

GIPPSLAND SECURED INVESTMENTS LIMITED

ACN 004 860 057

FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31ST DECEMBER 2009

GIPPSLAND SECURED INVESTMENTS LIMITED
ACN 004 860 057

DIRECTORS' REPORT

Your directors submit the financial report for the half year ended 31st December 2009.

Directors

The names of the directors who held office during or since the end of the half year are:

Peter Milton Murphy	Geoffrey David Ellis
John Trevor Stephenson	Ian Robert Campbell
Glenn Andrew Sanford	Anthony Francis Stewart

Review of the Company's Operations

The Company traded profitably during the period with increases in both interest and dividend income.

Auditor's Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 9 for the half-year ended 31 December 2009.

Signed at Bairnsdale on the ^{4th} day of March 2010 in accordance with a resolution of the Board.

Director


Glenn A. Sanford

GIPPSLAND SECURED INVESTMENTS LIMITED
ACN 004 860 057

INCOME STATEMENT FOR THE HALF YEAR ENDED
31 DECEMBER 2009

	Note	31/12/2009	31/12/2008
		\$	\$
Interest Revenue - Mortgage		3,185,898	4,347,472
- Investment Securities		505,497	474,570
Borrowing Costs		(2,913,100)	(3,888,528)
Net Interest revenue		<u>778,295</u>	<u>933,514</u>
Other revenue from ordinary activities		316,565	95,366
		<u>1,094,860</u>	<u>1,028,880</u>
Bad and Doubtful Debts		-	(221,106)
Employee Benefits Expense		(295,008)	(314,927)
Impairment Losses - Loans		-	-
Occupancy Expenses		(16,912)	(15,643)
Depreciation and Amortisation Expenses		(54,500)	(55,011)
Other Expenses		(446,170)	(391,870)
Profit before income tax		<u>282,270</u>	<u>30,323</u>
Income tax expense		(82,752)	(6,266)
Profit for the period		<u>199,518</u>	<u>24,057</u>

GIPPSLAND SECURED INVESTMENTS LIMITED
ACN 004 860 057

BALANCE SHEET AS AT 31 DECEMBER 2009

	Note	31/12/2009	30/06/2009
		\$	
CURRENT ASSETS			
Cash and Cash Equivalents		27,019,809	4,248,371
Financial Assets		3,374,625	3,371,037
Loan and Advances		64,162,953	82,379,924
Trade and Other Receivables		81,322	99,419
TOTAL CURRENT ASSETS		<u>94,638,709</u>	<u>90,098,751</u>
NON-CURRENT ASSETS			
Deferred Tax Assets		1,435,251	1,437,142
Intangible Assets		140,000	140,000
Financial Assets		2,040,784	2,011,181
Property, Plant & Equipment		5,177,034	5,186,126
TOTAL NON CURRENT ASSETS		<u>8,793,069</u>	<u>8,774,449</u>
TOTAL ASSETS		<u>103,431,778</u>	<u>98,873,200</u>
CURRENT LIABILITIES			
Trade & Other Payables		944,102	993,857
Deposit and Short Term Borrowings		96,785,572	92,436,833
Short-term provisions		36,720	43,969
Current Tax Liabilities		26,914	(97,707)
TOTAL CURRENT LIABILITIES		<u>97,793,308</u>	<u>93,376,952</u>
NON-CURRENT LIABILITIES			
Long-term provisions		41,571	37,075
Deferred Tax Liabilities		242,280	242,279
TOTAL NON-CURRENT LIABILITIES		<u>283,851</u>	<u>279,354</u>
TOTAL LIABILITIES		<u>98,077,159</u>	<u>93,656,306</u>
NET ASSETS		<u>5,354,619</u>	<u>5,216,894</u>
EQUITY			
Issued Capital		4,508,108	4,435,378
Reserves		(1,492,243)	(1,494,727)
Retained Earnings		2,338,754	2,276,243
TOTAL EQUITY		<u>5,354,619</u>	<u>5,216,894</u>

GIPPSLAND SECURED INVESTMENTS LTD
A C N 004 860 057

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED
31 December 2009

	Issued Capital	Retained Earnings	Financial Assets Reserve	Asset Revaluation Reserve	Lending Risk Reserve	Total
Balance 01/07/08	1,317,941	2,767,881	(2,294,019)	596,972	600,962	2,989,737
Profit attributable to Members		24,057				24,057
Dividends Paid		(408,106)				(408,106)
Transfers		125,947			(125,947)	-
Revaluations			(323,019)			(323,019)
Balance 31/12/08	<u>1,317,941</u>	<u>2,509,779</u>	<u>(2,617,038)</u>	<u>596,972</u>	<u>475,015</u>	<u>2,282,669</u>
Balance 01/07/09	4,435,378	2,276,243	(2,566,714)	596,972	475,015	5,216,894
Preference Shares Issued	72,730					72,730
Profit attributable to Members		199,518				199,518
Dividends Paid		(137,007)				(137,007)
Transfers						-
Revaluations			2,484			2,484
Balance 31/12/08	<u>4,508,108</u>	<u>2,338,754</u>	<u>(2,564,230)</u>	<u>596,972</u>	<u>475,015</u>	<u>5,354,619</u>

GIPPSLAND SECURED INVESTMENTS LIMITED
ACN 004 860 057

STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED
31 DECEMBER 2009

	Note	31/12/2009	31/12/2008
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Interest and Fees Received		3,924,617	4,925,133
Rent Received		46,000	46,000
Other Income		55,441	31,902
		<u>4,026,058</u>	<u>5,003,035</u>
Payments			
Interest Paid to Debenture Holders		(2,962,855)	(3,907,399)
Operating Expenses paid		(760,843)	(695,784)
Income Tax Paid		43,760	(101,807)
		<u>(3,679,938)</u>	<u>(4,704,990)</u>
Net Cash provided by /(used in)			
Operating Activities		<u>346,120</u>	<u>298,045</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
(Investment In)/ Redemption of Financial Assets		(33,191)	500,000
(Investment) in/ Redemption of Property Trusts			-
Payment for Fixed Assets		(45,408)	(21,544)
Net Advances(to) /from Borrowers		18,216,971	2,501,059
		<u>18,138,372</u>	<u>2,979,515</u>
Net Cash provided by /(used in)			
Investing Activities		<u>18,138,372</u>	<u>2,979,515</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase / (Decrease) in Depositors Accounts		4,348,739	(3,425,250)
Increase / (Decrease) in Reserves		2,484.00	-
Increase paid up capital		72,730.00	-
Prior Years Adjustments		-	-
Dividends Paid		(137,007)	(408,106)
		<u>4,286,946</u>	<u>(3,833,356)</u>
Net Cash provided by /(used in)			
Financing Activities		<u>4,286,946</u>	<u>(3,833,356)</u>
NET INCREASE/(DECREASE) IN CASH HELD		22,771,438	(555,796)
Cash at 1 July		4,248,371	9,188,791
CASH AT 31 DECEMBER		<u><u>27,019,809</u></u>	<u><u>8,632,995</u></u>

GIPPSLAND SECURED INVESTMENTS LIMITED
ACN 004 860 057

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

NOTE 1 - BASIS OF PREPARATION

This general purpose financial statement for the interim half-year reporting period ended 31 December 2009 has been prepared in accordance with prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This half-year financial report does not include full disclosures of the type normally included in an annual financial report and should be read in conjunction with the annual financial report for the year ended 30 June 2009.

The accounting policies have been consistently applied by the company and are consistent with those in the June 2009 financial report.

NOTE 2 - DIVIDENDS

	<u>31/12/2009</u>	<u>31/12/2008</u>
Declared and paid final fully franked Dividend in respect of the 2009 financial year	-	
Declared and paid an interim fully franked Dividend	60,000	408,106
Dividends paid on Redeemable Preference Shares	77,007	-
	<u>137,007</u>	<u>408,106</u>

NOTE 3 - SEGMENT REPORTING

The company operates predominantly in one business and geographic segment, being a financial institution providing depositing and lending services to the public.

NOTE 4 - CONTINGENT LIABILITIES

At balance date there were no quantifiable or non quantifiable contingent liabilities of which the company was aware.

GIPPSLAND SECURED INVESTMENTS LTD
ACN 004 860 057

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 2 to 6 are in accordance with the Corporations Act 2001, including:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) giving a true and fair view of the company's financial position as 31st December 2009 and of its performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with the resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Director.....
G A Sanford

DATED this 4th day of March 2010

Gippsland Secured Investments Limited
A.C.N 004 860 057

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

To the Directors of Gippsland Secured Investments Ltd

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2009 there have been:

- i) no contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- ii) no contraventions of any applicable code of professional conduct in relation to the review.

LSH Accounting

LSH ACCOUNTING



Joanne Loh
Partner

Dated this 1st day of March 2010
Morwell

INDEPENDENT AUDITOR'S REVIEW REPORT**TO THE MEMBERS OF GIPPSLAND SECURED INVESTMENTS LTD****Report on the Half-year Financial report**

We have reviewed the accompanying half-year financial report of Gippsland Secured Investments Ltd, which comprises the condensed balance sheet as at 31 December 2009, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 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 2009 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 Gippsland Secured Investments 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 confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Gippsland Secured Investments Limited on 1 March 2010, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Gippsland Secured Investments Ltd is not in accordance with the Corporations Act 2001 including:

- (i) giving a true and fair view of the company's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 : Interim Financial Reporting and the Corporations Regulations 2001.

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LSH ACCOUNTING



**J LOH
PARTNER**

**5th March 2010
Morwell**

**INDEPENDENT AUDITOR'S AUSSURANCE REPORT
IN RELATION TO BENCHMARK INFORMATION
TO THE TRUSTEE FOR DEBENTURE HOLDERS OF
GIPPSLAND SECURED INVESTMENTS LIMITED****Scope**

This report has been prepared for Gippsland Secured Investments Ltd (the entity) to report to the trustee for debenture holders and the Australian Securities and Investments Commission (ASIC). This report is intended for limited circulation and should not be provided to persons other than the trustee and ASIC without our consent.

We have:

- (a) audited the design and operating effectiveness of certain internal controls over the benchmark information appearing on pages 5 to 9 of the prospectus of the entity dated 26 February 2010 to support the opinion below; and
- (b) reviewed the disclosure of certain Benchmark Information to support the conclusion below.

Directors' responsibilities

The directors of the entity are responsible for the preparation and presentation of the Benchmark Information. The directors are also responsible for establishing and maintaining internal controls relevant to the preparation and presentation of the Benchmark Information and for monitoring compliance with the benchmarks.

Auditor's responsibilities

Our responsibility is to express an opinion on the adequacy of design and operating effectiveness of the internal controls in relation to the equity ratio of the Entity (being the ratio of total equity to the sum of total equity and liabilities), cash flow projections of the Entity and lending by the Entity that are relevant to achieving the control objectives in the opinion below.

Our audit has been conducted in accordance with applicable Standards on Assurance Engagements issued by the Auditing and Assurance Standards Board, except that the effect of events occurring after 26 February 2010 up to the date of this report have not been considered. The Standards on Assurance Engagements require that we comply with relevant ethical requirements relating to assurance engagements and plan and perform the audit to obtain reasonable assurance whether the internal controls have been designed and operated effectively to achieve the control objectives in the opinion below. Our procedures have been undertaken to form an opinion whether in all material respects, the internal controls in relation to the equity ratio of the Entity, cash flow projections of the Entity and lending by the Entity were adequately designed and operated effectively to support the opinion below.

Because of the inherent limitations of any internal control structure it is possible that fraud or errors may occur and not be detected. We have not audited the overall internal control structure and no opinion is expressed as to its effectiveness. An audit is not designed to detect all weaknesses in control procedures or all instances of non compliance as it is not performed continuously throughout the period and the tests performed are on a sample basis having regard to the nature and size of the Entity.

Any projection of the evaluation of internal control procedures to future periods is subject to the risk that the procedures may become inadequate because of the change in conditions, or that the degree of compliance with them may deteriorate.

Review of benchmarks

Our responsibility is to express a conclusion on certain disclosures in relation to the rollover approach, the existence of a credit rating, on lending of funds and the value of property security, based on a review. We conducted our review in accordance with applicable Standards on Assurance Engagements, except that the effect of events occurring after 26 February 2010 up to the date of this report have not been considered. Our review was conducted in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us believe that the matters stated in the conclusion below are not in accordance with the relevant paragraphs of ASIC Regulatory Guide 69 Debentures – improving disclosures for retail investors (“RG 69”).

A review is limited primarily to inquiries of company personnel, review of documented policies, and analytical procedures applied to relevant financial data. A review is substantially less in scope than an audit 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 on the matters that are subject to a review.

Opinion on controls

In our opinion, in all material respects, the internal controls of the Entity were adequately designed and operated effectively during the period from 1 July 2009 to 26 February 2010 to achieve the control objectives below:

- a. The equity ratio of the Entity was appropriately monitored and instances where the ratio was less than 20% were identified and reported to the directors;
- b. The Entity had at all times a cash flow projection covering at least the following 3 months in accordance with RG 69.38;
- c. The Entity had calculated the cash flow projections referred to in (b) on the basis of the assumptions the entity adopted for these projections;
- d. Minimum loan to valuation ratios of 70% of the latest “as if complete” valuation where the loan related to development property and 80% of the latest market valuation for other loans were met; and
- e. Loans to property developers were only provided in stages based on external evidence of progress of the development.

Review Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- (a) The disclosure of
 - (i) The rollover approach in the Benchmark Information;
 - (ii) Where the Entity on-lends funds, policies and other information provided in the Benchmark Information in relation to loans and lending (including lending to related parties); and
 - (iii) Where the Entity lent money for property-related activities, policies and other information provided in the Benchmark Information in relation to the value of property security

Were not presented, in all material respects, in accordance with RG 69.45, RG 69.58-RG 69.60 and RG 69.68; and

- (b) The Entity does not have a current credit rating by an ASIC recognised ratings agency in accordance with RG 69.49 (unless the lack of a current credit rating by an ASIC recognised ratings agency was identified and reported in the Benchmark Information).

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Joanne Loh
Morwell

5th March 2010