

Indigo Properties Australia Limited

ACN 108 019 263

(Subject to Deed of Company Arrangement)

Half-Year Financial Report

31 December 2011

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(Subject to Deed of Company Arrangement)

Deed Administrators' Report

The Company was established primarily to take advantage of investment opportunities arising from development projects being undertaken by a group of entities associated with former Directors, Mr Lawrence Truce and Mr Mitchell Neilsen, both of whom resigned as directors of the Company on 5 June 2009 ("Indigo Private Group" or "Borrower"). The Company has an interest bearing loan to the Borrower which is secured by charges over borrowing entities, registered second or third mortgages over certain properties or other securities deemed acceptable by the Directors.

During prior periods, certain entities associated with the Borrower were placed into voluntary administration and subsequently receivership, impacting the recoverability of the loan.

On 17 September 2010, the Company entered into a deed restructuring debts due from an entity associated with the Indigo Private Group and releasing certain security properties from charges and mortgages held by Indigo Properties. The Company received non-cash consideration of \$1.1 million in the form of a new loan receivable from Trinity Green Developments Pty Ltd, an entity associated with Indigo Private Group. The loan of \$1.1 million was repaid in full during the period.

In October 2010, the Company received a letter of demand from a bank calling for payment of \$2.5 million under a guarantee that had been provided by the Company in 2006 to financiers of property developments of the Borrower based in Brisbane. The \$2.5 million remains unpaid and forms part of the trade and other payables balance in the statement of financial position.

In November 2010, the Company received a conditional off-market takeover bid for all of the issued shares in the Company at a price of \$0.005 per share from DK Northern Investments Pty Ltd, a company related to a significant shareholder. The offer was open for acceptance until 14 January 2011 which was extended to 28 January 2011.

On 14 February 2011, the Company announced that the takeover bid by DK Northern Investments Pty Ltd was only accepted by 87.3% of Shareholders which fell short of the 90% minimum acceptance condition. The takeover of the Company therefore did not proceed. The Company had very low cash reserves and was unable to meet its payment obligations. Consequently, the Company was placed into voluntary administration on that date.

On 14 February 2011, the directors of the Company at the time appointed Terry John Rose and Terry Grant van der Velde of SV Partners as joint and several administrators of the Company (Deed Administrators) pursuant to section 436A(1) of the Corporations Act.

The Administrators became joint and several deed administrators under a deed of company arrangement executed on 17 June 2011 and subsequently varied on 4 September 2012 (Original DOCA). The proponent to the Original DOCA was RAK Capital Pty Limited. Notwithstanding the Company's shareholders approval of the various resolutions required under the Original DOCA (on 24 May 2013), RAK Capital failed to proceed with the proposed recapitalisation.

As a result, the Administrators convened a meeting of the Company's creditors on 4 June 2015. At this meeting the Original DOCA was terminated and the Company was placed into liquidation. At this meeting, the Administrators were appointed as liquidators and as joint and several administrators of the Company.

(Subject to Deed of Company Arrangement)

Deed Administrators' Report (continued)

In June 2015, Arowana Partners Group Pty Ltd (Arowana) approached the Administrators of the Company with a proposal to recapitalize the Company and continue its property finance and development business operations using the structure of a deed of company arrangement and creditor's trust deed (Recapitalisation). The Recapitalisation proposal was accepted at a meeting of the Company's creditors convened on 10 July 2015.

On 31 July 2015, the deed of company arrangement (DOCA) required to implement the Recapitalisation was entered into by Arowana and the Administrators (as joint and several administrators of the Company and as joint and several administrators of the DOCA). An ASX announcement regarding this transaction was released on 31 July 2015.

As part of the DOCA process, the Administrators are seeking a permanent stay of liquidation in order to complete the DOCA and proceed with recapitalisation and re-quotation of the Company on the ASX. It is expected that an application seeking a permanent stay of liquidation will be filed shortly and heard by the Court immediately following the shareholders meeting contemplated by the DOCA.

The Deed Administrators present their report together with the condensed financial report of Indigo Properties Australia Limited ("Company"), for the half-year ended 31 December 2011 and the review report thereon.

Directors

The Directors of the Company at any time during or since the end of the half-year and until the date of this report (unless otherwise stated) are:

<i>Name</i>	<i>Period of directorship</i>
Selwyn Snell <i>Chairman</i> <i>Independent Non-Executive Director</i>	Appointed 27 February 2006 (resigned 5 October 2012)
Ian Gillespie <i>Independent Non-Executive Director</i>	Appointed 27 February 2006 (resigned 5 October 2012)
Stephen Mackay <i>Managing Director, Chief Financial Officer</i> <i>and Company Secretary</i>	Appointed 17 February 2004 (resigned 5 October 2012) Appointed 9 January 2004 (resigned 5 October 2012)
John Kenny <i>Director</i>	Appointed 5 October 2012
Craig Anderson <i>Director</i>	Appointed 17 February 2014
Mark Clements <i>Director</i>	Appointed 5 October 2012
Scott Douglas <i>Director</i>	Appointed 5 October 2012 (resigned 4 February 2014)

(Subject to Deed of Company Arrangement)

Deed Administrators' Report (continued)

Principal activities

The principal activity of the Company during the period was to act as an investment entity with equity investments in property development projects.

Operating and financial review

The net loss after income tax of the Company for the half-year was \$175,231 (2010: \$972,909). The result for the half-year is largely a result of the ongoing global financial crisis and its impacts on Australian property markets.

In response to the ongoing global financial crisis and its impacts on Australian property markets, Indigo Properties reviewed the carrying value of its assets in order to identify whether they may be impaired. As a result, the Company recognised net impairment losses in respect of its assets totalling \$nil (2010: \$628,496) (Refer Note 3).

Basis of preparation of financial statements – liquidation (orderly wind down) basis

During the half-year, the Company recorded losses of \$175,231, and at 31 December 2011 had net liabilities of \$4,174,611, a deficiency in net current assets of \$4,174,611 and current liabilities of \$4,450,394.

These conditions cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Deed Administrator's consider it appropriate to prepare the financial report for the half-year ended 31 December 2011 on a liquidation basis, which would be based on an orderly wind down of operations. The comparative disclosures were prepared on a liquidation (orderly wind down) basis.

The reason why the Company is not regarded as a going concern has been set out in Note 1(a) of the financial statements and above.

Given the uncertainties in valuing assets and liabilities on a liquidation basis, it is likely that the valuation of assets and liabilities included in these financial statements may differ from actual results.

Subsequent events

On 14 February 2011, the Company appointed Mr Terry John Rose and Mr Terry Grant van der Velde as joint and several administrators of the Company pursuant to Section 436A(1) of the Corporations Act.

At a meeting of Creditors held in accordance with Section 439A(1) of the Corporations Act on 21 March 2011, the Administrators recommended to Creditors that it was in their best interests to continue with the administration of the Company in order to explore options to reconstruct and recapitalise via a deed of company arrangement (DOCA).

At the reconvened second Creditors meeting held in accordance with Section 439A(1) of the Corporations Act on 26 May 2011, the Creditors resolved that the Company execute a DOCA.

(Subject to Deed of Company Arrangement)

Deed Administrators' Report (continued)

The Administrators became joint and several deed administrators under a deed of company arrangement executed on 17 June 2011 and subsequently varied on 4 September 2012 (Original DOCA). The proponent to the Original DOCA was RAK Capital Pty Limited. Notwithstanding the Company's shareholders approval of the various resolutions required under the Original DOCA (on 24 May 2013), RAK Capital failed to proceed with the proposed recapitalisation.

As a result, the Administrators convened a meeting of the Company's creditors on 4 June 2015. At this meeting the Original DOCA was terminated and the Company was placed into liquidation. At this meeting, the Administrators were appointed as liquidators and as joint and several administrators of the Company.

In June 2015, Arowana Partners Group Pty Ltd (Arowana) approached the Administrators of the Company with a proposal to recapitalise the Company and continue its property finance and development business operations using the structure of a deed of company arrangement and creditor's trust deed (Recapitalisation). The Recapitalisation proposal was accepted at a meeting of the Company's creditors convened on 10 July 2015.

On 31 July 2015, the deed of company arrangement (DOCA) required to implement the Recapitalisation was entered into by Arowana and the Administrators (as joint and several administrators of the Company and as joint and several administrators of the DOCA). An ASX announcement regarding this transaction was released on 31 July 2015.

As part of the DOCA process, the Administrators are seeking a permanent stay of liquidation in order to complete the DOCA and proceed with recapitalisation and re-quotation of the Company on the ASX. It is expected that an application seeking a permanent stay of liquidation will be filed shortly and heard by the Court immediately following the shareholders meeting contemplated by the DOCA.

Proposed Recapitalisation

Key terms of the recapitalisation

The proposed Recapitalisation will be implemented pursuant to the DOCA. The completion under the DOCA is subject to a number of conditions being satisfied or waived, including:

- (a) the Courts granting a permanent stay of or ordering the termination of the liquidation of the Company;
- (b) Arowana being satisfied in relation to the value of the Company's property;
- (c) Arowana subscribing for 300 million shares and 50 million options to raise a total of \$2 million as follows:
 - (i) 100 million shares at \$0.001 cents per share;
 - (ii) 100 million shares at \$0.005 cents per share;
 - (iii) 50 million shares at \$0.008 cents per share;
 - (iv) 50 million shares at \$0.010 cents per share and
 - (v) 50 million options to be issued to Arowana or nominees of Arowana at \$0.010 cents per option.

(Subject to Deed of Company Arrangement)

Deed Administrators' Report (continued)

- (d) Arowana paying \$400,000 in cash to the Administrators and the creditors' trust and the Company issuing 20 million Shares to the Administrators, to be made available to creditors via the creditors' trust;
- (e) The Company obtaining shareholder approvals required to implement the Recapitalisation. These approvals will authorise (among other things) Arowana acquiring voting power in the Company in excess of 20% for the purposes of section 611 exception 7 of the Corporations Act; and
- (f) receipt of written confirmation from ASX that trading of the Company's shares can recommence without needing to re-comply with Chapters 1 and 2 of the Listing Rules following termination of the DOCA.

An independent expert's report will be presented to the Company's shareholders to assist them in assessing the Recapitalisation, specifically the issue of shares and options to Arowana.

At completion of the DOCA:

- (a) The Company will retain, on an unencumbered basis, all of the assets used in, necessary for, or otherwise relevant to, their current business operations and will be released from all claims against them;
- (b) The Company's capital structure will reflect the following:
 - (i) current shareholders and creditors will control approximately 12% of ordinary shares on issue (representing 10.4% on a fully diluted basis);
 - (ii) Arowana will control approximately 88% of ordinary shares on issue (or 89.6% on a fully diluted basis); and
- (c) The Company will have approximately \$1.5 million in cash.

The Recapitalisation will not result in an undertaking being injected into the Company. Throughout the Recapitalisation process the business operations of the Company will continue. The purpose of the Recapitalisation is to restructure the Company's issued capital and net asset base position and provide working capital.

As part of the Recapitalisation, the Company will apply to the ASX for its shares to be requoted.

As part of the original DOCA the following changes were effected:

- (a) **Board Changes:**
As part of the recapitalisation process the Board will change with Messrs' Kenny, Douglas and Clements being appointed as Directors (which occurred on 5 October 2012).
- (b) **Auditor Changes:**
KPMG was removed as auditor of the Company and HLB Mann Judd was appointed.

(Subject to Deed of Company Arrangement)

Deed Administrators' Report (continued)

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

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The auditor's independence declaration is set out on page 8 and forms part of the Deed Administrators' report for the half-year ended 31 December 2011.

Signed in accordance with the Deed of Company Arrangement:



Terry John Rose

of SV Partners as joint and several deed administrators of the Company.



Terry Grant van der Velde

Dated: 30 September 2015

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Indigo Properties Australia Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



Perth, Western Australia
30 September 2015

N G NEILL
Partner, HLB Mann Judd

(Subject to Deed of Company Arrangement)

Condensed Statement of Comprehensive Income for the half-year ended 31 December 2011

	Note	31 December 2011 \$	31 December 2010 \$
Interest income		1,157	453,837
Other income		-	1,690
Total income		<u>1,157</u>	<u>455,527</u>
Professional fees		(134,739)	(93,783)
Employee expenses		-	(81,750)
Director fees		-	(20,409)
Depreciation		-	(743)
Impairment losses	3	-	(628,496)
Financial guarantee expense		-	(494,529)
Shareholder expenses		-	(20,552)
Interest expense		(41,592)	(32,767)
Other operating expenses		(57)	(55,407)
Loss before income tax		<u>(175,231)</u>	<u>(972,909)</u>
Income tax expense		-	-
Net loss for the period		<u>(175,231)</u>	<u>(972,909)</u>
Other comprehensive income		-	-
Total comprehensive loss for the period		<u>(175,231)</u>	<u>(972,909)</u>
Basic/diluted loss per share attributable to ordinary equity holders		<u>(0.21) cents</u>	<u>(1.17) cents</u>

The accompanying notes form part of these financial statements.

(Subject to Deed of Company Arrangement)

Condensed Statement of Changes in Equity for the half-year ended 31 December 2011

	Share capital \$	Accumulated losses \$	Total equity \$
2011			
Balance at 1 July 2011	44,516,361	(48,515,741)	(3,999,380)
Loss for the period	-	(175,231)	(175,231)
Other comprehensive income	-	-	-
Total comprehensive loss for the period	-	(175,231)	(175,231)
Transactions with owners recorded directly in equity	-	-	-
Balance at 31 December 2011	44,516,361	(48,690,972)	(4,174,611)
2010			
Balance at 1 July 2010	44,516,361	(45,233,897)	(717,536)
Loss for the period	-	(972,909)	(972,909)
Other comprehensive income	-	-	-
Total comprehensive loss for the period	-	(972,909)	(972,909)
Transactions with owners recorded directly in equity	-	-	-
Balance at 31 December 2010	44,516,361	(46,206,806)	(1,690,445)

The accompanying notes form part of these financial statements.

(Subject to Deed of Company Arrangement)

Condensed Statement of Financial Position as at 31 December 2011

	Note	31 December 2011 \$	30 June 2011 \$
Current assets			
Cash and cash equivalents		266,293	28
Other assets	4	9,490	4,938
Loan	5	-	1,100,000
Total current assets		<u>275,783</u>	<u>1,104,966</u>
Total assets		<u>275,783</u>	<u>1,104,966</u>
Current liabilities			
Trade and other payables	6	4,450,394	4,454,346
Loans and borrowings	7	-	650,000
Total current liabilities		<u>4,450,394</u>	<u>5,104,346</u>
Total liabilities		<u>4,450,394</u>	<u>5,104,346</u>
Net liabilities		<u>(4,174,611)</u>	<u>(3,999,380)</u>
Equity			
Share capital	8	44,516,361	44,516,361
Accumulated losses		<u>(48,690,972)</u>	<u>(48,515,741)</u>
Total equity/(deficiency)		<u>(4,174,611)</u>	<u>(3,999,380)</u>

The accompanying notes form part of these financial statements.

(Subject to Deed of Company Arrangement)

Condensed Statement of Cashflows for the half-year ended 31 December 2011

	31 December 2011 \$	31 December 2010 \$
Cash flows from operating activities		
Cash paid in the course of operations	(144,757)	(430,610)
Interest and distributions received	2,614	1,690
Interest paid	(41,592)	(32,767)
Net cash from/(used in) operating activities	(183,735)	(461,687)
Cash flows from investing activities		
Loans to related parties	1,100,000	-
Payments for property, plant and equipment	-	(7,630)
Proceeds from redemptions of investments in managed investment schemes	-	270
Net cash from/(used in) investing activities	1,100,000	(7,360)
Cash flows from financing activities		
Repayment of loans	(650,000)	-
Net cash from/(used in) financing activities	(650,000)	-
Net increase (decrease) in cash held	266,265	(469,047)
Cash and cash equivalents at the beginning of the period	28	660,455
Cash and cash equivalents at the end of the period	266,293	191,408

The accompanying notes form part of these financial statements.

(Subject to Deed of Company Arrangement)

Notes to the condensed financial statements

1. Basis of preparation

Indigo Properties Australia Limited ("Company") is a company domiciled in Australia.

The annual financial report of the Company as at and for the year ended 30 June 2011 is available on the Australian Securities Exchange website at www.asx.com.au.

(a) Liquidation (orderly wind down) basis of preparation of the Interim Financial Statements

The Company has a loan to the Indigo Private Group ("Borrower"), secured by mortgages on certain development properties behind existing first and second mortgages and fixed and floating charges over various entities within the Borrower. The loan was due for repayment on 29 November 2009, currently bears interest at 18% per annum and is payable in arrears on 31 December and 30 June each year. Interest receivable was fully impaired during the period. In prior periods, certain entities within the Borrower were placed into voluntary administration and subsequently receivership.

In order to facilitate the recoverability of the loan, Indigo Properties and the Indigo Private Group entities entered into a Deed dated 30 October 2009 that entitles the Company to receive loan repayments out of the proceeds of current and future development projects undertaken by the Indigo Private Group. Under the Deed the proceeds of these development projects will be distributed as follows:

- the first \$5 million paid to Indigo Properties;
- the next \$60 million paid as follows:
 - 50% to Indigo Properties;
 - 25% to Leybourne Assets Pty Ltd (a creditor of Indigo Private Group and an entity related to former director Lawrence Truce); and
 - 25% to Whynot Assets Pty Ltd (a creditor of Indigo Private Group and an entity related to former director Mitchell Nielsen).
- thereafter all proceeds are distributed to Indigo Properties.

Under the terms of the Deed, if Indigo Properties suffers an insolvency event then any other party may terminate the Deed by giving notice to all parties of their election to terminate. Under the terms of the Deed, an insolvency event includes any of the following events occurring in relation to Indigo Properties:

- appointment of a liquidator, receiver and manager, trustee or controlling trustee or an application or order is made for the liquidation of Indigo Properties, or
- Indigo Properties is, or becomes unable to pay its debts as and when they are due within the meaning of the Corporations Act 2001.

(Subject to Deed of Company Arrangement)

Notes to the condensed financial statements (continued)

At half-year end:

- The Borrower was in default of certain loan covenants in relation to certain finance facilities provided by first and second mortgagees on development properties which form part of the security for the Company's loan;
- Certain entities within the Borrower were placed in voluntary administration and subsequently receivers were appointed by existing first and second mortgagees over certain entities within the Borrower;
- In November 2009, a formal demand was made on the Company for payment of \$3.75 million in accordance with a bank guarantee of \$3.825 million provided by the Company to the financier of a property development in New South Wales (Note 6);
- In October 2010, the Company received a letter of demand from a bank calling for payment of \$2.5 million under a guarantee that had been provided by the Company in 2006 to financiers of property developments of the Borrower based in Brisbane (Note 6).

During the half-year, the Company recorded losses of \$175,231, and at 31 December 2011 had net liabilities of \$4,174,611, a deficiency in net current assets of \$4,174,611 and current liabilities of \$4,450,394.

These conditions cast significant doubt upon the Company's ability to continue as a going concern and on 14 February 2011, the Company announced that the takeover bid by DK Northern Investments Pty Ltd was only accepted by 87.3% of Shareholders which fell short of the 90% minimum acceptance condition. The takeover of the Company did therefore not proceed. The Company was very low on cash reserves and was unable to meet its payment obligations. Consequently, the Company was placed into voluntary administration on that date.

On 14 February 2011, the directors of the Company at the time appointed Terry John Rose and Terry Grant van der Velde of SV Partners as joint and several administrators of the Company (Deed Administrators) pursuant to section 436A(1) of the Corporations Act.

Accordingly, the Deed Administrators consider it appropriate to prepare the financial report for the half-year ended 31 December 2011 on a liquidation basis, which would be based on an orderly wind down of operations. The comparative disclosures were prepared on a liquidation (orderly wind down) basis.

Given the uncertainties in valuing assets and liabilities on a liquidation basis, it is likely that the valuation of assets and liabilities included in these financial statements may differ significantly from actual results.

(Subject to Deed of Company Arrangement)

Notes to the condensed financial statements (continued)

In adopting the liquidation basis the Deed Administrators have continued to apply the requirements of Australian Accounting Standards. Accordingly, as non-current assets do not meet the requirements for held for sale or discontinued operations under AASB 5, they continue to be recognised as non-current assets at cost. They have been subject to impairment testing under AASB 136. Details of impairments are set out in Note 3. Additional provisions and/or liabilities have been recognised as a result of a possible orderly wind down scenario as the Deed Administrators have not incurred any additional legal or contractual obligations.

(b) Statement of compliance

The half-year financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The half-year financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the most recent annual financial report.

The half-year financial report was approved by the Deed Administrators on 30 September 2015.

(c) Significant accounting policies

The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report as at and for the year ended 30 June 2011.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the interim financial statements are described in the following notes:

- Note 3 – impairment
- Note 6 and Note 7 – financial guarantees
- Note 9 – credit risk exposure

(Subject to Deed of Company Arrangement)

Notes to the condensed financial statements (continued)

2. Operating segments

The Company primarily comprises only one segment being investment activities wholly within Australia.

3. Impairment losses

	Note	31 December 2011 \$	31 December 2010 \$
Interest receivable (i)		-	453,837
Loan (ii)	5	-	174,659
		-	628,496

(i) Impairment – Interest Receivable

No further impairment losses were recognised by the Company during the period (2010: \$453,837).

Interest receivable is disclosed net of the impairment losses.

(ii) Impairment - Loans

No further impairment losses were recognised by the Company during the period (2010: \$174,659).

Assets are disclosed net of impairment losses.

These impairment losses represent estimated losses that may be incurred based on a number of assumptions. Actual results may differ significantly from these estimates.

4. Other assets

	31 December 2011 \$	30 June 2011 \$
Current		
Interest receivable	-	1,457
Deposits	-	3,481
Other receivables	9,490	-
	9,490	4,938

As at balance date, deposits are at call and bear variable interest at 4.25% per annum.

5. Loan

Current

Loan to related parties – secured	-	1,100,000
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The Company had a loan to the Indigo Private Group (“Borrower”). This loan was due for repayment on 29 November 2009. The impaired balance of the loan of \$1.1million was received in full during the half-year ended 31 December 2011.

(Subject to Deed of Company Arrangement)

Notes to the condensed financial statements (continued)

6. Trade and other payables

	31 December 2011	30 June 2011
	\$	\$
Trade creditors	1,759	1,759
Other creditors and accruals	4,448,635	4,452,587
	<u>4,450,394</u>	<u>4,454,346</u>

The Company had provided guarantees in relation to borrowings by related entities of former directors. In November 2009, a formal demand was made on the Company for the payment of \$3.75 million in accordance with a bank guarantee of \$3.825 million provided by the Company to the financier of a property development in New South Wales. At 31 December 2011, the Company has recorded a current liability of \$1.95 million in relation to this guarantee after payment of certain amounts in relation to the guarantee.

In October 2010, the Company received a letter of demand from a bank calling for payment of \$2.5 million under a guarantee that had been provided by the Company in 2006 to financiers of property developments of the Borrower based in Brisbane. At 31 December 2011, the Company has recorded a current liability of \$2.5 million in relation to this guarantee.

7. Loans and borrowings

Loan from shareholder – secured	-	650,000
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The Company had a loan from Douglas Kefford Capital Pty Ltd, a company related to a significant shareholder. The loan was repaid during the period.

8. Issued capital

Share capital

82,816,902 (30 June 2011: 82,816,902) ordinary shares,
fully paid

44,516,361	44,516,361
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No shares were issued by the Company during the current or prior period.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Dividends

No dividends were recognised by the Company during the current or prior period.

(Subject to Deed of Company Arrangement)

Notes to the condensed financial statements (continued)

9. Capital risk exposure

On 14 February 2011, the Company appointed Mr Terry John Rose and Mr Terry Grant van der Velde as joint and several administrators of the Company pursuant to Section 436A(1) of the Corporations Act.

The Company and the Administrators entered into a reconstruction proposal with Arowana Partners Group Pty Ltd (Arowana) to facilitate the recapitalisation of the Company whereby the Administrators confirmed Arowana as the preferred proponent to recapitalise the Company. The Company subsequently entered into a deed of company arrangement on 13 August 2015.

Arowana intends to recapitalise the Company and develop the growth of the Company's portfolio of existing physical property development assets as well as expand its existing property mezzanine financing loan book. In addition, the Company will actively pursue new projects in line with its existing operational history by way of acquisition or investment to return value to Shareholders.

As at the date of this report, the recapitalisation of the Company has not yet completed.

10. Subsequent events

On 14 February 2011, the Company appointed Mr Terry John Rose and Mr Terry Grant van der Velde as joint and several administrators of the Company pursuant to Section 436A(1) of the Corporations Act.

At a meeting of Creditors held in accordance with Section 439A(1) of the Corporations Act on 21 March 2011, the Administrators recommended to Creditors that it was in their best interests to continue with the administration of the Company in order to explore options to reconstruct and recapitalise via a deed of company arrangement (DOCA).

At the reconvened second Creditors meeting held in accordance with Section 439A(1) of the Corporations Act on 26 May 2011, the Creditors resolved that the Company execute a DOCA.

The Administrators became joint and several deed administrators under a deed of company arrangement executed on 17 June 2011 and subsequently varied on 4 September 2012 (Original DOCA). The proponent to the Original DOCA was RAK Capital Pty Limited. Notwithstanding the Company's shareholders approval of the various resolutions required under the Original DOCA (on 24 May 2013), RAK Capital failed to proceed with the proposed recapitalisation.

As a result, the Administrators convened a meeting of the Company's creditors on 4 June 2015. At this meeting the Original DOCA was terminated and the Company was placed into liquidation. At this meeting, the Administrators were appointed as liquidators and as joint and several administrators of the Company.

(Subject to Deed of Company Arrangement)

Notes to the condensed financial statements (continued)

In June 2015, Arowana Partners Group Pty Ltd (Arowana) approached the Administrators of the Company with a proposal to recapitalize the Company and continue its property finance and development business operations using the structure of a deed of company arrangement and creditor's trust deed (Recapitalisation). The Recapitalisation proposal was accepted at a meeting of the Company's creditors convened on 10 July 2015.

On 31 July 2015, the deed of company arrangement (DOCA) required to implement the Recapitalisation was entered into by Arowana and the Administrators (as joint and several administrators of the Company and as joint and several administrators of the DOCA). An ASX announcement regarding this transaction was released on 31 July 2015.

As part of the DOCA process, the Administrators are seeking a permanent stay of liquidation in order to complete the DOCA and proceed with recapitalisation and re-quotation of the Company on the ASX. It is expected that an application seeking a permanent stay of liquidation will be filed shortly and heard by the Court immediately following the shareholders meeting contemplated by the DOCA.

Proposed Recapitalisation

Key terms of the recapitalisation

The proposed Recapitalisation will be implemented pursuant to the DOCA. The completion under the DOCA is subject to a number of conditions being satisfied or waived, including:

- (a) the Courts granting a permanent stay of or ordering the termination of the liquidation of the Company;
- (b) Arowana being satisfied in relation to the value of the Company's property;
- (c) Arowana subscribing for 300 million shares and 50 million options to raise a total of \$2 million as follows:
 - (i) 100 million shares at \$0.001 cents per share;
 - (ii) 100 million shares at \$0.005 cents per share;
 - (iii) 50 million shares at \$0.008 cents per share;
 - (iv) 50 million shares at \$0.010 cents per share and
 - (v) 50 million options to be issued to Arowana or nominees of Arowana at \$0.010 cents per option.
- (d) Arowana paying \$400,000 in cash to the Administrators and the creditors' trust and the Company issuing 20 million Shares to the Administrators, to be made available to creditors via the creditors' trust;

(Subject to Deed of Company Arrangement)

Notes to the condensed financial statements (continued)

- (e) The Company obtaining shareholder approvals required to implement the Recapitalisation. These approvals will authorise (among other things) Arowana acquiring voting power in the Company in excess of 20% for the purposes of section 611 exception 7 of the Corporations Act; and
- (f) receipt of written confirmation from ASX that trading of the Company's shares can recommence without needing to re-comply with Chapters 1 and 2 of the Listing Rules following termination of the DOCA.

An independent expert's report will be presented to the Company's shareholders to assist them in assessing the Recapitalisation, specifically the issue of shares and options to Arowana.

At completion of the DOCA:

- (a) The Company will retain, on an unencumbered basis, all of the assets used in, necessary for, or otherwise relevant to, their current business operations and will be released from all claims against them;
- (b) The Company's capital structure will reflect the following:
 - (i) current shareholders and creditors will control approximately 12% of ordinary shares on issue (representing 10.4% on a fully diluted basis);
 - (ii) Arowana will control approximately 88% of ordinary shares on issue (or 89.6% on a fully diluted basis); and
- (c) The Company will have approximately \$1.5 million in cash.

The Recapitalisation will not result in an undertaking being injected into the Company. Throughout the Recapitalisation process the business operations of the Company will continue. The purpose of the Recapitalisation is to restructure the Company's issued capital and net asset base position and provide working capital.

As part of the Recapitalisation, the Company will apply to the ASX for its shares to be quoted.

As part of the original DOCA the following changes were effected:

- (a) **Board Changes:**
As part of the recapitalisation process the Board will change with Messrs' Kenny, Douglas and Clements being appointed as Directors (which occurred on 5 October 2012).
- (b) **Auditor Changes:**
KPMG was removed as auditor of the Company and HLB Mann Judd was appointed.

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

(Subject to Deed of Company Arrangement)

Deed Administrators' Declaration

We have been unable to satisfy ourselves as to the accuracy of all of the transactions recorded in the Company's accounting records that occurred prior to our appointment as Deed Administrators on 14 February 2011.

In the opinion of the Deed Administrators of Indigo Properties Australia Limited ("the Company"), except for the effects of such adjustments, if any, that might have been determined to be necessary had we been able to verify all of the transactions which took place during the reporting period and prior to the date of our appointment:

- (a) the financial statements and notes, set out on pages 9 to 20, are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
 - ii. complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) the Deed Administrators are unable, based on the information available at the present time and the significant uncertainty outlined in Note 1(a), to conclude whether the Company will be able to pay its debts as and when they become due and payable and therefore the Deed Administrators have prepared these financial statements on a liquidation (orderly wind down) basis.

Signed in accordance with the Deed of Company Arrangement:



Terry John Rose



Terry Grant van der Velde

of SV Partners as joint and several deed administrators of the Company.

Dated: 30 September 2015

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Indigo Properties Australia Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Indigo Properties Australia Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. Because of the matters described in the Basis for Disclaimer of Conclusion paragraph, however, we were not able to obtain sufficient appropriate evidence to provide a basis for a conclusion.

Independence

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

Basis for Disclaimer of Conclusion

Administrators were appointed to the Company on 14 February 2011 and the company has remained in administration.

The Company's administrators have since entered into a deed of company agreement with the intention to recapitalise and reinstate its quotation on the Australian Securities Exchange. As a new board of directors was appointed and has not been involved with its affairs during the period being audited, the records maintained were not adequate to permit the application of necessary audit procedures. As a result, we are unable to obtain all the information and explanations we require in order to form an opinion on the financial report.

Conclusion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph above, we have not been able to obtain sufficient appropriate evidence to provide a basis for a conclusion. Accordingly, we do not express a conclusion on the financial report.



HLB MANN JUDD
Chartered Accountants



N G NEILL
Partner

Perth, Western Australia
30 September 2015