Banksia Securities Limited ABN 45 004 736 458
(Receivers & Managers Appointed)

SPECIAL PURPOSE FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Contents

The Receivers and Managers present this report, together with the financial statements of the company for the half-year ended 31 December 2012.

Banksia Securities Limited ("BSL") was incorporated in 1968 and shortly thereafter commenced its business of issuing unsecured notes to retail investors (that were often referred to as "debentures"). The funds raised were advanced to third party borrowers for property investment purposes. Additionally, a proportion of funds raised by BSL were advanced with or through Banksia Mortgage Fund ("BMF") (a related party contributory mortgage scheme).

The Trust Company (Nominees) Limited ("Trustee") is the trustee for the unsecured notes issued by BSL.

The Trustee's role is to represent and act in the best interests of the unsecured note holders of BSL according to the Trust Deed, the Corporations Act 2001 and general law. Whilst these debentures are referred to as unsecured notes in accordance with the Corporations Act 2001 definition, the Trustee holds security over all assets and undertakings of BSL on behalf of unsecured note holders.

APPOINTMENT OF RECEIVERS AND MANAGERS

On 25 October 2013, the Trustee exercised its right as security holder by appointing Tony McGrath, Joseph Hayes, Matthew Caddy and Robert Kirman of McGrathNicol ("Receivers") as Receivers and Managers of BSL, following an invitation from BSL's Directors to appoint Receivers.

Prior to the appointment of Receivers, the Trustee's role involved monitoring the BSL Directors in managing the affairs of BSL and otherwise complying with its contractual, statutory and general law duties.

Following the appointment of Receivers, the Trustee has been working closely with the Receivers and has continued to be involved in, and ultimately approved, all major decisions through the receivership. The Trustee's primarily responsibility is to oversee the Receivers' performance of their role in realising the assets of BSL and maximising the returns to unsecured note holders.

As at the date of the appointment of the Receivers, total funds raised from unsecured note holders were approximately $663 million. The major asset of BSL was its interest in loans advanced either directly or with / through the BMF.

OBJECTIVE OF RECEIVERSHIP

The purpose of the appointment of the Receivers by the Trustee is to ensure that the company is controlled and its assets are preserved for the benefit of unsecured note holders, and to ensure that all unsecured note holders are treated fairly and equally amongst themselves.

It is expected that the loan portfolios of BSL will be realised through a combination of refinancing, repayment, loan portfolio sales and enforcement action for the benefit of unsecured note holders.

In addition to loan and other asset realisations, the Receivers are investigating whether there are any actionable claims against third parties that may result in a return to unsecured note holders.

To date, repayments totalling 70 cents in the dollar have been made to BSL note holders from cash on hand at appointment, interest receipts and discharges and the sale of certain performing loans.

Based on the information currently available, the Receivers' overall repayment guidance to unsecured note holders is 80 to 85 cents in the dollar.

RECEIVERS & MANAGERS' DISCLAIMER

In preparing this Report, the Receivers have relied on BSL's books and records.

For the period prior to the appointment of the Receivers, the accuracy or completeness of the books and records has not been verified.

For BSL's books and records relating to the period following the appointment of Receivers, the Receivers have relied on the opening balances of various accounts (which in some circumstances were not verified with certainty).

To the extent that the information relied on by the Receivers in preparing this report is incorrect, inaccurate or misleading, there is a risk that the information in this Report may be incorrect, inaccurate or misleading.

The Receivers have necessarily made forecasts and estimates of likely asset realisations for BSL. These forecasts and estimates will change as the asset realisation program progresses and more information comes to light. In particular, the asset realisation program will be impacted by, among other things, the ability of borrowers to refinance, conditions in the property market, and general economic conditions.

The actual ultimate outcome may differ significantly from the estimates provided, having regard to (among other things) the factors above.

To the maximum extent permitted by law, the Receivers disclaim any and all liability for loss or damages suffered directly or indirectly by any person as a result of, or in connection with this Report.

DIRECTORS

The names of the directors in office at any time during or since the end of the half-year are:

Peter W. Keating M.Mgt, SF Fin, Faim, MAICD.	(ceased 31 January 2013)
Patrick J. Godfrey Dip.ACC., A.M.I.A.A.	
Nicholas L. Carr B.Ec., LL.B., M.B.A., GAICD.	
Neil S. Mathison LL.B.	
G. Grenville Skewes LL.B.	(ceased 31 May 2013)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

BSL (formerly, Kyabram Housing Investments Proprietary Limited, Kyabram Housing Investments Limited and North Central Securities Limited) was incorporated in 1968 as a non-bank property lender offering note investments to the public.

Historically, BSL's primary business involved raising monies from the public and advancing funds raised to third party borrowers primarily for property investment and development purposes. In addition, BSL invested a proportion of funds raised with other retail investors either as co-lender or via a related party contributory mortgage scheme known as BMF.

Following BSL entering into external administration, BSL no longer raises funds via the issuing of notes or originates loans. The Receivers are undertaking an orderly wind-down of BSL's assets in insolvency.

ACCOUNTING RESULTS

The accounting loss of the company after providing for income tax amounted to $107,936,986.

As BSL is no longer operating as a 'going concern' (i.e. it is in external administration), this report sets out accounting results of the company (rather than operating results).

REVIEW OF OPERATIONS

The company was placed into receivership during the half-year. Refer to Notes 2 and 24 of the financial statements.

For further details of BSL's operations and the reasons for its failure, refer to the Receivers' Report to debenture holders dated 7 December 2012, which can be accessed at: www.mcgrathnicol.com

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the company occurred during the half-year.
The company and a related party, Cherry Fund Limited (Receivers and Managers Appointed) ("CFL"), were placed into receivership. Refer to Notes 2 and 24 of the financial statements.

GOING CONCERN

As a result of the company being placed into receivership it is not appropriate to prepare the financial statements on a going concern basis. Accordingly, these financial statements have been prepared on the basis of an orderly wind-up in external administration.

AFTER BALANCE DATE EVENTS

Refer to matters detailed at Notes 2 and 24 of the financial statements, which significantly affected the wind-down of the company in insolvency and the likely overall return to unsecured note holders.

ENVIRONMENTAL ISSUES

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

OPTIONS

No options were granted over unissued shares during or since the half-year by the company and there are no options outstanding at the date of this report.

TRUSTEE'S POSITION

The Trustee has approved the Receivers to sign this report on behalf of the company.

Tony McGrath	Joseph Hayes
Receiver and Manager	Receiver and Manager
31 October 2013	

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Receivers and Managers of Banksia Securities Limited

In relation to our review of the financial report of Banksia Securities Limited for the half-year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Graeme McKenzie
Partner
31 October 2013

Statement of comprehensive income for the half-year ended 31 December 2012

	Note	31 December 2012 $	31 December 2011 $
Revenue	3	23,928,964	25,848,728
Other income	3	210	13
Depreciation and amortisation expense		(357,144)	(370,942)
Finance costs	4 (a)	(11,886,346)	(19,780,727)
Other expenses	4 (b)	(116,912,044)	(6,184,232)
Profit or (loss) before income tax		(105,226,360)	(487,160)
Income tax (expense) revenue	5	(2,710,626)	148,561
Profit or (loss) for the half-year		(107,936,986)	(338,599)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		(107,936,986)	(338,599)
Profit or (loss) attributable to members of the parent entity		(107,936,986)	(338,599)
Total comprehensive income attributable to members of the parent entity		(107,936,986)	(338,599)

The accompanying notes form part of these financial statements.

	Note	31 December 2012 $	30 June 2012 $
ASSETS			
Cash and cash equivalents	8	42,500,232	133,601,798
Trade and other receivables	9	407,956,985	544,459,958
Financial assets	10	3,290,000	2,860,000
Property, plant and equipment	11	7,535,247	7,772,077
Investment property	12	-	55,000
Other assets	13	155,292	318,207
Deferred tax assets	14	-	1,944,452
TOTAL ASSETS		461,437,756	691,011,492
LIABILITIES			
Trade and other payables	15	15,757,879	3,441,547
Borrowings	16	528,306,503	662,369,566
Deferred tax liabilities	14	1,117,395	1,007,414
TOTAL LIABILITIES		545,181,777	666,818,527
NET ASSETS		(83,744,021)	24,192,965
EQUITY			
Issued capital	17	9,922,820	9,922,820
Reserves		2,071,057	2,071,057
Retained earnings (accumulated losses)		(95,737,898)	12,199,088
TOTAL EQUITY		(83,744,021)	24,192,965

The accompanying notes form part of these financial statements.

Statement of changes in equity for the half-year ended 31 December 2012

	Issued capital: Ordinary shares $	Issued capital: Preference shares $	Retained earnings (accumulated losses) $	Asset revaluation reserve $	Capital reserve $	Total $
Balance at 1 July 2011	3,780,593	6,142,227	12,067,372	1,979,411	91,646	24,061,249
Profit or (loss) attributable to members of the parent entity	-	-	(338,599)	-	-	(338,599)
Dividends provided for or paid	-	-	(750,000)	-	-	(750,000)
Balance at 31 December 2011	3,780,593	6,142,227	10,978,773	1,979,411	91,646	22,972,650
Balance at 1 July 2012	3,780,593	6,142,227	12,199,088	1,979,411	91,646	24,192,965
Profit or (loss) attributable to members of the parent entity	-	-	(107,936,986)	-	-	(107,936,986)
Balance at 31 December 2012	3,780,593	6,142,227	(95,737,898)	1,979,411	91,646	(83,744,021)

The accompanying notes form part of these financial statements.

	Note	31 December 2012 $	31 December 2011 $
Cash flows from operating activities			
Dividends received		-	8,044
Interest received		18,104,348	27,661,105
Other revenue		321,183	432,060
Interest paid and other costs of finance		(12,747,329)	(20,007,236)
Payments to suppliers and employees		(3,458,450)	(4,912,091)
Net cash provided by operating activities	20	2,219,752	3,181,882
Cash flows from investing activities			
Net (increase) decrease in investments, receivables, financial assets		33,330,994	(2,543,989)
Net increase in trade & other payables		7,579,448	-
Proceeds from sale of property, plant and equipment		2,698	249
Payments for property, plant and equipment		(171,395)	(248,436)
Net cash provided by (used in) investing activities		40,741,745	(2,792,176)
Cash flows from financing activities			
Net increase (decrease) in unsecured notes		(134,063,063)	7,141,677
Dividends paid by parent entity		-	(750,000)
Net cash provided by (used in) financing activities		(134,063,063)	6,391,677
Net increase (decrease) in cash and cash equivalents held		(91,101,566)	6,781,383
Cash and cash equivalents at the beginning of the financial year		133,601,798	136,596,404
Cash and cash equivalents at the end of the half-year	8	42,500,232	143,377,787

The accompanying notes form part of these financial statements.

These financial statements and notes represent those of Banksia Securities Limited ("company") ("BSL").

Banksia Securities Limited is an unlisted public company, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 31 October 2013 by the Receivers and Managers of the company.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are special purpose financial statements that have been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial statements have been prepared pursuant to the requirement of the Corporations Act 2001 to lodge reviewed financial statements with the Australian Securities and Investments Commission ("ASIC").

As the company is in external administration, the financial statements have been prepared on the basis of an orderly wind-up in insolvency (and not on a 'going concern' basis).

Special purpose (as opposed to general purpose) financial statements have been prepared on the basis of a reasonable expectation that there are no dependent users relying on these financial statements in order to make decisions about the allocation of resources.

Pursuant to ASIC relief instrument 13-1215 granted on 30 September 2013, the financial report of BSL is not required to contain a directors' declaration, nor is a directors' report required.

The financial statements of the company are presented in Australian dollars ($AUD).

Other than as noted in these notes, the financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected assets, financial assets and financial liabilities. We note that interest has not continued to accrue on unsecured notes following the Trustee's appointment of Receivers on 25 October 2012, as this is not considered recoverable.

Due to the company being placed into receivership, all assets and liabilities previously classified as non-current are now classified as current. This is consistent with the Receivers' estimated time frame to wind-down the company's remaining assets.

As recently confirmed in a circular to unsecured note holders dated 18 October 2013, the Receivers' overall repayment guidance to BSL's unsecured note holders is between 80 and 85 cents in the dollar.

Please note, this estimated return to unsecured note holders cannot be easily reconciled to the balance sheet contained within this report, because this balance sheet does not take into account the range of likely future costs the Receivers expect to be incurred in winding down BSL, including receivership, legal, Trustee and asset management / sale costs.

We note that the Receivers separately report to BSL's creditors and unsecured note holders in relation to all receivership receipts and payments (including those mentioned above) in accordance with Corporations Act six monthly receivership (Form 524) receipts and payments reporting requirements.

While disclosed in other notes to these financial statements, we consider that two significant accounting policies should be disclosed here also, being the policies relating to impairment provisioning for loans and receivables and prior period accounts.

In relation to loans and receivables, we note that the Receivers have undertaken a comprehensive review of the loan portfolio to assess an appropriate level of impairment for loans and receivables. These estimates will change as the asset realisation program progresses. Whilst the estimates represent the best assessment in the circumstances, it should be noted that the ultimate outcome for unsecured note holders may differ significantly from the estimates provided in this report. The Receivers' assessment of an appropriate level of impairment for loans and receivables in this report is consistent with loan recoverability assessment forming the basis of the Receivers' repayment guidance to unsecured note holders of 80 to 85 cents in the dollar.

In relation to prior period accounts/comparatives, we acknowledge it is likely that a portion of the loan impairment provision raised and expensed during this period may actually relate to prior periods. However, as the Receivers were only appointed on 25 October 2012, the Receivers were not involved in the company during prior periods and therefore are unable to assess the accuracy of the company's books and records for prior periods. As a consequence, the Receivers are unable to confirm when (specifically) the value of the company's loans and receivables balance should have been written down in prior periods. Accordingly, the full change in value and its follow on impact on account balances and disclosures are reflected in this reporting period only.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated. It is recommended these accounting policies are read carefully, as they contain important details in relation to the limitation of information and certain assumptions that may differ to previous periods (due to the appointment of Receivers).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Basis of preparation continued

These half year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the company as the annual financial statements.

(a) Income tax

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

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

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

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

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

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

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

Tax consolidation

Securities Holdco Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Tax Consolidated Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Tax Consolidated Group was formed on 1 July 2004. The Tax Consolidated Group has entered a tax funding arrangement whereby each company in the Tax Consolidated Group contributes to the income tax payable by the Tax Consolidated Group in proportion to their contribution to the Tax Consolidation Group's taxable income.

The company remains a member of the Tax Consolidated Group.

Securities Holdco Limited and several of its subsidiaries that also remain members of the Tax Consolidated Group are not in external administration. At present, only BSL and CFL are in external administration.

(b) Financial instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

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

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(b) Financial instruments continued

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

(i) Financial assets at fair value through profit or loss

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

(ii) Loans and receivables

Prior year accounting policy

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

In relation to prior period accounts/comparatives, we acknowledge it is likely that a portion of the loan impairment provision raised and expensed during this period may actually relate to prior periods. However, as the Receivers were only appointed on 25 October 2012, the Receivers were not involved in the company during prior periods and therefore are unable to assess the accuracy of the company's books and records for prior periods. As a consequence, the Receivers are unable to confirm when (specifically) the value of the company's loans and receivables balance should have been written down in prior periods. Accordingly, the full change in value and its follow on impact on account balances and disclosures are reflected in this reporting period only.

Current year accounting policy

In the current year, loans and receivables - mortgage investments, loans and advances, have been valued at the best current estimate of the recoverable amount.

The Receivers have undertaken a comprehensive review of the loan portfolio to assess an appropriate level of impairment for loans and receivables.

These estimates will change as the asset realisation program progresses. Whilst the estimates represent the best assessment in the circumstances, it should be noted that the ultimate outcome for unsecured note holders may differ significantly from the estimates provided in this Report.

(iii) Financial liabilities

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

Impairment

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

Derecognition

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

(c) Property, plant and equipment

Prior year accounting policy. Refer to note 1 (h) for key estimate.
Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(c) Property, plant and equipment continued

Property
Historically, freehold land and buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic valuations by external independent valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserves directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Valuations of freehold land and buildings were last assessed by HMC Valuers - Opteon as at 30 June 2010. The values reported in relation to freehold land and buildings are reflective of the valuations obtained in 2010.

The Receivers have obtained updated property valuations for all freehold land and buildings however, due to sale processes that are underway, these valuations are commercially sensitive in nature and are therefore not disclosed in these financial statements.

The ultimate realisable value of freehold land and buildings will differ significantly from the 2010 valuations.

Plant and equipment
Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation
The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

- Buildings and leasehold improvements	2.5% - 60%
- Plant and equipment	1% - 100%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings (accumulated losses).

(d) Revenue

Interest revenue is recognised using the effective interest rate method.

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

(e) Goods and Services Tax (GST)

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

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

The Receivers use a separate client activity code to account for GST to the Australian Taxation Office in relation to BSL for the period post their appointment.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits available on demand with banks and other short-term highly liquid investments with maturities of three months or less.

(g) Impairment of assets

At the end of each reporting period, the company has historically assessed whether there is any indication that an asset may be impaired. The assessment would include the consideration of external and internal sources of information. If such an indication existed, an impairment test was carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying value over its recoverable amount was recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset was treated as a revaluation decrease in accordance with that other Standard.

Where it was not possible to estimate the recoverable amount of an individual asset, the company estimated the recoverable amount of the cash-generating unit to which the asset belongs.

Following the company being placed into receivership, the company has continued its historical impairment assessment process. However, the Receivers also undertake rigorous impairment testing on an ongoing basis to assess the estimated realisable value of all remaining assets in an orderly wind-up in insolvency.

(h) Critical accounting estimates and judgments

Estimates and judgments incorporated into the financial statements are based on knowledge and best available current information except where the disclosure of current information may negatively impact the Receivers' realisation program.

The Receivers have been required to make certain estimates and judgments as to the estimated realisable value of BSL's assets in an orderly wind-up in insolvency.

Key estimates

Impairment of loans receivable and accrued interest

The Receivers have undertaken a comprehensive review of the loan portfolio to assess an appropriate level of impairment for loans and receivables.

These estimates will change as the asset realisation program progresses. Whilst the estimates represent the best assessment in the circumstances, it should be noted that the ultimate outcome for unsecured note holders may differ significantly from the estimates provided in this Report.

The Receivers' assessment of an appropriate level of impairment for loans and receivables in this report is consistent with loan recoverability assessment forming the basis of their repayment guidance to unsecured note holders of 80 to 85 cents in the dollar.

In relation to the unsecured loan to the parent entity (Securities Holdco Limited), while the Receivers have visibility about the financial position of the parent entity and therefore the recoverability of this loan receivable, we have recorded this loan at face value (rather than recoverable value) because this information is commercially sensitive in nature and therefore confidential.

Property, plant and equipment

The carrying amount of property, plant and equipment has not been reviewed to ensure it is not in excess of the recoverable amount. No estimate has been made to determine the best current estimate of the recoverable amount. The ultimate recoverable amount of property, plant and equipment may differ significantly from the values reported in the financial report.

The Receivers have obtained updated property valuations for all freehold land and buildings however, due to sale processes that are underway, these valuations are commercially sensitive in nature and are therefore not disclosed in these financial statements.

The ultimate realisable value of freehold land and buildings will differ significantly from the 2010 valuations.

Key judgments

Materiality

Judgments have been made in the process of applying the company's accounting policies included the consideration of materiality.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Going concern

A key assumption underlying the preparation of the financial statements is that the company is not continuing as a going concern. An entity is a going concern when it is considered to be able to pay its debts as and when they are due, and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations.

Further detail regarding the receivership of the company is discussed in Notes 2 and 24.

(i) Comparatives

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

In this instance, previous financial statements were prepared on a going concern basis, whereas these financial statements have been prepared on the basis of an orderly wind-up in insolvency.

In relation to prior period accounts/comparatives, we acknowledge it is likely that a portion of the loan impairment provision raised and expensed during this period may actually relate to prior periods. However, as the Receivers were only appointed on 25 October 2012, the Receivers were not involved in the company during prior periods and therefore are unable to assess the accuracy of the company's books and records for prior periods. As a consequence, the Receivers are unable to confirm when (specifically) the value of the company's loans and receivables balance should have been written down in prior periods. Accordingly, the full change in value and its follow on impact on account balances and disclosures are reflected in this reporting period only.

Additionally, it is likely that the company's historical financial statements were misstated.

In these circumstances, an analysis of comparatives is likely to be of limited value.

NOTE 2: RECEIVERSHIP

On 25 October 2013, the Trustee exercised its right as security holder by appointing Tony McGrath, Joseph Hayes, Matthew Caddy and Robert Kirman of McGrathNicol ("Receivers") as Receivers and Managers of BSL, following an invitation from BSL's Directors to appoint Receivers.

BSL is a wholly owned subsidiary of the company's ultimate holding company, Securities Holdco Limited.

	31 December 2012 $	31 December 2011 $
NOTE 3: REVENUE AND OTHER INCOME		
Revenue		
Dividends - other corporations	-	8,044
Interest income	22,418,103	24,914,591
Interest received from ultimate parent entity (9% interest on SHL loan)	498,616	497,252
Net gain on financial assets at fair value through profit or loss	430,000	-
Other revenue	370,369	178,164
Rental revenue	211,876	250,677
Total revenue	23,928,964	25,848,728
Other income		
Gain on disposal of property, plant and equipment	210	13
NOTE 4: EXPENSES		
(a) Finance costs		
Interest paid to unsecured note holders - 1 Jul 12 to 24 Oct 12 *	11,886,346	19,780,727

Note: * 31 December 2011 comparative figures are for the full 6 month period i.e. they have not been apportioned.

NOTE 4: EXPENSES continued

(b) Other expenses

	31 December 2012 $	31 December 2011 $
Advertising & promotion	93,550	298,981
Auditor's remuneration - auditing or reviewing the financial statements	60,000	27,726
Bad and doubtful debts - mortgage investments & other - 1 Jul 12 to 24 Oct 12 * ^	33,608,403	799,503
Bad and doubtful debts - mortgage investments & other - 25 Oct 12 to 31 Dec 12	74,513,198	-
Commission	97,470	202,297
Consultancy fees (eg legal, debt collectors) - 1 Jul 12 to 24 Oct 12 *	123,400	27,151
Consultancy fees (eg legal, debt collectors) - 25 Oct 12 to 31 Dec 12	480,913	-
Insurance	172,449	125,451
Link Market Services registry maintenance & miscellaneous	419,933	-
Loan management fees - Banksia Mortgages Limited - 1 Jul 12 to 24 Oct 12 *	333,332	600,000
Loss on sale of non-current assets	103,592	1,285
Management fees - Securities Holdco Limited - 1 Jul 12 to 24 Oct 12 *	1,700,429	2,539,038
Net loss on financial assets at fair value through profit or loss	-	880,000
Other expenses (including debt collection costs)	511,828	235,984
Receivers and Managers fees and expenses	2,688,045	-
Receivers legal fees and expenses	1,402,567	-
Rent	118,056	94,517
Repairs & maintenance	248,076	237,733
Telecommunications	52,318	60,120
Trustee fees - 1 Jul 12 to 24 Oct 12 *	184,485	54,446
Trustee fees - 25 Oct 12 to 31 Dec 12 **	-	-
	116,912,044	6,184,232

Notes:
* 31 December 2011 comparative figures are for the full 6 month period i.e. they have not been apportioned.
** The Receivers are in negotiation with the Trustee and seeking legal advice in relation to a further cost claim for this period.
^ The BSL directors booked this accounting provision prior to the appointment of Receivers.

NOTE 5: INCOME TAX EXPENSE

The prima facie tax on profit or (loss) before income tax is reconciled to the income tax as follows:

	31 December 2012 $	31 December 2011 $
Prima facie tax payable on profit or (loss) before income tax at 30%	(31,567,908)	(146,148)
Add:		
Write off of deferred tax assets	34,374,857	-
Other	15,548	-
	2,822,497	(146,148)
Less tax effect of franked dividend and other	111,871	2,413
Income tax attributable to the entity	2,710,626	(148,561)

NOTE 6: AUDITOR'S REMUNERATION

	31 December 2012 $	31 December 2011 $
Remuneration of current auditor's paid or payable by the company for:		
- auditing or reviewing the financial statements	60,000	-
Remuneration of predecessor auditor's paid or payable by the company for:		
- auditing or reviewing the financial statements	-	27,726

NOTE 7: RECEIVERS AND MANAGERS REMUNERATION

	31 December 2012 $	31 December 2011 $
Remuneration of Receivers and Managers paid or payable by the company.	2,688,045	-

NOTE 8: CASH AND CASH EQUIVALENTS

	Note	31 December 2012 $	30 June 2012 $
Cash at bank and on hand		32,435,904	5,328,232
Deposits at call	8 (a)	10,064,328	10,273,566
Term deposits	8 (a)	-	118,000,000
		42,500,232	133,601,798

(a) Deposits at call and term deposits

Maturity Analysis			
Not longer than 3 months		10,064,328	128,273,566

(b) Reconciliation of cash

Cash at the end of the reporting period as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents		42,500,232	133,601,798

NOTE 9: TRADE AND OTHER RECEIVABLES

	Note	31 December 2012 $	30 June 2012 $
Accrued interest		9,470,405	5,156,650
Amounts receivable from ultimate parent entity *		13,692,598	11,173,566
Amounts receivable from subsidiaries of ultimate parent entity **		100,000	3,712
Amounts receivable from key management personnel		-	27
Funds held on Trust by Link Market Services		1,217,424	-
Loans and receivables - term deposits	9 (a)	-	22,000,000
Loans and receivables - mortgage investments, loans and advances	9 (b)	382,937,502	505,885,800
Other debtors		539,056	240,203
		407,956,985	544,459,958

Notes:
* The opening balance for this account was an unsecured loan to the parent entity (Securities Holdco Limited) of circa $11.2 million (that had been outstanding for a substantial period of time). Following BSL's insolvency, the Receivers have provided further loan advances to the parent entity (and received some loan repayments), in order to fund wages and other operating costs of the parent entity and subsidiaries of the parent entity (including, but not limited to BSL).

While the Receivers have visibility about the financial position of the parent entity and therefore the recoverability of this loan receivable, we have recorded this loan at face value (rather than recoverable value) because this information is commercially sensitive in nature and therefore confidential. We note that substantial further advances have been made by BSL (via its Receivers) under this intercompany loan following 31 December 2012.

** The Receivers of BSL advanced $100,000 to CFL as a short term loan to assist with its liquidity. This loan was repaid in full by CFL to BSL on 21 March 2013.

(a) Term deposits

Maturity Analysis			
Longer than 3 months and not longer than 12 months		-	22,000,000

(b) Mortgage investments, loans and advances

Mortgage investments, loans and advances *		497,459,596	512,340,800
Less provision for impairment of receivables	9 (c)	114,522,094	6,455,000
		382,937,502	505,885,800

Note: * The 30 June 2012 comparative figure is circa $6m higher than previously reported as "Advances" have been re-categorised.

As a result of the receivership of the company, a maturity analysis is not provided. A maturity analysis does not represent when funds are expected to be collected.

(c) Provision for impairment of receivables

Opening balance		6,455,000	4,146,000
Charge to income statement - 1 Jul 12 to 24 Oct 12 *		33,578,852	2,309,000
Charge to income statement - 25 Oct 12 to 31 Dec 12		74,488,242	-
Closing balance		114,522,094	6,455,000

Note: * 31 December 2011 comparative figures are for the full 6 month period i.e. they have not been apportioned.

NOTE 10: FINANCIAL ASSETS

	31 December 2012 $	30 June 2012 $
Financial assets at fair value through profit or loss:		
Collateralised debt obligations (CDO's)	2,890,000	2,460,000
Shares:		
Shares in unlisted entities at cost or fair value *	400,000	400,000
	3,290,000	2,860,000

Notes:
As a result of the receivership of the company, a maturity analysis is not provided. A maturity analysis does not represent when funds are expected to be collected.

* These shares are in Southern Finance Limited and are held at cost rather than fair value. We understand that, due to the restructure of this company (involving the sale of its loan book), fair value for these shares may now be substantially less than cost.

NOTE 11: PROPERTY, PLANT & EQUIPMENT

	31 December 2012 $	30 June 2012 $
LAND AND BUILDINGS		
Freehold land		
At independent valuation 2010	851,000	821,000
Total land	851,000	821,000
Buildings		
At independent valuation 2010	5,794,000	5,769,000
Subsequent additions at cost	191,594	149,544
	5,985,594	5,918,544
Accumulated depreciation	(364,700)	(289,745)
Total buildings	5,620,894	5,628,799
Leasehold improvements		
At cost	215,993	215,993
Accumulated depreciation	(214,254)	(214,070)
Total leasehold improvements	1,739	1,923
Total land and buildings	6,473,633	6,451,722
PLANT AND EQUIPMENT		
At cost	5,007,314	4,941,621
Works in progress	-	61,988
	5,007,314	5,003,609
Accumulated depreciation	(3,945,700)	(3,683,254)
Total plant and equipment	1,061,614	1,320,355
Total property, plant and equipment *	7,535,247	7,772,077

Note: * While depreciation has been applied in accordance with accounting standards, we note that due to BSL's insolvency, plant and equipment is no longer required and will likely be sold by the Receivers at auction in the short term. Accordingly, the auction value of plant and equipment may be materially less than the depreciable value or 'value in use' of the plant and equipment.

NOTE 11: PROPERTY, PLANT & EQUIPMENT continued

(a) Movements in carrying amounts

		Freehold Land	Buildings	Leasehold Improvements	Plant and Equipment	Total
		$	$	$	$	$
Balance at 1 July 2011		821,000	5,633,132	19,614	1,399,683	7,873,429
Additions		-	140,973	2,182	513,302	656,457
Disposals		-	-	-	(27,807)	(27,807)
Depreciation expense		-	(145,306)	(19,873)	(564,823)	(730,002)
Balance at 30 June 2012		821,000	5,628,799	1,923	1,320,355	7,772,077
Transfer from investment property	**Note** 12	30,000	25,000	-	-	55,000
Additions		-	42,050	-	129,345	171,395
Disposals		-	-	-	(106,081)	(106,081)
Depreciation expense		-	(74,955)	(184)	(282,005)	(357,144)
Balance at 31 December 2012		851,000	5,620,894	1,739	1,061,614	7,535,247

Valuations of freehold land and buildings were last assessed by HMC Valuers - Opteon as at 30 June 2010. The values reported in relation to freehold land and buildings are reflective of the valuations obtained in 2010.

The Receivers have obtained updated property valuations for all freehold land and buildings however, due to sale processes that are underway, these valuations are commercially sensitive in nature and therefore not disclosed in these financial statements.

The ultimate realisable value of freehold land and buildings will differ significantly from the 2010 valuations.

	Note	31 December 2012 $	30 June 2012 $
NOTE 12: INVESTMENT PROPERTY			
Balance at the beginning of the reporting period		55,000	55,000
Transfer to land and buildings	11 (a)	(55,000)	-
		-	55,000

The fair value model is applied to all investment property. Investment properties are independently revalued every three years. The last valuation was effective as at 30 June 2010.

NOTE 13: OTHER ASSETS

Prepayments	155,292	305,207
Other assets	-	13,000
	155,292	318,207

NOTE 14: TAX

(a) Assets *

Deferred tax assets ("DTA") comprise:		
Provisions	-	1,936,500
Other	-	7,952
	-	1,944,452

Note: * While no DTA has been recorded, we expect that a DTA would at least exist to the extent of the DTL.

(b) Liabilities *

Deferred tax liability comprises:		
Tax allowances relating to property, plant and equipment	794,219	812,590
Prepayments and other temporary differences	323,176	194,824
	1,117,395	1,007,414

Note: * While no DTA has been recorded, we expect that a DTA would at least exist to the extent of the DTL.

NOTE 15: TRADE AND OTHER PAYABLES

	31 December 2012 $	30 June 2012 $
Trade creditors and accrued expenses - Auditor	60,000	-
Trade creditors and accrued expenses - Link Market Services	351,068	-
Trade creditors and accrued expenses - Other	491,928	163,848
Trade creditors and accrued expenses - Receivers and Managers	2,688,045	-
Trade creditors and accrued expenses - Receivers legal fees and expenses	1,402,567	-
Trade creditors and accrued expenses - Trustee fees - 1 Jul 12 to 24 Oct 12 *	207,963	54,446
Trade creditors and accrued expenses - Trustee fees - 25 Oct 12 to 31 Dec 12 **	-	-
Accrued interest on unsecured notes - 1 Jul 12 to 24 Oct 12 *	2,353,573	3,214,556
Consultancy fees - 25 Oct 12 to 31 Dec 12	127,932	-
Debt collection fees - 25 Oct 12 to 31 Dec 12	253,838	-
Amounts payable to ultimate parent entity ("UPE") - tax contributions	480,988	504
Amounts payable to UPE subsidiaries - debenture funds - 1 Jul 12 to 24 Oct 12 *	5,742,344	-
Amounts payable to UPE subsidiaries - funds held on trust - 25 Oct 12 to 31 Dec 12	1,597,633	7,442
Amounts payable to other related parties	-	453
Amounts payable to key management personnel	-	298
	15,757,879	3,441,547

Notes:
* 30 June 2012 comparative figures are as at balance date i.e. they have not been apportioned.
** The Receivers are in negotiation with the Trustee and seeking legal advice in relation to a further cost claim for this period.

NOTE 16: BORROWINGS

	31 December 2012 $	30 June 2012 $
Unsecured notes	528,306,503	662,369,566

The company has charged by way of first floating charge in favour of the Trustee, The Trust Company (Nominees) Limited, for unsecured note holders all of its real and personal property and assets and rights whatsoever and wheresoever both present and future including its uncalled and called but unpaid capital for the time being as security for payment of monies secured.

As a result of the receivership of the company, all unsecured notes were frozen and could not be redeemed at maturity. The Receivers are repaying unsecured note holders on a pari passu basis as and when funds become available.

The unsecured notes balance at 31 December 2012 is net of the 20 cent in the dollar repayment of 7 December 2012.

Accordingly, a maturity analysis has not been provided.

NOTE 17: ISSUED CAPITAL

		31 December 2012 $	30 June 2012 $
15,000,000 Fully paid ordinary shares	17 (a)	3,780,593	3,780,593
6,142,227 Redeemable preference shares	17 (b)	6,142,227	6,142,227
		9,922,820	9,922,820

(a) Ordinary shares

	31 December 2012 No.	30 June 2012 No.
At the beginning of the reporting period	15,000,000	15,000,000
Share movement during the reporting period	-	-
At reporting date	15,000,000	-

(b) Redeemable preference shares

	31 December 2012 No.	30 June 2012 No.
At the beginning of the reporting period	6,142,227	6,142,227
Share movement during the reporting period	-	-
At reporting date	6,142,227	6,142,227

(c) Options

At 31 December 2012 there were no unissued ordinary shares for which options were outstanding.

NOTE 18: CAPITAL COMMITMENTS

	31 December 2012 $	30 June 2012 $
Capital expenditure commitments contracted for:		
Building improvements payable not later than 12 months	-	30,000
Plant & equipment purchases payable not later than 12 months	-	78,000
	-	108,000

NOTE 19: RESERVES

The asset revaluation reserve records revaluations of non-current assets.
The capital reserve records non taxable profits on sale of investments.

NOTE 20: CASH FLOW INFORMATION

	31 December 2012 $	31 December 2011 $
Reconciliation of cash flow from operations with profit or (loss) after income tax		
Profit or (loss) after income tax	(107,936,986)	(338,599)
Non-cash flows in profit or (loss)		
Gain on disposal of property, plant and equipment	(210)	(13)
Net (gain) or loss on financial assets at fair value through profit or loss	(430,000)	880,000
Depreciation	357,144	370,942
Doubtful debts	108,067,094	770,000
Loss on sale of property, plant and equipment	103,592	1,285
Changes in assets and liabilities		
(Increase) decrease in receivables	(4,895,114)	2,249,240
Decrease in prepayments and other assets	162,915	123,570
Increase (decrease) in trade and other payables	4,736,884	(362,591)
Net movement in tax assets and liabilities	2,054,433	(511,952)
Net cash provided by operating activities	2,219,752	3,181,882

NOTE 21: RELATED PARTY TRANSACTIONS

Transactions with related parties:

(a) Ultimate parent company

Interest received from Securities Holdco Limited (9% interest on SHL loan)	498,616	497,252
Payment of management fees to Securities Holdco Limited - 1 Jul 12 to 24 Oct 12 *	1,700,429	2,539,038

Note: * 31 December 2011 comparative figures are for the full 6 month period i.e. they have not been apportioned.

(b) Controlled entities of the ultimate parent company

Banksia Mortgages Limited:		
(i) leased property and equipment from the company at normal commercial rates - 1 Jul 12 to 24 Oct 12 *	93,326	138,001
(ii) received loan management fees - 1 Jul 12 to 24 Oct 12 *	333,332	600,000

Note: * 31 December 2011 comparative figures are for the full 6 month period i.e. they have not been apportioned.

(c) Other related entities

Payment of fees to Advance Computing Pty Ltd.	280,655	334,105

(d) Key Management Personnel

	31 December 2012 No.	30 June 2012 No.
Key Management Personnel hold directly, indirectly or beneficially as at the reporting date the following equity interests in the company.		
Ordinary shares	-	-
Preference shares	-	-

NOTE 21: RELATED PARTY TRANSACTIONS continued

(d) Key Management Personnel continued

	31 December 2012 No.	30 June 2012 No.
Key Management Personnel hold directly, indirectly or beneficially as at the reporting date the following equity interests in the ultimate parent company, Securities Holdco Limited.		
Ordinary shares	5,937,681	5,938,681

Key Management Personnel ceasing during the reporting period held 1,000 ordinary shares in total in Securities Holdco Limited.

	31 December 2012 $	31 December 2011 $
P.J. Godfrey, either directly or indirectly, had a beneficial interest in Insurance House Pty Ltd which at normal commercial rates provided insurance services to the company.	130,862	124,799

(e) Holding Company and other related parties

The company is a wholly owned subsidiary of Securities Holdco Limited ABN 30 088 267 690.
Securities Holdco Limited is the holding company for a number of subsidiaries. Securities Holdco Limited and some subsidiaries previously traded as The Banksia Financial Group.

NOTE 22: CONTINGENT LIABILITIES

There are no contingent liabilities as at the end of the half-year.

NOTE 23: COMPANY DETAILS

The registered office of the company is:
Banksia Securities Limited
157 Fenaughty Street
Kyabram Vic 3620

NOTE 24: SUBSEQUENT EVENTS

On 31 January 2013 the company entered into a Memorandum of Understanding ("MoU") and various loan agreements with related entities. The MoU provides funding to specific related entities not in receivership to support the solvent winding up of the affairs of certain entities within The Banksia Financial Group.

On 7 December 2012, the Trustee approved and the Receivers paid an interim repayment of 20 cents in the dollar to unsecured note holders from cash on hand at 25 October 2012.

On 30 April 2013, following unanimous support from the unsecured note holder committee and Trustee approval, BSL executed a sale agreement with Deutsche Bank AG for a portfolio of BSL's performing loans with a face value of $239 million. This sale agreement has now completed, which along with other asset realisations, facilitated a further repayment to unsecured note holders of 45 cents in the dollar on 17 May 2013, following Trusttee approval.

On 18 October 2013, the Trustee approved and the Receivers paid a third interim repayment of 5 cents in the dollar to unsecured note holders. This has taken total repayments to unsecured note holders to 70 cents in the dollar.

We note there is a class action against BSL, its Directors, the previous auditors and the Trustee (together "the Defendants") which commenced in December 2012. Public examinations of certain Defendants were undertaken in July and August 2013 in this regard.

BSL's assets, including monies under the control of the Receivers, are not being utilised to fund the class action.

Since 1 January 2013, the Receivers of BSL have continued to provide ongoing and substantial further loan advances (circa $5 million) to its related entities, in order to protect its interest in its loans.

Additionally, we note that our assessment of the loan impairment provision for impaired loans and BSL's exposure with or through BMF occurred during May 2013. We note that BMF is currently undertaking a sale process. Actual recoveries may vary materially from the impairment assessments.

Receivers and Managers' Disclaimer

In preparing this Report, the Receivers have relied on BSL's books and records.

For the period prior to the appointment of the Receivers, the accuracy or completeness of the books and records has not been verified.

For BSL's books and records relating to the period following the appointment of Receivers, the Receivers have relied on the opening balances of various accounts (which in some circumstances were not verified with certainty).

To the extent that the information relied on by the Receivers in preparing this report is incorrect, inaccurate or misleading, there is a risk that the information in this Report may be incorrect, inaccurate or misleading.

The Receivers have necessarily made forecasts and estimates of likely asset realisations for BSL. During October 2013, the Receivers confirmed previous repayment advice that unsecured note holders will be repaid a total of 80 to 85 cents in the dollar. These forecasts and estimates will change as the asset realisation program progresses and more information comes to light. In particular, the asset realisation program will be impacted by, among other things, the ability of borrowers to refinance, conditions in the property market, and general economic conditions.

Whilst the forecasts and estimates represent the best assessment in the circumstances, the ultimate outcome may differ significantly from estimates provided, having regard to (among other things) the factors above.

To the maximum extent permitted by law, the Receivers disclaim any and all liability for loss or damages suffered directly or indirectly by any person as a result of, or in connection with this Report.

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

To the members of Banksia Securities Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report, being a special purpose financial report of Banksia Securities Limited (the "company"), which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the receivers and managers' declaration.

Receivers and Managers' Responsibility for the Half-Year Financial Report

The receivers and managers of the company are responsible for the preparation of the half-year financial report and have determined that the basis of preparation described in Note 1 to the half-year financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members.

The receivers and managers' responsibility also includes such internal controls as the receivers and managers determine are necessary to enable the preparation of a 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. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Banksia Securities Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the receivers and managers of the company a written Auditor's Independence Declaration, a copy of which is included in the Receivers and Managers' Report.

Basis for Qualified Conclusion

We were unable to obtain sufficient appropriate audit evidence to support:

a) Opening balances and 2012 comparatives: We were appointed auditor to Banksia Securities Limited in May 2013, following the appointment of the Receivers and Managers in October 2012 and we were not able to satisfy ourselves that the opening balances at 1 July 2012 are free from material misstatement. In particular, the recoverable amount of loan receivables has been written down significantly in the financial period ending 31 December 2012. We were unable to confirm the recoverable amount of those assets prior to 1 July 2012 and therefore whether this should be accounted for in the prior period. As a result, the full change in value of assets and its impact on other balances and disclosures within the financial report are only reflected in the period ending 31 December 2012. No amendment to the comparative amounts has been made. Also, certain account balances have been apportioned in the notes to the half-year financial report between the pre and post receivership appointment date. Our review covered the overall position for the 6 months to 31 December 2012 and we were not able to determine the veracity of this split.

a) Related party transactions: Banksia Securities Limited is a part of Securities HoldCo Limited Group entities. The entities in the Group entered into a number of undocumented funding and investment agreements. As a result, we were not able to satisfy ourselves that the related party transactions contained within the financial report are complete or accurate and therefore free from material misstatement.

b) Valuations of freehold land and buildings: The values reported in the financial statements relating to freehold and buildings are reflective of the valuations obtained in 2010. The Receivers and Managers recently obtained updated valuations. The amounts in the financial statements have not been adjusted to reflect the updated valuation amounts as the Receivers and Managers are concerned such disclosure may undermine the sales processes underway. The ultimate realisable value of freehold land and building may differ significantly from the carrying values in the financial report.

Qualified Conclusion

Based on our review, which is not an audit, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, we have not become aware of any matter that makes us believe that half-year financial report of Banksia Securities Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the company's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Emphasis of Matter

Without modifying our opinion, we draw your attention to the following fundamental items that affect the understanding of the financial statements:

b) Applicable financial reporting framework: The financial report has been prepared on the orderly wind-up basis for the reasons set out in Note 1, including the approach to valuing certain assets;

c) Receivables: Loans and receivables and mortgage investments have been stated at the best estimate of the recoverable amount at the reporting date. There is significant uncertainty regarding the recoverable amount of these assets in the absence of market observable prices.

Ernst & Young

Graeme McKenzie
Partner
Sydney
31 October 2013