



AG Financial

2015 ANNUAL REPORT

AG Financial Limited

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Contents

	Page
Chairman's Report	1
Directors' Report	2
Auditors' Independence Declaration	10
Condoliated Statement Of Profit or Loss & Other Comprehensive Income	11
Consolidated Statement Of Financial Position	12
Consolidated Statement Of Cash Flows	13
Statement Of Changes In Equity	14
Notes To The Consolidated Financial Statements	15
Directors' Declaration	49
Independent Auditor's Report	50
Additional Information	53

CHAIRMAN'S REPORT

Revenue increased by \$8,055,054 (256.7%) to \$11,192,704 on the prior year. Earnings Before Interest, Tax, Amortisation, Impairment and Depreciation (EBITDA) was \$2,216,379, an increase of \$2,954,304.

AG Capital Markets Pty Ltd (AG Capital) was acquired in September 2014. In March 2015, AG Stockbroking Ltd was placed into Voluntary Administration, removing duplication of licences and overheads within the Group following the acquisition of AG Capital. This resulted in a write-off of intangible assets (\$2,923,627) and the derecognition of net assets in AG Stockbroking Ltd (\$315,231), with all of the Group's stockbroking activities now being conducted under AG Capital's Australian Financial Services Licence.

Investment management activities generated a profit of \$3,101,489, primarily attributable to the increased valuation of investments (\$2,633,897).

The Board and management team would like to thank shareholders for their continuing support.

Sincerely

A handwritten signature in black ink, appearing to read 'J Schwarz', written in a cursive style.

James Schwarz
Chairman

AG FINANCIAL LIMITED
ACN 108 069 003

Directors' Report

Your directors present their report on the Group, being AG Financial Limited, and its controlled entities (the Group) for the financial year ended 30 June 2015.

Directors

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

- James Schwarz
- Yosse Goldberg
- Brett Crowley (appointed 24 September 2015)
- Delan Pagliaccio (resigned 4 December 2014)
- Clayton Dempsey (resigned 24 September 2015)

Company Secretary

The company secretary as at the end of the year was:

Craig Burbury
Company Secretary

Craig has a commerce degree from The University of Tasmania and is also a Certified Practising Accountant. His career has included positions with Price Waterhouse in small business advisory and taxation services.

Craig has held senior accounting positions with listed financial services company Australian Wealth Management Ltd. He has been working with the AG Financial Group of companies for the past eight and a half years and is the Group's Chief Financial Officer.

Principal activities

The principal activities of the Group during the financial year were those of stockbroking and funds management. There have been no significant changes in the nature of these activities during the financial year.

Review of Operations and Financial Results

The Board of AG Financial Limited reports an Earnings Before Interest, Tax, Amortisation, Impairment and Depreciation (EBITDA) of \$2,216,379 and a net loss after tax of (\$1,651,584) for the year ended 30 June 2015. This result was in line with the prior year, driven by re-valuations of the Group's strategic investments of \$2,633,897. Off-setting the revaluation gains are one-off write-offs of intangible assets (\$2,923,627) and derecognition of net assets in AG Stockbroking Ltd (\$315,231). Revenue was up 247.6% on the prior year reflecting 10 months trading of AG Capital Markets Pty Ltd (formerly Avestra Capital Pty Ltd) which was acquired in September 2014.

As has been noted above, there were one-off write offs of intangible assets (\$2,923,627) following the placement of AG Stockbroking Ltd into Voluntary Administration. This also triggered the derecognition of the net assets of AG Stockbroking Ltd as a result of the loss of control of the entity once administrators had been appointed (\$315,231). As per the Company's announcement on 27th March 2015, this restructure removed duplication of licences and overheads following the acquisition of AG Capital Markets Pty Ltd (formerly Avestra Capital Pty Ltd).

The acquisition of AG Capital Markets Pty Ltd (formerly Avestra Capital Pty Ltd) was completed on the 1st September 2014 with all of the Groups stockbroking activities now being conducted under its Australian Financial Services Licence.

AG FINANCIAL LIMITED
ACN 108 069 003

Directors' Report

Revenue has risen by \$8,055,054 (256.7%) reflecting the inclusion of AG Capital Markets Pty Ltd (formerly Avestra Capital Pty Ltd) from the 1st September 2014 and the re-valuation of investments. The stockbroking business segment has seen revenue increase by \$4,883,640 following the acquisition of AG Capital Markets Pty Ltd, with revenue from AG Capital Markets Pty Ltd for the 10 month period to 30 June 2015 up 72% compared to the same 10 month period in the prior year (prior to acquisition by AG Financial Ltd).

Investment management activities generated gains of \$3,101,489, primarily attributed to the re-valuation of current investments in the amount of \$2,633,897.

Dividends Paid or Recommended

No dividend has been paid or declared since the end of the financial year.

Financial Position

Net assets of the Group are \$5,630,559 as at 30 June 2015 compared to \$3,369,314 at 30 June 2014.

Significant Changes in State of Affairs

The Company's acquisition of AG Capital Markets Pty Ltd (formerly Avestra Capital Pty Ltd) and a placement of 25 million shares, raising \$750,000 in working capital, were approved at an Extraordinary General Meeting of shareholders on the 21st August 2014. As consideration for the acquisition of AG Capital Markets Pty Ltd, 57,142,857 ordinary shares were issued to vendors. AG Stockbroking Ltd was placed into Voluntary Administration on the 27th March 2015, removing duplication of licences and overheads following the acquisition of AG Capital Markets Pty Ltd.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the group, the results of those operations or the state of affairs of the group in subsequent financial years.

Future Developments, Prospects and Business Strategies

As has been noted above, the Group has seen considerable growth in revenues following the acquisition of AG Capital Markets Pty Ltd. The Group will continue to work with its authorised representatives in growing their businesses, as well as seeking to grow revenue internally through an expansion in its own internal adviser numbers. The Group will also continue to explore any strategic acquisition opportunities that may arise.

Environmental Legislation

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory of Australia.

Information on Directors

James Schwarz - Non-Executive Chairman

James is a director of a number of companies and has broad experience in the legal, equities and investment banking sectors.

James is a member of the Audit & Risk Committee. James holds a Bachelor of Economics and a Bachelor Of Laws (Monash).

James is the Non-Executive Chairman of Flat Glass Industries Ltd and the Non-Executive Chairman of Siburan Resources Limited. He was a director of MDS Financial group Ltd for the period 15 April 2014 to 23 May 2014.

Directors' Report

Joseph (Yosse) Goldberg – Non-Executive Director

Mr Goldberg commenced work as an architect and in the mid 1970's became a property developer. Over the years, Mr Goldberg has become a consultant and major shareholder in a number of companies, assisting these companies to create a foothold in countries such as PNG, Indonesia, Cameroon, South Africa and Turkey. Mr Goldberg has also consulted to Sydney Gas Ltd, Blue Energy Ltd, Kimberley Diamond Company NL, Sundance Resources Ltd, CuDeco Ltd and Gindalbie Metals Ltd on resources projects such as iron ore, oil and gas bed methane and copper.

Mr Goldberg is a director of Coral Sea Petroleum Ltd.

Brett Crowley – Non-Executive Director

Brett is a practicing solicitor and is an experienced chairman, finance director and company secretary of ASX-listed companies. He currently practices as a solicitor and was formerly a Senior Legal Member of the New South Wales Civil and Administrative Tribunal.

Brett has over 30 years' experience in advising emerging companies. His core expertise is in taxation, corporate strategy, structuring, capital raisings and commercial negotiations. He is Company Secretary of Flat Glass Industries Limited (ASX:FGI) and Story-I Limited (ASX:SRY). He was formerly a Partner of Ernst & Young in Hong Kong and Australia from 1988 to 1994, and a partner of KPMG in Hong Kong from 1998 to 2000.

Brett is not a director of any other listed public companies.

Clayton Dempsey – former Executive Director

Clay was a Director, is a member of the Compliance Committee and a Responsible Manager of AG Capital Markets Pty Ltd (formerly Avestra Capital Pty Ltd) ("Avestra").

Clay has extensive experience in the financial services industry in Australia since 1981, including foreign exchange, securities and derivatives including managing customer service and business development, trading, structuring product origination and equity finance at major Australian institutions, including National Australian Bank, and at global institutions Chase Manhattan Bank, Natwest Markets and BNP Paribas.

Clay holds a Diploma of Financial Services.

Clay was not a director of any other listed public companies up until his resignation.

Directors' Report

Delan Pagliaccio - former Executive Director

Delan has over 15 years experience in the finance industry. He was a responsible manager and the head of derivatives trading operations at E*Trade for almost 10 years. In this role he managed one of the largest retail derivatives books in Australia, providing experience in order execution, real time risk management and margin calculations. He has held directorships and responsible manager positions with firms including Asandas Ltd and IC Markets Pty Ltd.

Delan is a member of the Securities and Derivatives Institute of Australia and the Institute of Company Directors.

Delan was not a director of any other listed public companies up until his resignation.

Remuneration Report (Audited)

This report details the nature and amount of remuneration for each key management person of AG Financial Limited.

AASB 124 Related Party Disclosures defines key management personnel as “persons having authority and responsibility for the planning, directing and controlling activities of the entity, directly or indirectly”. The only persons that have this authority are the Directors of AG Financial Limited, as well as the Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

Remuneration Policy

The board policy is to remunerate directors at market rates for time, commitment, experience and responsibilities. The remuneration committee determines payments to the directors and reviews their remuneration annually, based on market price, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees/salaries that can be paid to directors is subject to approval by shareholders at the Annual General Meeting. It is presently set at \$60,000 per annum for the Chairman and \$250,000 in aggregate for all other directors.

Directors Remuneration

Mr Schwarz, Mr Dempsey, Mr Pagliaccio & Mr Goldberg received monthly directors' fees as disclosed below pursuant to letters of appointment issued by the company. Formal contracts are not issued. The remuneration is a fixed fee and is not based on the performance of the company.

All remuneration paid to directors is valued at the cost to the company and expensed.

Executive Remuneration

Mr Delan Pagliaccio provided CEO services up until his resignation in December 2014 and was remunerated at an hourly rate.

Following the successful acquisition of AG Capital Markets Pty Ltd in September 2014, Mr Clay Dempsey was appointed Chief Executive Officer on 4 December 2014. Mr Dempsey provides CEO and compliance services and is remunerated at an hourly rate.

Mr Craig Burbury's remuneration as CFO is a fixed salary and is not based on the performance of the company.

AG FINANCIAL LIMITED
ACN 108 069 003

Directors' Report

Details of the nature and amount of each element of the remuneration of each Key Management Personnel ("KMP") of AG Financial Ltd are shown in the table below:

Director and other Key Management Personnel remuneration											
Employee	Year	Short term employee benefits			Post-employment benefits	Long-term benefits	Termination benefits		Share-based payments		Performance based percentage of remuneration
		Cash salary and fees	Cash bonus	Non-monetary benefits			Long service leave	Termination payments	Options	Total	
Executive Directors											
Clay Dempsey ¹ (Director & CEO)	2015	158,689	-	-	-	-	-	-	-	158,689	0%
	2014	39,573	-	-	-	-	-	-	-	39,573	0%
Delan Pagliaccio ² (Director & CEO)	2015	25,000	-	-	-	-	-	-	-	25,000	0%
	2014	120,000	-	-	-	-	-	-	-	120,000	0%
Non-Executive Directors											
James Schwarz (Independent)	2015	24,000	-	-	-	-	-	-	-	24,000	0%
	2014	2,000	-	-	-	-	-	-	-	2,000	0%
Yosse Goldberg (Independent)	2015	12,000	-	-	-	-	-	-	-	12,000	0%
	2014	12,000	-	-	-	-	-	-	-	12,000	0%
Brett Crowley (Independent) ³	2015	-	-	-	-	-	-	-	-	-	0%
John Margerison ⁴ (Independent)	2015	2,727	-	-	-	-	-	-	-	2,727	0%
	2014	10,909	-	-	-	-	-	-	-	10,909	0%
Other Key Management Personnel											
Craig Burbury (CFO)	2015	140,192	-	-	13,318	-	-	-	-	153,510	0%
	2014	137,981	-	-	12,727	-	-	-	-	150,708	0%
2015 Total	2015	362,608	-	-	13,318	-	-	-	-	375,926	
2014 Total	2014	322,463	-	-	12,727	-	-	-	-	335,190	

¹ Clay Dempsey - resigned 24 September 2015

² Delan Pagliaccio - resigned 4 December 2014

³ Brett Crowley - appointed 24 September 2015

⁴ John Margerison - resigned 3 June 2014

AG FINANCIAL LIMITED
ACN 108 069 003

Directors' Report

Rights granted as remuneration

Rights may be issued to executives and management as part of their remuneration. The rights are based on performance criteria as stipulated in the Long Term Incentive Plan that was approved at the Company's 2011 Annual General Meeting. Rights may be issued to non-executive directors as part of their remuneration as stipulated in the Long Term Incentive Plan. The rights are not issued based on performance criteria but are issued as a retention mechanism for non-executive directors. There are no rights outstanding to management or non-executive directors.

Shareholdings held by Key Management Personnel

Directors	Balance 30.6.14	Received as Remuneration	Issued as Consideration	Shares (Sold) Purchased	Balance 30.6.15
James Schwarz	-	-	-	-	-
Delan Pagliaccio	-	-	-	-	-
Yosse Goldberg *	2,100,000	-	-	-	2,100,000
Brett Crowley	-	-	-	-	-
Clay Dempsey **	1,850,000	-	9,052,334	-	10,902,334
	3,950,000	-	9,052,334	-	13,002,334
Craig Burbury ***	500,000	-	-	-	500,000
Total	4,450,000	-	9,052,334	-	13,502,334

* Yosse Goldberg holds 2,100,000 ordinary shares through Kai Ventures Pty Ltd.

** Clay Dempsey holds 1,850,000 ordinary shares through Clay & Catherine Dempsey as trustee for the C & C Dempsey Superannuation Fund; and 9,052,334 ordinary shares through CCSM Holdings Pty Ltd in relation to the acquisition of AG Capital Markets Pty Ltd.

*** Craig Burbury holds 500,000 ordinary shares through CA & KA Burbury Family Trust.

Voting and Comments made at the Company's 2014 Annual General Meeting

AG Financial Ltd received more than 91% of "yes" votes on its remuneration report for the 2014 financial year. The Company did not receive any specific feedback at the AGM on its remuneration report.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following in respect of the current financial year and the previous four financial years:

	2015	2014	2013	2012	2011
EPS (cents)	(0.67)	(0.70)	(11.1)	(26.1)	(8.3)
Dividends (cents/share)	-	-	-	-	-
Net profit/(loss) (\$'000)	(1,097)	(1,082)	(3,243)	(7,356)	(2,336)
Share price (\$)	0.009	0.04	0.04	0.062	0.20

AG FINANCIAL LIMITED
ACN 108 069 003

Directors' Report

Performance Based Remuneration

There is currently no remuneration for key management personnel that are linked to performance, with all key management personnel receiving 100% fixed salaries.

Hedging Of Securities

In accordance with the Group's general share trading policy and employee share plan rules, participants are prohibited from engaging in hedging arrangements over unvested securities issued pursuant to any employee or director share plan.

Other transactions with Key Management Personnel

During 2015 the group sub-let office space and were charged rent and office running costs in the amount of \$88,028 (2014: \$30,547) by Avestra Corporation Pty Ltd, a company of which former company director Mr Clayton Dempsey is also a director. These charges were at normal commercial rates and were fully paid as of the reporting date.

The Group was charged interest of \$42,487 (2014: \$7,698) on short-term loans provided by Avestra Asset Management Ltd as responsible entity for the Avestra Credit Fund. Interest is charged at the rate of 10% on the facilities, a rate as seen as commercial given the short-term and flexible nature of the facilities. Former director Mr Clayton Dempsey is a director of Avestra Asset Management Ltd.

End of Remuneration Report (Audited)

Meetings of Directors

	Directors' Meetings		Audit & Risk Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
James Schwarz	7	7	1	1
Yosse Goldberg	7	4	-	-
Clay Dempsey	7	7	2	2
Delan Pagliaccio	3	2	1	1

Indemnifying Officers or Auditor

During the year the Group provided an indemnity to directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Group, other than conduct involving a wilful breach of duty in relation to the Group. The content of the insurance prohibits disclosure of the nature of the liability and the amount of the premium. No indemnity is provided to the auditors.

Proceedings on Behalf of Group

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

The Group was not a party to any such proceedings during the year.

AG FINANCIAL LIMITED
ACN 108 069 003

Directors' Report

Unissued Shares Under Option

AG Financial Ltd has no unissued ordinary shares under option at the date of this report.

Non-audit Services

The board of directors, in accordance with advice from the audit and risk committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit and risk committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

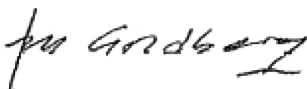
The following fees for non-audit services were paid/payable to the external auditors (Grant Thornton) during the year ended 30 June 2015:

Taxation services	\$ 7,700
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Auditors' Independence Declaration

A copy of the independence declaration provided by the group's auditors in accordance with s307c of the *Corporations Act 2001* in relation to the audit of the 30 June 2015 financial report is presented on page 9 and forms part of this Director's Report.

Signed in accordance with a resolution of the Board of Directors:



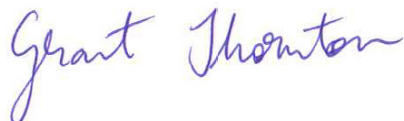
Director
Y Goldberg

Dated this 7th day of October 2015

**Auditor's Independence Declaration
To the Directors of AG Financial Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of AG Financial Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Cameron Smith
Partner - Audit & Assurance

Brisbane, 7 October 2015

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Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Consolidated Statement Of Profit Or Loss & Other Comprehensive Income

	Note	2015 \$	2014 \$
Revenue	2	11,192,704	3,137,650
Commission expense & product expense		6,301,118	1,697,455
Management & administration expenses		284,000	270,000
Marketing costs		-	9,545
Depreciation expense	18	55,921	51,662
Amortisation expense	12	247,797	236,280
Impairment of identifiable intangible assets	12	734,524	-
Impairment of goodwill	12	2,189,103	-
Derecognition of net assets on loss of control of subsidiary	26 (b)	315,231	-
Employment expenses		820,466	423,332
Occupancy expenses		88,028	56,219
Consultants fees		131,976	210,468
Compliance expenses		57,027	-
Client Settlements		109,211	380,906
Interest expense		85,749	56,396
Communication expenses		195,128	180,753
Other expenses from ordinary activities		347,744	271,041
Directors fees, salaries		50,727	36,909
Legal Fees		101,089	150,319
Insurance expense		174,580	188,628
Profit/(loss) before income tax		(1,096,715)	(1,082,263)
Income tax expense/(benefit)	3	554,869	-
Profit/(loss) after tax		(1,651,584)	(1,082,263)
Other comprehensive income		-	-
Total comprehensive income for the year		(1,651,584)	(1,082,263)
Overall operations:			
Basic and diluted earnings per share (cents)	6	(0.67)	(0.70)

The above statement should be read in conjunction with the accompanying notes.

AG FINANCIAL LIMITED
ACN 108 069 003
As at 30 June 2015

Consolidated Statement Of Financial Position

	Note	2015 \$	2014 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	212,632	800,218
Trade and other receivables	8	698,681	171,757
Financial assets	9	4,330,881	200,792
Other current assets	11	55,735	162,868
TOTAL CURRENT ASSETS		5,297,929	1,335,635
NON-CURRENT ASSETS			
Intangibles	12	2,907,487	3,404,973
Property, plant and equipment	18	38,888	84,089
TOTAL NON-CURRENT ASSETS		2,946,375	3,489,062
TOTAL ASSETS		8,244,304	4,824,697
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	1,068,988	410,807
Employee benefits	14	56,170	30,556
Borrowings	15	914,026	959,559
Deferred tax liabilities	10	554,869	-
TOTAL CURRENT LIABILITIES		2,594,053	1,400,922
NON-CURRENT LIABILITIES			
Employee benefits	14	19,692	17,189
Borrowings	15	-	37,272
TOTAL NON-CURRENT LIABILITIES		19,692	54,461
TOTAL LIABILITIES		2,613,745	1,455,383
NET ASSETS		5,630,559	3,369,314
EQUITY			
Issued Capital	16	32,431,144	28,518,315
Retained earnings		(26,800,585)	(25,149,001)
TOTAL EQUITY		5,630,559	3,369,314

The above statement should be read in conjunction with the accompanying notes.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Consolidated Statement Of Cash Flows

	Note	2015 \$	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Stockbroking commission income		7,878,046	3,288,006
Investment income		14,414	(725)
Licence fees		287,186	-
Payments to suppliers & directors		(8,345,751)	(4,105,757)
Payments related to management and investment trading		(284,000)	(270,000)
Interest expense		(85,749)	(56,396)
Net cash provided by / (used in) operating activities	22	(535,854)	(1,144,872)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		(2,007,232)	(209,173)
Proceeds from sale of investments		948,029	-
Cash acquired through acquisition of subsidiary	26 (a)	148,876	-
Net cash provided by / (used in) investing activities		(910,327)	(209,173)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares	16	941,400	1,906,000
Proceeds from borrowings		-	545,000
Repayment of borrowings		(82,805)	(301,430)
Net cash provided by/(used in) financing activities		858,595	2,149,570
Net increase / (decrease) in cash held		(587,586)	795,525
Cash and cash equivalents at the beginning of the financial year		800,218	4,693
Cash and cash equivalents at end of financial year	7	212,632	800,218

The above statement should be read in conjunction with the accompanying notes.

AG FINANCIAL LIMITED
ACN 108 069 003
As at 30 June 2015

Consolidated Statement Of Changes In Equity

	Note	Share Capital Ordinary \$	Retained Earnings \$	Total \$
Balance 1.7.13		25,718,315	(24,066,738)	1,651,577
Shares issued during the year	16	2,800,000	-	2,800,000
Loss attributable to members		-	(1,082,263)	(1,082,263)
Sub-total		28,518,315	(25,149,001)	3,369,314
Dividends paid or provided for	5	-	-	-
Balance at 30.6.14		28,518,315	(25,149,001)	3,369,314
Balance 1.7.14		28,518,315	(25,149,001)	3,369,314
Shares issued during the year	16	3,912,829	-	3,912,829
Loss attributable to members		-	(1,651,584)	(1,651,584)
Sub-total		32,431,144	(26,800,585)	5,630,559
Dividends paid or provided for	5	-	-	-
Balance at 30.6.15		32,431,144	(26,800,585)	5,630,559

The above statement should be read in conjunction with the accompanying notes.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Note 1 Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements cover AG Financial Limited and its controlled entities as a consolidated entity ("Group", "Company"). AG Financial Limited is a for-profit ASX listed public company incorporated and domiciled in Australia.

The financial report of AG Financial Limited complies with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial statements have been authorised for issue by the Directors on 7 October 2015.

Basis of preparation

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Going Concern

The Directors have prepared the financial statements on the going concern basis which assumes the Group will continue to pay its debts as and when they fall due. As at the 30th June 2015, the Group's Balance Sheet noted current assets of \$5,297,929 and current liabilities of \$2,594,053, a current assets surplus of \$2,703,876 and a loss in the current year was \$1,651,584. This is a dramatic improvement in the net current asset position of the Group and provides stability to the operation of the business going forward.

The Group may be reliant on the realisation of a portion of its investments from time to time in meeting cash requirements. The ability to realise investments in a timely manner on an as needs basis at values stated in this report, will be dictated by market conditions for those investments. Similarly the demand for those investments will determine liquidity at any point in time, which will also impact the timeliness of realising those investments. A proportion of the Group's investments were subject to escrow arrangements which expire in December 2015. As at balance date this reflects \$945,000 of value of financial assets recorded at fair value.

The Directors believe that the Group is a going concern.

Accounting policies

a. **Revenue Recognition**

The activity of the Group is that of a stockbroking, investment and funds management company, returns being in the form of commissions, dividends, trust distributions, interest income, trading income and options income.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Dividend income is recognised at the ex-dividend date.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Realised gains and losses arising from the disposal of equity investments are recognised in the Statement of Comprehensive Income as investment gains or losses.

Licence Fees are contractually agreed monthly charges and are recognised on an accruals basis.

Management Fees and commissions earned from the funds are calculated based on agreed percentage of the respective funds under management or administration, and are recognised on an accrual basis.

Stockbroking commissions are earned based on trading activity and schedules of rates as agreed to with the securities clearing house. Revenues are recognised as income at the point at which the underlying trades are settled.

b. Financial assets at fair value through profit or loss

Under AASB 139 marketable securities are designated in the Statement of Financial Position as “financial assets at fair value through profit and loss”. These investments are initially recognised at fair value, typically represented by cost including transaction costs. Investments are subsequently re-measured at fair value and include transaction costs. Investments are valued based on quoted bid market prices at balance date when available. For investments which do not have quoted prices, value is based on indirect inputs and other information available to management. Gains and losses from changes in the fair value of the financial assets are included in the Statement of Profit or Loss & Other Comprehensive Income in the period in which they arise.

Derivative instruments are categorised as “financial assets at fair value through profit or loss” and are accounted for at fair value, with changes to such values to be recognised through the Income statement in which they arise. Open options positions are valued based on quoted bid market prices at balance date. Gains and losses from changes in the fair value of the financial assets are included in the Statement of Profit or Loss & Other Comprehensive Income in the period in which they arise.

c. Cash

For the purposes of the statement of cash flows, cash includes cash on hand and at call with banks or financial institutions, net of bank overdrafts; and investments in money market instruments with less than 30 days to maturity.

d. Payables

Payables represent the principal amounts outstanding at balance date, plus where applicable, any accrued interest.

e. Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

The income tax calculations have been prepared on the basis of the tax consolidated group that was formed on the 1st July 2010 with an appropriate tax-sharing agreement in place.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled.

Deferred tax is credited in the Statement of Profit or Loss & Other Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

f. **Goods and services tax (GST)**

Revenues, 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 Australian Tax Office. In these circumstances, GST is recognised as part of the costs of acquisition of the asset or as part of an expense item. Receivables and payables in the statement of financial position are shown inclusive of GST.

g. **Receivables**

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provision for doubtful accounts.

h. **Investments in associates**

Investments in associates are recognised in the financial statements by applying the equity method of accounting.

i. **Impairment**

At each reporting date, the company assesses whether there is objective evidence that a financial instrument or intangible asset has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the Statement of Comprehensive Income.

j. **Critical accounting estimates and judgments**

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

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Key judgments

Assessment of the effective life of intangible assets

The directors have assessed that the useful life previously ascribed to the management rights intangible (Note 12) which was recognised in relation to the AGF Funds Management Pty Ltd acquisition, being 7 years, continues to be appropriate. This includes a re-evaluation of the financial viability of the respective funds with a view to delivering a more cost effective structure.

The directors have assessed the useful life of the customer relationship intangible (Note 12) which was recognised in relation to the AG Capital Markets Pty Limited (stockbroking) acquisition during the year as being 10 years. This useful life has been attributed based on historical customer retentions of 80% per annum.

Impairment of intangible assets

Management and the directors have made certain judgements and estimates in considering any potential impairment of the intangible assets. The key assumptions used have been described in Note 12.

k. **Business combinations**

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss after the fair value of the acquired assets and liabilities have been reassessed.

l. **Basis of consolidation**

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2015. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. A list of controlled entities is contained in Note 26 to the financial statements. All controlled entities have a June financial year end. As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended.

All inter-company balances and transactions between entities in the group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Where control of a subsidiary is lost, the assets and liabilities are derecognised at carrying value at the date of loss of control and results are included up to the date control was lost.

m. **Intangibles**

Goodwill

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Management Agreements

Management agreements are recognised at cost of acquisition. Management agreements have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Management agreements are amortised over their useful life determined by the Directors as 7 years.

Customer Relationships

Customer relationship intangible assets are recognised upon acquisition as part of business combinations, and are valued at fair value at acquisition date based on the expected economic benefits to be realised over the effective life. Customer relationships have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Customer relationships are amortised over their useful life determined by the Directors as 10 years.

Australian Financial Services Licence

The Australian Financial Services Licence was recognised upon acquisition as part of a business combination, and is valued at fair value at acquisition date based on the costs incurred to obtain the licence which approximate the costs for a third party entity to replicate the asset. The licence is deemed to have an indefinite life and is tested annually for impairment and carried at cost less accumulated impairment losses.

n. **Property, plant and equipment**

Leased IT Equipment and Office Equipment

IT equipment and office equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management and are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of IT equipment, estimated useful life of 3 years applied. Material residual value estimates and estimates of useful life are updated as required, but at least annually. Gains or losses on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

o. Finance Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability, with this reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

p. Adoption of New and Revised Accounting Standards

A number of new and revised standards are effective for annual periods beginning on or after 1 July 2014. Information on these new standards is presented below.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.

AASB 2012-3 is applicable to annual reporting periods beginning on or after 1 January 2014.

The adoption of these amendments has not had a material impact on the Group as the amendments merely clarify the existing requirements in AASB 132..

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When developing IFRS 13 *Fair Value Measurement*, the IASB decided to amend IAS 36 *Impairment of Assets* to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB’s original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

AASB 2013-3 makes the equivalent amendments to AASB 136 *Impairment of Assets* and is applicable to annual reporting periods on or after 1 January 2014.

The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities

The amendments in AASB 2013-5 provide an exception to consolidation to investment entities and require them to measure unconsolidated subsidiaries at fair value through profit or loss in accordance with AASB 9 *Financial Instruments* (or AASB 139 *Financial Instruments*:

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Recognition and Measurement where AASB 9 has not yet been adopted). The amendments also introduce new disclosure requirements for investment entities that have subsidiaries.

These amendments apply to investment entities, whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. Examples of entities which might qualify as investment entities would include Australian superannuation entities, listed investment companies, pooled investment trusts and Federal, State and territory fund management authorities.

AASB 2013-5 is applicable to annual reporting periods beginning on or after 1 January 2014.

This Standard has not had any impact on the Group as it does not meet the definition of an “investment entity” in order to apply this consolidation exception.

Consequential amendments to AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures

AASB 127 now only addresses separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128’s equity accounting methodology remains unchanged.

AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles)

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the IASB of International Financial Reporting Standards *Annual Improvements to IFRSs 2012-2012 Cycle* and *Annual Improvements to IFRSs 2011-2013 Cycle*.

Among other improvements, the amendments arising from *Annual Improvements to IFRSs 2012-2012 Cycle*:

- Clarify that the definition of a “related party” includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity)
- Amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria

Among other improvements, the amendments arising from *Annual Improvements to IFRSs 2011-2013 Cycle* clarify that an entity should assess whether an acquired property is an investment property under AASB 140 *Investment Property* and perform a separate assessment under AASB 3 *Business Combinations* to determine whether the acquisition of the investment property constitutes a business combination.

Part A of AASB 2014-1 is applicable to annual reporting periods beginning on or after 1 July 2014.

The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

q. **New accounting standards for application in future periods**

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

AASB 9: Financial Instruments (applies to periods beginning on or after 1 January 2018)

AASB 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- Financial assets that are debt instruments will be classified based on (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.
- allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Introduces a "fair value through other comprehensive income" measurement category for particular simple debt instruments.
- financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
 - the change attributable to changes in credit risk are presented in other comprehensive income (OCI); and
 - the remaining change is presented in profit or loss.

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When adopted, this standard is expected to have no impact on the Group's financial statements.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

AASB 15 Revenue from Contracts with Customers (applies to period beginning on or after 1 January 2018)

AASB 15 replaces:

- replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations:
 - establishes a new revenue recognition model
 - changes the basis for deciding whether revenue is to be recognised over time or at a point in time
 - provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licencing)
 - expands and improves disclosures about revenue.

In May 2015, the AASB issued ED 260 *Income of Not-for-Profit Entities*, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15.

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 2014-1 Amendments to Australian Accounting Standards (Part D: Consequential Amendments arising from AASB 14) (applies to period beginning on or after 1 January 2016)

Part D of AASB 2014-1 makes consequential amendments arising from the issuance of AASB 14.

When these amendments become effective for the first time for the year ending 30 June 2017, they will not have any impact on the entity.

AASB 2014-1 Amendments to Australian Accounting Standards (Part E: Financial Instruments) (applies to period beginning on or after 1 January 2015)

Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 *Financial Instruments* to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 *Hedge Accounting* into AASB 9 and to amend reduced disclosure requirements for AASB 7 *Financial Instruments: Disclosures* and AASB 101 *Presentation of Financial Statements*.

The entity has not yet assessed the full impact of these amendments.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (applies to period beginning on or after 1 January 2016)

The amendments to AASB 11 state that an acquirer of an interest in a joint venture operation in which the activity of the joint operation constitutes a "business", as defined in AASB 3 *Business Combinations*, should:

- Apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except principles that conflict with the guidance of AASB

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and

- Provide disclosures for business combinations as required by AASB 3 and other Australian Accounting Standards.

The entity has not yet assessed the full impact of these amendments.

AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation (applies to period beginning on or after 1 January 2016)

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant & equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant & equipment.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is appropriate. This rebuttable presumption can be overcome (i.e. a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances:

- (i) the intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold; or
- (ii) when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The entity has not yet assessed the full impact of these amendments.

AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) (applies to period beginning on or after 1 January 2018)

AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9.

Refer to the section on AASB 9 above.

AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) (applies to period beginning on or after 1 January 2015)

AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 [December 2009] and AASB 9 [December 2010]) from 1 February 2015.

Refer to the section on AASB 9 above.

AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements (applies to period beginning on or after 1 January 2016)

The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applies to period beginning on or after 1 January 2016)

These amendments address a current inconsistency between AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures (2011)*.

The amendments clarify that, on sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 *Business Combinations*. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investor's interests is recognised when the assets or subsidiary do not constitute a business.

This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128 (2011).

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle (applies to period beginning on or after 1 January 2016)

These amendments arise from the issuance of *Annual Improvements to IFRSs 2012-2014 Cycle* in September 2014 by the IASB.

Among other improvements, the amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice versa), the accounting guidance in paragraphs 27-29 of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* does not apply. The amendments also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of AASB 5.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (applies to period beginning on or after 1 January 2016)

The amendments:

- clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information
- clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated

AG FINANCIAL LIMITED

ACN 108 069 003

For the year ended 30 June 2015

- add requirements for how an entity should present subtotals in the statement(s) of profit or loss and other comprehensive income and the statement of financial position
- clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order
- Remove potentially unhelpful guidance in IAS1 for identifying a significant accounting policy

When these amendments are first adopted for the year ending 30 June 2016, there will be no material impact on the financial statements.

AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality (applies to period beginning on or after 1 July 2015)

The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

When this Standard is first adopted for the year ending 30 June 2016, there will be no material impact on the financial statements.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)

2. Revenue

	Note	2015 \$	2014 \$
Realised investment gain / (loss)		436,989	(3,271)
Unrealised investment gain / (loss)		2,633,897	(8,381)
Licencing fees		287,186	-
Interest received		83,027	2,546
Stockbroking commissions received		7,751,605	3,146,756
Total revenue		11,192,704	3,137,650

3. Income Tax Expense

a. The components of tax expense comprise:

Current tax		-	-
Deferred tax	10	554,869	-
		554,869	-

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

Profit/(loss) before tax		(1,096,715)	(1,082,262)
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Prima facie tax payable on profit/(loss) before income tax at 30% (2014: 30%)		(329,015)	(324,679)
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Add tax effect of:

- non-deductible depreciation, impairment and amortisation		968,204	70,884
- derecognition of net assets on loss of control of subsidiary		94,569	-
- non-deductible professional fees		43,350	108,236
- other non-deductible expenses		3,285	2,581
		780,393	(142,978)

Less tax effect of:

- other non-deductible expenses		181,664	33,146
- other deductible expenses		(112,274)	-
- amounts deductible over 5 years		(84,788)	(109,475)
- unrealised loss		-	(53,259)
- net unrealised gains		(790,169)	-
- net deferred tax liability recognised in respect of temporary differences		554,869	-
- deferred tax asset not recognised in respect of tax losses		25,174	272,566

Income tax expense attributable to profit/(loss) before income tax

		554,869	-
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Applicable weighted average effective tax rates are as follows:

-169%	0%
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AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)

4. Auditors Remuneration

Note	2015 \$	2014 \$
Remuneration of the auditor for:		
- audit of the financial report (including Australian Financial Services Licence)	57,300	49,000
- review of the half year report	18,000	16,500
- other services:		
taxation services	7,700	8,300
	83,000	73,800

5. Dividends

a. Distributions paid

Interim fully franked dividend of nil (2014: 0.0) cents per share franked at the tax rate of 30% (2014: 30%)

Total dividends per share for the period - -

b. Dividend Franking Account

Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years.

	2015 \$	2014 \$
Opening balance	969,172	969,172
Income tax return - tax payable	-	-
PAYG instalments paid	-	-
Tax refunded	-	-
Dividends payable / receivable per accounts	-	-
Franking account balance to be disclosed	969,172	969,172

6. Earnings Per Share

Earnings used in the calculation of earnings per share and dilutive earnings per share is the net profit/(loss) after tax	(1,651,584)	(1,082,263)
Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	244,400,288	165,710,535

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)

7. Cash and Cash Equivalents

	Note	2015 \$	2014 \$
Cash at bank		212,632	800,218
		212,632	800,218

8. Trade and Other Receivables

Other debtors		105,668	1,989
Accrued income		593,013	169,768
		698,681	171,757

9. Financial Assets

Financial assets at fair value through profit or loss

Shares in listed corporations, at fair value

Opening Balance		200,792	-
Additions		1,708,024	204,698
Disposals		(711,832)	-
Revaluations		2,658,641	(3,906)
Closing Balance		3,855,625	200,792

Shares in unlisted corporations, at fair value

Opening Balance		-	-
Additions		500,000	-
Disposals		-	-
Revaluations		(24,744)	-
Closing Balance		475,256	-
		4,330,881	200,792

Shares in listed corporations are all in level one of the fair value hierarchy. Level one inputs are quoted prices (unadjusted) in active markets for identical assets.

Shares in unlisted corporations are valued on indirect inputs and other information available to management in accordance with Level 2 of the fair value hierarchy.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)

10. Tax

	Note	2015 \$	2014 \$
Taxable temporary differences (unrealised gains on investments)		(790,169)	-
Deductible temporary differences (provisions, accruals, blackhole expenditure)		235,300	-
Deductible temporary differences (tax losses)		-	-
Net deferred tax (liability)/asset recognised as at 30 June 2015		<u>(554,869)</u>	<u>-</u>

Due to uncertainty with regards to the Group's ability to utilise carried forward tax losses in future periods, pursuant to Australian Income Tax legislation, nil carried forward tax losses have been disclosed.

11. Other Current Assets

	Note	2015 \$	2014 \$
Prepayments		55,735	162,868
		<u>55,735</u>	<u>162,868</u>

12. Intangibles

Goodwill			
Cost		2,106,443	3,761,586
Accumulated impairment losses		-	(1,572,483)
Net carrying value		<u>2,106,443</u>	<u>2,189,103</u>
Management Rights			
Cost		2,877,000	2,877,000
Accumulated amortisation		(1,416,821)	(1,317,317)
Accumulated impairment losses		(1,310,919)	(1,310,919)
Net carrying value		<u>149,260</u>	<u>248,764</u>
Customer Relationships			
Cost		3,056,495	2,489,000
Accumulated amortisation		(890,267)	(741,974)
Accumulated impairment losses		(1,644,444)	(909,920)
Net carrying value		<u>521,784</u>	<u>837,106</u>
Australian Financial Services Licence		130,000	130,000
Total Intangibles		<u>2,907,487</u>	<u>3,404,973</u>

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)

12. Intangibles (cont)

	Goodwill	Management	Customer	Australian	
	\$	Rights	Relationships	Financial	Total
	\$	\$	\$	Services	\$
				Licence	
				\$	\$
Year ended 30 June 2014					
Balance at the beginning of year	2,189,103	348,268	973,882	130,000	3,641,253
Amortisation charge	-	(99,504)	(136,776)	-	(236,280)
Impairment losses	-	-	-	-	-
Closing value at 30 June 2014	<u>2,189,103</u>	<u>248,764</u>	<u>837,106</u>	<u>130,000</u>	<u>3,404,973</u>
Year ended 30 June 2015					
Balance at the beginning of year	2,189,103	248,764	837,106	130,000	3,404,973
Additions	2,106,443	-	567,495	130,000	2,803,938
Amortisation charge	-	(99,504)	(148,293)	-	(247,797)
Impairment losses	(2,189,103)	-	(734,524)	(130,000)	(3,053,627)
Closing value at 30 June 2015	<u>2,106,443</u>	<u>149,260</u>	<u>521,784</u>	<u>130,000</u>	<u>2,907,487</u>

Stockbroking

Goodwill

Goodwill is allocated to the stockbroking cash-generating unit (CGU) and has arisen following the acquisition of AG Capital Markets Pty Ltd on the 1st September 2014 (Refer Note 26 (a)). The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. The value-in-use is calculated based on the present value of cash flow projections over a 5-year period, together with the following assumptions:

- moderate growth of 5% has been forecast and is reflective of steady revenue increases seen in the unit over the last 10 months.
- a terminal value of 1.5 times earnings of the CGU plus customer churn of 5% p.a.
- a discount rate of 16.4% being the weighted cost of capital of the group.

Customer Relationships

This identifiable intangible asset represent the right to undertake stockbroking activities on behalf of the customer base acquired in the AG Capital Markets Pty Ltd acquisition (Refer 26 (a)). This asset was the subject of an independent valuation as part of the year end audit process with the following assumptions:

- a customer retention rate of 80%, based on historical evidence of repeat customers
- given the high retention rate of these customer relationships a 10 year useful life has been attributed this asset.
- a discount rate of 16.4% being the weighted cost of capital of the group.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)

12. Intangibles (cont)

The customer relationship intangible associated with the AG Stockbroking Ltd business was deemed to be impaired following the placing of AG Stockbroking Ltd into voluntary administration on the 27th March 2015. An impairment charge of \$734,524 has been recognised.

Cash Flow Assumptions

The forecast is based on the improved revenues seen in the second 6 months of the financial year with increased contributions from the Group's authorised representatives. Revenue will also increase following the appointment of additional advisers towards the end of the current financial year.

Sensitivity Analysis

Recoverable amounts are sensitive to several key assumptions and a change in these assumptions could cause the carrying amount to exceed the recoverable amount. The following variations in the assumptions would see the carrying amount equal the recoverable amount:

- an increase in the discount rate to 20.5%;
- a decrease in stockbroking revenue of 5% p.a.;

Funds Management

Management Rights

Identifiable intangibles represent management rights agreements acquired by AGF Funds Management Pty Ltd to act as fund manager for three funds; Generator, Emergent and Maximiser. These management agreements have varying expiration dates, the longest of which runs to 21 April 2033. Given the uncertainty with looking forward over such a period, management have thought it prudent to adopt a seven year period as reflective of the useful life of these agreements.

Given the impact redemptions have had on funds under management (FUM), revenues from this CGU are only covering the costs of running the funds. As such the recoverable value is more accurately reflected in the realisable value of the business were it to be sold. Given the carrying value has been amortised to \$149,260, management considers that the carrying value is recoverable should the business be sold.

The structure and running costs of the Group's funds are also being assessed in terms of their respective financial viability going forward, with a view to delivering a more cost effective structure.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)

13. Trade and Other Payables

	2015	2014
Note	\$	\$
Trade creditors	638,087	303,096
Accrued expenses	430,901	107,711
	1,068,988	410,807

14. Provisions

Current:

Opening balance at 1 July 2014	30,556	26,962
Additional provisions	57,876	40,736
Amount utilised	(32,262)	(37,142)
Closing Balance at 30 June 2015	56,170	30,556

Non-Current:

Opening balance at 1 July 2014	17,189	15,147
Additional provisions	2,503	2,042
Amount utilised	-	-
Closing Balance at 30 June 2015	19,692	17,189

15. Borrowings

Current (secured):

- IBM Global Financing Australia Ltd	a	58,271	52,878
- Hammond & Simonds Pty Ltd	b	250,000	250,000
Unsecured:			
- Avestra Credit Fund	c	485,000	545,000
- Centrepoint Alliance	d	120,755	111,681
		914,026	959,559

Non-current (secured):

- IBM Global Financing Australia Ltd	a	-	37,272
		-	37,272

a. The finance lease with IBM Global Financing Australia Ltd is secured by the IT equipment being financed. This lease has a 3 year term expiring in March 2016.

b. The loan from Hammond and Simonds Pty Ltd is secured by a General Security Agreement that grants a fixed charge over the Group's estate and interest in its property. The loan incurs interest at the rate of 12% per annum payable monthly and the principal expires on 3 November 2015.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)

15. Borrowings (continued)

During the prior year changes in the composition of the Board led to a technical default on the loan causing the lender to exercise his rights over the loan security. The disposal of the security at this time has been treated as for Nil consideration and the full face value of the loan retained.

c. The loans from the Avestra Credit Fund are interest only, expiring at various times in 2015. These can be extended by agreement between the parties. As per Note 24 this is a related party balance.

d. Centrepont Alliance provide 12 month funding of the Group's Risk Insurance policies.

16. Issued Capital

	Note	2015 \$	2014 \$
Opening Balance		28,518,315	25,718,315
Shares bought back		-	-
Rights issue		-	2,800,000
Share placements		941,400	-
Issued as consideration	26 (a)	2,971,429	-
		32,431,144	28,518,315

	2015 No.	2014 No.
Ordinary Shares		
At the beginning of the reporting period	173,064,160	33,064,160
Shares issued during the year:		
- share placements	63,280,000	-
- acquisition of AG Capital Markets Pty Ltd (formerly Avestra Capital Pty Ltd)	57,142,857	-
- shares issued pursuant to rights issue	-	140,000,000
	293,487,017	173,064,160

The Company has maintained the on-market share buy-back program, but does not intend to exceed buying back above the 20% figure where shareholder approval is required. No shares have been bought back in the current year and the Group's cash reserves are unlikely to be utilised in this area moving forward. At the date of this report, 6,487,542 shares have been purchased under the buy-back plan at a cost of \$4,299,256.

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the company does not have authorised capital or par value in respect of its issued shares.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)

16. Issued Capital (continued)

The ordinary shares participate in dividends and the proceeds on winding up in proportion to the number of shares held. At shareholders meetings each ordinary shareholder is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

On 9 September 2014 the company issued 57,142,857 ordinary shares to the vendors of AG Capital Markets Pty Ltd as consideration for the purchase of that subsidiary.

17. Commitments

The AG Financial Ltd Group shares office space on Level 1, 2 Miami Key, Broadbeach Waters, Queensland. This is an informal agreement with the Lessee of the office space. The Group's contribution to rent is \$10,000 / month plus outgoings (2014: \$6,666).

18. Property, plant and equipment

Details of the Group's property, plant and equipment and their carrying amount are as follows:

	Office Equipment	Leased IT Equipment	Total
Gross carrying amount			
Balance 1 July 2014	-	155,000	155,000
Additions through business combinations	10,720	-	10,720
Balance 30 June 2015	<u>10,720</u>	<u>155,000</u>	<u>165,720</u>
Depreciation and impairment			
Balance 1 July 2014	-	(70,911)	(70,911)
Additions through business combinations	-	-	-
Depreciation	(4,260)	(51,661)	(55,921)
Balance 30 June 2015	<u>(4,260)</u>	<u>(122,572)</u>	<u>(126,832)</u>
Carrying amount 30 June 2015	<u>6,460</u>	<u>32,428</u>	<u>38,888</u>

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)

19. Leases

Finance leases as lessee

The Group's IT equipment is held under finance lease arrangements. As at 30 June 2015, the net carrying value of the IT equipment held under finance lease arrangements is \$32,428 (2014: \$84,089) (See Note 18).

Finance lease liabilities are secured by the related assets held under finance leases. Future minimum finance lease payments at the end of each reporting period under review were as follows:

		Minimum lease payments due			
	Note	Within 1 year	1 to 5 years	After 5 years	Total
30 June 2015					
Lease payments		59,180	-	-	59,180
Finance charges		(909)	-	-	(909)
Net present values	15	58,271	-	-	58,271

The lease commenced on 25 March 2013 financing the upgrade of all information technology aspects of the Company's business. This lease expires on 25 March 2016 upon payment of the final monthly instalment.

20. Contingent Liabilities

There are warranty claims by clients of AG Stockbroking Ltd under its Australian Financial Services Licence (AFSL), prior to its acquisition by AG Financial Ltd on 12 August 2010. On the 27th March 2015 AG Stockbroking Ltd was placed into Voluntary Administration following a rationalisation of the Group's licencing requirements which led to the surrender of AG Stockbroking Ltd's AFSL and the resignation of its ASX Market Participant status. Current warranty claims are being dealt with through the Administration process and will be settled by the Administrator in accordance with the Deed Of Company Arrangement.

As disclosed in Note 15, the Company is in technical breach of a loan facility. Contingent penalty amounts may be payable however the Company has disputed that this is the case and the penalty amounts are limited to interest payable over the term of the facility. The Group continues to amortise the facility in line with the contracted schedule. The loan has been disclosed as current at face value.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)

21. Segment information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Group is managed primarily on the basis of the service areas it provides, with segments determined on the same basis. Those segments are:

- (i) investment management, comprising the management of an investment portfolio; and
- (ii) funds management, being the provision of a multi-manager approach, using sector specialists; and
- (iii) stockbroking

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

(b) Inter-segment transactions

There are no inter-segment sales.

(c) Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives the majority of economic value from that asset.

(d) Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and provisions.

(e) Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of assets, income tax expense, current tax liabilities.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)
21. Segment information (cont)

Segment Performance 30 June 2015	Investment Management	Funds Management	Stock- Broking	Total
REVENUE				
External revenue	\$ 3,090,799	\$ 292,871	\$ 7,726,007	\$ 11,109,677
Less inter-segment sales	-	-	-	-
Interest revenue	10,690	-	72,337	83,027
Total segment and group revenue	3,101,489	292,871	7,798,344	11,192,704
Segment net profit/(loss) before tax and amortisation from continuing operations	2,699,825	(166,974)	575,932	3,108,783
Less amortisation expense	-	(99,504)	(148,293)	(247,797)
Less impairment of goodwill	-	-	(2,189,103)	(2,189,103)
Less impairment of intangible assets	-	-	(734,524)	(734,524)
Segment net profit/(loss) before tax and amortisation from continuing operations	2,699,825	(266,478)	(2,495,988)	(62,641)
Reconciliation of segment result to group net profit/(loss) before tax				
Amounts not included in segment result but reviewed by Board:				
- company holding costs				(1,034,074)
Net profit/(loss) before tax from continuing operations				(1,096,715)

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)
21. Segment information (cont)

Segment Performance 30 June 2014	Investment Management \$	Funds Management \$	Stock- Broking \$	Total \$
REVENUE				
External revenue	(11,562)	232,594	2,914,162	3,135,194
Less inter-segment sales	-	-	-	-
Interest revenue	1,997	7	542	2,546
Total segment and group revenue	(9,565)	232,601	2,914,704	3,137,740
Segment net profit/(loss) before tax and amortisation from continuing operations	(9,655)	(747,401)	764,679	7,623
Less amortisation expense	-	(99,504)	(136,776)	(236,280)
Segment net profit/(loss) before tax and amortisation from continuing operations	(9,655)	(846,905)	627,903	(228,657)
Reconciliation of segment result to group net profit/(loss) before tax Amounts not included in segment result but reviewed by Board: - company holding costs				(853,606)
Net profit/(loss) before tax from continuing operations				<u>(1,082,263)</u>

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)

21. Segment information (cont)

(g) Segment Assets	Investment	Funds	Stock-	
30 June 2015	Management	Management	Broking	Total
	\$	\$	\$	\$
Segment assets	4,483,801	150,891	2,866,467	7,501,159
Segment asset increases for the period				
- acquisitions	-	-	743,145	743,145
Total Group Assets	4,483,801	150,891	3,609,612	8,244,304

Segment Assets	Investment	Funds	Stock-	
30 June 2014	Management	Management	Broking	Total
	\$	\$	\$	\$
Segment assets	403,782	290,905	4,130,010	4,824,697
Segment asset increases for the period				
- acquisitions	-	-	-	-
Total Group Assets	403,782	290,905	4,130,010	4,824,697

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)

21. Segment information (cont)

(h) Segment Liabilities	Investment	Funds	Stock-	
30 June 2015	Management	Management	Broking	Total
	\$	\$	\$	\$
Segment liabilities	1,146,494	17,600	873,997	2,038,091
Segment liabilities increases for the period				
- acquisitions	-	-	575,654	575,654
Total Group Liabilities	1,146,494	17,600	1,449,651	2,613,745

Segment Liabilities	Investment	Funds	Stock-	
30 June 2014	Management	Management	Broking	Total
	\$	\$	\$	\$
Segment liabilities	-	663,278	792,105	1,455,383
Segment liabilities increases for the period				
- acquisitions	-	-	-	-
Total Group Liabilities	-	663,278	792,105	1,455,383

(i) Geographical Region

The Group currently operates in one geographical segment, being Australia.

22. Cash Flow Information

	Note	2015	2014
		\$	\$
(a) Reconciliation of cash flow from operations with profit after income tax			
Profit/(loss) after income tax		(1,651,584)	(1,082,263)
Non cash flows in profit/(loss)			
- amortisation		247,797	236,280
- depreciation		55,921	51,662
- impairment of goodwill		2,189,103	-
- impairment of identifiable intangible assets		734,524	-
- unrealised (gain)/loss on financial assets		(2,633,897)	8,381
- realised gains/(loss) on financial assets		(436,989)	-
- dereognition of non-cash assets on loss of control of subsidiary		197,813	-
Changes in assets and liabilities			
(Increase)/decrease in receivables		57,828	(18,665)
(Increase)/decrease in other assets		(11,032)	-
Increase/(decrease) in provisions		28,117	5,636
Increase/(decrease) in payables		131,676	(345,903)
Increase/(decrease) in deferred tax liabilities		554,869	-
Cash flow from operations		(535,854)	(1,144,872)

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)

23. Post Reporting Date Events

Since 30 June 2015 there has been increased volatility in equity markets. This has seen the value of the Group's investments decrease by approximately \$376,000 as of the date of this report.

24. Related Party Transactions

	2015	2014
	\$	\$
(i) Occupancy Costs		
AG Financial Ltd paid Occupancy costs to Avestra Corporation Pty Ltd, a company of which Mr Clay Dempsey is a director and shareholder, during the year including rent, electricity and outgoings.	88,028	30,547
(ii) Interest		
Interest charges were paid to Avestra Asset Management Ltd as Responsible Entity for the Avestra Credit Fund, a company of which Mr Clay Dempsey is a director and shareholder.	42,487	7,698
(iii) Consultants Fees		
Consulting fees were paid to Sarmat Consulting Pty Ltd, a company of which Mr Clay Dempsey is a director and shareholder.	146,689	27,960
(iv) Short-term Borrowings		
AG Financial Ltd entered into several short-term financing arrangements with Avestra Asset Management Ltd as Responsible Entity for the Avestra Credit Fund, an entity of which Mr Clay Dempsey is a director and shareholder. Interest is charged at the rate of 10% on the facilities, a rate as seen as commercial given the short-term and flexible nature of these borrowings.	485,000	545,000

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)

25. Financial Risk Management

The Group is exposed to a variety of financial risks including market risk (price risk and interest rate risk), credit risk and liquidity risk. The Board of the Group monitors these risk factors as part of regular reviews of financial performance.

Financial Risk Management Policies

The Audit and Risk Committee (ARC) has been delegated responsibility by the Board of Directors for, amongst other issues, monitoring and managing financial risk exposures of the Group. The ARC monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to market risk, credit risk, liquidity risk and interest rate risk. The ARC met twice during the year and minutes of the ARC are reviewed by the Board.

The ARC's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of credit risk policies, market risk including review of the investment manager and future cash flow requirements.

(a) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

	2015	2014
	\$	\$
Classes of financial assets - carrying amounts		
Cash and cash equivalents	212,632	800,218
Trade and other receivables	698,681	171,757
Financial assets	4,330,881	200,792
	5,242,194	1,172,767

The Group has no significant concentration of credit risk with any single counter party or group of counter parties. Credit risk related to balances with banks and other financial institutions is managed by the ARC in accordance with approved Board policy. Surplus funds are primarily invested with Australian major financial institutions or Australian listed equities.

(b) Market Risk

Market risk is the risk that the fair value of financial instruments will fluctuate because of changes in market prices. The Group is inherently exposed to market risk as it invests its capital in securities whose prices fluctuate, that is, are not risk free.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)

25. Financial Risk Management (cont)

(b) Market Risk (cont)

The key direct risks associated with the consolidated entity are those driven by investment and market volatility and the resulting impact on FUM, or a reduction in the growth of FUM. Reduced FUM will directly impact on commissions income and profit, because commissions income is calculated as a percentage of FUM. FUM can be directly impacted by a range of factors including: poor investment performance, market volatility, a reduction in the ability to retain and attract investors, a loss of key personnel, and investor allocation decisions.

Risk concentration is assessed on a counterparty basis with regards to contribution to total revenue. AG Capital Markets Pty Ltd (and previously AG Stockbroking Ltd) conducts the stockbroking function for the AG Financial Group's four managed funds. Following the acquisition of AG Capital Markets Pty Ltd the concentration risk from stockbroking revenue on fund trading has diminished such that it now constitutes less than 5% of total revenue.

(c) Interest Rate Risk

The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

30 June 2015

	Floating Interest Rate \$	Non Interest Bearing \$	Total \$
Financial assets	-	4,330,881	4,330,881
Trade and receivables	-	698,681	698,681
Cash assets	212,632	-	212,632
	<u>212,632</u>	<u>5,029,562</u>	<u>5,242,194</u>
Weighted average interest rate	1.40%		
Trade and other payables	-	1,068,988	1,068,988
Borrowings (See Note 15)	914,026	-	914,026
	<u>914,026</u>	<u>1,068,988</u>	<u>1,983,014</u>
Weighted average interest rate	10.77%		

30 June 2014

	Floating Interest Rate \$	Non Interest Bearing \$	Total \$
Financial assets	-	200,792	200,792
Trade and receivables	-	171,757	171,757
Cash assets	800,218	-	800,218
	<u>800,218</u>	<u>372,549</u>	<u>1,172,767</u>
Weighted average interest rate	2.38%		
Trade and other payables	-	410,807	410,807
Borrowings (See Note 15)	996,831	-	996,831
	<u>996,831</u>	<u>410,807</u>	<u>1,407,638</u>
Weighted average interest rate	12.00%		

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)

25. Financial Risk Management (cont)

(c) Interest Rate Risk (cont)

Interest rate sensitivity

All of the Group's borrowings are at fixed interest rates and are not subject to fluctuations in market interest rates.

(d) Liquidity Risk

Liquidity risk is the risk that there will be difficulties in meeting obligations associated with financial liabilities. Cash flow is monitored daily with a view to any up-coming commitments such as asset acquisitions, tax payments and forecast cash inflows and outflows due in day-to-day business. The Majority of the Group's available cash is invested in listed equities.

Liquidity needs are monitored in various time bands, on a week-to-week basis and month-to-month basis. Long-term liquidity needs for 180-day and a 360-day lookout period are identified and monitored monthly. Net cash requirements are factored into the Group's ability to convert financial assets to cash on a timely basis.

The Group considers expected cash flows from financial assets, principally trade receivables, in assessing and managing liquidity. The ability to convert investments to cash in a timely manner is dependent upon market conditions and liquidity of the market in which the investment is being liquidated. Given the level of liquidity of some of the Group's investments, individual investment liquidity is monitored on an on-going basis.

The maturity of the Group's financial liabilities are as follows:

	Current		Non-current	
	Within 6 months	6-12 months	1-5 years	5+ years
30 June 2015				
Non-bank borrowings	903,526	10,500	-	-
Trade and other payables	1,068,988	-	-	-
Total	1,972,514	10,500	-	-

This compares to the maturity of the Group's financial liabilities in the previous reporting period as follows:

	Current		Non-current	
	Within 6 months	6-12 months	1-5 years	5+ years
30 June 2014				
Non-bank borrowings	933,120	26,439	37,272	-
Trade and other payables	410,807	-	-	-
Total	1,343,927	26,439	37,272	-

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)

25. Financial Risk Management (cont)

(e) Capital Management Strategy

(i) Capital requirements

Management controls the capital of the Group in order to maintain adequate working capital, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's capital includes ordinary share capital, supported by financial assets. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. AG Financial Ltd has maintained in place the on-market share buy-back, but does not intend to exceed buying back above the 20% figure where shareholder approval is required. The Group's cash reserves are unlikely to be utilised in this area moving forward.

(ii) External requirements

The operation of the funds management and stockbroking businesses require the AG Financial Group to hold an Australian Financial Services Licence (AFSL). This licence requires the licence holder to:

- have Adjusted Surplus Liquid Funds (ASLF) of:
 - \$50,000; plus
 - 5% of adjusted liabilities between \$1 million and \$100 million: plus
 - 0.5% of adjusted liabilities for any amount of adjusted liabilities exceeding \$100 million, up to a maximum ASLF of \$100 million.

The licence holder has complied with the externally imposed requirements of the AFSL during the financial year.

The relinquishment of the ASX Participant membership by AG Stockbroking Ltd has removed the prior ASX Capital Liquidity requirement.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)

26. Controlled Entities

	Principal Activity	Country Of Incorporation	Percentage Owned (%)	
			2015	2014
Subsidiaries of AG Financial Ltd:				
AGF Funds Management Pty Ltd	Funds M'ment	Australia	100	100
AG Capital Markets Pty Ltd (formerly Avestra Capital Pty Ltd) ^(a)	Stockbroking	Australia	100	-
AG Stockbroking Ltd ^(b)	Stockbroking	Australia	100	100
AGF Management Pty Ltd	Stockbroking	Australia	100	100

(a) Acquisition of Controlled Entities

On 21st August 2014 the parent entity acquired 100% of the ordinary shares in AG Capital Markets Pty Ltd (formerly Avestra Capital Pty Ltd). The acquisition provides the Group with access to a greater diversity of products for clients and access to a far greater distribution network.

	Note	Acquiree's Carrying Amount	Fair Value ⁽ⁱⁱⁱ⁾
Purchase consideration:			
- ordinary shares ⁽ⁱ⁾	16		2,971,429
			<u>2,971,429</u>
Net Assets Acquired			
Fair values of assets and liabilities acquired at acquisition date			
- cash		148,876	148,876
- receivables		584,752	584,752
- office equipment		9,539	9,539
- Avestra Capital pre-existing client base ⁽ⁱⁱ⁾	12	-	567,495
- Australian Financial Services Licence	12	-	130,000
- payables		(575,676)	(575,676)
Identifiable assets acquired and liabilities assumed		<u>167,491</u>	<u>864,986</u>
Goodwill ⁽ⁱⁱⁱ⁾			<u><u>2,106,443</u></u>

(i) The consideration paid to acquire AG Capital Markets Pty Ltd consists of 57,142,857 ordinary shares at \$0.052 issued to the vendors of AG Capital Markets Pty Ltd.

(ii) The AG Capital Markets client base represents the right of AG Capital Markets Pty Ltd to undertake stockbroking activities on behalf of its pre-existing client base. This client base was the subject of a formal independent valuation.

(iii) The goodwill represents the residual cost of acquiring the business combination after recognising the acquiree's identifiable assets and liabilities.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Notes To The Financial Statements (cont)

26. Controlled Entities (cont)

(b) Losing control over a subsidiary during the reporting period

On 27th March 2015, AG Stockbroking Ltd was placed into Voluntary Administration, this removing the duplication of licences and overheads following the acquisition of AG Capital Markets Pty Ltd (formerly Avestra Capital Pty Ltd). This led to the derecognition of the net assets of AG Stockbroking Ltd and is included in the loss for the year in the Consolidated Statement Of Profit Or Loss & Other Comprehensive Income.

At the date of loss of control, the carrying amounts of AG Stockbroking Ltd's net assets were as follows:

- cash	117,418
- prepayments	118,165
- Australian Financial Services Licence	130,000
- payables	(50,352)
Net assets derecognised on loss of control of subsidiary	<u>315,231</u>

27. Parent Entity Information relating to AG Financial Ltd (the "Parent Entity")

	2015	2014
	\$	\$
Current assets	869,804	403,782
Non-current assets	5,464,171	3,359,062
Total assets	<u>6,333,975</u>	<u>3,762,844</u>
Current liabilities	2,004,835	1,363,021
Non-current liabilities	-	33,408
Total liabilities	<u>2,004,835</u>	<u>1,396,429</u>
Net Assets	<u>4,329,140</u>	<u>2,366,415</u>
Issued capital	32,431,144	28,518,315
(Loss) for the year	(1,950,104)	(1,273,182)
Dividends	-	-
Accumulated losses	(26,151,900)	(24,878,718)
Total Equity	<u>4,329,140</u>	<u>2,366,415</u>

See Note 20 for disclosure of contingent liabilities related to AG Financial Ltd; the Company has no guarantees. All commitment disclosures at Note 19 are in relation to AG Financial Ltd.

28. Company Details

The Group's registered office and principal place of business is:

Level 1, 2 Miami Key
 BROADBEACH WATERS QLD 4218

AG FINANCIAL LIMITED
ACN 108 069 003

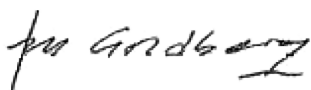
Directors' declaration

- 1 In the opinion of the directors of AG Financial Ltd:
 - a the consolidated financial statements and notes of AG Financial Ltd are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of its financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
 - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b there are reasonable grounds to believe that AG Financial Ltd will be able to pay its debts as and when they become due and payable.

- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2015.

- 3 Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards

Signed in accordance with a resolution of the directors:



Y Goldberg
Director

7th October 2015

Independent Auditor's Report To the Members of AG Financial Limited

Report on the financial report

We have audited the accompanying financial report of AG Financial Limited (the “Company”), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors’ declaration of the consolidated entity comprising the Company and the entities it controlled at the year’s end or from time to time during the financial year.

Directors’ responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors’ responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply 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. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

- a the financial report of AG Financial Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a loss before tax of \$1,096,715. As also detailed in Note 1, the company's expected cash position is underpinned by the value of its financial asset investments, and its ability to realise these investments at amounts that are sufficient to meet the Company's cash flow requirements. It is noted that the investments are in securities which are thinly traded, and in some cases subject to escrow meaning there are restrictions on the Company's ability to trade the shares. As a result, the Company may not be able to realise the investments at amounts or within time frames that are suited to the Company's cash flow requirements.

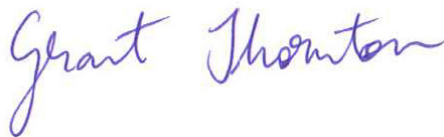
These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in pages 4 to 7 of 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.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of AG Financial Limited for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



CDJ Smith
Partner - Audit & Assurance

Brisbane, 7 October 2015

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Additional Information

Share Capital

AG Financial Ltd has on issue 293,487,017 fully paid shares held by 773 holders as at 12 October 2015. All ordinary shares of the Company carry one vote per share.

Twenty Largest Shareholders

Rank	Investor Name	Total Units	Issued Capital (%)
1	HSBC Custody Nominees (Australia) Limited	57,334,350	19.54
2	Eastern Empire Limited	38,280,000	13.04
3	Universal Global Investments Ltd	29,337,230	10.00
4	Infinito Capital Ltd	28,879,000	9.84
5	Citicorp Nominees Pty Limited	19,152,195	6.53
6	Merill Capital Limited	12,500,000	4.26
7	Mr Paul & Mrs Rachel Rowles <The Prowler Super Fund A/c>	11,367,924	3.87
8	CCSM Holdings Pty Ltd <Dempsey Family A/c>	9,052,334	3.08
9	Real Gold Pty Ltd	4,617,334	1.57
10	Linizio Pty Ltd	5,500,000	1.87
11	Mr Oliver Stewart Cran	4,300,000	1.47
12	ABN Amro Clearing Sydney Nominees Pty Ltd	4,246,632	1.45
13	UOB Kay Hian Private Limited	4,000,000	1.36
14	Margadh Stoc Pty Ltd	3,784,211	1.29
15	Prowler Holdings Pty Ltd	3,770,000	1.28
16	Kai Ventures Pty Ltd *	3,000,000	1.02
17	Miniata Technologies Pty Ltd	2,075,623	0.71
18	Mr Roger Bruce & Mrs Marilyn Joyce Tonks <Tonks Super Fund>	2,000,000	0.68
14	Mr Sean Clinton Beasley	2,000,000	0.68
17	Mr Clayton & Mrs Catherine Dempsey <C & C Dempsey Super Fund>	1,850,000	0.63
Total		247,046,833	84.18

* Kai Ventures Pty Ltd is a company controlled and ultimately owned by Mr Yosse Goldberg.

AG FINANCIAL LIMITED
ACN 108 069 003
For the year ended 30 June 2015

Additional Information

Distribution Of Equity Securities

Analysis of number of shareholders by size of holding

Rank	No. of Holders	Total Units	Issued Capital (%)
1 - 1,000	27	14,199	0.01
1,001 - 5,000	83	314,349	0.11
5,001 - 10,000	159	1,420,138	0.48
10,001 - 100,000	403	11,542,218	3.93
100,001 and over	101	280,196,113	95.47
Total	773	293,487,017	100.00

There were 698 shareholders holding less than a marketable parcel (\$500) based on a market price of \$0.003 at the close of trading on 12 October 2015.

AG FINANCIAL LIMITED
ACN 108 069 003

Corporate Directory

Directors	James Schwarz Yosse Goldberg Brett Crowley
Company Secretary	Craig Burbury
Principal Registered Office in Australia	Level 1 2 Miami Key Broadbeach Waters QLD 4218 1800 110 808
Share Registry	Boardroom Pty Limited Level 12 225 George Street Sydney NSW 2000
Auditor	Grant Thornton Level 18 King George Central 145 Ann Street Brisbane QLD 4000
Solicitors	Nick Stretch Legal Suite 802 530 Little Collins Street Melbourne VIC 3000
Bankers	National Australia Bank 27 Scarborough Street Southport QLD 4215
Website	www.agfltd.com



AG Financial

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