pty Ltd
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF APA FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of APA Financial Services Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

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

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

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

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INDEPENDENT AUDITORS REPORT
TO THE MEMBERS OF APA FINANCIAL SERVICES LIMITED (CONTINUED)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been provided to the directors of APA Financial Services Limited as attached to the directors' report, has not changed as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

a) the financial report of APA Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
   ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of APA Financial Services Limited for the year ended 30 June 2014 complies with s 300A of the *Corporations Act 2001*.

Hayes Knight Audit (Qld) Pty. Ltd.

Hayes Knight Audit (Qld) Pty Ltd

A M Robertson
Director

Level 23, 10 Eagle Street,
Brisbane, QLD, 4000

Date: 19 August 2014

ADDITIONAL INFORMATION

For the year ended 30 June 2014

The following information was extracted from the APA Financial Services Limited register of shareholders on 15 August 2014:

20 Largest shareholders

	Shares	%
TRUSTEES AUSTRALIA LIMITED	20,481,000	33.58
ROWLEY SUPER FUND PTY LTD	8,349,932	13.69
GRAHAM ANDERSON PTY LTD	5,029,014	8.25
IDL SYSTEMS PTY LTD	4,667,842	7.65
MANAHIME HOLDINGS PTY LTD	1,694,772	2.78
STANCLIFFE PTY LTD	1,662,632	2.73
SIMON PHILIP WALLACE + JOHN NEVILLE SIMPSON	1,167,551	1.91
TROMSO PTY LIMITED	1,113,080	1.83
MUTUAL TRUST PTY LTD	1,000,000	1.64
ETRADE AUSTRALIA NOMINEES PTY LTD	1,000,000	1.64
PAUL MALCOLM & SUSAN MALCOLM	917,242	1.50
D & K SUPERANNUATION PTY LTD	810,000	1.33
MR MICHAEL JAMES MEAD	516,328	0.85
ARUMVALE PTY LTD	515,000	0.84
MRS KIM PATRICIA GREEN	500,000	0.82
GRAHAM DOUGLAS ANDERSON	441,000	0.72
AUSTFIN FINANCIAL SERVICES	400,000	0.66
MISS MARIA MARCINIAK	400,000	0.66
CITICORP NOMINEES PTY LTD	400,000	0.66
MRS SALLIE ANNE BUTTERFIELD	400,000	0.66
	51,465,393	84.39

Substantial Shareholders

	Fully Paid Shares	%
TRUSTEES AUSTRALIA LIMITED AND ASSOCIATES	20,870,325	34.22
ROWLEY SUPER FUND PTY LTD AND ASSOCIATES	8,369,932	13.72
GRAHAM DOUGLAS ANDERSON AND ASSOCIATES	5,470,014	8.97
IDL SYSTEMS PTY LTD	4,667,842	7.65

Distribution of Shareholdings

Distribution of holdings as at 30 June 2014	Fully Paid Number of holders
1-1,000	7
1,001 – 5,000	52
5,001 – 10,000	61
10,001 – 100,000	101
100,001 and over	58
	292

Marketable Parcels

At 30 June 2014, using the last traded share price of $0.025 per share, there were 120 holdings, which were of less than a marketable parcel ($500).

Voting Rights

Each shareholder is entitled to receive notice of and attend and vote at general meetings of the company. At a general meeting, every shareholder present in person or by proxy, representative or attorney will have one vote on a show of hands and on a poll, one vote for each share held.