

ANGAS SECURITIES LIMITED

ACN: 091 942 728

Annual report for the financial year ended 30 June 2012

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 2012. 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.

Directorships of other listed companies

No directors have held directorships of other listed companies in the 3 years immediately before the end of the financial year.

Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the company or a related body corporate as at the date of this report.

Directors	Angas Securities Limited			
	Fully paid ordinary shares Number	Partly paid ordinary shares Number	Redeemable Preference Shares \$	Debentures \$
A Luckhurst-Smith	171,976	-	-	-
M J Hower	424,176	-	-	-
K J Lyons	97,124	-	-	20,000
P S McCarthy	9,740	31,875	-	-

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 3 to 6. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity.

Company secretary

Edwina Starck was appointed Company Secretary on 1 November 2010. Edwina is a qualified solicitor and holds Bachelor degrees in Law and Arts and a Graduate Diploma in Legal Practice.

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.

The consolidated entity has established and acquired several entities to carry on lending activities to enhance its core business. Angas Prime Income Fund and Angas Contributory Mortgage Scheme have external investors. Angas Financial Services is a housing and commercial loan broker.

Advanced Investment Finance No.2 Pty Ltd is a wholly owned subsidiary acquired in January 2012. The consolidated entity has funded \$2,000,000 in the Advance Investment Finance No.2 Pty Ltd loan book. The balance of the loans are funded externally and do not utilize investor funds.

The consolidated entity holds investments in real property. Four of the most substantial property investments are held in Angas Commercial Property Trust. This portfolio comprises of three well located commercial properties which are fully let to single tenants with strong lease covenants including fixed rent increases. These are long term investments.

The tenants are Officeworks Superstores Pty Ltd, Priestley's Gourmet Goods Pty Ltd and Simon George & Son Pty Ltd. Other company investments comprise a community of four houses at Junction Road, Wahroonga NSW, an interest in a commercial residential development at Goodwood Road, Wayville SA, an interest in Hindmarsh Precinct Development which owns commercial land adjacent to the Adelaide Entertainment Centre at Hindmarsh SA, residential land at Wannanup WA and two apartments at Fernleigh Gardens Estate SA. Finally there is a structured finance investment in the newly built Mannum Green Shopping Centre in SA.

Review of operations

The consolidated entity's profit for the year amounted to \$1,547,125 (2011: \$1,834,438). This was a decrease over the previous year's result. Over the past twelve months the debenture book has grown by 14.5% and the mortgage book has increased in size by 16.3%. As a result of the mortgage book increasing in size additional noninterest revenue has been generated. Impairment expenses have increased on the prior year as a result of movements in market valuations on properties secured by first mortgages. All impaired loans continue to be closely monitored and reviewed. In addition two properties held in Angas Commercial Property Trust that had previously been impaired recovered in value and triggered an impairment write back of \$850,000. This also resulted in a revaluation of the units held by Angas Securities Limited in the Angas Commercial Property Trust.

During the financial year the company acquired Advanced Investments No.2 Pty Ltd ("AIF") which has a loan portfolio of \$11,505,235 with \$9,505,235 funded by a bank and \$2,000,000 funded by the company. AIF was acquired to provide another source of funding in addition to debenture funds. Also, the leveraging provides an optimum return on the investment. The Angas Contributory Mortgage Fund was established during the year to provide another funding source and product offering for the consolidated group. The Angas Contributory Mortgage Fund is a registered managed investment scheme. In addition the company also acquired an interest in the Mannum Investment Unit Trust which is a majority investor in the Mannum Unit Trust which is currently in the process of building a shopping centre in the town of Mannum. The shopping centre is on target for completion in November 2012 and has a number of secured tenancies. Retail income from these tenancies will generate a solid return on the investment.

Changes in state of affairs

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

Dividends

In respect of the financial year ended 30 June 2011, the directors recommended the payment of a dividend of 124.93 cents per share franked to 100% at 30% corporate income tax rate to the holders of ordinary shares. This was paid on 1 July 2011.

Subsequent events

During the financial year the company acquired a loan at a significant discount from another financier. One of the terms of the acquisition related to the issuing of a promissory note. On 1 July 2012 the promissory note was issued by the company for a value of \$2,250,000. The terms of the note are that it can be repaid within a 13 month period but no later than 30 July 2013 and up to and including the date of payment an interest rate of 11% will be applied to the principal balance of the promissory note.

A dividend of \$1,000,000 fully franked (imputed credit of \$428,571) was declared and paid on 27 July 2012. This represents a fully franked dividend of 136.07 cents per share. Payment of this dividend will reduce franking credits available for subsequent reporting periods to equity holders by \$428,571.

In addition a fully franked dividend of \$249,315.07 (imputed credit of \$106,849.32) was declared on 27 July 2012 and paid on 31 July 2012 for Redeemable Preference Share holders in Series 2. This represents a fully franked dividend of 4.99 cents per share. Payment of this dividend will reduce franking credits available for subsequent reporting periods to equity holders by \$106,849.32.

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.

In respect of the financial year ended 30 June 2012, the directors recommended the payment of a final dividend of 136.07 cents per share franked to 100% at 30% corporate income tax rate to the holders of ordinary shares on 27 July 2012.

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, Edwina Starck, 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 12 audit, risk management and compliance committee ("ARMCO") meetings were held.

Directors	Board Meetings		ARMCO	
	Held	Attended	Held	Attended
Mr A Luckhurst-Smith	15	15	12	10
Mr M J Hower*	15	15	12	2
Mr K J Lyons	15	13	12	11
Mr P S McCarthy	15	14	N/A	N/A

*M J Hower resigned from ARMCO, effective November, 2011.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 38 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 38 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit, Risk Management and Compliance Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 7 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's key management personnel ("KMP") for the financial year ended 30 June 2012. The term KMP refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity. The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel
- remuneration policy
- relationship between the remuneration policy and company performance
- remuneration of key management personnel
- key terms of employment contracts.

Key Management Personnel

The directors and other key management personnel of the consolidated entity during or since the end of the financial year were:

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
Edwina Starck	Company Secretary	1 November 2010

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.

Remuneration policy

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 June 2012 an independent consultant from Robert Walters advised that remuneration levels for all KMP's (excluding the Company Secretary) were consistent with industry norms for similar roles. The Board reviewed this advice and recommended there be no salary increases for the period. The consultant did not advise the company on any other matter during the period and no consideration was paid for the advice. Robert Walters is an independent unrelated consultant to the Company and as such any advice received from Robert Walters would be free from undue influence by members of the key management personnel.

Annual Remuneration as at 30 June 2012:

Name	Annual Salary *	% Paid
Matthew Hower	\$287,375 + 9% Super	85%
Andrew Luckhurst-Smith	\$190,190 + 9% Super	100%
Kimley Lyons	\$180,262 + 9% Super	55%
Paul McCarthy	\$189,667 + 9% Super	100%
Edwina Starck	\$93,776 + 9% Super	60%

* 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 (excluding the Company Secretary) 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 (excluding the Company Secretary) are employed under contract.

KMP are paid inline with 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 2012:

	30 June 2008 \$	30 June 2009 \$	30 June 2010 \$	30 June 2011 \$	30 June 2012 \$
Revenue	21,082,997	22,050,469	27,136,605	30,715,934	35,728,620
Net profit before tax	3,380,056	1,369,173	3,800,162	2,717,369	2,012,309
Net profit after tax	2,325,299	856,183	2,746,182	1,834,438	1,547,125

	30 June 2008	30 June 2009	30 June 2010	30 June 2011	30 June 2012
Share price at start of year ²	-	-	-	-	-
Share price at end of year ²	-	-	-	-	-
Interim dividend ¹	-	-	600,000	-	-
Final dividend ¹	1,000,000	1,000,000	400,000	1,000,000	1,000,000
Basic earnings per share (cents per share)	271.48	107.87	344.58	229.20	203.92
Diluted earnings per share (cents per share) ³	271.48	107.87	344.58	117.27	27.79

¹ Franked to 100% at 30% corporate income tax rate.

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

³ Diluted earnings per share has been calculated for reporting purposes in accordance with the requirements of AASB 133. The election to convert Redeemable Preference Shares ("RPS") to Equity is at the Company's discretion. The Board believes that the scenario of the Company electing to convert Redeemable Preference Shares to Equity is remote.

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

Remuneration of directors and senior management

	Short-term employee benefits			Post-employment benefits	Total
	Salary	Fees (i)	Allowances (ii)	Superannuation	
2012	\$	\$	\$	\$	\$
Executive officers					
M J Hower	244,269	42,000	-	21,984	308,253
A Luckhurst-Smith	190,190	42,000	-	17,117	249,307
P S McCarthy	189,668	42,000	-	17,070	248,738
K J Lyons	99,144	42,000	16,700	10,426	168,270
E Starck	58,575	-	-	5,272	63,847
					1,038,415

	Short-term employee benefits			Post-employment benefits	Total
	Salary	Fees (i)	Allowances (ii)	Superannuation	
2011	\$	\$	\$	\$	\$
Executive officers					
M J Hower	233,745	61,000	-	21,037	315,782
A Luckhurst-Smith	181,997	61,000	-	16,380	259,377
P S McCarthy	181,497	61,000	-	16,335	258,832
K J Lyons	95,622	61,000	8,000	9,326	173,948
P Harkins-Burr (iii)	-	2,000	-	180	2,180
E Starck	37,279	-	-	3,355	40,634
					1,050,753

(i) Fees relate to directors fees \$42,000 (2011: \$36,000) per annum, guarantee fees paid to directors Nil (2011: \$25,000) per annum and in 2011 Company Secretary fees paid to P Harkins-Burr only.

(ii) Allowances relate to an accommodation allowance for interstate executive officers when travelling to Adelaide and fees received in relation to Director Property inspections.

(iii) The Company Secretary fee for P Harkins-Burr pertained to remuneration for Company Secretary duties only. P Harkins-Burr held the position of Company Secretary from 1 July 2010 until 3 September 2010.

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 is no other share based compensation.

Key terms of employment contracts

No KMP (excluding the Company Secretary) are employed under contract.

The Company Secretary is employed under a standard salary based employment contract. Under the terms of the contract either party can terminate the contract with 4 weeks written notice.

The employment contract is set for a fixed annual amount plus 9% superannuation with annual salary reviews. The Company Secretary works part-time and as such is paid 60% of the annualized salary disclosed in her 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



M J Hower
Director
Adelaide, 28 September 2012

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

28 September 2012

Dear Board Members

Angas Securities Limited

In accordance with section 307C 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 financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 10 to 61.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require 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 company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Angas Securities Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion, the financial report of Angas Securities Limited is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 3 to 6 of the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion the Remuneration Report of Angas Securities Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.



DELOITTE TOUCHE TOHMATSU



J M Burton

Partner

Chartered Accountants

Adelaide, 28 September 2012

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) in the directors' opinion, 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



M J Hower
Director

Adelaide, 28 September 2012

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Consolidated statement of comprehensive income for the financial year ended 30 June 2012

	Note	Consolidated		Company	
		2012 \$	2011 \$	2012 \$	2011 \$
Interest revenue	6	28,533,002	22,173,044	28,040,141	22,166,609
Interest expense	7	(21,803,979)	(17,452,049)	(20,396,644)	(16,157,666)
Net interest revenue		6,729,023	4,720,995	7,643,497	6,008,943
Non interest revenue	6	7,195,618	7,220,111	5,862,719	5,711,716
Profit on sale of property	6	-	1,322,779	-	1,322,779
Marketing expenses		(413,520)	(410,383)	(346,930)	(410,383)
Occupancy expenses		(425,679)	(485,858)	(425,679)	(485,858)
Administration expenses		(7,046,192)	(6,835,223)	(6,894,714)	(6,800,538)
Impairment expenses		(3,333,765)	(1,940,394)	(3,489,530)	(2,501,481)
Lending waivers		(148,190)	(436,988)	(148,190)	(436,988)
Other expenses		(544,986)	(437,670)	(73,449)	(26,533)
Profit before tax	8	2,012,309	2,717,369	2,127,724	2,381,657
Income tax expense	9	(465,184)	(882,931)	(364,889)	(882,931)
Profit for the year		1,547,125	1,834,438	1,762,835	1,498,726
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		1,547,125	1,834,438	1,762,835	1,498,726
Attributable to:					
Equity holders of the parent		1,690,258	1,877,557	1,762,835	1,498,726
Non-controlling interests		(143,133)	(43,119)		
		1,547,125	1,834,438	1,762,835	1,498,726
Earnings per share	10				
Basic (cents per share)		203.92	229.20		
Diluted (cents per share)		27.79	25.89		

Notes to the financial statements are included on pages 16 to 61.

Consolidated statement of financial position as at 30 June 2012

	Note	Consolidated		Company	
		2012 \$	2011 \$	2012 \$	2011 \$
Assets					
Cash and cash equivalents	34(a)	28,844,084	30,268,020	27,553,371	30,032,147
Trade and other receivables	11	17,852,869	16,175,522	17,823,699	12,419,538
Current tax assets	9	184,367	745,424	284,663	745,424
Property held for resale	17	4,320,558	-	3,420,558	-
Loans	13	206,248,136	164,099,121	192,653,274	164,099,121
Deferred tax assets	9	76,917	301,116	76,917	301,116
Other financial assets	12	868,000	5,068,000	14,609,773	13,241,650
Property, plant and equipment	15	535,303	498,478	535,303	498,478
Other assets	21	3,879,728	3,873,590	47,925	44,434
Inventory - Property	18	2,940,000	-	2,940,000	-
Investment property	16	27,326,869	24,445,088	2,845,558	5,458,473
Other intangible assets	20	165,019	45,023	163,864	45,023
Goodwill	19	592,184	592,184	592,184	592,184
Total assets		293,834,034	246,111,566	263,547,089	227,477,588
Liabilities					
Trade and other payables	23	1,887,058	1,112,266	776,517	576,230
Other financial liabilities	26	392,302	349,258	392,302	349,258
Interest bearing liabilities	24	277,606,955	235,056,254	248,295,016	217,038,487
Deferred tax liability	9	-	-	-	-
Provisions	25	233,560	205,799	233,560	205,799
Total liabilities		280,119,875	236,723,577	249,697,395	218,169,774
Net assets		13,714,159	9,387,989	13,849,694	9,307,814
Equity					
Issued capital	27	5,920,921	898,476	5,920,921	898,476
Retained earnings	28	7,551,578	8,104,720	7,928,773	8,409,338
Equity attributable to equity holders of the parent		13,472,499	9,003,196	13,849,694	9,307,814
Non-controlling interest		241,660	384,793	-	-
Total equity		13,714,159	9,387,989	13,849,694	9,307,814

Notes to the financial statements are included on pages 16 to 61.

Consolidated statement of change in equity for the financial year ended 30 June 2012

Consolidated

	Issued Capital \$	Retained earnings \$	Non- controlling interest \$	Total \$
Balance at 30 June 2010	799,898	7,227,163	137,186	8,164,247
Profit/(loss) for the period	-	1,877,557	(43,119)	1,834,438
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	1,877,557	(43,119)	1,834,438
Payment of dividends	-	(1,000,000)	-	(1,000,000)
Issue of capital	68,589	-	-	68,589
Installment partly paid shares	29,989	-	-	29,989
Non-controlling interest arising on the acquisition of Hindmarsh Precinct Developments	-	-	290,726	290,726
Balance at 30 June 2011	898,476	8,104,720	384,793	9,387,989
Profit/(loss) for the period	-	1,690,258	(143,133)	1,547,125
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	1,690,258	(143,133)	1,547,125
Payment of dividends – ordinary shares	-	(1,000,000)	-	(1,000,000)
Payment of dividends – preference shares	-	(165,753)	-	(165,753)
Off-market Share buy-back	(72,353)	(1,077,647)	-	(1,150,000)
Issue of capital – ordinary shares	64,931	-	-	64,931
Issue of capital – preference shares	5,000,000	-	-	5,000,000
Installment partly paid shares	29,867	-	-	29,867
Balance at 30 June 2012	5,920,921	7,551,578	241,660	13,714,159

Company

	Issued Capital \$	Retained earnings \$	Non- controlling interest \$	Total \$
Balance at 30 June 2010	799,898	7,910,612	-	8,710,510
Profit/(loss) for the period	-	1,498,726	-	1,498,726
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	1,498,726	-	1,498,726
Payment of dividends	-	(1,000,000)	-	(1,000,000)
Issue of capital	68,589	-	-	68,589
Installment partly paid shares	29,989	-	-	29,989
Balance at 30 June 2011	898,476	8,409,338	-	9,307,814
Profit/(loss) for the period	-	1,762,835	-	1,762,835
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	1,762,835	-	1,762,835
Payment of dividends – ordinary shares	-	(1,000,000)	-	(1,000,000)
Payment of dividends – preference shares	-	(165,753)	-	(165,753)
Off-market Share buy-back	(72,353)	(1,077,647)	-	(1,150,000)
Issue of capital – ordinary shares	64,931	-	-	64,931
Issue of capital – preference shares	5,000,000	-	-	5,000,000
Installment partly paid shares	29,867	-	-	29,867
Balance at 30 June 2012	5,920,921	7,928,773	-	13,849,694

Notes to the financial statements are included on pages 16 to 61.

Consolidated statement of cash flows for the financial year ended 30 June 2012

	Note	Consolidated		Company	
		2012 \$	2011 \$	2012 \$	2011 \$
Cash flows from operating activities					
Receipts from customers		7,855,247	6,828,543	5,963,253	5,323,658
Payments to suppliers and employees		(8,061,871)	(7,675,539)	(7,358,058)	(7,352,313)
Interest received		24,667,941	20,516,711	24,103,952	20,511,545
Interest paid		(21,795,753)	(16,550,804)	(20,013,267)	(15,243,608)
Income tax received		888,303	-	888,303	-
Income taxes paid		(661,074)	(1,659,233)	(661,074)	(1,659,233)
Net cash provided by operating activities	34(d)	2,892,793	1,459,678	2,923,109	1,580,049
Cash flows from Investing activities					
Proceeds from repayment of mortgage loans		66,374,591	45,901,559	64,746,254	45,901,559
Payments for mortgage loans		(103,604,454)	(77,251,269)	(97,386,490)	(77,251,269)
Payment for property held for resale		(575,000)	-	(575,000)	-
Payment of units in trust		-	-	(900,000)	-
Proceeds from financial assets		3,700,000	3,996,202	3,700,000	3,996,202
Payments for financial assets		(2,467,730)	(1,652,023)	(4,387,605)	(662,153)
Amounts advanced to subsidiaries		-	-	(2,711,142)	(306,379)
Proceeds from sale of property, plant and equipment		240	3,909	240	3,909
Payments for property, plant and equipment		(397,817)	(159,480)	(397,817)	(159,480)
Proceeds from property held for resale		-	-	220,175	-
Payments for acquisition of investment properties		(3,461,349)	(600,000)	-	(600,000)
Payment of building and development costs for investment properties		(2,649,326)	(2,640,698)	(435,510)	(2,420,787)
Net cash outflow on acquisition of subsidiaries		-	-	(1,000,300)	(740,082)
Net cash used in investing activities		(43,080,845)	(32,401,800)	(39,127,195)	(32,238,480)
Cash flows from financing activities					
Proceeds from borrowings		5,878,892	149,033	237,086	149,033
Repayment of borrowings		(3,837,949)	(184,295)	(137,949)	(184,295)
Proceeds from issue of equity securities		94,798	98,578	94,798	98,578
Payment for share buy-back					
- Member of parent entity		(1,150,000)	-	(1,150,000)	-
Proceeds from investors – managed investment scheme		2,897,000	-	-	-
Proceeds from issue of debentures		57,209,558	58,786,901	57,209,558	58,786,901
Repayment of debentures		(26,989,250)	(15,138,034)	(27,189,250)	(15,618,034)
Proceeds from issue of redeemable preference shares		5,841,000	6,579,000	5,841,000	6,579,000
Payment of debt issue costs		(14,180)	(63,040)	(14,180)	(63,040)
Dividends paid:					
- members of parent entity		(1,165,753)	(1,000,000)	(1,165,753)	(1,000,000)
Net cash provided by financing activities		38,764,116	49,228,143	33,725,310	48,748,143
Net increase / (decrease) in cash and cash equivalents		(1,423,936)	18,286,021	(2,478,776)	18,089,712
Cash and cash equivalents at the beginning of the financial year		30,268,020	11,981,999	30,032,147	11,942,435
Cash and cash equivalents at the end of the financial year	34(a)	28,844,084	30,268,020	27,553,371	30,032,147

Notes to the financial statements are included on pages 16 to 61.

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:

Registered office
Level 14, 26 Flinders Street
Adelaide SA 5000
TEL: (08) 8410 4343

Principal place of business
Level 14, 26 Flinders Street
Adelaide SA 5000
TEL: (08) 8410 4343

The principal activities of the Company and its subsidiaries (the consolidated entity) are described in note 5.

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

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the presentation and disclosure

Standards and Interpretations affecting the reported results or financial position:

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

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.

Amendments to AASB 7 'Financial Instruments: Disclosure'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
AASB 124 'Related Party Disclosures' (revised December 2009), AASB 2009-12 'Amendments to Australian Accounting Standards'	Amends the requirements of the previous version of AASB 124 to: <ul style="list-style-type: none"> • Provide a partial exemption from related party disclosure requirements for government-related entities • Clarify the definition of a related party • Includes an explicit requirement to disclosure commitments involving related parties
AASB 2009-14 'Amendments to Australian Accounting Interpretation – Prepayments of a Minimum Funding Requirement'	Makes limited-application amendments to Interpretation 14 'AASB 119 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. The amendments apply when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements, permitting the benefit of such an early payment to be recognised as an asset.
AASB 2010-5 'Amendments to Australian Accounting Standards'	This Standard makes numerous editorial amendments to a range of Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. These amendments have no major impact on the requirements of the amended pronouncements.
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosure on Transfers of Financial Assets'	Makes amendments to AASB 7 'Financial Instruments: Disclosures' resulting from the IASB's comprehensive review of off balance sheet activities. The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

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

2.3 Standards and Interpretations in issue not yet adopted

At the date of authorisation 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 9 'Financial Instruments' and AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9'	1 January 2015	30 June 2014
AASB 9 'Financial Instruments' (December 2010) and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9' (December 2010)	1 January 2015	30 June 2014
AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 12 'Disclosure of Interests in Other Entities', AASB 127 'Separate Financial Statements' (2011), AASB 128 'Investments in Associates and Joint Ventures' (2011), and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011), AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119' (2011) and AASB 2011-11 'Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements'	1 January 2013	30 June 2014
AASB 1053 'Application of Tiers of Australian Accounting Standards' and AASB 2010-2 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-2 'Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-6 'Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
AASB 2012-1 'Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)'	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2013	30 June 2014

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	1 January 2013	30 June 2014
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016

3. Significant accounting policies

Statement of compliance

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

The financial statements comprise the separate financial statements of the company and the consolidated financial statements of the consolidated entity. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards 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 28 September 2012.

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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

(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). 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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

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-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the consolidated entity's ownership interests in subsidiaries that do not result in the consolidated entity losing control are accounted for as equity transactions. The carrying amounts of the consolidated entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the consolidated entity loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

3. Significant accounting policies (cont'd)

(b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the consolidated entity, liabilities incurred by the consolidated entity to the former owners of the acquiree and the 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.

At the acquisition date, the identifiable assets acquired and the liabilities assumed 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 share-based payment arrangements of the acquiree or share-based payment arrangements of the consolidated entity entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) 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.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the consolidated entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the consolidated entity's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when 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.

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 above), 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. Business combinations that took place prior to 1 July 2009 were accounted for in accordance with the previous version of AASB 3.

3. Significant accounting policies (cont'd)

(c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see (b) above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the consolidated entity's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

The consolidated entity's policy for goodwill arising on the acquisition of an associate is described at (b) above.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue

Interest revenue from a financial asset is recognised when it is probable that the economic benefits will flow to the consolidated entity and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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 received. The upfront commission is paid at loan settlement date and no further servicing is required to fulfil the receipt of the upfront commission.

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.

3. Significant accounting policies (cont'd)

(e) Income tax

Income tax expense represents the sum of the tax currently payable and deferred 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 year

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.

(g) Financial instruments

Financial assets and financial liabilities are recognised when the consolidated entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. Significant accounting policies (cont'd)

(h) Financial assets

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 revenue 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 revenue 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 consolidated entity'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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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.

For financial assets measured at amortised cost, 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.

(i) Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the consolidated entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. Significant accounting policies (cont'd)

(i) Financial liabilities and equity instruments (cont'd)

Compound instruments

The component parts of compound instruments (convertible bonds) issued by the consolidated entity are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to retained earnings. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out at (d) above.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction cost.

Other financial liabilities are subsequently measured at amortised cost using effective interest rate method, with interest expense recognised on an effect yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The consolidated entity derecognises financial liabilities when, and only when, the consolidated entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(j) Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

3. Significant accounting policies (cont'd)

(k) Property, plant and equipment

Plant and equipment and assets held under finance leases are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the 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:

Plant and equipment	2.5 – 10 years
Assets held under finance leases	2.5 – 10 years

(l) 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 accumulated impairment losses.

Buildings are depreciated on a straight line basis over a period of 50 years.

(m) Intangible assets

Software

Software is recorded at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised 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 the effect of any changes in estimate being accounted for on a prospective basis.

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

Software (including under lease)	2.5 - 4 years
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(n) 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.

(o) 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 short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits 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.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

3. Significant accounting policies (cont'd)

(p) Leasing

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.

The consolidated entity as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The consolidated entity as lessee

Assets held under finance leases are initially recognised as assets of the consolidated entity at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is 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.

(q) 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 (where the effect of the time value of money is material).

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.

(r) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the consolidated entity reviews the carrying amounts of its tangible and intangible 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 pre-tax 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.

(s) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3. Significant accounting policies (cont'd)

(t) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(u) Lending waivers

Lending waivers relate to the waiver of interest and other loan fees at the discretion of the Board.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the consolidated entity's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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.

4.1 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:

4.1.1 Trailing commission

Trailing commission receivable is calculated at a discount rate of 14.60% (post-tax) on total retail loans. Management estimates that the average life of a loan is 8 years.

4.1.2 Loans

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 Board 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 the valuation on file to identify 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 and unpaid interest and fees no provision is made, however if the principal and unpaid interest and fees falls short of the valuation along with any other security held then a provision equal to the shortfall is adopted by the Board. Once the recommendation is approved by the Board a provision is made against the loan.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

4. Critical accounting judgments and key sources of estimation uncertainty (cont'd)

4.2 Key sources of estimation uncertainty (cont'd)

4.2.2 Valuation of impaired loans

Where there is objective evidence of impairment the Board assess the recoverability of a loan by preparing a discounted Cashflow. The cashflows requires critical judgements to be made on the timing of the cash inflows and outflows in addition to the actual amounts recovered. The Board uses previous sales evidence obtained from market data to assess the value of the inflows and outflows and critical judgement on the timing of such inflows and outflows in determining the recoverability of the loan.

The Board believe that the chosen valuation techniques and assumptions used are appropriate in determining the recoverability of impaired loans.

4.2.3 Trail Commission

When valuing the trail book the Board estimates that the average life of a loan is 8 years. The estimate of 8 years is based on the historic repayment of loans in the existing trail book.

The Board believe that 8 years is an appropriate estimate of average life of a Angas Financial Services loan.

5. Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports and components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess its performance.

Information reported to the consolidated entity's Board of Directors for the purposes of assessing the performance of the consolidated entity specifically focuses on the consolidated entity's core financial products. The consolidated entity's reportable segments under AASB 8 are therefore as follows:

- Commercial Lending
- Structured Finance
- Commercial Property Investments
- Investment Properties

The Commercial Lending reportable segment involved the supply of first mortgage lending mainly on commercial properties (including investments in mortgages via Angas Contributory Mortgage Fund) in addition to any other associated investments made via the Debenture book.

The Structured Finance segment includes all financing which is funded by third parties. This includes the supply of retail mortgages funded by Finance & Systems Technology Pty Ltd and/or Pepper Home Loans. And first mortgage lending via a warehouse trust facility held with Bendigo and Adelaide Bank Limited.

Commercial Property Investments include investment in projects for a short term hold, which may include holding an asset for resale, partial or full development of an asset to enhance its sale value and thus delivering an investment profit.

The final 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).

Segment revenues and results

The following is an analysis of the consolidated entity's revenue and results by reportable segment.

	Revenue		Segment Profit/(Loss)	
	Consolidated		Consolidated	
	30 June 2012 \$	30 June 2011 \$	30 June 2012 \$	30 June 2011 \$
Commercial Lending	33,497,798	28,221,248	1,489,730	2,559,813
Structured Finance	1,087,450	979,856	349,499	382,930
Commercial Property Investments	63	24	(456,463)	(138,393)
Investment Properties	1,611,160	1,560,201	629,543	(86,981)
	36,196,471	30,761,329	2,012,309	2,717,369
Profit before tax			2,012,309	2,717,369
Income tax expense			465,184	882,931
Consolidated segment revenue and profit for the period	36,196,471	30,761,329	1,547,125	1,834,438

The accounting policies of the reportable segments are the same as the consolidated entity's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of income tax expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Intersegment revenue 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: \$4,136 (2011: \$45,395) interest paid by Commercial Lending to Investment Properties on Debentures issued by Commercial Lending; \$96,370 (2011: Nil) interest paid by Commercial Property Investments to Commercial Lending on loan; and \$399,640 (2011: Nil) income paid by Investment Properties to Commercial Lending per option agreement buy-out.

5. Segment information (cont'd)

Segment assets and liabilities

Segment assets

	30 June 2012 \$	30 June 2011 \$
Commercial Lending	250,086,652	216,698,448
Structured Finance	13,057,065	1,308,951
Commercial Property Investments	9,350,588	3,966,062
Investment Properties	20,978,149	23,091,565
Total segment assets	293,472,454	245,065,026
Unallocated assets	361,580	1,046,540
Total assets	293,834,034	246,111,566

Segment liabilities

	30 June 2012 \$	30 June 2011 \$
Commercial Lending	247,539,854	218,089,457
Structured Finance	11,585,534	80,317
Commercial Property Investments	8,912,637	2,828,993
Investment Properties	12,081,850	15,724,810
Total segment liabilities	280,119,875	236,723,577
Unallocated liabilities	-	-
Total liabilities	280,119,875	236,723,577

For the purpose of monitoring segment performance and allocating resources between segments all assets and liabilities are allocated to reportable segments other than tax which is included in its entirety in the Commercial Lending segment.

Goodwill is allocated to reportable segments.

6. Revenue

An analysis of the consolidated entity's revenue for the year is as follows:

	Consolidated		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Interest revenue:				
Bank deposits	1,377,463	1,400,788	1,330,808	1,394,353
Other loans and receivables	27,155,539	20,772,256	26,709,333	20,772,256
	28,533,002	22,173,044	28,040,141	22,166,609
Non interest revenue:				
Loan fee income	5,052,496	4,368,622	4,967,963	4,368,622
Management Fee	-	-	313,909	-
Trailing commission & retail lending income	205,101	299,181	205,101	299,181
Upfront commission – retail lending	103,838	680,670	103,838	680,670
Rental revenue:				
Operating lease rental revenue:				
Investment properties	1,562,275	1,508,395	-	-
Other – serviced office	271,908	363,243	271,908	363,243
	7,195,618	7,220,111	5,862,719	5,711,716
Profit on sale of property				
Profit on sale of property (i)	-	1,322,779	-	1,322,779

(i) In 2011 Angas Securities Limited acquired a partial interest in three properties, as tenant in common with the vendor, with an agreement entered into to sell such interest back to the vendor for an agreed amount at a future date. Total receivables balance of \$8,592,723 remains outstanding at 30 June 2012 across two properties, the third property settled in June 2011.

7. Interest expense

	Consolidated		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Interest on debentures	19,033,566	15,919,100	19,037,702	15,964,495
Interest on Redeemable Preference Shares ("RPS") Series 1 & 3	703,091	109,169	703,091	109,169
Interest on hire purchase	14,595	13,570	14,595	13,570
Interest on portfolio loan	68,663	70,441	68,663	70,432
Interest on commercial bills	1,174,694	1,339,769	-	-
Interest on warehouse trust facility	236,777	-	-	-
Other Interest Expense	572,593	-	572,593	-
Total interest expense	21,803,979	17,452,049	20,396,644	16,157,666

8. Profit for the year

Profit for the year has been arrived at after charging / (crediting):

	Consolidated		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Net foreign exchange (gains) / losses	-	22,601	-	22,601
	-	22,601	-	22,601
Direct operating expenses from investment properties that generated rental income during the year	271,044	124,259	73,449	3,932
	271,044	124,259	73,449	3,932
Depreciation & amortisation of non-current assets	234,257	266,664	199,573	210,432
	234,257	266,664	199,573	210,432
Operating lease rental expenses	372,750	444,122	372,750	444,122
	372,750	444,122	372,750	444,122
<u>Employee benefit expense:</u>				
<u>Post employment benefits:</u>				
Defined contribution plans	223,622	212,446	223,622	212,446
Other employee benefits	2,778,248	2,517,956	2,778,248	2,517,956
	3,001,870	2,730,402	3,001,870	2,730,402
<u>Impairment (profit)/loss on investment property</u>				
Impairment of investment property	71,423	-	-	-
Impairment recovered on investment property	(850,000)	-	-	-
	(778,577)	-	-	-
<u>Impairment losses on financial assets:</u>				
Impairment loss on loans carried at amortised cost (note 13)	1,988,946	1,878,669	1,988,946	1,878,669
Impairment loss on loan receivables	650,681	-	650,681	-
Impairment loss on inventory - property	1,096,281	-	1,096,281	-
Impairment on other receivables	376,434	-	376,434	-
Impairment loss on investments in subsidiaries	-	-	-	622,812
Impairment of goodwill	-	61,725	-	-
Reversal of impairment loss on investments in subsidiaries (i)	-	-	(622,812)	-
	4,112,342	1,940,394	3,489,530	2,501,481
	3,333,765	1,940,394	3,489,530	2,501,481

(i) In 2012 as a result of movements in the value of investment properties held by Angas Commercial Property Trust, Angas Securities Limited wrote back previously impaired the units held in Angas Commercial Property Trust.

9. Income taxes

Income tax recognised in profit or loss

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Current tax				
Current tax expense in respect of the current year	203,683	142,880	103,388	142,880
Adjustments recognised in the current year in relation to current tax of prior years	(103,150)	-	(103,150)	-
	100,533	142,880	238	142,880
Deferred tax				
Deferred tax expense relating to the origination and reversal of temporary differences	364,651	740,051	364,651	740,051
Total income tax expense recognised in the current year	465,184	882,931	364,889	882,931

The income tax expense for the year can be reconciled to the accounting profit as follows:

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Profit before tax	2,012,309	2,717,369	2,127,724	2,381,657
Income tax expense calculated at 30%	603,693	815,211	638,317	714,497
Effect of expenses that are not deductible in determining taxable profit	(35,359)	67,720	(170,278)	168,434
	568,334	882,931	468,039	882,931
Adjustments recognised in the current year in relation to the current tax of prior years	(103,150)	-	(103,150)	-
Income tax expense recognised in profit or loss	465,184	882,931	364,889	882,931

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	
	2012 \$	2011 \$	2012 \$	2011 \$
Current tax assets				
Tax refund receivable	184,367	745,424	284,663	745,424
	184,367	745,424	284,663	745,424

9. Income taxes (cont'd)

Deferred tax balances

2012	Consolidated		
	Opening balance \$	Charged to income \$	Closing balance \$
Temporary differences			
Investment property	(156,442)	156,442	-
Inventory – property	-	328,884	328,884
Trade and other receivables	(982,695)	(189,627)	(1,172,322)
Trade and other payables	23,982	(7,582)	16,400
Goodwill	15,990	(15,990)	-
Provisions	61,739	8,328	70,067
Loans	1,338,542	(504,654)	833,888
	301,116	(224,199)	76,917

2011	Consolidated		
	Opening balance \$	Charged to income \$	Closing balance \$
Temporary differences			
Investment property	(156,442)	-	(156,442)
Trade and other receivables	(765,861)	(216,834)	(982,695)
Trade and other payables	20,747	3,235	23,982
Goodwill	15,990	-	15,990
Provisions	55,527	6,212	61,739
Loans	1,871,206	(532,664)	1,338,542
	1,041,167	(740,051)	301,116

2012	Company		
	Opening balance \$	Charged to income \$	Closing balance \$
Temporary differences			
Investment property	(156,442)	156,442	-
Inventory – property	-	328,884	328,884
Trade and other receivables	(982,695)	(189,627)	(1,172,322)
Trade and other payables	23,982	(7,582)	16,400
Goodwill	15,990	(15,990)	-
Provisions	61,739	8,328	70,067
Loans	1,338,542	(504,654)	833,888
	301,116	(224,199)	76,917

2011	Company		
	Opening balance \$	Charged to income \$	Closing balance \$
Temporary differences			
Investment in property	(156,442)	-	(156,442)
Trade and other receivables	(765,861)	(216,834)	(982,695)
Trade and other payables	20,747	3,235	23,982
Goodwill	15,990	-	15,990
Provisions	55,527	6,212	61,739
Loans	1,871,206	(532,664)	1,338,542
	1,041,167	(740,051)	301,116

Deferred tax balances are presented in the statement of financial position as follows:

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Deferred tax assets	76,917	301,116	76,917	301,116
Deferred tax liabilities	-	-	-	-
	76,917	301,116	76,917	301,116

10. Earnings per share

Consolidated	
30 June 2012	30 June 2011
\$	\$
<u>Basic earnings per share</u>	
Total basic earnings per share	229.20
<u>Diluted earnings per share</u>	
Total diluted earnings per share (i)	25.89

(i) The diluted earnings per share has been calculated for reporting purposes in accordance with the requirements of AASB 133. The election to convert Redeemable Preference Shares ("RPS") to Equity is at the Company's discretion. The Board believes that the scenario of the Company electing to convert Redeemable Preference Shares to Equity is remote.

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Consolidated	
30 June 2012	30 June 2011
\$	\$
Profit for the year attributable to owners of the Company	1,834,438
Earnings used in the calculation of basic earnings per share	1,834,438
Weighted average number of ordinary shares for the purposes of basic earnings per share	800,377
	800,377
Total basic earnings per share	229.20

Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are as follows:

Consolidated	
30 June 2012	30 June 2011
\$	\$
Earnings used in the calculation of basic earnings per share	1,834,438
Interest on redeemable preference shares (after tax at 30%)	76,418
Earnings used in the calculation of diluted earnings per share	1,910,856

The weighted average number of ordinary shares for the purposes of the diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

Consolidated	
30 June 2012	30 June 2011
\$	\$
Weighted average number of ordinary shares used in the calculation of basic earnings per share	800,377
Shares deemed to be issued for no consideration in respect of:	
- Redeemable Preference Shares	829,134
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,629,511
Total diluted earnings per share	117.27

11. Trade and other receivables

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Trade receivables (i)	9,323,361	5,638,106	8,839,176	5,481,762
Allowance for doubtful debts	(650,681)	-	(650,681)	-
Security held – QLD lease	5,647	5,647	5,647	5,647
Trailing commission receivable	640,018	643,402	640,018	643,402
Property sale receivables	8,216,288	9,888,367	8,216,288	6,288,727
Intercompany receivables	-	-	455,015	-
Other receivables	318,236	-	318,236	-
	17,852,869	16,175,522	17,823,699	12,419,538

(i) The average credit term on trade receivables is 7 days. No interest is charged on the trade receivables for the first 7 days. Interest is charged on the 8th 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	
	2012 \$	2011 \$	2012 \$	2011 \$
30 – 60 days	-	-	-	-
60 – 90 days	-	-	-	-
90 – 120 days	-	-	-	-
120+ days	2,348,160	3,162,504	2,348,160	3,162,504
	2,348,160	3,162,504	2,348,160	3,162,504

Ageing of past due impaired

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
30 – 60 days	-	-	-	-
60 – 90 days	-	-	-	-
90 – 120 days	-	-	-	-
120+ days	237,419	-	237,419	-
	237,419	-	237,419	-

Movement in the allowance for doubtful debts

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Balance at the beginning of the year	-	-	-	-
Impairment losses recognised on loan receivables	(650,681)	-	(650,681)	-
Balance at the end of the year	(650,681)	-	(650,681)	-

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

12. Other financial assets

	Consolidated		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Investments carried at cost:				
Investments in subsidiaries (note 32)	-	-	11,157,903	8,423,650
Loans and receivables carried at amortised cost:				
Term deposit – BankSA (i) (ii)	868,000	368,000	118,000	118,000
Loan to Advance Investments Finance No 2 (iii)	-	1,000,000	1,000,000	1,000,000
Loan to Mannum Unit Trust (iv)	-	-	2,333,870	-
Investment in the La Trobe Australian Mortgage Fund – Special Situation Mortgage Option (v)	-	3,700,000	-	3,700,000
	868,000	5,068,000	14,609,773	13,241,650

(i) Angas Securities Limited was required to deposit \$118,000 with BankSA as security in relation to the \$2,470,000 Commercial Bill facility assumed on the acquisition of Hindmarsh Precinct Developments Pty Ltd as trustee for The Lot 101 Development Unit Trust (refer to Note 33). The deposit is subject to a Deed of Deposit and Setoff.

(ii) Angas Commercial Property Trust ("ACPT") was required to deposit \$750,000 as security in relation to the \$12,048,000 Commercial Bill Facility with BankSA. The deposit is subject to a Deed of Deposit and Setoff.

(iii) This loan was made to Advance Investments Finance No.2 Pty Ltd to fulfill the subordinated debt requirements of the Bendigo and Adelaide Bank Limited warehouse facility.

(iv) Angas Securities Limited lent Mannum Unit Trust \$2,500,000 with interest prepaid as at 30 June 2012 of \$166,130. The loan is due to be repaid by February 2014

(v) The investment in La Trobe matured in December 2011 and was redeemed in full.

13. Loans

	Consolidated		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Mortgage Loans	213,841,337	171,956,885	199,812,587	171,956,885
Interest received in advance	(5,871,099)	(3,629,953)	(5,437,211)	(3,629,953)
Fees received in advance	(236,835)	(586,045)	(236,835)	(586,045)
Allowances for doubtful debts	(1,485,267)	(3,641,766)	(1,485,267)	(3,641,766)
	206,248,136	164,099,121	192,653,274	164,099,121
<u>Maturity analysis</u>				
Not longer than 3 months	115,684,175	104,121,151	105,522,425	104,121,151
Longer than 3 months and not longer than 12 months	89,563,961	59,739,637	87,130,849	59,739,637
Longer than one year not longer than 5 years	1,000,000	238,333	-	238,333
	206,248,136	164,099,121	192,653,274	164,099,121
<u>Loan by security</u>				
Secured by chattel mortgage	1,000,000	1,000,000	1,000,000	1,000,000
Secured by first mortgage	202,306,073	159,731,739	188,711,211	159,731,739
Secured by second mortgage (i)	2,942,063	2,738,333	2,942,063	2,738,333
Secured by collateral security	-	629,049	-	629,049
	206,248,136	164,099,121	192,653,274	164,099,121
<u>Loan by security</u>				
Chattel	1,000,000	1,000,000	1,000,000	1,000,000
Commercial property	95,820,533	93,040,438	91,330,533	93,040,438
Rural property	5,093,308	3,067,996	3,196,308	3,067,996
Residential property	104,334,295	64,536,118	97,126,433	64,536,118
Industrial property	-	2,454,569	-	2,454,569
	206,248,136	164,099,121	192,653,274	164,099,121

(i) All loans secured by second mortgages are funded from retained earnings not debenture funds.

The largest aggregate group exposure in the Angas Securities Limited debenture loan portfolio totals \$27.0 million. This consists of three separate loan advances to different entities within a related group as permitted by the Trust Deed. The loans are secured primarily by a residential property in NSW, which was valued at \$50million on 22 May 2012 and additionally by a mortgage over chattels valued at \$1.0million. The largest of these loans totals \$23.5 million and has interest fully paid until 31 December 2012.

Movement in the allowance for doubtful debts

	Consolidated		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Balance at the beginning of the year	3,641,766	1,763,097	3,641,766	1,763,097
Impairment losses recognised on loans	1,988,946	1,878,669	1,988,946	1,878,669
Bad debts recovered	(233,140)	-	(233,140)	-
Bad debt write off	(3,912,305)	-	(3,912,305)	-
Balance at the end of the year	1,485,267	3,641,766	1,485,267	3,641,766

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 consolidated entity's Loan to Valuation Ratio (LVR) is maintained at a maximum of 70%. In terms of loan recovery and provisioning against loans, the Board 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 and unpaid interest and fees is measured against an existing valuation to identify 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, unpaid interest and fees no provision is made, however if the principal, unpaid interest and fees falls short of the valuation along with any other security held then a provision equal to the shortfall is adopted by the Board. Once the recommendation is approved by the Board, a provision is made against the loan.

Where applicable loans are not written off until the recovery process is complete.

14. Expired loans

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Expired loans – Debenture funded	37,369,176	21,003,179	37,369,176	21,003,179
Expired loans – Non-debenture funded	9,932,480	-	3,467,730	-
Total	47,301,656	21,003,179	40,836,906	21,003,179

Expired loans refer to loans which are past the expiry date, included in Mortgage Loans in Note 13.

Ageing of expired loan but not impaired – Debenture Funded

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
30 - 60 days	-	-	-	-
60 - 90 days	-	-	-	-
90 - 120 days	-	-	-	-
120+ days	20,166,273	13,609,953	20,166,273	13,609,953
Total	20,166,273	13,609,953	20,166,273	13,609,953

The above ageing analysis includes the principal outstanding for all debenture funded expired loans. Security held for these expired loans for the period ending 30 June 2012 totaled \$27,272,000 (2011: \$15,497,000). Security is in the form of registered first mortgages on land and buildings, chattels and collateral security.

Ageing of expired loan but not impaired – Non-debenture Funded

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
30 - 60 days	764,000	-	764,000	-
60 - 90 days	904,730	-	203,730	-
90 - 120 days	1,413,750	-	-	-
120+ days	6,850,000	-	2,500,000	-
Total	9,932,480	-	3,467,730	-

The above ageing analysis includes the principal outstanding for all non-debenture expired loans. Security held for these expired loans for the period ending 30 June 2012 totaled \$14,296,954 (2011: Nil); Company \$4,870,954 (2011: Nil). Security is in the form of registered first and second mortgages on land and buildings, chattels and collateral security.

Ageing of impaired expired loans – Debenture Funded

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
30 - 60 days	-	-	-	-
120+ days	16,455,638	7,393,227	16,455,638	7,393,227
Total	16,455,638	7,393,227	16,455,638	7,393,227

The above ageing analysis includes the principal outstanding less provisions for all impaired expired loans. Security is held in the form of a first registered mortgage over land.

Ageing of impaired expired loans – Non-debenture Funded

There were no impaired expired loans in the non-debenture funded category for the current or previous period.

14. Expired loans (cont'd)

Security and other credit enhancements obtained on debenture funded expired loans

During the financial year the consolidated entity gained possession of a number of properties relating to nine loans with a total balance owing at report date of \$36,621,911 (2011: \$20,009,179, seventeen properties). Of the nine loans, one loan has been repaid in full subsequent to 30 June 2012 and one loan is currently being restructured with the existing facility to be cleared in full by no later than 31 October 2012. Management will continue the structured work out of the remaining expired loans with full resolution expected within 6 to 12 months.

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.

15. Property, plant and equipment

Consolidated	Plant and equipment at cost	Equipment under finance lease at cost	Total
	\$	\$	\$
Gross carrying amount			
Balance at 1 July 2010	415,194	474,872	890,066
Additions	356,121	135,031	491,152
Disposals – sale and leaseback	(148,516)	-	(148,516)
Disposals	(32,101)	(188,395)	(220,496)
Balance at 1 July 2011	590,698	421,508	1,012,206
Additions	44,375	186,024	230,399
Disposals – sale and leaseback	(3,247)	-	(3,247)
Disposals	(117,360)	(127,569)	(244,929)
Balance at 30 June 2012	514,466	479,963	994,429
Accumulated depreciation			
Balance at 1 July 2010	(194,355)	(174,465)	(368,820)
Depreciation expense	(80,850)	(101,088)	(181,938)
Disposals	37,030	-	37,030
Balance at 1 July 2011	(238,175)	(275,553)	(513,728)
Depreciation expense	(98,344)	(73,913)	(172,257)
Disposals	100,701	126,158	226,859
Balance at 30 June 2012	(235,818)	(223,308)	(459,126)
Net book value			
As at 30 June 2011	352,523	145,955	498,478
As at 30 June 2012	278,648	256,655	535,303

Company	Plant and equipment at cost	Equipment under finance lease at cost	Total
	\$	\$	\$
Gross carrying amount			
Balance at 1 July 2010	415,194	474,872	890,066
Additions	356,121	135,031	491,152
Disposals – sale and leaseback	(148,516)	-	(148,516)
Disposals	(32,101)	(188,395)	(220,496)
Balance at 1 July 2011	590,698	421,508	1,012,206
Additions	44,375	186,024	230,399
Disposals – sale and leaseback	(3,247)	-	(3,247)
Disposals	(117,360)	(127,569)	(244,929)
Balance at 30 June 2012	514,466	479,963	994,429
Accumulated depreciation			
Balance at 1 July 2010	(194,355)	(174,465)	(368,820)
Depreciation expense	(80,850)	(101,088)	(181,938)
Disposals	37,030	-	37,030
Balance at 1 July 2011	(238,175)	(275,553)	(513,728)
Depreciation expense	(98,344)	(73,913)	(172,257)
Disposals	100,701	126,158	226,859
Balance at 30 June 2012	(235,818)	(223,308)	(459,126)
Net book value			
As at 30 June 2011	352,523	145,955	498,478
As at 30 June 2012	278,648	256,655	535,303

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

16. Investment property

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
<u>At cost</u>				
Balance at beginning of financial year	24,445,088	21,839,074	5,458,473	3,037,686
Acquisitions	3,461,349	-	-	-
Impairment recovered	850,000	-	-	-
Building & development costs	2,624,970	2,640,698	435,509	2,420,787
Disposal (sale)	(202,866)	-	(202,866)	-
Transfer to property held for resale	(3,816,988)	-	(2,845,558)	-
Depreciation	(34,684)	(34,684)	-	-
Balance at end of financial year	27,326,869	24,445,088	2,845,558	5,458,473

The value of the investment properties are determined by using the cost model.

In December 2008 Angas Securities Limited foreclosed on a property held in Wahroonga NSW. The property was valued at \$2.5m at the time of the foreclosure. In 2011/12 the properties were subdivided and a development of four (4) executive residences was completed. The four properties were placed on the market for a combined value of \$6.9million, however in June 2012 two of the properties were rented out. Therefore the two properties which are rented out remain in investment properties; whereas the two properties which are on the market for sale have been moved to property held for resale.

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. The parcel of land in New Zealand sold in April 2012.

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.

During the year a parcel of land (26 Murdoch Circuit) was subdivided from an existing investment property at 32 Murdoch Circuit Acacia Ridge. The fair value of the vacant parcel of land is \$0.9m (2011: Nil) per a valuation prepared by Taylor Byrne in June 2012.

The fair value of 32 Murdoch Circuit, Acacia Ridge is \$6.175m (2011: \$6.62m) based on a valuation received from Knight Frank (February 2012).

The fair value of Lot 4, 17 Breene Place Morningside is \$9.899m (2011: \$8.3m) based on a valuation from Knight Frank (February 2012) and Napier & Blakely asset report (February 2007). The fair value assessment for the current period resulted in a write back of impairment of \$650,000.

The fair value of 107 Reichart Road Winnellie is \$4.383m (2011: \$3.9m). The fair value of Winnellie was assessed by combining the value of a current fair valuation prepared by Integrated Valuation Services (NT) (February 2012) with the associated asset report prepared by Rider Levett Bucknall (October 2007). The fair value assessment for the current period resulted in a write back of impairment of \$200,000.

On 17 February 2012 Mannum Unit Trust acquired two parcels of land: 67-75 Adelaide – Mannum Road Mannum for \$2.96m and Allot 11 Male Road Mannum for \$0.29m.

17. Property held for resale

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Property held for resale	4,320,558	-	3,420,558	-

Two properties in New South Wales are held for resale by the company and two in South Australia. A vacant parcel of land in Queensland is also held for resale by the consolidated entity. No impairment loss was recognised on reclassification of the properties as held for sale at 30 June 2012.

18. Inventory – property

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Inventory - property	2,940,000	-	2,940,000	-

During the financial year four vacant parcels of land in Western Australia were foreclosed and transferred to inventory.

19. Goodwill

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Gross carrying amount				
Balance at beginning of financial year	707,209	645,484	707,209	645,484
Additional amounts recognised from business combinations occurring during the period (note 33)	-	61,725	-	61,725
Balance at end of financial year	707,209	707,209	707,209	707,209
Accumulated impairment losses				
Balance at beginning of financial year	(115,025)	(53,300)	(115,025)	(53,300)
Impairment losses for the year (i)	-	(61,725)	-	(61,725)
Balance at end of financial year	(115,025)	(115,025)	(115,025)	(115,025)
Net book value				
At the beginning of the financial year	592,184	592,184	592,184	592,184
At the end of the financial year	592,184	592,184	592,184	592,184

- (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 not impaired (2011: nil), however the goodwill arising on the acquisition of Hindmarsh Precinct Development was impaired and as a result written off in full.

Angas Financial Services (formally 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 10.69% and an implied pre-tax discount rate of 18.15%. The first year of the cash flow was based on internal budgets prepared for this business unit for the year ending 2012/13 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 Angas Financial Services relationship with FAST and new income sources (application fees); pre-existing loans from GE are expected to reduce to zero over the projected period; and margin improvements reflecting the relatively fixed cost base of Angas Financial Services.

20. Other intangible assets

Gross carrying amount

Balance at 30 June 2010

Additions

Transfer of leased assets

Balance at 30 June 2011

Additions

Transfer of leased assets

Balance at 30 June 2012

Accumulated amortisation and impairment

Balance at 30 June 2010

Amortisation expense

Transfer of leased assets

Balance at 30 June 2011

Amortisation expense

Transfer of leased assets

Balance at 30 June 2012

Net book value

As at 30 June 2011

As at 30 June 2012

Consolidated			
Software under lease \$	Software \$	Copyright, Website & Formation Exp \$	Total \$
185,176	21,450	2	206,628
-	1	-	1
(92,697)	-	-	(92,697)
92,479	21,451	2	113,932
50,681	118,150	1,156	169,987
(92,479)	-	-	(92,479)
50,681	139,601	1,158	191,440
(124,557)	(8,566)	-	(133,123)
(23,120)	(5,363)	-	(28,483)
92,697	-	-	92,697
(54,980)	(13,929)	-	(68,909)
(16,814)	(9,297)	-	(26,111)
68,599	-	-	68,599
(3,195)	(23,226)	-	(26,421)
37,499	7,522	2	45,023
47,486	116,375	1,158	165,019

Gross carrying amount

Balance at 30 June 2010

Additions

Transfer of leased assets

Balance at 30 June 2011

Additions

Transfer of leased assets

Balance at 30 June 2012

Accumulated amortisation and impairment

Balance at 30 June 2010

Amortisation expense

Transfer of leased assets

Balance at 30 June 2011

Amortisation expense

Transfer of leased assets

Balance at 30 June 2012

Net book value

As at 30 June 2011

As at 30 June 2012

Company			
Software under lease \$	Software \$	Copyright, Website & Formation Exp \$	Total \$
185,176	21,450	2	206,628
-	1	-	1
(92,697)	-	-	(92,697)
92,479	21,451	2	113,932
50,681	118,150	-	168,831
(92,479)	-	-	(92,479)
50,681	139,601	2	190,284
(124,557)	(8,566)	-	(133,123)
(23,120)	(5,363)	-	(28,483)
92,697	-	-	92,697
(54,980)	(13,929)	-	(68,909)
(16,814)	(9,297)	-	(26,111)
68,599	-	-	68,599
(3,195)	(23,226)	-	(26,421)
37,499	7,522	2	45,023
47,486	116,375	2	163,864

21. Other assets

Prepayments

Prepaid Land Lease - Lot 101 Adam Street
Hindmarsh (i)

Consolidated		Company	
2012 \$	2011 \$	2012 \$	2011 \$
307,071	95,138	47,925	44,434
3,738,657	3,778,452	-	-
4,045,728	3,873,590	47,925	44,434

(i) The land is leased from the Crown for 99 years. The lease will expire on 12 February 2106.

22. Assets pledged as security

In accordance with the security arrangements of liabilities, as disclosed in note 25 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.

23. Trade and other payables

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Trade payables (i)	1,887,058	1,112,266	776,517	576,230
	1,887,058	1,112,266	776,517	576,230

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

24. Interest bearing liabilities

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Secured – at amortised cost				
Debentures (i)	239,677,486	209,153,964	239,677,486	209,353,964
Redeemable Preference Shares (ii)	7,350,698	6,516,827	7,350,698	6,516,827
BankSA Bank bills (iii)	14,517,767	18,217,767	-	-
NAB Business markets loan	2,391,937	-	-	-
Investors in sub-scheme	2,897,000	-	-	-
Bendigo & Adelaide Bank Limited – Warehouse Trust Facility	9,505,235	-	-	-
BankSA Portfolio loan	993,569	997,557	993,569	997,557
BankSA Hire purchase (Note 31)	273,263	170,139	273,263	170,139
	277,606,955	235,056,254	248,295,016	217,038,487
Maturity analysis				
Not longer than 3 months	52,776,401	48,779,616	49,672,400	48,779,616
Longer than 3 months and not longer than 12 months	145,426,976	125,471,765	131,100,805	119,501,765
Longer than 1 year and not longer than 5 years	79,403,578	50,768,873	67,521,811	48,757,106
Longer than 5 years	-	10,036,000	-	-
	277,606,955	235,056,254	248,295,016	217,038,487

- (i) The face value of Debentures: Consolidated \$236,742,235 (2011: \$206,564,971); Company \$236,742,235 (2011: \$206,764,971). 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. 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 investor in excess of 10% of total debentures on issue.
- (ii) The face value of the Redeemable Preference Shares ("RPS") Series 1 ("RPS1") and Series 3 ("RPS3"): \$7,420,000 (2011: \$6,579,000). RPS1 and RPS3 are subordinate to Debentures but will rank ahead of ordinary share capital and any external funding facility. RPS1 has two reset dates, the first being 30 April 2014 and the second being 30 April 2017; RPS3 also has two reset dates the first being 30 April 2015 and the second being 30 April 2018. At each reset date the Company can elect to exchange by either: converting the RPS into Ordinary Shares, repurchase the RPS, arrange for a third party to acquire the RPS; or redeem the RPS. The RPS holder can request exchange on either: the reset dates; a dividend not being paid in full for two consecutive dividend periods, certain takeovers offers, or during a sale of all or substantially all of the business (some exclusions apply to this condition). RPS1 will expire on 30 April 2020 and RPS2 will expire on 30 April 2021 in any event. On expiry or redemption investors will be paid the full face value of their RPS.
- (iii) As at the balance date there were four bank bills in place with BankSA. The bank bill expiry dates range from within the next 12 months out to 5 years. All of the bank bills are secured against real property.

25. Provisions

	Consolidated		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Employee benefits (i)	233,560	205,799	233,560	205,799
	233,560	205,799	233,560	205,799

- (i) The provision for employee benefits includes \$118,586 of annual leave and \$87,213 of long service leave entitlements accrued. Over the next 12 months management estimates that 90% of the annual leave provision will be taken and 37% long service leave.

26. Other financial liabilities

	Consolidated		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Funds received in advance (i)	392,302	349,258	392,302	349,258
	392,302	349,258	392,302	349,258

- (i) These are debenture funds which have been received prior to roll over date or in circumstances of new debenture prior to the physical application form being received.

27. Issued capital

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
703,016 fully paid ordinary shares (2011: 768,546)	787,182	794,605	787,182	794,605
31,875 partly paid ordinary shares (2011: 31,875)	133,739	103,871	133,739	103,871
5,000,000 redeemable preference shares (2011: Nil)	5,000,000	-	5,000,000	-
	5,920,921	898,476	5,920,921	898,476

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.

	2012		2011	
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of financial year	768,546	794,605	765,303	726,016
Issue of shares	3,070	64,930	3,243	68,589
Off-market share buy-back	(68,600)	(72,353)	-	-
Balance at end of financial year	703,016	787,182	768,546	794,605

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

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

	2012		2011	
	No.	\$	No.	\$
Partly paid ordinary shares				
Balance at beginning of financial year	31,875	103,871	31,875	73,882
Installment on allotment	-	29,867	-	29,989
Balance at end of financial year	31,875	133,738	31,875	103,871

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.

	2012		2011	
	No.	\$	No.	\$
Redeemable preference shares				
Balance at beginning of financial year	-	-	-	-
Issue of shares	5,000,000	5,000,000	-	-
Balance at end of financial year	5,000,000	5,000,000	-	-

Redeemable preference shares – Series 2 (“RPS2”) carry no voting rights except in certain circumstances as outlined in the Private Placement Agreement Appendix A signed in September 2011. RPS2 rank equally among themselves and among all other preference shares issued by Angas Securities Limited. They rank in priority to all ordinary shares but are unsecured and subordinated to all debenture holders and creditors to Angas Securities Limited. RPS2 rank in priority to ordinary shares for the payment of dividend.

28. Retained earnings

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Balance at beginning of financial year	8,104,720	7,227,163	8,409,338	7,910,612
Net profit attributable to members of the parent entity	1,690,258	1,877,557	1,762,835	1,498,726
Dividends provided for or paid (note 29)	(1,165,753)	(1,000,000)	(1,165,753)	(1,000,000)
Off-market share buy-back	(1,077,647)	-	(1,077,647)	-
Balance at end of financial year	7,551,578	8,104,720	7,928,773	8,409,338

29. Dividends

	2012		2011	
	Cents per share	Total \$	Cents per share	Total \$
Recognised amounts				
<u>Fully paid ordinary shares</u>				
Final dividend:				
Fully franked at a 30% tax rate	124.94	1,000,000	125.44	1,000,000
<u>Fully paid preference shares (series 2)</u>				
Final dividend:				
Fully franked at a 30% tax rate	3.32	165,753	-	-
<u>Off-market share buy-back</u>				
Off-market share buy-back:				
Fully franked at a 30% tax rate	1,570.91	1,077,647	-	-
Unrecognised amounts				
<u>Fully paid ordinary shares</u>				
Final dividend:				
Fully franked at a 30% tax rate	136.07	1,000,000	124.94	1,000,000
<u>Fully paid preference shares (series 2)</u>				
Interim dividend:				
Fully franked at a 30% tax rate	4.99	249,315	-	-

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

Company	
2012 \$	2011 \$
2,783,288	4,235,322
(428,571)	(428,571)

30. Contingent liabilities and contingent assets

There are no contingent liabilities or contingent assets.

31. Leases

Finance leases

Leasing arrangements

Finance leases relate to property, plant and equipment with a lease term of 3 years.

Finance lease liabilities

	Lease payments			
	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
No later than 1 year	117,976	95,900	117,976	95,900
Later than 1 year and not later than 5 years	155,287	74,238	155,287	74,238
	273,263	170,138	273,263	170,138

Operating leases

Leasing arrangements as Lessee

The consolidated entity leases three offices under operating leases expiring within one to four years, with option to extend for further terms. All three 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	
	2012 \$	2011 \$	2012 \$	2011 \$
Not longer than 1 year	115,147	142,714	115,147	142,714
Longer than 1 year and not longer than 5 years	261,058	185,017	261,058	185,017
	376,205	327,731	376,205	327,731

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	
	2012 \$	2011 \$	2012 \$	2011 \$
Not longer than 1 year	1,638,843	1,583,868	-	-
Longer than 1 year and not longer than 5 years	4,513,794	6,667,645	-	-
Longer than 5 years	-	357,071	-	-
	6,152,637	8,608,584	-	-

32. Subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest	
		2012 %	2011 %
Angas Commercial Property Trust	Australia	98.3	98.2
Hindmarsh Precinct Developments Pty Ltd as trustee for The Lot 101 Development Unit Trust	Australia	70.0	70.0
Angas Contributory Mortgage Fund (i)	Australia	100.0	-
Advance Investment Finance No.2 Pty Ltd	Australia	100.0	-
Mannum Investment Group Pty Ltd as trustee for Mannum Investment Unit Trust (ii)	Australia	80.0	-
Mannum Green Shopping Centre Pty Ltd as trustee for Mannum Unit Trust (ii)	Australia	75.0	-

- (i) Angas Securities Limited is the Responsible Entity of the two managed investment schemes Angas Contributory Mortgage Fund and Angas Prime Income Fund.
- (ii) Angas Securities holds 80% of the units in Mannum Investment Group Pty Ltd as trustee for Mannum Investment Unit Trust. Mannum Investment Group Pty Ltd as trustee for Mannum Investment Unit Trust owns 75% of the units in Mannum Green Shopping Centre Pty Ltd as trustee for Mannum Unit Trust.

33. Business combinations

(a) Subsidiary acquired

2012

On 18 January 2012, the consolidated entity acquired a 100% interest in Advanced Investment Finance No.2 Pty Ltd ("Advanced"). Advanced lends funds out on first mortgages via a warehouse trust facility which it holds with Bendigo and Adelaide Bank Limited.

2011

On 14 December 2010, the consolidated entity acquired a 70% interest in Hindmarsh Precinct Developments Pty Ltd as trustee for The Lot 101 Development Unit Trust ("Hindmarsh Precinct Development"). Hindmarsh Precinct Developments is engaged in Property Investment and was acquired with the objective of strengthening the consolidated entity's investment portfolio.

(b) Consideration transferred

Cash

2012 \$	2011 \$
1,000,300	740,082
1,000,300	740,082

(c) Assets acquired and liabilities assumed at the date of acquisition

Assets

Cash & cash equivalents 7,932 212
Trade & other receivables (i) 81,999 30,050
Prepaid land lease – Lot 101 Adam Street Hindmarsh (ii) - 3,800,000
Loans (iii) 12,723,971 -

Liabilities

Trade & other payables (81,699) (191,180)
Commercial Bill- BankSA - (2,470,000)
Related party payable – Vidale Development Pty Ltd - (200,000)
Related party payable – Angas Securities Limited (1,000,000) -
Bendigo & Adelaide Bank Warehouse Trust Facility (10,731,903) -
1,000,300 969,082

- (i) 2012: Trade and other receivables acquired of \$81,999 mainly relate to interest receivable. 2011: Trade receivables acquired of \$30,050 relate entirely to GST receivables.
- (ii) 2012: Nil. 2011: The land acquired is leased from the Commonwealth for 99 years. The lease will expire on 12 February 2106.
- (iii) 2012: All the loans acquired are secured by first mortgages and funded by the warehouse trust facility held with Bendigo and Adelaide Bank Limited. The warehouse trust facility requires a first loss of \$2,000,000 which was paid by Angas Securities Limited. 2011: Nil

(d) Non-controlling Interest

2012

Nil

2011

The non-controlling interest (30%) in Hindmarsh Precinct Development recognised at the acquisition date was measured by reference to the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

33. Business combinations (cont'd)

(e) Goodwill arising on acquisition

Consideration transferred	-
Plus: non-controlling interest (at fair value)	-
Less: fair value of identifiable net assets acquired	-
Goodwill arising on acquisition	-

2012 \$	2011 \$
-	740,082
-	290,725
-	(969,082)
-	61,725

(f) Net cash outflow arising on acquisition

Consideration transferred	1,000,300
Less: cash and cash equivalent balances acquired	(7,932)
	992,368

2012 \$	2011 \$
1,000,300	740,082
(7,932)	(212)
992,368	739,870

(g) Impact of acquisition on the results of the Consolidated Entity

2012

Included in the profit for the period ending 30 June 2012 is a profit before tax of \$334,317 attributed to Advanced. Revenue for the period includes \$1,325,150 in respect of Advanced.

2011

Included in the profit for the period ending 30 June 2011 is a loss of \$205,581 attributed to Hindmarsh Precinct Developments. Revenue for the period includes \$24 in respect of Hindmarsh Precinct Developments.

34. 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 are reconciled to the related items in the statement of financial position as follows:

	Consolidated		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Cash – Trading account (at call)	8,926,059	6,307,729	7,635,346	6,071,856
Cash – Debenture fund (at call)	7,950,737	14,958,958	7,950,737	14,958,958
Cash – NAB (at call and term deposit)	6,965,822	6,000,000	6,965,822	6,000,000
Cash – BankSA (term deposit)	5,000,000	3,000,000	5,000,000	3,000,000
Cash on hand	1,466	1,333	1,466	1,333
	28,844,084	30,268,020	27,553,371	30,032,147

(b) Financing facilities

	Consolidated		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Secured bank bill facilities:				
• amount used	14,517,767	18,217,767	-	-
• amount unused	233	233	-	-
	14,518,000	18,218,000	-	-
Portfolio Loan:				
• amount used	993,569	997,557	993,569	997,557
• amount unused	6,431	2,443	6,431	2,443
	1,000,000	1,000,000	1,000,000	1,000,000
Hire purchase facility:				
• amount used	273,263	170,138	273,263	170,138
• amount unused	-	-	-	-
	273,263	170,138	273,263	170,138
Warehouse Trust Facility:				
• amount used	9,505,235	-	9,505,235	-
• amount unused	-	-	-	-
	9,505,235	170,138	9,505,235	170,138
Business market loan:				
• amount used	2,557,936	-	-	-
• amount unused	3,342,064	-	-	-
	5,900,000	-	-	-

(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 \$124,500 in cash in the consolidated trading account for working capital relating to Angas Commercial Property Trust.

BankSA holds a set off deed over the Trading account for \$193,000 which is made up of the following:

- \$ 173,000 Bank guarantee – office leases
- \$ 20,000 Bank guarantee - ASIC (relating to AFS Licence requirement)

34. 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	
	2012 \$	2011 \$	2012 \$	2011 \$
Profit for the year	1,547,125	1,834,438	1,762,835	1,498,726
Debt issue costs recognised in profit or loss	10,557	867	10,557	867
Investment revenue recognised in profit or loss	(555,211)	(1,322,779)	(555,211)	(1,322,779)
Investment expenses recognised in profit or loss	204,907	-	204,907	-
Impairment of assets	4,183,765	1,940,394	4,112,342	2,501,481
Impairment recovered on assets	(850,000)	-	(622,812)	-
Gain on disposal of property, plant & equipment	(240)	(3,611)	(240)	(3,611)
Depreciation and amortisation	274,342	266,664	199,573	210,433
Change in tax balances	785,255	(776,303)	684,960	(776,303)
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Trade and other receivables	(5,403,270)	(1,321,326)	(5,068,794)	(1,307,688)
Loan receivables	1,624,179	(298,446)	1,624,179	(298,446)
Other assets	(3,491)	(30,776)	(3,491)	(26,638)
Increase/(decrease) in liabilities:				
Trade and other payables	700,857	325,438	200,286	258,889
Interest bearing liabilities	346,257	824,411	346,257	824,411
Provisions	27,761	20,707	27,761	20,707
Net cash from operating activities	2,892,793	1,459,678	2,923,109	1,580,049

35. Financial instruments

(a) Capital risk management

The company manages its capital to ensure that entities in the consolidated 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. Hindmarsh Precinct Developments Pty Ltd as trustee for The Lot 101 Development Unit Trust is also a subsidiary of the consolidated entity and this entity currently holds one bank bill secured against one property held in South Australia. Mannum Unit Trust holds one business markets loan which is secured against a development project in South Australia. Mannum Unit Trust is a subsidiary of the consolidated entity. In 2009 the company foreclosed on a property in Wahroonga NSW and, subsequently, obtained a Portfolio loan secured against this property.

(b) Categories of financial instruments

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Financial assets				
Cash and cash equivalents	28,844,084	30,268,020	27,553,371	30,032,147
Loans and receivables	224,969,005	185,342,643	225,086,746	189,760,310
Financial liabilities				
At amortised cost	279,494,013	236,168,520	249,463,835	217,614,717

(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.

(d) Market risk

The consolidated entity's activities expose it primarily to the financial risks of changes in interest rates (refer note 35(f)) and, to a lesser degree, foreign currency exchange rates (refer note 35(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.

(e) Foreign currency risk management

Foreign currency sensitivity analysis

The consolidated entity does not have any foreign currency exposure.

35. Financial instruments (cont'd)

(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 \$25,614 (2011: increase/(decrease) by \$43,964). These movements are as a result of lower/higher interest income from these financial assets.
- equity would increase/(decrease) by nil (2011: increase/(decrease) by nil).

(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 company's interest as lender on each policy; and
- Weighting the portfolio to take account of geographic and investment spread.

35. Financial instruments (cont'd)

(g) Credit risk management (cont'd)

Furthermore 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 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.

(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. 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 \$	1-5 years \$	5 years + \$
2012				
Trade and other payables	0%	1,887,058	-	-
Bank bills	5.13%	3,402,794	15,030,020	-
Hire purchase	8.70%	136,486	165,415	-
Portfolio loan	8.33%	1,076,334	-	-
Business markets loan	6.68%	2,676,262	-	-
Bendigo & Adelaide Bank Limited – Warehouse Trust Facility	5.82%	9,505,235	-	-
Investors in sub-scheme	10.00%	2,897,000	-	-
Redeemable Preference Shares (RPS)	9.75%	-	8,900,563	-
Debentures	8.39%	187,248,546	71,206,920	-
		208,829,715	95,302,918	-
2011				
Trade and other payables	0%	1,112,266	-	-
Bank bills	7.38%	7,463,333	4,923,501	10,570,076
Hire purchase	8.10%	106,215	26,598	-
Portfolio loan	7.06%	1,033,060	-	-
Redeemable Preference Shares (RPS)	10.50%	-	8,537,830	-
Debentures	8.44%	173,958,592	27,671,504	-
		183,673,466	41,159,433	10,570,076

COMPANY	Average interest rate %	Less than 1 year \$	1-5 years \$	5 years + \$
2012				
Trade and other payables	0%	776,516	-	-
Hire purchase	8.70%	136,486	165,415	-
Portfolio loan	8.33%	1,076,334	-	-
Redeemable Preference Shares (RPS)	9.75%	-	8,900,563	-
Debentures	8.39%	187,248,546	71,206,920	-
		189,237,882	80,272,898	-
2011				
Trade and other payables	0%	576,230	-	-
Hire purchase	8.10%	106,215	26,598	-
Portfolio loan	7.06%	1,033,060	-	-
Redeemable Preference Shares (RPS)	10.50%	-	8,537,830	-
Debentures	8.44%	174,169,622	27,671,504	-
		175,885,127	36,235,932	-

35. 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 year \$	1-5 years \$	5 years + \$
2012				
Cash	3.06%	8,853,591	-	-
Other cash deposits	5.56%	19,916,558	-	-
Loans	13.81%	217,822,781	3,457,025	-
Trade and other receivables	0%	17,808,288	570,950	118,934
		264,401,218	4,027,975	118,934
2011				
Cash	3.91%	6,309,062	-	-
Other cash deposits	4.05%	23,958,958	-	-
Loans	13.82%	176,622,257	-	-
Trade and other receivables	0%	15,542,870	630,148	138,873
		222,433,147	630,148	138,873

Company

	Average interest rate %	Less than 1 year \$	1-5 years \$	5 years + \$
2012				
Cash	2.96%	7,636,812	-	-
Other cash deposits	5.56%	19,916,558	-	-
Loans	13.81%	207,127,161	-	-
Trade and other receivables	0%	17,764,339	570,950	118,934
		252,444,870	570,950	118,934
2011				
Cash	4.18%	6,073,189	-	-
Other cash deposits	4.05%	23,958,958	-	-
Loans	13.82%	176,622,257	-	-
Trade and other receivables	0%	1,798,157	630,148	138,873
		208,452,561	630,148	138,873

36. 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 director salaries are 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	
	2012 \$	2011 \$	2012 \$	2011 \$
Short-term employee benefits	891,271	945,649	891,271	945,649
Post-employment benefits	66,597	62,290	66,597	62,290
	957,868	1,007,939	957,868	1,007,939

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

2012	Short-term employee benefits			Post-employment benefits	Total
	Salary	Fees (i)	Allowances (ii)	Superannuation	
	\$	\$	\$	\$	\$
Executive officers					
M J Hower	244,269	42,000	-	21,984	308,253
A Luckhurst-Smith	190,190	42,000	-	17,117	249,307
P S McCarthy	189,668	42,000	-	17,070	248,738
K J Lyons	99,144	42,000	16,700	10,426	168,270
					974,568

2011	Short-term employee benefits			Post-employment benefits	Total
	Salary	Fees (i)	Allowances (ii)	Superannuation	
	\$	\$	\$	\$	\$
Executive officers					
M J Hower	233,745	61,000	-	21,037	315,782
A Luckhurst-Smith	181,997	61,000	-	16,380	259,377
P S McCarthy	181,497	61,000	-	16,335	258,832
K J Lyons	95,622	61,000	8,000	9,326	173,948
					1,007,939

(i) Fees relate to directors' fees of \$42,000 (2011: \$36,000) per annum and guarantee fees of Nil (2011: \$25,000) per annum.

(ii) Allowances relate to an accommodation allowance for interstate executive officers when travelling to Adelaide.

Contracts for services of key management personnel

No key management personnel are employed under contract.

37. 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 32 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 36 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.
2012			
A Luckhurst-Smith	171,976	-	171,976
M J Hower	424,176	-	424,176
K J Lyon	97,124	-	97,124
P S McCarthy	6,670	3,070	9,740
2011			
A Luckhurst-Smith	171,976	-	171,976
M J Hower	424,176	-	424,176
K J Lyon	97,124	-	97,124
P S McCarthy	3,427	3,243	6,670

Partly paid ordinary shares of Angas Securities Limited

	Balance at 1 July No.	Net other change No.	Balance at 30 June No.
2012			
P S McCarthy	31,875	-	31,875
2011			
P S McCarthy	31,875	-	31,875

37. 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	
	2012 \$	2011 \$
Consolidated revenue includes the following amounts arising from transactions with key management personnel of the consolidated entity or their related parties:		
Serviced office	271,908	267,657
Upfront & trail commission	4,312	5,145
	276,220	272,802
Consolidated profit includes the following expenses arising from transactions with key management personnel of the consolidated entity or their related parties:		
Commissions	-	3,737
Consultancy Fee	95,187	100,595
Interest expense	30,514	60,726
Legal consultancy	70,534	84,851
Management Fee	93,553	83,090
	289,788	332,999
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	19,408	20,806
	19,408	20,806
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	(250,000)	(250,000)
	(250,000)	(250,000)

(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 2012 financial year \$254,700 (2011: \$251,055) 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 2012 financial year \$17,208 (2011: \$16,602) 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 2012 the retail lending business received \$4,312 (2011: \$4,350) in trail commission from FAST and nil (2011: \$795) in upfront commission from FAST in relation to residential home loans held by Andrew Luckhurst-Smith.

During the financial year no trailing commission was paid to Hower Corporation Pty Ltd, of which Mr M J Hower is a director (2011: \$3,737). However, when the fees are applicable and paid they are based on standard rates for services provided on each loan. Trail commission is based on current market rates.

A consultancy fee of \$95,187 (2011: \$100,595) 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.

37. Related party transactions (cont'd)

(c) Transactions with other related parties (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	\$ 1,681	(2011: \$3,575)
• Angas Commercial Property Trust	\$ 4,136	(2011: \$45,395)
• Angas Prime Income Fund	\$24,696	(2011: \$11,757)

(Angas Securities Limited is the Responsible Entity of Angas Prime Income Fund)

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 \$70,534 (2011: \$84,851). Fees were based on standard rates for each service provided and were fully recovered by the consolidated entity from borrowers.

A management fee was paid by Angas Commercial Property Trust ("Trust") to Angas Property Fund Limited (M J Hower, A Luckhurst-Smith, P S McCarthy and K J Lyons are shareholders of this company) of \$93,553 (2011: \$83,090). The management fee related to services provided by Angas Property Fund Limited relating to the management of investment properties held within the Trust.

Included under assets in trade and other receivables (trailing commission receivable) an amount totalling \$19,408 (2011: \$20,806) 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. The trail commission receivable rate is determined by FAST.

Trade and other receivables was adjusted by \$250,000 (2011: \$250,000) pertaining to an investment made by entities associated with Mr K J Lyons and Mr A Luckhurst-Smith which related to the Company's partial interest in three properties, as tenant in common (refer to notes 6 and 11). The \$250,000 (2011: \$250,000) was made up of principal of nil (2011: nil) each and revenue on investment of \$125,000 (2011: \$125,000) each. The receivable is payable to the entities associated with Mr K J Lyons and Mr A Luckhurst-Smith on discharge of the facility.

38. Remuneration of auditors

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Auditor of the parent entity				
Audit or review of the financial report	133,001	126,786	133,001	126,786
(Over)/under provision of prior year audit	5,383	-	5,383	-
Taxation services	35,241	28,435	35,241	28,435
	<u>173,625</u>	<u>155,221</u>	<u>173,625</u>	<u>155,221</u>

The auditor of Angas Securities Limited is Deloitte Touche Tohmatsu.

39. Subsequent events

During the financial year the company acquired a loan at a significant discount from another financier. One of the terms of the acquisition related to the issuing of a promissory note. On 1 July 2012 the promissory note was issued by the company for a value of \$2,250,000. The terms of the note are that it can be repaid within a 13 month period but no later than 30 July 2013 and up to and including the date of payment an interest rate of 11% will be applied to the principal balance of the promissory note.

A dividend of \$1,000,000 fully franked (imputed credit of \$428,571) was declared and paid on 27 July 2012. This represents a fully franked dividend of 136.07 cents per share. Payment of this dividend will reduce franking credits available for subsequent reporting periods to equity holders by \$428,571.

In addition a fully franked dividend of \$249,315.07 (imputed credit of \$106,849.32) was declared on 27 July 2012 and paid on 31 July 2012 for Redeemable Preference Share holders in Series 2. This represents a fully franked dividend of 4.99 cents per share. Payment of this dividend will reduce franking credits available for subsequent reporting periods to equity holders by \$106,849.32.