

**ANGAS SECURITIES LIMITED**

**ACN: 091 942 728**

**Annual report for the financial year ended 30 June 2010**

## Directors' report

The directors of Angas Securities Limited ("ASL") submit herewith the annual financial report of the company for the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Information about the directors and senior management

The names and particulars of the directors of the company during or since the end of the financial year are:

Name	Particulars
Andrew Luckhurst-Smith	Executive Chairman. Lawyer who has practiced principally in the area of banking and finance, member of the Banking and Financial Services Law Association of Australia Limited, joined the Board 29 March 2000.
Matthew John Hower	Managing Director. Finance industry experience in area of corporate structured finance, joined the Board 29 March 2000.
Kimley John Lyons	Retired Lawyer, who practiced principally in the area of banking and finance, former Managing Partner of a major Perth law firm, joined the board 10 May 2002.
Paul Stephen McCarthy	Past General Manager SA & NT ANZ Banking group. Associate of the Chartered Institute of Bankers (City of London), joined the board 6 August 2007.

### Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in the remuneration report of this directors' report, on pages 2 to 5.

### Company secretary

Patricia Harkins-Burr was appointed Company Secretary in July 2004. Patricia joined the company in September 2003, prior to which she held a position as Litigation Support Manager with a national law firm.

### Principal activities

The consolidated entity's activities during the course of the financial year were the raising of funds from the public through the issue of debenture securities principally for first mortgage lending (as well as for other approved purposes including real property investments) and the management of a retail lending portfolio which is funded externally.

### Review of operations

The profit attributed to members amounted to \$2,746,182 (2009: \$856,183). This was an increase over the previous year resulting from an increase in income mainly attributed to property and commercial investments.

### Changes in state of affairs

There was no significant change in the state of affairs of the consolidated entity during the financial year.

### Subsequent events

A dividend of \$1,000,000 fully franked (imputed credit of \$428,571) was declared and paid on 5 July 2010. This represents a fully franked dividend of 125.44 cents per share. Payment of this dividend will reduce franking credits available for subsequent reporting periods to equity holders by \$428,571.

### Future developments

The consolidated entity proposes to maintain its core operating functions whilst continuing to build its asset base and revenue. Growth of the asset base is expected to be derived from the issue of debentures together with a policy of continued retention of a portion of after tax profits. The consolidated entity plans to maintain the retail lending business which generates fee income from retail lending using third party funding sources.

### Dividends

In respect of the financial year ended 30 June 2009, the directors recommended the payment of a dividend of 75.59 cents per share franked to 100% at 30% corporate income tax rate to the holders of ordinary shares on 23 July 2009 and a further dividend of 50.18 cents per share franked to 100% of 30% corporate income tax rate to the holders of ordinary shares on 21 January 2010

In respect of the financial year ended 30 June 2010, the directors recommended the payment of a final dividend of 125.44 cents per share franked to 100% at 30% corporate income tax rate to the holders of ordinary shares on 5 July 2010.

### Indemnification of officers and auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named on page 1), the company secretary, Patricia Harkins-Burr, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

### Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 15 board meetings and 11 audit, risk management and compliance committee ("ARMCO") meetings were held.

Directors	Board Meetings		"ARMCO"	
	Held	Attended	Held	Attended
Mr A Luckhurst-Smith	15	15	11	9
Mr M J Hower	15	15	11	8
Mr K J Lyons	15	15	11	11
Mr P S McCarthy	15	13	N/A	N/A

### Auditor's independence declaration

The auditor's independence declaration is included on page 6 of the annual report.

### Remuneration report

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Angas Securities Limited directors and its senior management for the financial year ended 30 June 2010. The prescribed details for each person covered by this report are detailed below under the following headings:

- director and senior management details
- remuneration policy
- relationship between the remuneration policy and company performance
- remuneration of directors and senior management
- key terms of employment contracts.

#### Director and senior management details

The following persons acted as directors of the company during or since the end of the financial year:

- Matthew Hower
- Andrew Luckhurst-Smith
- Kimley Lyons
- Paul McCarthy

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

- Tricia Harkins-Burr

As the directors are also key management personnel and involved in the day to day activities of the consolidated group, for the purposes of s.300A the directors are also company executives.

### Remuneration policy

The Board has determined that Key Management Personnel ("KMP") are defined as the Executive Directors of Angas Securities Limited and the Company Secretary.

As at 30th June 2010 the KMP are:

Name	Position	Appointment Date
Matthew Hower	Managing Director	24 March 2000
Andrew Luckhurst-Smith	Executive Chairman	24 March 2000
Kimley Lyons	Director and ARMCO Chairman	10 May 2002
Paul McCarthy	Director and Credit Committee Chairman	6 August 2007
Tricia Harkins-Burr	Company Secretary	8 July 2004

As each KMP fulfils a different role in the consolidated entity, each KMP will be entitled to an annual review of remuneration. This review will require an independent assessment from an industry expert which will determine that the KMP's remuneration is at a market level for their particular role. The Board will then review the independent expert's assessment and confirm whether it accepts the recommended rate. This is solely at the Board's discretion and the relevant KMP must abstain from voting with regard to their particular recommendation.

In March 2008 an independent consultant advised that remuneration levels for all KMP's were below industry norms for similar roles. This was largely due to the fact that no remuneration increase had occurred in a number of years. The recommended levels were subject to Board approval which was duly provided at the Board meeting on 18 March 2008. No further increases in remuneration have occurred since then.

Annual Remuneration as at 30th June 2010:

Name	Annual Salary *	% Paid
Matthew Hower	\$275,000 + 9% Super	85%
Andrew Luckhurst-Smith	\$182,000 + 9% Super	100%
Kimley Lyons	\$172,500 + 9% Super	55%
Paul McCarthy	\$181,500 + 9% Super	100%
Tricia Harkins-Burr	\$12,000 + 9% Super	100%

\* The term Annual Salary refers to a nominal amount and each executive is only entitled to be paid a percentage of that nominal salary. The percentage paid is calculated based on hours worked as agreed on by the board.

KMP are not entitled to long service leave but will be entitled to annual leave in accordance with the agreed Annual Leave Policy for Executive Directors.

No KMP is employed under contract.

Remuneration increases have brought KMP back to the current market with respect to salaries.

Angas Securities has performed consistently well over the past 5 years. Remuneration for KMP has not been linked to that performance, with no automatic annual remuneration increases made. At the same time, the capital base has continued to grow in line with retained earnings, due to caps being put in place in relation to dividends paid.

The Angas Securities Board has determined that from company inception, the most appropriate way to protect its investors and to maximise shareholder wealth is to manage the company in a prudent and conservative manner. Given recent global financial conditions and dislocation in a number of financial markets, this approach has been certainly well justified.

Accordingly, no change to the dividend policy is envisaged and in any case, this can only be implemented by a Board resolution.

Whilst there has been a broad understanding to that effect, the Board has also formally adopted a Policy on Security Interest over Shareholdings on 22 May 2008. The policy reflects:-

1. Directors will not register charges over their shareholding in ASL without the consent of the Board;
2. In the absences of sound commercial reasons which are for the benefit of ASL such consent will not normally be forthcoming; and
3. In the event directors' ASL shareholding is changed, the National Stock Exchange ("NSX") will be immediately notified.

Given well-publicised issues arising from margin lending against company shares in previous years, the Board feels that this policy is both appropriate and prudent. Accordingly, there are no margin loans against any Angas Securities shares.

With respect to the company's capital base, it cannot be reduced without full consent of the Board, trustee and an independent auditor's sign off. The independent auditors' sign off is a requirement under the Trust Deed for First Ranking Debenture Stock ('agreed upon procedures') and of the Board.

#### Relationship between the remuneration policy and company performance

The Board has determined that as the majority of KMP are also owners of the business it is not appropriate to link remuneration to company performance. Accordingly, KMP are not entitled to instruments such as performance and equity options. Likewise, there will be no cash incentives or bonus payments available for KMP.

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2010:

	30 June 2006	30 June 2007	30 June 2008	30 June 2009	30 June 2010
	\$	\$	\$	\$	\$
Revenue	16,019,129	20,929,175	21,082,997	22,050,469	27,136,605
Net profit before tax	4,868,660	5,417,995	3,380,056	1,369,173	3,800,162
Net profit after tax	3,368,211	3,739,785	2,325,299	856,183	2,746,182

	30 June 2006	30 June 2007	30 June 2008	30 June 2009	30 June 2010
Share price at start of year <sup>2</sup>	-	-	-	-	-
Share price at end of year <sup>2</sup>	-	-	-	-	-
Interim dividend <sup>1</sup>	-	-	-	-	600,000
Final dividend <sup>1</sup>	1,000,000	1,000,000	1,000,000	1,000,000	400,000
Basic earnings per share (cents per share)	374.57	436.33	271.48	107.87	353.64
Diluted earnings per share (cents per share)	374.57	436.33	271.48	107.87	353.64

<sup>1</sup> Franked to 100% at 30% corporate income tax rate.

<sup>2</sup> Angas Securities Limited shares are not traded in an active market and therefore no price is disclosed.

Angas Securities Limited shares are not traded in an active market and hence there is no link between performance and the share price.

During 2009 Angas Securities Limited repurchased off-market 63,750 shares held by R B Morton for \$1,348,398 being the second tranche of a two tranche transaction.

#### Remuneration of directors and senior management

2010	Short-term employee benefits		Post-employment benefits	Total
	Salary	Fees	Superannuation	
	\$	\$	\$	\$
<b>Executive officers</b>				
M J Hower	233,745	36,000	21,037	290,782
A Luckhurst-Smith	181,997	36,000	16,380	234,376
P S McCarthy	181,497	36,000	16,335	233,831
K J Lyons	94,872	36,000	8,538	139,410
T Harkins-Burr	-	12,000	1,080	13,080
				<u>911,479</u>

2009	Short-term employee benefits		Post-employment benefits	Total
	Salary	Fees	Superannuation	
	\$	\$	\$	\$
<b>Executive officers</b>				
M J Hower	233,745	33,523	23,514	290,782
A Luckhurst-Smith	181,997	33,523	18,857	234,377
R B Morton	11,344	2,752	1,269	15,365
P S McCarthy	181,497	33,523	18,812	233,832
K J Lyons	94,872	33,523	11,015	139,410
T Harkins-Burr	-	12,000	1,080	13,080
				<u>926,846</u>

The company secretary fee pertains to remuneration for company secretary duties only.

No director or senior management person appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

**Bonuses and share-based payments granted as compensation for the current financial year**

Bonuses

There are no cash incentives or bonus payments available for KMP.

Employee share option plan

There are no share option plans.

Other share based compensation

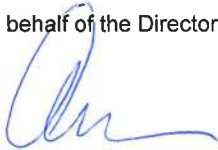
There are no other share based compensation.

**Key terms of employment contracts**

No KMP are employed under contract.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



A Luckhurst-Smith  
Director  
Adelaide, 16 September 2010

The Board of Directors  
Angas Securities Limited  
Level 14, 26 Flinders Street  
ADELAIDE SA 5000

16 September 2010

Dear Board Members

### Angas Securities Limited

In accordance with s307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Angas Securities Limited.

As lead audit partner for the audit of the financial statements of Angas Securities Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, the only contravention of:

- i) the auditor independence requirements of the Corporation Act 2001 ("the Act") in relation to the audit; and
- ii) any applicable code of professional conduct in relation to the audit;

is set out below.


During the current financial year, Deloitte Touche Tohmatsu's quality control system identified that due to the auditor rotation requirements of the Act, the engagement quality assurance review partner in relation to the review of Angas Securities Limited for the half year ended 31 December 2009 was not eligible to undertake that role.

All reasonable steps have now been undertaken to ensure compliance with the auditor rotation requirements and the individual has played no further role in relation to the audit of Angas Securities Limited.

Accordingly I consider that the independence of Deloitte Touche Tohmatsu in respect to the audit of the financial statement of Angas Securities Limited for the year ended 30 June 2010 has not been impaired.

Yours sincerely,

  
DELOITTE TOUCHE TOHMATSU



J M Burton  
Partner  
Chartered Accountants

## Independent Auditor's Report to the members of Angas Securities Limited

### Report on the Financial Report

We have audited the accompanying financial report of Angas Securities Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 as set out on pages 9 to 49.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we 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.

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 entity's preparation and fair presentation of the financial report 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 entity'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.

#### *Auditor's Independence Declaration*

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 Angas Securities Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 3.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 2 to 5 of the directors' report for the year ended 30 June 2010. 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*

In our opinion the Remuneration Report of Angas Securities Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

*Deloitte Touche Tohmatsu*  
DELOITTE TOUCHE TOHMATSU



J M Burton  
Partner  
Chartered Accountants  
Adelaide, 16 September 2010

## Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 of the financial statements;
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity; and
- (d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the Directors



A Luckhurst-Smith  
Director  
Adelaide, 16 September 2010

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**Statement of comprehensive income  
for the financial year ended 30 June 2010**

	Note	Consolidated		Company	
		2010 \$	2009 \$	2010 \$	2009 \$
Interest revenue	6	16,527,544	16,119,145	16,525,166	16,116,602
Interest expense	7	(13,263,482)	(11,696,623)	(12,278,042)	(10,904,437)
<b>Net interest revenue</b>		<b>3,264,062</b>	<b>4,422,522</b>	<b>4,247,124</b>	<b>5,212,165</b>
Non interest revenue	6	10,609,061	5,931,324	8,793,107	4,823,438
Marketing expenses		(343,757)	(598,145)	(343,757)	(598,145)
Occupancy expenses		(392,431)	(386,377)	(392,431)	(386,377)
Administration expenses		(7,699,219)	(6,483,540)	(7,664,538)	(6,448,856)
Lending waivers		(1,175,213)	(570,436)	(1,175,213)	(570,436)
Other expenses		(462,341)	(946,175)	(12,336)	(8,473)
Profit before tax	8	3,800,162	1,369,173	3,451,956	2,023,316
Income tax expense	9	(1,053,980)	(512,990)	(1,053,980)	(512,990)
<b>Profit for the year</b>		<b>2,746,182</b>	<b>856,183</b>	<b>2,397,976</b>	<b>1,510,326</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>2,746,182</b>	<b>856,183</b>	<b>2,397,976</b>	<b>1,510,326</b>
Attributable to:					
Equity holders of the parent		2,739,773	868,222	2,397,976	1,510,326
Non-controlling interests		6,409	(12,039)	-	-
		<b>2,746,182</b>	<b>856,183</b>	<b>2,397,976</b>	<b>1,510,326</b>

Notes to the financial statements are included on pages 15 to 49.

**Statement of financial position  
as at 30 June 2010**

	Note	Consolidated		Company	
		2010 \$	2009 \$	2010 \$	2009 \$
<b>Assets</b>					
Cash and cash equivalents	30(a)	15,681,999	16,920,672	15,642,435	16,675,662
Trade and other receivables	10	18,607,225	5,579,673	14,896,070	5,540,057
Other assets	18	55,687	48,460	17,796	11,756
Loans receivable	12	128,204,379	103,767,581	128,204,379	103,767,581
Current tax asset	9	-	148,825	-	148,825
Deferred tax assets	9	1,041,168	689,701	1,041,168	689,701
Other financial assets	11	5,470,386	-	13,470,386	8,000,000
Property, plant and equipment	14	521,246	566,706	521,246	566,706
Investment property	15	21,839,074	21,336,072	3,037,686	2,500,000
Other intangible assets	17	73,505	108,039	73,505	108,039
Goodwill	16	592,184	645,484	592,184	645,484
<b>Total assets</b>		<b>192,086,853</b>	<b>149,811,213</b>	<b>177,496,855</b>	<b>138,653,811</b>
<b>Liabilities</b>					
Trade and other payables	20	2,750,498	2,176,402	2,682,004	2,012,298
Interest bearing liabilities	21	179,984,505	140,843,757	164,916,738	128,955,990
Current tax liabilities	9	770,930	-	770,930	-
Provisions	22	185,091	188,367	185,091	188,367
Other liabilities	23	231,582	287,169	231,582	287,169
<b>Total liabilities</b>		<b>183,922,606</b>	<b>143,495,695</b>	<b>168,786,345</b>	<b>131,443,824</b>
<b>Net assets</b>		<b>8,164,247</b>	<b>6,315,518</b>	<b>8,710,510</b>	<b>7,209,987</b>
<b>Equity</b>					
Issued capital	24	799,898	697,351	799,898	697,351
Retained earnings	25	7,227,163	5,487,390	7,910,612	6,512,636
Equity attributable to equity holders of the parent		8,027,061	6,184,741	8,710,510	7,209,987
Minority interest		137,186	130,777	-	-
<b>Total equity</b>		<b>8,164,247</b>	<b>6,315,518</b>	<b>8,710,510</b>	<b>7,209,987</b>

Notes to the financial statements are included on pages 15 to 49.

**Statement of change in equity  
for the financial year ended 30 June 2010**

**Consolidated**

	Issued Capital \$	Retained earnings \$	Non- controlling interest \$	Total \$
<b>Balance at 1 July 2008</b>	684,807	6,952,231	142,816	7,779,854
Profit/(loss) for the period	-	868,222	(12,039)	856,183
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	868,222	(12,039)	856,183
Payment of dividends	-	(1,000,000)	-	(1,000,000)
Issue of capital	-	-	-	-
Installment partly paid shares	27,879	-	-	27,879
Buy-back of capital	(15,335)	(1,333,063)	-	(1,348,398)
<b>Balance at 30 June 2009</b>	697,351	5,487,390	130,777	6,315,518
Profit/(loss) for the period	-	2,739,773	6,409	2,746,182
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	2,739,773	6,409	2,746,182
Payment of dividends	-	(1,000,000)	-	(1,000,000)
Issue of capital	72,481	-	-	72,481
Installment partly paid shares	30,066	-	-	30,066
Buy-back of capital	-	-	-	-
<b>Balance at 30 June 2010</b>	799,898	7,227,163	137,186	8,164,247

**Company**

	Issued Capital \$	Retained earnings \$	Non- controlling interest \$	Total \$
<b>Balance at 1 July 2008</b>	684,807	7,335,373	-	8,020,180
Profit/(loss) for the period	-	1,510,326	-	1,510,326
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	1,510,326	-	1,510,326
Payment of dividends	-	(1,000,000)	-	(1,000,000)
Issue of capital	-	-	-	-
Installment partly paid shares	27,879	-	-	27,879
Buy-back of capital	(15,335)	(1,333,063)	-	(1,348,398)
<b>Balance at 30 June 2009</b>	697,351	6,512,636	-	7,209,987
Profit/(loss) for the period	-	2,397,976	-	2,397,976
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	2,397,976	-	2,397,976
Payment of dividends	-	(1,000,000)	-	(1,000,000)
Issue of capital	72,481	-	-	72,481
Installment partly paid shares	30,066	-	-	30,066
Buy-back of capital	-	-	-	-
<b>Balance at 30 June 2010</b>	799,898	7,910,612	-	8,710,510

Notes to the condensed consolidated financial statements are included on pages 15 to 49.

**Statement of cash flows  
for the financial year ended 30 June 2010**

	Note	Consolidated		Company	
		2010 \$	2009 \$	2010 \$	2009 \$
<b>Cash flows from operating activities</b>					
Receipts from customers		5,965,986	4,988,687	4,580,804	3,583,824
Payments to suppliers and employees		(8,933,439)	(7,493,631)	(8,469,606)	(7,252,481)
Receipts of distributions from Angas Commerical Property Trust		-	-	71,211	269,054
Payment of property investment distribution		(1,335)	(5,045)	-	-
Interest received		18,314,383	13,481,725	18,312,004	13,479,182
Interest paid		(12,948,732)	(11,419,723)	(11,962,104)	(10,628,976)
Income tax received		148,825	-	148,825	-
Income taxes paid		(634,516)	(1,257,837)	(634,516)	(1,257,837)
Net cash (used in)/provided by operating activities	30(d)	1,911,172	(1,705,824)	2,046,618	(1,807,234)
<b>Cash flows from investing activities</b>					
Proceeds from repayment of mortgage loans		71,732,937	50,921,521	71,732,937	50,921,521
Payments for mortgage loans		(102,129,383)	(61,969,358)	(102,129,383)	(61,969,358)
Proceeds on sale of assets held for sale		-	50,000	-	-
Payment of refund of deposit on assets held for sale		(50,000)	-	-	-
Proceeds from investments		-	-	3,200,000	-
Payments for investments		(3,270,305)	-	(3,270,305)	-
Proceeds from sale of property, plant and equipment		1,029	-	1,029	-
Payments for property, plant and equipment		(84,064)	(286,845)	(84,064)	(286,845)
Payments for investment properties		(7,537,767)	-	(7,537,767)	-
Net cash used in investing activities		(41,337,553)	(11,284,682)	(38,087,553)	(11,334,682)
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		3,700,000	1,262,810	-	1,262,810
Repayment of borrowings		(189,234)	(148,582)	(189,234)	(148,582)
Proceeds from issue of equity securities		102,547	27,879	102,547	27,879
Proceeds from issue of debt securities		50,912,314	37,595,292	51,432,314	37,705,291
Repayment of debt securities		(15,337,919)	(29,257,000)	(15,337,919)	(29,257,000)
Payment for share buy-back: - members of parent entity		-	(1,348,398)	-	(1,348,398)
Dividends paid: - members of parent entity		(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Net cash (used in)/provided by financing activities		38,187,708	7,132,001	35,007,708	7,242,000
<b>Net decrease in cash and cash equivalents</b>		(1,238,673)	(5,858,505)	(1,033,227)	(5,899,916)
<b>Cash and cash equivalents at the beginning of the financial year</b>		16,920,672	22,779,177	16,675,662	22,575,578
<b>Cash and cash equivalents at the end of the financial year</b>	30(a)	15,681,999	16,920,672	15,642,435	16,675,662

Notes to the financial statements are included on pages 15 to 49.

**1. General information**

Angas Securities Limited (the company) is a public company incorporated in Australia and operating in Adelaide. Debentures issued by Angas Securities Limited are listed on the National Stock Exchange (NSX).

Angas Securities Limited registered office and its principal place of business is as follows:

<b>Registered office</b> Level 14, 26 Flinders Street Adelaide SA 5000 TEL: (08) 8410 4343	<b>Principal place of business</b> Level 14, 26 Flinders Street Adelaide SA 5000 TEL: (08) 8410 4343
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The entity's principal activity is financial services.

**2. Adoption of new and revised Accounting Standards**

**2.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)**

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2.2.

**Standards affecting presentation and disclosure**

AASB 101 <i>Presentation of Financial Statements</i> (as revised in September 2007), AASB 2007-8 <i>Amendments to Australian Accounting Standards arising from AASB 101</i> and AASB 2007-10 <i>Further Amendments to Australian Accounting Standards arising from AASB 101</i>	AASB 101 (September 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
AASB 8 <i>Operating Segments</i>	AASB 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see note 5).
Amendments to AASB 5 <i>Noncurrent Assets Held for Sale and Discontinued Operations</i> (adopted in advance of effective date of 1 January 2010)	Disclosures in these financial statements have been modified to reflect the clarification in AASB 2009-5 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i> that the disclosure requirements in Standards other than AASB 5 do not generally apply to noncurrent assets classified as held for sale and discontinued operations.
Amendments to AASB 107 <i>Statement of Cash Flows</i> (adopted in advance of effective date of 1 January 2010)	The amendments (part of AASB 2009-5 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i> ) specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Consequently, cash flows in respect of development costs that do not meet the criteria in AASB 138 <i>Intangible Assets</i> for capitalisation as part of an internally generated intangible asset (and, therefore, are recognised in profit or loss as incurred) have been reclassified from investing to operating activities in the statement of cash flows. Prior year amounts have been restated for consistent presentation.



## 2. Adoption of new and revised Accounting Standards (cont'd)

### 2.2 Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2009-2 <i>Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments</i>	The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk.
AASB 2008-7 <i>Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting A-IFRS for the first time and with the recognition of dividend income from subsidiaries in a parent's separate financial statements.
AASB 123 <i>Borrowing Costs</i> (as revised in 2007) and AASB 2007- 6 <i>Amendments to Australian Accounting Standards arising from AASB 123</i>	The principal change to AASB 123 was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.

### 2.3 Standards and Interpretations in issue not yet adopted

At the date of authorization of financial statements. The Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2009-5 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*</i>	1 January 2010	30 June 2011
AASB 2009-8 <i>Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions</i>	1 January 2010	30 June 2011
AASB 2009-10 <i>Amendments to Australian Accounting Standards – Classification of Rights Issues</i>	1 February 2010	30 June 2011
AASB 124 <i>Related Party Disclosures</i> (revised December 2009), AASB 2009-12 <i>Amendments to Australian Accounting Standards</i>	1 January 2011	30 June 2012
AASB 9 <i>Financial Instruments</i> , AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	1 January 2013	30 June 2014
AASB 2009-14 <i>Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement</i>	1 January 2011	30 June 2012
Interpretation 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010	30 June 2011

### 3. Significant accounting policies

#### Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the separate financial statements of the company and the consolidated financial statements of the consolidated entity.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the consolidated entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 16 September 2010.

#### Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

#### Critical accounting judgments and key sources of estimation uncertainty

In the application of the consolidated entity's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to note 4 for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

#### (a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'the consolidated entity' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the consolidated entity.

All intra-consolidated entity transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-consolidated entity transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the consolidated entity's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the consolidated entity except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

### 3. Significant accounting policies (cont'd)

#### (b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the consolidated entity in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the consolidated entity's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the consolidated entity attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the consolidated entity of an acquiree's sharebased payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal consolidated entity's) that are classified as held for sale in accordance with AASB 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the consolidated entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the consolidated entity obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

#### (c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

#### (d) Revenue

##### Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

##### Trust distribution

Trust distribution revenue is recognised when receivable.

##### Loan fee income

Loan fee income is recognised over the loan period. However, loan fee income which is earned as a result of maintaining the loan will be recognised as revenue as the service is provided.

##### Trailing commission

Trailing commission is recognised as revenue as the service is provided. Interest revenue on trailing commission is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

##### Upfront commission

Upfront commission is recognised as revenue when receivable.

### 3. Significant accounting policies (cont'd)

#### (d) Revenue (cont'd)

##### Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

##### Profit on sale of property

Revenue from the sale of property is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the property sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In addition where the company enters an agreement which locks in the sales price to be settled at a future date and the above conditions are met this is treated as a sale of the property and the corresponding profit is recognised.

#### (e) Income tax

##### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The consolidated entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the consolidated entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the consolidated entity intends to settle its current tax assets and liabilities on a net basis.

##### Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

#### (f) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, cash in banks and investments in money market instruments.

### 3. Significant accounting policies (cont'd)

#### (g) Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

##### Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

### 3. Significant accounting policies (cont'd)

#### (h) Property, plant and equipment

Plant and equipment, leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition or construction of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land.

Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

Leasehold improvements	3 years
Plant and equipment	2.5 – 10 years

#### (i) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured at cost, including transaction costs, less accumulated depreciation and impairment. Buildings are depreciated on a straight line basis over a period of 50 years.

#### (j) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

##### Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### (k) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the consolidated entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition.

Goodwill is subsequently measured at its cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the consolidated entity's cash-generating units, or consolidated entity's of cash-generating units, expected to benefit from the synergies of the business combination.

Cash-generating units or consolidated entities of cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the cash-generating unit (or consolidated entity of cash-generating units) is less than the carrying amount of the cash-generating unit (or consolidated entity's of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or consolidated entities of cash-generating units) and then to the other assets of the cash generating units pro-rata on the basis of the carrying amount of each asset in the cash-generating unit (or consolidated entities of cash-generating units). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

#### (l) Intangible assets

##### Software

Software is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the estimated useful life. The estimated useful life and amortisation method is reviewed at the end of each reporting period, with any changes being recognised as a change in accounting estimate.

The following useful lives are used in the calculation of depreciation:

Software (including under lease)	2.5 - 4 years
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### 3. Significant accounting policies (cont'd)

#### (m) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

##### Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

#### (n) Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### (o) Financial instruments issued by the company

##### Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

##### Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instrument to which the cost relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

##### Financial liabilities

When a financial liability is recognised initially, the consolidated entity measures it at its fair value plus transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the consolidated entity measures all financial liabilities at amortised costs using effective interest rate method.

##### Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component part of compound instruments.

#### (p) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

#### (q) Impairment of long-lived assets excluding goodwill

At each reporting date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value.

#### 4. Critical accounting judgements and key sources of estimation uncertainty

##### Critical judgements in applying the entity's accounting policies

The following are the critical judgements that management has made in the process of applying the consolidated entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Trailing commission receivable is calculated at a discounted rate of 20.30% (pre-tax) on total retail loans. Management estimates that the average life of a loan is 8 years.

Management uses Independent Valuation in conjunction with other credit assessment material in determining whether a potential borrower has adequate security and in turn determining the likelihood of recovering the loan advance that is to be made. All real property must be valued by an independent licensed valuer appointed by the company before a loan is made. The valuation is used to determine the maximum loan amount to be advanced taking into account the following Loan to Valuation Ratios ("LVR"):

- Residential Land 70%
- Industrial Land 70%
- Commercial Land 70%
- Rural Land 50%
- Construction or Development up to 70% of the value of the development.

The outcome of the analysis will determine whether or not the Company will make a loan, the amount of any such loan in terms of the maximum LVR and the length of the loan term.

In terms of provisioning against loans the credit committee meets on a monthly basis and reviews all loans which have an arrears balance. Once these loans are identified the principal outstanding on the loan is measured against an existing valuation (if a current valuation is not available – ie 12 months old - then a new valuation is requested) to determine whether there is adequate security against the outstanding amount. If the valuation along with any other security held, is deemed adequate to cover the principal no provision is made, however if the principal fall short of the valuation along with any other security held then a provision equal to the shortfall is made against the loan.



## 5. Segment information

The consolidated entity has adopted AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports and components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess its performance. In contrast, the predecessor Standard (AASB 114 Segments Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Group's reportable segments has changed.

In prior years, segment information reported externally by the Group disclosed the Group's core operations as being the provision of loan funding in Australia. However, information reported to the Group's Board of Directors for the purposes of assessing the performance of the Group specifically focuses on the Groups' core financial products. The Group's reportable segments under AASB 8 are therefore as follows:

- Commercial Investments
- Retail Lending
- Property Investments

The Commercial Investments reportable segment involves the supply of commercial mortgages and the investment in properties held for resale funded by Debentures issued to the public. The Retail Lending reportable segment includes the supply of retail mortgages funded by third parties (either by Finance & Systems Technology Pty Ltd or GE Money), while the third reportable segment is Property Investments which includes all activities relating to investments made in properties solely for investment purposes (all properties are commercial tenanted and receive monthly rental income).

Information regarding these segments is presented below. Amounts reported for the prior period have been restated to conform to the requirements of AASB 8. The accounting policies of the new reportable segments are the same as the Group's accounting policies.

	Revenue		Segment Profit/(Loss)	
	Consolidated		Consolidated	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	\$	\$	\$	\$
Commercial Investments	24,998,136	20,206,079	3,734,380	1,871,840
Retail Lending	320,137	733,961	(282,421)	151,476
Property Investments	1,888,322	1,421,852	348,203	(654,143)
	27,206,595	22,361,892	3,800,162	1,369,173
Profit before tax			3,800,162	1,369,173
Income tax expense			1,053,980	512,990
Consolidated segment revenue and profit for the period	27,206,595	22,361,892	2,746,182	856,183

Segment profit represents the profit earned by each segment with allocation of central administration costs, director's salaries, and income tax expenses to the Commercial Investments segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Intersegment revenues has not been eliminated in the above table, revenue and profit has been disclosed in the same manner the chief operating decision maker would receive it. Intersegment revenues include \$29,223 interest paid by Commercial Investments to Property Investments on Debentures issued by Commercial Investments; and, \$40,767 profit distribution revenue received by Commercial Investments from Property Investments.

The following is an analysis of the Group's assets by reportable operating segment:

	30 June 2010	30 Jun 2009
	\$	\$
Commercial Investments	168,269,233	128,971,919
Retail Lending	1,227,622	1,681,892
Property Investments	22,589,998	19,157,402
Total segment assets	192,086,853	149,811,213
Unallocated assets	-	-
Total assets	192,086,853	149,811,213

**6. Revenue**

An analysis of the consolidated entity's revenue for the year, from continuing operations, is as follows:

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Interest revenue:</b>				
Bank deposits	1,122,198	1,203,287	1,119,820	1,200,744
Other loans and receivables	15,405,346	14,915,858	15,405,346	14,915,858
	<u>16,527,544</u>	<u>16,119,145</u>	<u>16,525,166</u>	<u>16,116,602</u>
<b>Non interest revenue:</b>				
Loan fee income	4,108,739	3,594,492	4,108,739	3,594,492
Profit on sale of properties	4,352,510	-	3,952,870	-
Trailing commission & retail lending income	75,064	331,646	75,064	331,646
Upfront commission – retail lending	245,062	402,298	245,062	402,298
Distribution received:				
Subsidiaries (Angas Commercial Property Trust)	-	-	40,767	299,499
Rental revenue:				
Operating lease rental revenue:				
Investment properties	1,490,320	1,418,985	33,239	11,600
Other – serviced office	337,366	183,903	337,366	183,903
	<u>10,609,061</u>	<u>5,931,324</u>	<u>8,793,107</u>	<u>4,823,438</u>

**7. Interest expense**

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Interest on debentures	12,167,163	10,867,856	12,196,387	10,879,781
Interest on hire purchase	19,361	23,803	19,361	23,803
Interest on portfolio loan	62,294	853	62,294	853
Interest on commercial bills	1,014,664	804,111	-	-
Total interest expense	<u>13,263,482</u>	<u>11,696,623</u>	<u>12,278,042</u>	<u>10,904,437</u>

**8. Profit for the year before tax**

**(a) Other expenses**

Profit for the year includes the following expenses:

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Impairment of investment property	-	(650,000)	-	-
	-	(650,000)	-	-
Movement in provision for doubtful debts	(1,109,097)	(785,713)	(1,109,097)	(785,713)
	<u>(1,109,097)</u>	<u>(785,713)</u>	<u>(1,109,097)</u>	<u>(785,713)</u>
Direct operating expenses of investment properties:				
Properties generating rental income	(203,299)	(117,049)	(9,031)	-
	<u>(203,299)</u>	<u>(117,049)</u>	<u>(9,031)</u>	<u>-</u>
Depreciation & amortisation of non-current assets	(198,742)	(211,520)	(164,058)	(176,836)
	<u>(198,742)</u>	<u>(211,520)</u>	<u>(164,058)</u>	<u>(176,836)</u>
Operating lease rental expenses	(349,673)	(344,783)	(349,673)	(344,783)
	<u>(349,673)</u>	<u>(344,783)</u>	<u>(349,673)</u>	<u>(344,783)</u>
Employee benefit expense:				
Post employment benefits:				
Defined contribution plans	(197,562)	(204,076)	(197,562)	(204,076)
Other employee benefits	(2,388,548)	(2,362,305)	(2,388,548)	(2,362,305)
	<u>(2,586,110)</u>	<u>(2,566,381)</u>	<u>(2,586,110)</u>	<u>(2,566,381)</u>

9. Income taxes

Income tax recognised in profit or loss

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Tax expense/(income) comprises:</b>				
Current tax expense in respect of the current year	1,405,446	528,572	1,405,446	528,572
Adjustments recognised in the current year in relation to current tax of prior years	-	15,887	-	15,887
	1,405,446	544,459	1,405,446	544,459
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(351,466)	(31,469)	(351,466)	(31,469)
<b>Total tax expense</b>	<b>1,053,980</b>	<b>512,990</b>	<b>1,053,980</b>	<b>512,990</b>

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Profit for the year	3,800,162	1,369,173	3,451,956	2,023,316
Income tax expense calculated at 30%	1,140,049	410,752	1,035,587	606,995
Effect of expenses that are not deductible in determining taxable profit	(86,069)	86,351	18,393	(109,892)
	1,053,980	497,103	1,053,980	497,103
Adjustments recognised in the current year in relation to the current tax of prior years	-	15,887	-	15,887
	1,053,980	512,990	1,053,980	512,990

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Current tax assets and liabilities

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
<u>Current tax assets</u>				
Income tax receivable attributable to:				
Parent entity	-	148,825	-	148,825
	-	148,825	-	148,825
<u>Current tax liabilities</u>				
Income tax payable attributable to:				
Parent entity	770,930	-	770,930	-
	770,930	-	770,930	-

**9. Income taxes (cont'd)**

**Deferred tax balances**

Deferred tax assets/(liabilities) arise from the following:

2010	Consolidated		
	Opening balance \$	Charged to income \$	Closing balance \$
<b>Temporary differences</b>			
Investment property	(144,212)	(12,230)	(156,442)
Trade and other receivables	135,000	(900,861)	(765,861)
Trade and other payables	22,063	(1,315)	20,748
Goodwill	-	15,990	15,990
Provisions	56,510	(983)	55,527
Loans	620,340	1,250,866	1,871,206
	<u>689,701</u>	<u>351,467</u>	<u>1,041,168</u>

Presented in the statement of financial position as follows:

Deferred tax (liability) attributable to:

Continuing operations

-  
-

Deferred tax asset attributable to:

Continuing operations

1,041,168  
1,041,168  
1,041,168

2009	Consolidated		
	Opening balance \$	Charged to income \$	Closing balance \$
<b>Temporary differences</b>			
Investment property	(144,212)	-	(144,212)
Trade and other receivables	-	135,000	135,000
Trade and other payables	43,834	(21,771)	22,063
Provisions	43,898	12,612	56,510
Loans	714,712	(94,372)	620,340
	<u>658,232</u>	<u>31,469</u>	<u>689,701</u>

Presented in the statement of financial position as follows:

Deferred tax (liability) attributable to:

Continuing operations

-  
-

Deferred tax asset attributable to:

Continuing operations

689,701  
689,701  
689,701

**9. Income taxes (cont'd)**

2010	Company		
	Opening balance \$	Charged to income \$	Closing balance \$
<b>Temporary differences</b>			
Investment in property	(144,212)	(12,230)	(156,442)
Trade and other receivables	135,000	(900,861)	(765,861)
Trade and other payables	22,063	(1,315)	20,748
Goodwill	-	15,990	15,990
Provisions	56,510	(983)	55,527
Loans	620,340	1,250,866	1,871,206
	<u>689,701</u>	<u>351,467</u>	<u>1,041,168</u>

Presented in the statement of financial position as follows:

Deferred tax (liability) attributable to:

Continuing operations

-
<u>-</u>

Deferred tax asset attributable to:

Continuing operations

1,041,168
<u>1,041,168</u>
<u>1,041,168</u>

2009	Company		
	Opening balance \$	Charged to income \$	Closing balance \$
<b>Temporary differences</b>			
Investment property	(144,212)	-	(144,212)
Trade and other receivables	-	135,000	135,000
Trade and other payables	43,834	(21,771)	22,063
Provisions	43,898	12,612	56,510
Loans	714,712	(94,372)	630,340
	<u>658,232</u>	<u>31,469</u>	<u>689,701</u>

Presented in the statement of financial position as follows:

Deferred tax (liability) attributable to:

Continuing operations

-
<u>-</u>

Deferred tax asset attributable to:

Continuing operations

689,701
<u>689,701</u>
<u>689,701</u>

**10. Trade and other receivables**

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Trade receivables (i)	4,348,260	5,231,313	4,236,745	5,191,697
Allowance for doubtful debts	-	(450,000)	-	(450,000)
Security held – VIC & QLD lease	9,253	3,606	9,253	3,606
Trailing commission receivable	577,125	794,754	577,125	794,754
Property sale receivables	9,752,510	-	6,152,870	-
Loan receivables	3,920,077	-	3,920,077	-
	<b>18,607,225</b>	<b>5,579,673</b>	<b>14,896,070</b>	<b>5,540,057</b>

(i) The average credit period on trade receivables is 7 days. No interest is charged on the trade receivables for the first 7 days. Interest is charged on the 8<sup>th</sup> day of the month on trade receivables at a rate outlined in the individual loan agreement.

Ageing of past due but not impaired

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
30 – 60 days	-	8,150	-	8,150
60 – 90 days	-	-	-	-
90 – 120 days	99,652	1,480,323	99,652	1,480,323
120+ days	3,068,761	1,102,059	3,068,761	1,102,059
	<b>3,168,413</b>	<b>2,590,532</b>	<b>3,168,413</b>	<b>2,590,532</b>

Movement in the allowance for doubtful debts

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Balance at the beginning of the year	450,000	-	450,000	-
Impairment losses recognised on receivables	-	450,000	-	450,000
Impairment transferred to loan receivables	(450,000)	-	(450,000)	-
Balance at the end of the year	-	450,000	-	450,000

In determining the recoverability of a trade receivable, the consolidated entity reviews the current security held on the loan against the loans combines principal and arrears, any shortfall is provided for 100%.

Ageing of impaired trade receivables

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
30 – 60 days	-	443,755	-	443,755
	-	443,755	-	443,755

**11. Other financial assets**

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Investments carried at cost:				
Loan receivables (non-debenture funded)	5,470,305	-	5,470,305	-
Investment in New Zealand	81	-	81	-
Investments in subsidiaries (note 29)	-	-	8,000,000	8,000,000
	<b>5,470,386</b>	<b>-</b>	<b>13,470,386</b>	<b>8,000,000</b>

**12. Loans receivable**

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Mortgage Loans	134,481,919	105,859,797	134,481,919	105,859,797
Interest received in advance	(3,914,348)	(1,453,488)	(3,914,348)	(1,453,488)
Fees received in advance	(600,095)	(434,728)	(600,095)	(434,728)
Allowances for doubtful debts	(1,763,097)	(204,000)	(1,763,097)	(204,000)
	128,204,379	103,767,581	128,204,379	103,767,581
<u>Maturity analysis</u>				
Not longer than 3 months	54,905,063	75,151,918	54,905,063	75,151,918
Longer than 3 months and not longer than 12 months	73,299,316	28,615,663	73,299,316	28,615,663
Longer than one year not longer than 5 years	-	-	-	-
	128,204,379	103,767,581	128,204,379	103,767,581
<u>Loan by security</u>				
Secured by chattel mortgage	1,000,000	935,212	1,000,000	935,212
Secured by first mortgage	123,912,924	102,832,369	123,912,924	102,832,369
Secured by collateral security	2,194,180	-	2,194,180	-
Secured by cash	1,097,275	-	1,097,275	-
	128,204,379	103,767,581	128,204,379	103,767,581
<u>Loan by security</u>				
Debenture	97,275	-	97,275	-
Chattel	1,000,000	935,212	1,000,000	935,212
Commercial loans	53,944,165	27,392,069	53,944,165	27,392,069
Rural loans	4,317,595	13,182,055	4,317,595	13,182,055
Residential loans	68,175,563	62,258,245	68,175,563	62,258,245
Industrial loans	669,781	-	669,781	-
	128,204,379	103,767,581	128,204,379	103,767,581

There is a concentration of two loans to common debtor with different loan securities. They represent total advances of \$16.6m. Each transaction has separate loan terms and separate first mortgage securities.

Movement in the allowance for doubtful debts

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Balance at the beginning of the year	204,000	260,000	204,000	260,000
Impairment losses recognised on loans	1,109,097	204,000	1,109,097	204,000
Transferred from trade and other receivables	450,000	-	450,000	-
Impairment losses reversed	-	(260,000)	-	(260,000)
Balance at the end of the year	1,763,097	204,000	1,763,097	204,000

**Loan recoverability**

The primary security for any real property loan provided by the consolidated entity must be a first registered mortgage over freehold and leasehold property. Additional security is often sought as collateral. The company will never accept a second or subsequent mortgage as its primary security. The consolidated entity's Loan to Valuation Ratio (LVR) is maintained at a maximum of 70%. If this ratio changes then the credit committee will instruct a new valuation and review the recoverability of the loan principal. If based on the valuation the credit committee finds that the loan may not be recovered in full then an appropriate provision based on the current valuation will be made at that time against the loan principal. Where applicable loans are not written off until the recovery process is complete.

**13. Expired loans**

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Expired loans	21,140,374	33,795,906	21,140,374	33,795,906

Expired loans refer to loans which are past the expiry date, included in Mortgage Loans in Note 12.

Ageing of expired loan but not impaired

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
30 - 60 days	-	7,400,947	-	7,400,947
60 - 90 days	-	-	-	-
90 - 120 days	905,000	12,459,100	905,000	12,459,100
120+ days	13,831,276	13,396,859	13,831,276	13,396,859
Total	14,736,276	33,256,906	14,736,276	33,256,906

The above ageing analysis includes the principal outstanding for all expired loans. Collateral held for expired loans for the period ending 30 June 2010 totalled \$22,523,000 (2009: \$48,082,197). All collateral is in the form of registered first mortgages on land and buildings.

Ageing of impaired expired loans

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
30 - 60 days	-	539,000	-	539,000
120+ days	6,404,097	-	6,404,097	-
Total	6,404,097	539,000	6,404,097	539,000

The above ageing analysis includes the principal outstanding for all impaired expired loans. The above analysis consists of three loans to the same borrower which were cumulatively impaired by \$1,734,097 as at year end (2009: one loan which was impaired by \$204,000). Collateral held in the form of a first registered mortgage over land and building.

Collateral and other credit enhancements obtained

During the financial year the consolidated entity gained possession of numerous properties relating to thirteen loans with a total balance owing at report date of \$19,074,353 (2009: \$29,836,893, fifteen properties). Of the thirteen loans two loans have made principal reductions subsequent to 30 June 2010. In regards to the remaining loans Management believe that they will all be recovered by 30 June 2011 if not sooner.

All loans are for first mortgages over real property and are therefore not readily convertible into cash. Management's process for disposing of such assets is to firstly allow the owner the opportunity to sell the property and repay the debt owed, however, if this is unsuccessful then the consolidated entity will take control of the asset and sell the property on the open market.



14. Property, plant and equipment

	Consolidated			Total \$
	Plant and equipment at cost \$	Equipment under finance lease 1 at cost \$	Equipment under finance lease 2 at cost \$	
<b>Gross carrying amount</b>				
Balance at 1 July 2008	312,442	347,303	-	659,745
Additions	169,447	-	127,569	297,016
Disposals – sale and leaseback	(135,914)	-	-	(135,914)
<b>Balance at 1 July 2009</b>	<b>345,975</b>	<b>347,303</b>	<b>127,569</b>	<b>820,847</b>
Additions	84,597	-	-	84,597
Disposals	(15,378)	-	-	(15,378)
<b>Balance at 30 June 2010</b>	<b>415,194</b>	<b>347,303</b>	<b>127,569</b>	<b>890,066</b>
<b>Accumulated depreciation</b>				
Balance at 1 July 2008	(107,712)	(40,860)	-	(148,572)
Disposals – sale and leaseback	8,345	-	-	8,345
Depreciation expense	(63,598)	(34,240)	(16,076)	(113,914)
<b>Balance at 1 July 2009</b>	<b>(162,965)</b>	<b>(75,100)</b>	<b>(16,076)</b>	<b>(254,141)</b>
Depreciation expense	(45,616)	(40,770)	(42,519)	(128,905)
Disposals	14,226	-	-	14,226
<b>Balance at 30 June 2010</b>	<b>(194,355)</b>	<b>(115,870)</b>	<b>(58,595)</b>	<b>(368,820)</b>
<b>Net book value</b>				
As at 30 June 2009	183,010	272,203	111,493	566,706
As at 30 June 2010	220,839	231,433	68,974	521,246
	Company			
	Plant and equipment at cost \$	Equipment under finance lease 1 at cost \$	Equipment under finance lease 2 at cost \$	Total \$
<b>Gross carrying amount</b>				
Balance at 1 July 2008	312,442	347,303	-	659,745
Additions	169,447	-	127,569	297,016
Disposals – sale and leaseback	(135,914)	-	-	(135,914)
<b>Balance at 1 July 2009</b>	<b>345,975</b>	<b>347,303</b>	<b>127,569</b>	<b>820,847</b>
Additions	84,597	-	-	84,597
Disposals	(15,378)	-	-	(15,378)
<b>Balance at 30 June 2010</b>	<b>415,194</b>	<b>347,303</b>	<b>127,569</b>	<b>890,066</b>
<b>Accumulated depreciation</b>				
Balance at 1 July 2008	(107,712)	(40,860)	-	(148,572)
Disposals – sale and leaseback	8,345	-	-	8,345
Depreciation expense	(63,598)	(34,240)	(16,076)	(113,914)
<b>Balance at 1 July 2009</b>	<b>(162,965)</b>	<b>(75,100)</b>	<b>(16,076)</b>	<b>(254,141)</b>
Depreciation expense	(45,616)	(40,770)	(42,519)	(128,905)
Disposals	14,226	-	-	14,226
<b>Balance at 30 June 2010</b>	<b>(194,355)</b>	<b>(115,870)</b>	<b>(58,595)</b>	<b>(368,820)</b>
<b>Net book value</b>				
As at 30 June 2009	183,010	272,203	111,493	566,706
As at 30 June 2010	220,839	231,433	68,974	521,246

There was no depreciation during the period that was capitalised as part of the cost of other assets.

**15. Investment property**

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>At cost</b>				
Balance at beginning of financial year	21,336,072	19,520,756	2,500,000	-
Acquisitions	202,866	2,500,000	202,866	2,500,000
Building & development costs	334,820	-	334,820	-
Depreciation	(34,684)	(34,684)	-	-
Other changes - Impairment	-	(650,000)	-	-
Balance at end of financial year	<u>21,839,074</u>	<u>21,336,072</u>	<u>3,037,686</u>	<u>2,500,000</u>

The value of the investment properties are determined by using the cost model. In March 2010 Angas Securities Limited acquired a parcel of land in New Zealand to facilitate the mortgage recovery process of an existing loan financed by the Consolidated entity in New Zealand. In December 2008 Angas Securities Limited foreclosed on a property held in Wairoa NSW. The property was valued at \$2.5m at the time of the foreclosure and in 2009/10 the property is in the process of being subdivided and developed. The depreciation method used on investment properties held in Angas Commercial Property Trust is the straight line method depreciating the depreciable amount less expected residual value over a period of 50 years.

The fair value of 32 Murdoch Circuit, Acacia Ridge is \$6.5m (2009: \$6.3m) based on a updated market valuation received from Taylor Byrne Valuers (June 2010). The fair value of Lot 4, 17 Breene Place Morningside is \$8.5m (2009: \$8.395m) based on a market opinion received by Taylor Byrne Valuers (June 2010). The market value of 107 Reichart Road Winnellie is \$4.1m (2009: \$4.04m) as valued by Intergrated Valuation Services (NT) (June 2010). In 2009/10 53-55 Junction Road, Wairoa NSW was not revalued, however, the projected profit on the completed project as forecast by the project manager (Hanridge Consulting Pty Limited) concluded that the land and development costs were not impaired as at 30 June 2010.

**16. Goodwill**

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Gross carrying amount</b>				
Balance at beginning of financial year	645,484	645,484	645,484	645,484
Additional amounts recognised from business combinations occurring during the period	-	-	-	-
Balance at end of financial year	<u>645,484</u>	<u>645,484</u>	<u>645,484</u>	<u>645,484</u>
<b>Accumulated impairment losses</b>				
Balance at beginning of financial year	-	-	-	-
Impairment losses for the year (i)	(53,300)	-	(53,300)	-
Balance at end of financial year	<u>(53,300)</u>	<u>-</u>	<u>(53,300)</u>	<u>-</u>
<b>Net book value</b>				
At the beginning of the financial year	645,484	645,484	645,484	645,484
At the end of the financial year	<u>592,184</u>	<u>645,484</u>	<u>592,184</u>	<u>645,484</u>

- (i) During the financial year, the consolidated entity assessed the recoverable amount of goodwill, and determined that goodwill associated with the acquisition of API Home Loans was impaired by \$53,300 (2009: nil).

API Home Loans does not trade in an active market and in turn the recoverable amount is based on value in use. The following are the assumptions used by management in measuring the recoverable amount of the cash-generating unit containing goodwill.

A cash flow was prepared over a 5 year period and a terminal value, using a post-tax discount rate of 13.65% and an implied pre-tax discounted rate of 20.57%. The first year of the cash flow was based on internal budgets prepared for this business unit for the year ending 2010/11 and going forward a 3% growth rate was factored in per annum for the remaining years. The main drivers of the impairment valuation were; growth in sources of revenue through API's relationship with FAST and new income sources (application fees); pre-existing loans from GE expected to go down to zero over the projected period; and margin improvements reflecting the relatively fixed cost base of API.

17. Other intangible assets

	Consolidated			
	Software under lease \$	Software \$	Copyright & Website \$	Total \$
<b>Gross carrying amount</b>				
Balance at 1 July 2008	92,697	-	2	92,699
Additions	92,479	118,195	-	210,674
Disposal – sale & leaseback	-	96,745	-	96,745
<b>Balance at 30 June 2009</b>	<b>185,176</b>	<b>21,450</b>	<b>2</b>	<b>206,628</b>
Additions	-	-	-	-
<b>Balance at 30 June 2010</b>	<b>185,176</b>	<b>21,450</b>	<b>2</b>	<b>206,628</b>
<b>Accumulated amortisation and impairment</b>				
Balance at 1 July 2008	(39,136)	-	-	(39,136)
Amortisation expense	(56,250)	(7,468)	-	(63,718)
Disposal – sale & leaseback	-	4,265	-	4,265
<b>Balance at 30 June 2009</b>	<b>(95,386)</b>	<b>(3,203)</b>	<b>-</b>	<b>(98,589)</b>
Amortisation expense	(29,171)	(5,363)	-	(34,534)
<b>Balance at 30 June 2010</b>	<b>(124,557)</b>	<b>(8,566)</b>	<b>-</b>	<b>(133,123)</b>
<b>Net book value</b>				
As at 30 June 2009	89,790	18,247	2	108,039
As at 30 June 2010	60,619	12,884	2	73,505

	Company			
	Software under lease \$	Software \$	Copyright & Website \$	Total \$
<b>Gross carrying amount</b>				
Balance at 1 July 2008	92,697	-	2	92,699
Additions	92,479	118,195	-	210,674
Disposal – sale & leaseback	-	96,745	-	96,745
<b>Balance at 30 June 2009</b>	<b>185,176</b>	<b>21,450</b>	<b>2</b>	<b>206,628</b>
Additions	-	-	-	-
<b>Balance at 30 June 2010</b>	<b>185,176</b>	<b>21,450</b>	<b>2</b>	<b>206,628</b>
<b>Accumulated amortisation and impairment</b>				
Balance at 1 July 2008	(39,136)	-	-	(39,136)
Amortisation expense	(56,250)	(7,468)	-	(63,718)
Disposal – sale & leaseback	-	4,265	-	4,265
<b>Balance at 30 June 2009</b>	<b>(95,386)</b>	<b>(3,203)</b>	<b>-</b>	<b>(98,589)</b>
Amortisation expense	(29,171)	(5,363)	-	(34,534)
<b>Balance at 30 June 2010</b>	<b>(124,557)</b>	<b>(8,566)</b>	<b>-</b>	<b>(133,123)</b>
<b>Net book value</b>				
As at 30 June 2009	89,790	18,247	2	108,039
As at 30 June 2010	60,619	12,884	2	73,505

**18. Other assets**

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Prepayments	55,687	48,460	17,796	11,756
	55,687	48,460	17,796	11,756

**19. Assets pledged as security**

In accordance with the security arrangements of liabilities, as disclosed in note 21 to the financial statements, all assets of the company, except goodwill, plant & equipment under lease and deferred tax assets, have been pledged as security. The holder of the security does not have the right to sell or repledge the assets other than in an event of default.

**20. Trade and other payables**

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Trade payables (i)	2,750,498	2,176,402	2,682,004	2,012,298
	2,750,498	2,176,402	2,682,004	2,012,298

(i) The average credit period on purchases of goods is 30 days. No interest is charged on the trade payables.

**21. Interest bearing liabilities**

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Secured – at amortised cost</b>				
Debentures	163,033,781	127,403,797	163,713,781	127,563,797
Bank bills	15,747,767	12,047,767	-	-
Portfolio loan	999,224	1,000,770	999,224	1,000,770
Hire purchase (Note 28)	203,733	391,423	203,733	391,423
	179,984,505	140,843,757	164,916,738	128,955,990
<b>Maturity analysis</b>				
Not longer than 3 months	46,820,268	36,278,660	46,900,268	36,358,660
Longer than 3 months and not longer than 12 months	94,035,424	77,427,702	88,923,657	77,507,702
Longer than 1 year and not longer than 5 years	39,128,813	27,137,395	29,092,813	15,089,628
	179,984,505	140,843,757	164,916,738	128,955,990

Debentures are secured by a first ranking floating charge over the company's assets and undertakings.

There is no significant concentration of borrowings to a single creditor or group of creditors having similar characteristics. The Company does not issue debentures to any single creditor in excess of 10% of total debentures on issue. Debentures may be issued for a period of 1 or 3 years, with interest rates fixed for the term of the debenture. Interest is payable monthly.

**22. Provisions**

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Employee benefits (i)	185,091	188,367	185,091	188,367
	185,091	188,367	185,091	188,367

(i) The provision for employee benefits includes \$117,861 of annual leave and \$67,230 of long service leave entitlements accrued. Over the next 12 months managements estimates that 90% of the annual leave provision will be taken and 0% long service leave.

**23. Other liabilities**

	Consolidated		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Funds received in advance	231,582	287,169	231,582	287,169
	231,582	287,169	231,582	287,169

**24. Issued capital**

	Consolidated		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
765,303 fully paid ordinary shares (2009: 761,876)	726,016	653,535	726,016	653,535
31,875 partly paid ordinary shares (2009: 31,875)	73,882	43,816	73,882	43,816
	799,898	697,351	799,898	697,351

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2010		2009	
	No.	\$	No.	\$
	<b>Fully paid ordinary shares</b>			
Balance at beginning of financial year	761,876	653,535	825,626	668,870
Issue of shares	3,427	72,481	-	-
Share buy-back	-	-	(63,750)	(15,335)
Balance at end of financial year	765,303	726,016	761,876	653,535

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

In the prior period, the consolidated entity completed an off-market share buy-back to buy-back shares owned by R B Morton and his associated entities.

	2010		2009	
	No.	\$	No.	\$
	<b>Partly paid ordinary shares</b>			
Balance at beginning of financial year	31,875	43,816	31,875	15,937
Installment on allotment	-	30,066	-	27,879
Allotment	-	-	-	-
Balance at end of financial year	31,875	73,882	31,875	43,816

Partly paid ordinary shares carry one vote per share.

75% of all dividends paid to shareholders holding partly paid shares will be retained by the Company and applied against any unpaid amounts owing on the partly paid shares whether or not a call has been made for unpaid capital. The remaining 25% of dividends will be paid to the owner of the partly paid shares.

## 25. Retained earnings

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Balance at beginning of financial year	5,487,390	6,952,231	6,512,636	7,335,373
Net profit attributable to members of the parent entity	2,739,773	868,222	2,397,976	1,510,326
Dividends provided for or paid (note 26)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Share buy-back	-	(1,333,063)	-	(1,333,063)
Balance at end of financial year	7,227,163	5,487,390	7,910,612	6,512,636

On 11 July 2008 an off-market share buy-back was undertaken and a dividend of 2,091.08 cents per share franked to 100% at 30% corporate income tax rate was paid to R B Morton.

## 26. Dividends

	2010		2009	
	Cents per share	Total \$	Cents per share	Total \$
<b>Recognised amounts</b>				
<u>Fully paid ordinary shares</u>				
Interim dividend:				
Fully franked at a 30% tax rate	75.59	600,000	-	-
<u>Fully paid ordinary shares</u>				
Final dividend:				
Fully franked at a 30% tax rate	50.18	400,000	116.62	1,000,000
<b>Unrecognised amounts</b>				
<u>Fully paid ordinary shares</u>				
Final dividend:				
Fully franked at a 30% tax rate	125.44	1,000,000	75.59	600,000

Adjusted franking account balance  
Impact on franking account balance of dividends not recognised

Company	
2010 \$	2009 \$
4,521,014	3,543,470
(428,571)	(257,143)

## 27. Contingent liabilities and contingent assets

At reporting date the company has no commitments to extend credit or other contracted capital and expenditure commitments other than in the ordinary course of its lending activities. There are no contingent liabilities.

**28. Leases**

**Finance leases**

Leasing arrangements

Finance leases relate to property, plant and equipment with a lease term of 4 years.

Finance lease liabilities

	Lease payments			
	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
No later than 1 year	151,921	183,189	151,921	183,189
Later than 1 year and not later than 5 years	51,812	208,233	51,812	208,233
	203,733	391,422	203,733	391,422

**Operating leases**

Leasing arrangements as Lessee

The consolidated entity leases four offices under operating leases expiring within one to four years, with option to extend for further terms. All four operating lease contracts contain market review clauses in the event that the consolidated entity exercises its option to renew.

Non-cancellable operating lease payments

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Not longer than 1 year	249,035	255,603	249,035	255,603
Longer than 1 year and not longer than 5 years	124,600	274,170	124,600	274,170
	373,635	529,773	373,635	529,773

**Operating leases**

Leasing arrangements as Lessor

The consolidated entity has three operating leases for terms of 9, 10 and 11 years on land and building held at Acacia Ridge QLD, Winnellie NT, and Morningside QLD.

Non-cancellable future minimum lease receivable

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Not longer than 1 year	1,527,969	1,475,403	-	-
Longer than 1 year and not longer than 5 years	6,434,519	6,447,971	-	-
Longer than 5 years	2,174,064	3,688,581	-	-
	10,136,552	11,611,955	-	-

**29. Subsidiaries**

Name of subsidiary	Country of Incorporation	Ownership interest	
		2010 %	2009 %
Angas Commercial Property Trust	Australia	98.2	98.2

**30. Notes to the statement of cash flows**

**(a) Reconciliation of cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Cash – Trading account (at call)	2,344,462	4,844,365	2,304,898	4,599,356
Cash – Debenture fund (at call)	4,825,420	5,575,015	4,825,420	5,575,015
Cash – BankWest (term deposit)	2,000,000	2,000,000	2,000,000	2,000,000
Cash – Adelaide Bank (negotiable certificate)	-	4,500,000	-	4,500,000
Cash – NAB (term deposit)	2,810,642	-	2,810,642	-
Cash – La Trobe Financial	3,700,000	-	3,700,000	-
Cash on hand	1,475	1,292	1,475	1,291
	<b>15,681,999</b>	<b>16,920,672</b>	<b>15,642,435</b>	<b>16,675,662</b>

**(b) Financing facilities**

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Secured bank bill facilities:				
• amount used	15,747,767	12,047,767	-	-
• amount unused	3,233	3,233	-	-
	<b>15,751,000</b>	<b>12,051,000</b>	<b>-</b>	<b>-</b>
Portfolio Loan:				
• amount used	1,000,000	1,000,000	1,000,000	1,000,000
• amount unused	-	-	-	-
	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>
Hire purchase facility:				
• amount used	702,809	702,809	702,809	702,809
• amount unused	-	-	-	-
	<b>702,809</b>	<b>702,809</b>	<b>702,809</b>	<b>702,809</b>

**(c) Cash balances not available for use**

The Debenture Fund account has at all times a cash balance of at least 5% of all debenture funds issued pursuant to the Company's Prospectus and Trust Deed for First Ranking Debenture Stock.

The consolidated entity must hold \$150,000 in cash in the consolidated trading account for working capital relating to Angas Commercial Property Trust.



**30. Notes to the statement of cash flows (cont'd)**

**(d) Reconciliation of profit for the period to net cash flows from operating activities**

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Profit for the year	2,746,182	856,183	2,397,976	1,510,326
Investment revenue recognised in profit or loss	(4,352,510)	-	(3,952,870)	-
Impairment of assets	53,300	650,000	53,300	-
Gain on disposal of property, plant & equipment	(1,029)	-	(1,029)	-
Non-cash interest revenue received on foreclosure of mortgage loan	-	(390,000)	-	(390,000)
Depreciation and amortisation	198,742	211,520	164,058	176,836
Change in tax balances	568,288	(744,847)	568,288	(744,847)
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Trade and other receivables	58,376	(2,322,372)	130,278	(2,319,852)
Loan receivables	2,626,227	(321,405)	2,626,227	(321,403)
Other assets	(7,227)	(4,657)	(6,040)	(6,093)
Increase/(decrease) in liabilities:				
Trade and other payables	24,099	317,714	69,706	245,759
Provisions	(3,276)	42,040	(3,276)	42,040
<b>Net cash from operating activities</b>	<b>1,911,172</b>	<b>(1,705,824)</b>	<b>2,046,618</b>	<b>(1,807,234)</b>

**31. Financial instruments**

**(a) Capital risk management**

The consolidated entity manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders. The consolidated entity proposes to maintain its core operating functions whilst continuing to build its asset base and turnover. Growth of the asset base is expected to be derived from the issue of debentures together with a policy of continued retention of a portion of after tax profits. The consolidated entity's overall strategy remains unchanged from the previous period.

Angas Commercial Property Trust which is a subsidiary of the consolidated entity currently holds four bank bills which are secured against two investment properties held in Queensland and one investment property held in the Northern Territory. In 2009 the company foreclosed on a property in Wahroonga NSW and, as a result, obtained a Portfolio loan secured against this property.

**(b) Categories of financial instruments**

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Financial assets</b>				
Cash and cash equivalents	15,681,999	16,920,672	15,642,435	16,675,662
Loans and receivables	146,811,604	109,347,254	143,100,449	109,307,638
<b>Financial liabilities</b>				
At amortised cost	182,735,003	143,020,159	167,598,742	130,968,288

**(c) Financial risk management objectives**

The consolidated entity's activities expose it to financial risks, market risk, credit risk and liquidity risk. The consolidated entity's overall risk management program seeks to minimise potential adverse effects on the financial performance of the consolidated entity. Risk management is carried out by the Audit Risk Management and Compliance Committee ("ARMCO") and the Credit Committee (specific to lending).

ARMCO is a committee established by the Board of Directors of the consolidated entity to assist the company in the effective discharge of its corporate governance and oversight responsibilities. The Credit Committee focuses on assessing the risk and credit worthiness of all borrowings prior to a letter of offer being issued.

Management minimises market risk by maintaining a maximum loan to value ratio across the total loan portfolio of 70% in conjunction with only lending on first mortgage loans. In addition all real property must be valued by an independent licensed valuer appointed by the Company before any loan is made.

The Company must retain a liquidity reserve which comprises 5% of all debenture funds to be held in liquid assets. In addition to the 5% liquid asset reserve held in the current financial year management resolved to maintain an additional \$5 million in cash reserves to strengthen liquidity.

**(d) Market risk**

The consolidated entity's activities expose it primarily to the financial risks of changes in interest rates (refer note 31(f)) and, to a lesser degree, foreign currency exchange rates (refer note 31(e)).

At a consolidated entity and company level, market risks are managed through sensitivity analysis and stress scenario analysis.

There has been no change to the consolidated entity's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

31. Financial instruments (cont'd)

(e) Foreign currency risk management

Foreign currency sensitivity analysis

The consolidated entity is only exposed to the New Zealand dollar. The consolidated entity revalued all assets held in New Zealand dollars at spot rate on the 30 June 2010. There were no forward contract in place in relation any of the assets held.

(f) Interest rate risk management

The consolidated entity has interest bearing assets and liabilities. Interest rate risk on the assets is managed by investing in an Australian bank, or ADI or a subsidiary of same for a maximum of 12 months on funds which are not required in the short term. All other funds are either held in cash management accounts or 30 day rolling facilities.

Interest bearing liabilities include bank bills, debentures, a portfolio loan, and hire purchase facilities. Bank bills, the portfolio loan and the hire purchase facility are at fixed rates and are not sensitive to market movements; however the debentures are set at a variable interest rate reliant on the time of investment.

The company and the consolidated entity's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure of cash and cash equivalent with variable interest rates. A +/- 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the consolidated entity's:

- net profit would increase/(decrease) by \$699,042 (2009: increase/(decrease) by \$581,648). These movements are as a result of lower/higher interest income from these financial assets.
- equity would increase/(decrease) by nil (2009: increase/(decrease) by nil).

Financial assets	Variable interest rate		Interest rate risk -0.5%		Interest rate risk +0.5%	
	2010 %	2009 %	2010 \$	2009 \$	2010 \$	2009 \$
<b>Consolidated</b>						
Cash	5.07%	5.32%	(17,734)	(19,632)	17,734	19,632
Other cash deposits	5.01%	5.54%	(102,596)	(89,815)	102,596	89,815
Loans	13.31%	15.79%	(578,712)	(472,201)	578,712	472,201
			(699,042)	(581,648)	699,042	581,648
<b>Company</b>						
Cash	4.18%	5.47%	(16,778)	(18,851)	16,778	18,851
Other cash deposits	4.91%	5.54%	(104,555)	(89,815)	104,555	89,815
Loans	13.31%	15.79%	(578,712)	(472,201)	578,712	472,201
			(700,045)	(580,867)	700,045	580,867

### **31. Financial instruments (cont'd)**

#### **(g) Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity's credit risks fall into the following categories:

- Cash and other deposits;
- loans; and
- trade and other receivables.

Under the Trust Deed for First Ranking Debenture Stock the consolidated entity can only deposit/invest in one or more of the following

- An Australian bank, or ADI or a subsidiary of same;
- A public authority;
- Securities, promissory notes and bills of exchange which have a ready market;
- A cash management trust; and
- A cash common fund within the meaning of the Trustee Companies ACT (SA) 1988 or equivalent legislation.

The consolidated entity minimises loan and trade and other receivables risk by only issuing loans on a first mortgage basis with a maximum loan to value ratio of 70% (50% on rural land). By maintaining a maximum loan to value ratio of 70% the risk of recoverability is greatly reduced. Other lending criteria which the credit committee takes into consideration before issuing a letter of offer include:

- Maintaining a spread of mortgage investments with conservative lending margins;
- Applying proven and prudent mortgage selection criteria;
- Ensuring that every security property is valued by an independent licensed valuer engaged by the company prior to any advance being approved;
- Requiring building insurance (at replacement cost) to be provided by Certificate of Currency from an approved insurer noting the companies interest as lender on each policy; and
- Weighting the portfolio to take account of geographic and investment spread.

Further more the consolidated entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis.

The consolidated entity has a concentration of two loans to a common debtor with different loan securities. They represent total advances of \$16.6m. Each transaction has separate loan terms and separate first mortgage securities.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

### 31. Financial instruments (cont'd)

#### (h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework. The consolidated entity manages liquidity risk by maintaining a minimum cash reserve of 5% of all debentures on issue as per the Trust Deed for First Ranking Debenture Stock and a further decision by the board to hold an additional amount of \$5 million is also held in cash. The consolidated entity continuously monitors forecast and actual cashflows.

#### Liquidity and interest risk tables

The following tables detail the company's and the consolidated entity's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the consolidated entity can be required to pay.

##### Consolidated

	Average interest rate %	Less than 1 year \$	1-2 years \$	2-3 years \$	3-4 years \$	4-5 years \$
<b>2010</b>						
Trade and other payables	0%	2,750,498	-	-	-	-
Bank bills	7.70%	6,741,003	7,959,928	2,727,342	-	-
Hire purchase	7.46%	160,530	45,446	-	-	-
Portfolio loan	5.19%	1,051,084	-	-	-	-
Debentures	8.14%	139,278,050	11,123,673	23,552,954	-	-
		149,981,165	19,129,047	26,280,296	-	-
<b>2009</b>						
Trade and other payables	0%	2,176,396	-	-	-	-
Bank bills	6.67%	884,221	2,821,779	7,959,928	2,727,342	-
Hire purchase	7.46%	211,507	161,355	53,166	-	-
Portfolio loan	5.19%	1,052,710	-	-	-	-
Debentures	8.91%	117,250,309	5,331,836	12,344,392	-	-
		121,575,143	8,314,970	20,357,486	2,727,342	-

##### Company

	Average interest rate %	Less than 1 year \$	1-2 years \$	2-3 years \$	3-4 years \$	4-5 years \$
<b>2010</b>						
Trade and other payables	0%	2,682,004	-	-	-	-
Hire purchase	7.46%	160,530	45,446	-	-	-
Portfolio loan	5.19%	1,051,084	-	-	-	-
Debentures	8.14%	139,988,260	11,123,673	23,552,954	-	-
		143,881,878	11,169,119	23,552,954	-	-
<b>2009</b>						
Trade and other payables	0%	2,012,298	-	-	-	-
Hire purchase	7.46%	211,507	161,355	53,166	-	-
Portfolio loan	5.19%	1,052,710	-	-	-	-
Debentures	8.91%	117,415,314	5,331,836	12,344,392	-	-
		120,691,829	5,493,191	12,397,558	-	-

**31. Financial instruments (cont'd)**

**(h) Liquidity risk management (cont'd)**

**Liquidity and interest risk tables (cont'd)**

The following table details the company's and the consolidated entity's financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets.

Consolidated

	Average Interest rate %	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5+ years \$
<b>2010</b>						
Cash	5.07%	2,345,936	-	-	-	-
Other cash deposits	5.01%	13,366,063	-	-	-	-
Loans	13.31%	38,523,642	19,163,031	83,855,857	-	-
Trade and other receivables	0%	8,298,383	41,794	9,891,048	587,368	102,857
		<b>62,534,024</b>	<b>19,204,825</b>	<b>93,746,905</b>	<b>587,368</b>	<b>102,857</b>
<b>2009</b>						
Cash	5.32%	4,845,656	-	-	-	-
Other cash deposits	5.54%	12,075,015	-	-	-	-
Loans	15.79%	62,370,551	14,050,349	32,718,328	-	-
Trade and other receivables	0%	4,815,762	59,535	197,266	734,422	234,140
		<b>84,106,984</b>	<b>14,109,884</b>	<b>32,915,594</b>	<b>734,422</b>	<b>234,140</b>

Company

	Average Interest rate %	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5+ years \$
<b>2010</b>						
Cash	4.18%	2,306,373	-	-	-	-
Other cash deposits	5.01%	13,366,063	-	-	-	-
Loans	13.31%	38,523,642	19,163,031	83,855,857	-	-
Trade and other receivables	0%	8,186,868	41,794	6,291,408	587,368	102,857
		<b>62,382,946</b>	<b>19,204,825</b>	<b>90,147,265</b>	<b>587,368</b>	<b>102,857</b>
<b>2009</b>						
Cash	5.47%	4,600,647	-	-	-	-
Other cash deposits	5.54%	12,075,015	-	-	-	-
Loans	15.79%	62,370,551	14,050,349	32,718,328	-	-
Trade and other receivables	0%	4,776,146	59,535	197,266	734,422	234,140
		<b>83,822,359</b>	<b>14,109,884</b>	<b>32,915,594</b>	<b>734,422</b>	<b>234,140</b>

**(i) Fair value of financial instruments carried at amortised cost**

The directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

### 32. Key management personnel compensation

#### Details of key management personnel

The directors and other members of key management personnel of the consolidated entity during the year were:

- A Luckhurst-Smith (Executive Chairman)
- M J Hower (Managing Director)
- K J Lyons (Executive Director)
- P S McCarthy (Executive Director)

There are no other employees, who are not directors of the entity, who are considered key management personnel with responsibility for the strategic direction and operational management of the entity. Therefore there are no executives included as key management personnel.

#### Key management personnel compensation policy

On a periodic basis the board enlists the services of a consultant specialising in the field of employee management to review director salaries and benchmark them against industry standards. The board then completes a review process, using the independently prepared report as a benchmark to measure existing director salaries and determine whether they are being paid accordingly.

Once the directors salary is set by the board, they are paid on a predetermined percentage of hours worked. The Directors' salaries are not measured against company performance. Currently the consolidated entity does not have a set annual review date for directors' remuneration.

The consolidated entity does not pay directors or executives' performance based payments.

#### Key management personnel compensation

The aggregate compensation made to key management personnel of the company and the consolidated entity is set out below:

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Short-term employee benefits	836,109	840,299	836,109	840,299
Post-employment benefits	62,290	73,467	62,290	73,467
	<b>898,399</b>	<b>913,766</b>	<b>898,399</b>	<b>913,766</b>

The compensation of each member of the key management personnel of the consolidated entity for the current year is set out below:

	Short-term employee benefits		Post-employment benefits	Total
	Salary	Directors Fees	Superannuation	
2010	\$	\$	\$	\$
<b>Executive officers</b>				
M J Hower	233,745	36,000	21,037	290,782
A Luckhurst-Smith	181,997	36,000	16,380	234,377
P S McCarthy	181,497	36,000	16,335	233,832
K J Lyons	94,872	36,000	8,538	139,410
				<b>898,401</b>

	Short-term employee benefits		Post-employment benefits	Total
	Salary	Directors Fees	Superannuation	
2009	\$	\$	\$	\$
<b>Executive officers</b>				
M J Hower	233,745	33,523	23,514	290,782
A Luckhurst-Smith	181,997	33,523	18,857	234,377
R B Morton	11,344	2,752	1,269	15,365
P S McCarthy	181,497	33,523	18,812	233,832
K J Lyons	94,872	33,523	11,015	139,410
				<b>913,766</b>

#### Contracts for services of key management personnel

No key management personnel are employed under contract.

**33. Related party transactions**

**(a) Equity interests in related parties**

**Equity interests in subsidiaries**

Details of the percentage of units held in subsidiaries are disclosed in note 29 to the financial statements.

**(b) Transactions with key management personnel**

**i. Key management personnel compensation**

Details of key management personnel compensation are disclosed in note 32 to the financial statements.

**ii. Key management personnel equity holdings**

Fully paid ordinary shares of Angas Securities Limited

	Balance at 1 July No.	Net other change No.	Balance at 30 June No.
<b>2010</b>			
A Luckhurst-Smith	171,976	-	171,976
M J Hower	424,176	-	424,176
R B Morton	-	-	-
K J Lyon	97,124	-	97,124
P S McCarthy	-	3,427	3,427
<b>2009</b>			
A Luckhurst-Smith	191,248	(19,272)	171,976
M J Hower	406,404	17,772	424,176
R B Morton	63,750	(63,750)	-
K J Lyon	95,624	1,500	97,124
P S McCarthy	-	-	-

Partly paid ordinary shares of Angas Securities Limited

	Balance at 1 July No.	Net other change No.	Balance at 30 June No.
<b>2010</b>			
P S McCarthy	31,875	-	31,875
<b>2009</b>			
P S McCarthy	31,875	-	31,875



**33. Related party transactions (cont'd)**

**iii. Other transactions with key management personnel of the Consolidated entity**

Profit for the year includes the following items of revenue and expense that resulted from transactions, other than compensation, loans or equity holdings, with key management personnel or their related entities:

	Consolidated	
	2010 \$	2009 \$
Consolidated revenue includes the following amounts arising from transactions with key management personnel of the consolidated entity or their related parties:		
Serviced office	242,053	183,903
Upfront & trail commission	443	17,154
	242,496	201,057
Consolidated profit includes the following expenses arising from transactions with key management personnel of the consolidated entity or their related parties:		
Commissions	34,393	30,116
Consultancy Fee	106,310	-
Distributions – Angas Commercial Property Trust	382	3,744
Guarantee Fee	100,000	-
Interest expense	35,998	22,006
Legal consultancy	112,912	94,191
Property inspection fees	3,270	3,597
	393,265	153,654
Total assets arising from transactions other than loans and amounts receivable in relation to equity instruments with key management personnel or their related parties:		
Receivables – Trailing commission	20,031	21,558
	20,031	21,558
Total adjustments to assets arising from transactions pertaining to loans and amounts receivable in relation to equity instruments with key management personnel or their related parties:		
Trade and other receivables	(500,000)	-
	(500,000)	-

**(c) Transactions with other related parties**

Angas Securities Limited charges a service fee to KWS Capital No.2 Pty Ltd, of which Mr M J Hower is a director for office space, equipment and services provided. For the 2010 financial year \$227,695 (2009: \$171,093) was charged to KWS Capital No.2 Pty Ltd in the form of a service fee. A smaller service fee was also charged to Mr A Luckhurst-Smith for secretarial services provided. For the 2010 financial year \$14,358 (2009: \$12,810) was charged to Mr A Luckhurst-Smith. The service fees are based on percentage of usage which is reviewed by the board on an annual basis.

In 2010 the retailing lending business received nil (2009: \$1,801) in trail commission from GE Finance. However in 2010 the retail lending business received \$443 (2009: nil) in trail commission from FAST and nil (2009: \$15,353) in upfront commission from FAST in relation to a residential home loan held by Andrew Luckhurst-Smith.

During the financial year trailing commissions were paid to Hower Corporation Pty Ltd, of which Mr M J Hower is a director. Commissions paid were \$34,393 (2009: \$ 30,116). Fees were based on standard rates for services provided on each loan. Trail commission is based on current market rates.

A consultancy fee of \$106,310 (2009: nil) was paid to Barri Nominees, of which Mr P S McCarthy is a director, the consultancy fee was based on standard rates for the service provided.

Distributions were paid to the following directors and to parties related to them who are minority unit holders in Angas Commercial Property Trust

• K J Lyons	\$127	(2009: \$936)
• M J Hower	\$127	(2009: \$936)
• A Luckhurst-Smith	\$127	(2009: \$936)
• R B Morton	nil	(2009: \$936)

Profit distributions are based on the balance of net funds available for distribution at the end of the year to all trustee based on units held during the year.

A guarantee fee was paid to all four executive directors at a rate of \$25,000 per director. The guarantee fee related to a personal indemnity which was required to be provided by the directors of Angas Securities Limited in relation to an agreement for a funding facility. The guarantee fee compensates the directors for the risk of incurring personal liability.

### 33. Related party transactions (cont'd)

Interest was paid to the following directors and to parties related to them on Debenture funds invested with Angas Securities Limited:

• K J Lyons	\$ 6,081	(2009: \$8,571)
• P S McCarthy	nil	(2009: \$835)
• Barker Mortgages Pty Ltd (Hower, Luckhurst-Smith, McCarthy & Lyons are shareholders of this company)	\$ 695	(2009: \$676)
• Angas Commercial Property Trust	\$ 29,222	(2009: \$11,924)

All debenture interest is based on current advertised rate. Any rate paid above advertised rates must be approved by two directors who are not parties to the debenture investment.

Amounts paid to Mr A Luckhurst-Smith for legal consultancy fees for the year were \$112,912 (2009: \$94,191). Fees were based on standard rates for each service provided and were fully recovered by the consolidated entity from borrowers.

In 2010 property inspection fees were paid to Mr K J Lyons \$3,270 (2009: \$3,597). Fees were based on standard rates for each service provided. Property inspection fees are based on current market rates and were fully recovered by the consolidated entity from borrowers.

Included under assets in trade and other receivables (trailing commission receivable) an amount totalling \$20,031 (2009: \$21,558) has been included as trailing commission receivable by the company as a result of a home loan between Mr A Luckhurst-Smith and Angas Financial Services (formally API Home Loans). The trail commission receivable rate is determined by FAST.

Trade and other receivables was adjusted by \$500,000.00 pertained to an investment in an equity transaction made by entities associated with Mr K J Lyons and Mr A Luckhurst-Smith. The \$500,000.00 was made up of principal of \$125,000.00 each and revenue on investment of \$125,000.00 each. The receivable is payable to the entities associated with Mr K J Lyons and Mr A Luckhurst-Smith on discharge of the facility.

### 34. Remuneration of auditors

	Consolidated		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>Auditor of the parent entity</b>				
Audit or review of the financial report	134,307	120,119	134,307	120,119
(Over)/under provision of prior year audit	(2,597)	19,167	(2,597)	19,167
Tax services & other (Corporate finance)	-	17,944	-	17,944
Consultancy – Anti money laundering	1,086	763	1,086	763
	<u>132,796</u>	<u>157,993</u>	<u>132,796</u>	<u>157,993</u>

The auditor of Angas Securities Limited is Deloitte Touche Tohmatsu.

### 35. Subsequent events

A dividend of \$1,000,000 fully franked (imputed credit of \$458,571) was declared and paid on 5 July 2010. This represents a fully franked dividend of 125.44 cents per share. Payment of this dividend will reduce franking credits available for subsequent reporting periods to equity holders by \$458,571.