

Indigo Properties Australia Limited

ACN 108 019 263

(Subject to Deed of Company Arrangement)

Annual Financial Statements

30 June 2015

(Subject to Deed of Company Arrangement)

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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.

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.

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 and has subsequently lapsed.

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 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 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 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.

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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 financial report of the Indigo Properties Australia Limited ("Company") for the year ended 30 June 2015 and the review report thereon.

Directors

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

Name

John Kenny

Craig Anderson

Mark Clements

Information on Directors

John Kenny

Mr Kenny is a lawyer by profession. He holds a Bachelor of Commerce (Hons) and Bachelor of Laws from the University of Western Australia. Through his practise of corporate and mining law and investment banking, he has advised many ASX listed public companies in the areas of equity and debt finance. Mr Kenny has been a venture capital investor in several ASX mining floats. He also has experience in a number of sectors of Australian agribusiness with involvement both as a director and as an investor. He has been a director of a number of ASX listed public companies and is currently on the board of ASX listed public resource company Gippsland Limited (ASX Code: GIP) and Sun Resources NL (ASX Code: SUR).

Directorships in the past 3 years: Gippsland Limited, Sun Resources NL, Indus Coal Limited.

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Deed Administrators' Report (continued)

Craig Anderson

Mr Anderson is a primary industry specialist with a diverse background in a significant number of commodities in Australia and Asia. Mr Anderson has tertiary qualifications in science and business management and more than 20 years' experience in developing, financing and managing large scale production enterprises. He has held a number of executive and board positions in both public and private companies in Australia and has strong experience of project management and trade in Asian jurisdictions. This has included various forestry, horticultural and viticultural commodities as well as carbon and environmental offset projects in Australia and Asia.

Directorships of listed entities in the past 3 years: TW Holdings Limited (resigned 18 November 2014).

Mark Clements

Mr Clements holds a Bachelor of Commerce degree from the University of Western Australia and is a Fellow of the Institute of Chartered Accountants of Australia. Mr Clements is also a member of the Australian Institute of Company Directors and an affiliated member of the Institute of Chartered Secretaries in Australia. He has over 18 years management, corporate administration, finance and accounting experience working for a number of listed and unlisted public companies, for which he has held the role of Company Secretary for over 10 years. Mr Clements previously worked for an international accounting firm.

Directorships in the past 3 years: MOD Resources NL

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 loss after income tax of the Company for the year was \$626,440 (2014: \$18,042).

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 RAK Capital Pty Ltd (RAK Capital) to facilitate the recapitalisation of the Company whereby the Administrators confirmed RAK Capital as the preferred proponent to recapitalise the Company. The Company subsequently entered into a deed of company arrangement on 17 June 2011. As a result of the failure to fulfil the terms of the deed of company arrangement the arrangement was terminated on 4 June 2015.

Subsequently, the Company and the Administrators received a further reconstruction and recapitalisation proposal from Arowana Partners Group Pty Ltd (Arowana). The Company entered into a deed of company arrangement with Arowana on 31 July 2015.

(Subject to Deed of Company Arrangement)

Deed Administrators' Report (continued)

Basis of Preparation of Financial Statements – Liquidation (Orderly Wind Down) Basis

During the year, the Company recorded a loss of \$626,440 primarily due to the impairment of investment assets, and at 30 June 2014 had net liabilities of \$4,398,536, a deficiency in net current assets of \$4,398,536 and current liabilities of \$4,458,987.

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 year ended 30 June 2015 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 2(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

The Recapitalisation proposal from Arowana 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.

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.

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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.

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' Report (continued)

Indemnification and Insurance of Officers and Auditors

Indemnification

Since incorporation, the Company has not indemnified or made a relevant agreement for indemnifying against a liability, any person who is or has been an officer of the Company, or an auditor of the Company.

Insurance Premiums

During the financial period, the Company has paid premiums in respect of directors or executive officers for liability and legal expenses insurance contracts. Such insurance contracts insure against certain liability (subject to specific exclusions) for persons who are or have been the directors or executive officers of the Company.

Details of the nature of the liabilities covered or the amount of the premium paid has not been included as such disclosure is prohibited under the terms of the contracts.

Non-audit Services

The Company's auditor during the year was HLB Mann Judd. HLB Mann Judd did not perform any other services in addition to their statutory duties. A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is included in the Deed Administrator's report.

No amounts were paid to the auditor of the Company and its related practices for audit and non-audit services provided during the year (2014: \$Nil).

Directors' Meetings

There were no meetings held during the financial period.

Corporate Governance Statement

There were no corporate governance practices in place during the financial period.

Dividends

No dividends were paid or declared by the Company since the end of the previous financial year.

State of Affairs

There were significant changes in the state of affairs of the Company that occurred during the financial year under review as described in Note 2(a) of the financial statements.

Likely Developments

Information about likely developments in the operations of the Company and the expected results of those operations in future financial periods has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Environmental Regulation

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Proceedings on behalf of the Company

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

(Subject to Deed of Company Arrangement)

Deed Administrators' Report (continued)

Remuneration Report - Audited

Since their respective appointments, Messrs Kenny, Anderson and Clements have not received or accrued any remuneration.

Directors' Interests

Messrs Kenny, Anderson and Clements do not hold any ordinary shares in the Company.

End of Remuneration Report

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

The auditor's independence declaration is set out on page 9 and forms part of the Deed Administrators' report for the year ended 30 June 2015.

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

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Indigo Properties Australia Limited for the year ended 30 June 2015, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.



**Perth, Western Australia
30 September 2015**

**N G Neill
Partner**

(Subject to Deed of Company Arrangement)

Statement of Comprehensive Income for the year ended 30 June 2015

	Note	2015 \$	2014 \$
Other income	7	2,730	-
Total income			-
Impairment of investments	12	(500,000)	-
Professional fees		(123,744)	(11,354)
Other operating expenses		(5,426)	(6,688)
Loss before income tax		(626,440)	(18,042)
Income tax expense		-	-
Loss for the year		(626,440)	(18,042)
Other comprehensive income		-	-
Total comprehensive loss for the year		(626,440)	(18,042)
Basic/diluted loss per share attributable to ordinary equity holders	10	(0.75) cents	(0.02) cents

The accompanying notes form part of these financial statements.

(Subject to Deed of Company Arrangement)

Statement of Changes in Equity for the year ended 30 June 2015

	Share Capital \$	Accumulated Losses \$	Total Equity \$
2015			
Balance at 1 July 2014	44,516,361	(48,288,457)	(3,772,096)
Total comprehensive income/(loss) for the year			
Loss for the year	-	(626,440)	(626,440)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(626,440)	(626,440)
Transactions with owners recorded directly in equity	-	-	-
Balance at 30 June 2015	44,516,361	(48,914,897)	(4,398,536)
2014			
Balance at 1 July 2013	44,516,361	(48,270,415)	(3,754,054)
Total comprehensive income/(loss) for the year			
Loss for the year	-	(18,042)	(18,042)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(18,042)	(18,042)
Transactions with owners recorded directly in equity	-	-	-
Balance at 30 June 2014	44,516,361	(48,288,457)	(3,772,096)

The accompanying notes form part of these financial statements.

(Subject to Deed of Company Arrangement)

Statement of Financial Position as at 30 June 2015

	Note	2015 \$	2014 \$
Current assets			
Cash and cash equivalents	17(a)	47,123	183,471
Other assets	11	13,328	818
Total current assets		<u>60,451</u>	<u>184,289</u>
Non-current assets			
Investments – properties held for development	12	-	500,000
Total non-current assets		<u>-</u>	<u>500,000</u>
Total assets		<u>60,451</u>	<u>684,289</u>
Current liabilities			
Trade and other payables	13	4,458,987	4,456,385
Total current liabilities		<u>4,458,987</u>	<u>4,456,385</u>
Total liabilities		<u>4,458,987</u>	<u>4,456,385</u>
Net liabilities		<u>(4,398,536)</u>	<u>(3,772,096)</u>
Equity			
Share capital	14	44,516,361	44,516,361
Accumulated losses		(48,914,897)	(48,288,457)
Total deficiency		<u>(4,398,536)</u>	<u>(3,772,096)</u>

The accompanying notes form part of these financial statements.

(Subject to Deed of Company Arrangement)

Statement of Cash Flows for the year ended 30 June 2015

		2015	2014
	Note	\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(139,078)	(13,804)
Interest and distributions received		2,730	-
GST refund		-	26,280
Net cash from/(used in) operating activities	17(b)	(136,348)	12,476
Net increase/(decrease) in cash held		(136,348)	12,476
Cash and cash equivalents at 1 July		183,471	170,995
Cash and cash equivalents at 30 June	17(a)	47,123	183,471

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. Reporting Entity

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

2. Basis of Preparation

These financial statements are general purpose financial statements which have been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

(a) Liquidation (Orderly Wind Down) Basis of Preparation of the Financial Statements

The Company had 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, bears interest at 18% per annum and is payable in arrears on 31 December and 30 June each year. In the current and 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.

Notes to the Financial Statements

2. Basis of Preparation (continued)

During the year, the Company recorded a loss of \$626,440, and at 30 June 2014 had net liabilities of \$4,398,536, a deficiency in net current assets of \$4,398,536 and current liabilities of \$4,458,987.

These conditions cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Deed Administrators consider it appropriate to prepare the financial report for the year ended 30 June 2015 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.

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) Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2015

In the year ended 30 June 2015, the Deed Administrators have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

As a result of this review, the Deed Administrators have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Deed Administrators have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2015. As a result of this review the Deed Administrators have determined that there is no material impact, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

(c) Statement of Compliance

The financial report complies with Australia Accounting Standards which include the Australian equivalents to International Financial Reporting Standards (AIFRSs). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards Board (IFRS).

The financial report was authorised for issue by the Deed Administrator's on 30 September 2015.

Notes to the Financial Statements

2. Basis of Preparation (continued)

(d) Basis of Measurement

The financial statements have been prepared on the liquidation basis of accounting, measuring assets primarily at the amounts expected to be realised on sale or fair value.

(e) Functional and Presentation Currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

(f) Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with AASBs 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 estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and the basis of preparation is included in the following notes:

- Note 2(a) – basis of preparation
- Note 9 – taxation
- Note 16 – credit risk exposures
- Notes 13 – financial guarantees

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.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial Instruments

Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Notes to the Financial Statements

3. Significant Accounting Policies (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories. The Company's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

Notes to the Financial Statements

3. Significant Accounting Policies (continued)

(b) Share Capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(c) Impairment

The Company assesses at each balance date whether a financial asset or group of financial assets is impaired.

Financial assets including receivables

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Notes to the Financial Statements

3. Significant Accounting Policies (continued)

Non-financial assets

The carrying amounts of the Company's non-financial assets, including investments in associates, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(d) Employee benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes to the Financial Statements

3. Significant Accounting Policies (continued)

Long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(e) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the proven value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(f) Revenue

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Interest income

Interest income, including loan establishment fees and exit fees, from loans is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

Rendering of services

Revenue from the rendering of services, including facilitation fees, is recognised in the period in which the services are provided and where it is probable that the compensation will flow to the company, the amount to be received can be reliably measured and the state of completion of the contract can be reliably measured.

Notes to the Financial Statements

3. Significant Accounting Policies (continued)

(g) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(h) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Notes to the Financial Statements

3. Significant Accounting Policies (continued)

(i) Earnings per Share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(j) Segment reporting

Determination and presentation of operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are regularly reviewed by the Company's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(k) Adoption of New and Revised Standards

Standards and Interpretations applicable to 30 June 2015

The Deed Administrators have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

As a result of the review, the Deed Administrators have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to the Company's accounting policies.

Standards and Interpretations in issue not yet adopted

The Deed Administrators have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2015

As a result of this review, the Deed Administrators have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no change is necessary to the Company's accounting policies.

4. Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes on a liquidation (orderly wind down) basis as outlined below. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Notes to the Financial Statements

4. Determination of Fair Values (continued)

Investments in equity and debt securities

The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

Mortgage loans, trade and other receivables

The fair value of mortgage loans, trade and other receivables is estimated as the present value of future cash flows on a liquidation (orderly wind down) basis, discounted at the market rate of interest at the reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows on a liquidation (orderly wind down) basis, discounted at the market rate of interest at the reporting date.

Financial guarantees

For financial guarantee contract liabilities, the fair value at initial recognition is determined using a probability weighted discounted cash flow approach. This method takes into account the probability of default by the guaranteed party over the term of the contract, the loss given default (being the proportion of the exposure that is not expected to be recovered in the event of default) and exposure at default (being the maximum loss at the time of default).

5. Capital Risk Management

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.

6. Operating Segments

The Company does not report on different segments due to the simple nature of its operations. The Company operates predominantly in one business and geographical segment, being investment activities in Australia.

(Subject to Deed of Company Arrangement)

Notes to the Financial Statements

	2015 \$	2014 \$
7. Other Income		
Interest income – cash and cash equivalents	2,730	-
	<u>2,730</u>	<u>-</u>
8. Auditors' Remuneration		
<i>Audit services</i>		
Previous auditors of the Company		
Audit and review of financial reports	-	-
	<u>-</u>	<u>-</u>
<i>Other services</i>		
Previous auditors of the Company		
Accounting and tax advice	-	-
	<u>-</u>	<u>-</u>
9. Taxation		
(a) Income tax (expense)/benefit		
Recognised in statement of comprehensive income		
Current income tax		
Current income tax charge	-	-
Adjustments in respect of current income tax of previous years	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	-	-
	<u>-</u>	<u>-</u>
Total income tax (expense)/benefit	<u>-</u>	<u>-</u>
Reconciliation between tax expense and pre-tax net profit		
Prima facie income tax expense/(benefit) calculated at 30% on the profit from ordinary activities	(187,932)	(5,412)
<i>Increase/(decrease) in income tax due to non-deductible/(non-assessable):</i>		
Current year losses for which no deferred tax asset was recognised	187,932	5,412
	<u>187,932</u>	<u>5,412</u>
Income tax expense attributable to operating profit	<u>-</u>	<u>-</u>
(b) Current tax assets/(liabilities)		
<i>Provision for current income tax</i>		
Movements during the year:		
Balance at the beginning of period	-	-
Income tax paid/(refunded)	-	-
	<u>-</u>	<u>-</u>

(Subject to Deed of Company Arrangement)

Notes to the Financial Statements

9. Taxation (continued)

	2015	2014
	\$	\$
(c) Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Current year loss	187,932	5,412
Prior year losses	11,874,264	11,868,852
	<u>12,062,196</u>	<u>11,874,264</u>

10. Loss per Share

The following securities have been classified as ordinary shares and included in basic loss per share:

- Ordinary shares

There are no securities classified as potential ordinary shares and included in diluted earnings per share.

Loss attributable to ordinary shareholders

Loss for the year	(626,440)	(18,042)
Net loss attributable to minority interests	-	-
Loss attributable to ordinary shareholders (basic)	<u>(626,440)</u>	<u>(18,042)</u>
After-tax effect of costs of options	-	-
Loss attributable to ordinary shareholders (diluted)	<u>(626,440)</u>	<u>(18,042)</u>

Weighted average number of shares

Issued ordinary shares at 1 July	82,816,902	82,816,902
Effect of shares issued	-	-
	<u>82,816,902</u>	<u>82,816,902</u>

Weighted average number of ordinary shares at 30 June

Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted) at 30 June	<u>82,816,902</u>	<u>82,816,902</u>

Loss per share

Basic/diluted loss per share from continuing operations	<u>(0.75) cents</u>	<u>(0.02) cents</u>
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11. Other Assets

GST receivable	<u>13,328</u>	<u>818</u>
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(Subject to Deed of Company Arrangement)

Notes to the Financial Statements

	2015 \$	2014 \$
12. Investments		
Current		
Investments in properties held for development	-	500,000

As the proponents of the current recapitalisation proposal are unlikely to proceed with the property development projects they have been fully impaired as at 30 June 2015.

13. Trade and Other Payables		
Trade creditors	10,352	7,750
Other creditors and accruals	4,448,635	4,448,635
	<u>4,458,987</u>	<u>4,456,385</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 30 June 2015 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 30 June 2015 the Company has recorded a current liability of \$2.5 million in relation to this guarantee.

Other creditors are unsecured and are subject to the DOCA, the terms of which govern how these amounts are to be repaid. No funds are currently available for distribution.

14. Issued Capital		
Share capital		
82,816,902 (2013: 82,816,902) ordinary shares, fully paid	44,516,361	44,516,361

No shares were issued in the current or prior year.

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.

Notes to the Financial Statements

15. Dividends

No dividends were paid in the current or prior year.

Dividend franking account

30% franking credits available to shareholders for subsequent financial years

1,454,181	1,454,181
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The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

- a) franking credits that will arise from the payment of the amount of the provision for income tax
- b) franking credits that will arise from the payment of dividends recognised as a liability at year end
- c) franking credits that will arise from the receipt of dividends recognised as receivables at year end
- d) franking credits that the entity may be prevented from distributing in subsequent years

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

16. Financial Instruments

(a) Credit risk

Exposure to credit risk

The carrying amount of the Company's financial assets represents the maximum credit exposure.

The Company's maximum exposure to credit risk at the reporting date was:

	Note	2015 \$	2014 \$
Cash and cash equivalents	17(a)	47,123	183,471
Other assets	11	13,328	818
Investments – property held for development	12	-	500,000
		60,451	684,289

(Subject to Deed of Company Arrangement)

Notes to the Financial Statements

16. Financial Instruments (continued)

(b) Liquidity risk

The following are the contractual maturities of financial liabilities.

	Carrying amount \$	Contractual cashflows \$	6 mths or less \$	6-12 mths \$	1-2 yrs \$	2-5 yrs \$	More than 5 yrs \$
2015							
Financial liabilities							
Trade and other payables	4,458,987	4,458,987	-	4,458,987	-	-	-
2014							
Financial liabilities							
Trade and other payables	4,456,385	4,456,385	-	4,456,385	-	-	-

Trade and other payables that would normally fall due for payment within 6-12 months are subject to the DOCA the terms of which govern how these amounts are to be repaid.

(c) Interest rate risk

At the reporting date the Company's variable rate financial instruments were:

	Carrying Amount	
	2015 \$	2014 \$
Variable rate instruments		
Financial assets	47,123	183,471
Financial liabilities	-	-

The majority of the Company's financial assets are non-interest bearing. Interest bearing financial assets and interest bearing financial liabilities are subject to variable interest rates. The Company is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Interest rate sensitivity

An increase of 100 basis points in interest rates during the year may result in an increase in the Company's loss of up to \$471 (2014: decrease in loss \$1,835). An decrease of 100 basis points in interest rates during the year may result in an increase in the Company's loss of up to \$471 (2014: increase in loss \$1,835).

(d) Fair values

The fair value of financial assets and liabilities of the Company approximates the carrying value of these items in the statement of financial position.

(Subject to Deed of Company Arrangement)

Notes to the Financial Statements

17. Notes to the Statement of Cash Flows

(a) Reconciliation of cash

For the purpose of the statements of cash flow, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled in the statement of financial position as follows:

	2015 \$	2014 \$
Cash and cash equivalents	47,123	183,471
(b) Reconciliation of cash flow from operations with operating profit after income tax:		
Operating profit/(loss) after income tax	(626,440)	(18,042)
Impairment of investments	500,000	-
Net cash used in operating activities before changes in assets and liabilities	(126,440)	(18,042)
(Increase)/decrease in receivables	(12,509)	24,527
Increase/(decrease) in creditors and accruals	2,601	5,991
Net cash from (used in) operating activities	(136,348)	12,476

18. Related Parties

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 are provided in the Remuneration Report section of the Deed Administrator's Report on page 8.

Apart from the details disclosed in this note, no director has entered into a material contract with the company or the Company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Other key management personnel transactions

In the prior period, a number of key management persons, or their related parties, held positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the prior reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

Movement in shares and options

There was no movement during the reporting period in the number of ordinary shares and options of the Company held directly, indirectly or beneficially by key management personnel.

Notes to the Financial Statements

19. Subsequent Events

The Recapitalisation proposal provided by Arowana 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;
- (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

Notes to the Financial Statements

19. Subsequent Events (continued)

- (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.

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 Administrator's 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 10 to 31, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
- (b) the Deed Administrators are unable, based on the information available as the present time and the significant uncertainty outlined in note 2(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.
- (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

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 REPORT

To the members of Indigo Properties Australia Limited

Report on the Financial Report

We were engaged to audit the accompanying financial report of Indigo Properties Australia Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2015 the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 for the consolidated entity. The consolidated entity comprises 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 2(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

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. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

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

Disclaimer of Opinion

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 audit evidence to provide a basis for an opinion. Accordingly, we do not express an opinion on the financial report.

Report on the Remuneration Report

We were engaged to audit the remuneration report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 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.

Disclaimer of Opinion

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 audit evidence to provide a basis for an opinion. Accordingly, we do not express an opinion on whether the remuneration report of Indigo Properties Australia Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.



HLB Mann Judd
Chartered Accountants



N G Neill
Partner

Perth, Western Australia
30 September 2015

(Subject to Deed of Company Arrangement)

ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report.

Shareholdings as at 30 September 2015

Substantial shareholders

Ordinary

The number of shares held by substantial shareholders

Indigo Capital Pty Ltd	11,024,965
Truce Capital Pty Ltd <Truce Capital A/C>	11,024,964
Douglas Kefford Capital Pty Ltd <The Douglas Kefford Capital>	10,994,320
S & J Stone Pty Ltd <Stone Family Super Fund A/C>	10,994,320

Class of shares and voting rights

At 30 September 2015, there were 2,055 holders of the ordinary shares of the company. Refer Note 14 for details of classes of shares and voting rights.

Options carry no voting rights.

(Subject to Deed of Company Arrangement)

ASX Additional Information

Distribution of shareholders as at 30 September 2015

Category	<i>Number of holders</i>
	Ordinary
0-1,000	62
1,001 - 5,000	820
5,001 - 10,000	522
10,001 - 100,000	604
100,001 and over	47
	<u>2,055</u>

The number of shareholders holding less than a marketable parcel of ordinary shares is 1,171.

Twenty largest shareholders as at 30 September 2015

Name	Number of shares held	Percentage of capital held %
1) Indigo Capital Pty Ltd	11,024,965	13.31
2) Truce Capital Pty Ltd <Truce Capital A/C>	11,024,964	13.31
3) Douglas Kefford Capital Pty Ltd <The Douglas Kefford Capital>	10,994,320	13.28
4) S & J Stone Pty Ltd <Stone Family Super Fund A/C>	10,994,320	13.28
5) Wright Investment Group Pty Ltd	2,710,771	3.27
6) Badcock Rivers Pty Ltd	2,232,500	2.70
7) Sandkent Pty Ltd	1,154,500	1.39
8) Mr Anthony John Holley	743,249	0.90
9) Mr Bruce Siemon	655,957	0.79
10) Mr Richard George Doughty Arnold	508,609	0.61
11) Mr John Maxwell Inglis	500,000	0.60
12) Mr Kamil Kuzmicki <Life Time Super A/C>	411,126	0.50
13) Gecko Investments Pty Limited	401,179	0.48
14) Deepcliffe Pty Ltd <Carkazis Family A/C>	370,000	0.45
15) Windermere Nominees Pty Ltd <Stafford Family S/F A/C>	330,000	0.40
16) Mr Anthony Victor Bryant	328,447	0.40
17) Mr Ewan Gordon Blair	266,954	0.32
18) Dovedale Management Pty Ltd <William Dove-Mew Super A/C>	250,000	0.30
19) Mr Anthony Peter Johnstone	225,500	0.27
20) Albert Menzel & Betty Menzel & Stephen Menzel <Menzel Family Super Fund A/C>	214,000	0.26
	<u>55,341,361</u>	<u>66.82%</u>

There are no current on-market buy backs or other unlisted securities.

(Subject to Deed of Company Arrangement)

ASX Additional Information

Principal Registered Office

Level 3, 18 Richardson St
West Perth WA 6005

Share Registry

Security Transfer Registrars Pty Ltd
Canning Hwy, Applecross WA 6153

Stock Exchange

The Company is listed on the Australian Securities Exchange. The Home Exchange is Perth.

Other information

Indigo Properties Australia Limited, incorporated and domiciled in Australia, is a public company limited by shares.