ANGAS SECURITIES LIMITED

ACN: 091 942 728
Annual report for the financial year ended 30 June 2013

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 2013. 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. Retired as director on 31 July 2013.
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.
Clive Thomas Guthrie	Twenty seven years at Westpac handling general banking, financial services and trust management followed by fifteen years at Trust Company as manager of corporate trusts and head of Structured Finance. Joined the Board 1 July 2013.

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, fixed interest securities, and rights or options in shares or fixed interest securities of the company or a related body corporate as at the date of this report.

	Angas Securities Limited			
Directors	Fully paid ordinary shares Number	Partly paid ordinary shares Number	Redeemable Preference Shares $	Fixed interest securities $
A Luckhurst-Smith	171,976	-	-	-
M J Hower	424,176	-	2,500,000	-
K J Lyons	97,124	-	-	30,000
P S McCarthy	12,895	31,875	-	-
C T Guthrie	-	-	-	-

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 4 to 7. 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 fixed interest 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.

Angas Investment Finance Pty Ltd (formally 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 Angas Investment Finance 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. Five of the most substantial property investments are held in Angas Commercial Property Trust. This portfolio comprises three well located commercial properties that 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. The other two holdings are parcels of vacant land.

Other property 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 $534,187 (2012: $1,547,125).

During the current financial year the Company incurred a number of expenses which did not relate to the core operations of the business. $1,248,092 of expenses related to legal, trustee, consultancy and promotional costs incurred as a result of working with the Trustee for the company's fixed interest security holders which undertook an independent business review. The Trustee has yet to complete this exercise and the company continues to be exposed to ongoing costs. In addition to these costs the company also incurred increased accounting and valuation fees for the twelve months ending 30 June 2013. The increase in expenses for the financial year has had an adverse affect on profit and on the cash flow from operating activities.

Interest bearing liabilities (including fixed interest securities) increased by 10.47% in 2013 (2012: 18.10%) The growth in 2013 was less significant than in 2012. The main contributor to the contraction in growth of interest bearing liabilities was due to the company accepting funds only from sophisticated or existing investors following the expiry of Prospectus No.13 in December 2012. For a period of seven (7) months until 30 June 2013 the Company did not accept funds from new retail investors. A Consolidated Supplementary Prospectus was issued on 9 August 2013 and the Company has resumed accepting funds from new retail investors. The entire process has stress-tested the operations of the Company which enjoyed strong support from existing investors throughout this period. The average reinvestment rate for fixed interest securities for the financial year equaled 82% (2012: 88%)

As a result of interest bearing liabilities increasing during the financial year the loan book also grew from $206,248,136 in 2012 to $238,241,658 in 2013. $15,600,000 of the growth in the loan book related to Angas Contributory Mortgage Fund which was a new investment product offered for a full twelve (12) months in the current financial year. As a result of the increase in loan book, interest revenue rose by 24.43% in 2013.

Expired loans increased from $47.3m in 2012 to $68.8m in 2013. This increase reflected a deterioration in general market conditions, as well as specific issues arising from a number of loans. Due to the nature of the short duration mortgage lending business conducted by the Company, expired loans are an ordinary part of the business. The rates of these loans fluctuate. Appropriate loan management is undertaken by the Company to minimise risk. The Directors meet weekly to monitor and update loan recovery action plans. As business confidence improves and liquidity returns to the property market, expired loans are expected to be reduced and current indications are that this will happen to a material extent, within the next financial year.

The Company has invested in a number of subsidiaries. During the financial year the company's investment in Hindmarsh Precinct Developments was impaired by $426,970 and its investment in Angas Commercial Property Trust was impaired by $822,555. The assets of Hindmarsh Precinct Developments and Angas Commercial Property Trust are predominately held in investment properties and during the financial year a number of the properties were impaired due to falls in current market valuations received.

The Company has increased its capital during the period by $3,032,530 which included a private placement of $2,500,000 of long-dated redeemable preference shares (partly franked).

Another significant event during the period was the finalization of negotiations for the structured sale of Fernhill. The legal instruments were executed on 29 November 2012. The counterparty will develop and sell 88 allotments to generate funds to repay the loan facility. Total receipts are expected to exceed the market valuation of Fernhill of $50 million assessed as at the date that the loan was acquired (further details disclosed in Note 13).

More broadly, in the fixed interest securities funded commercial lending sector, two significant debenture companies entered receivership during the first half of the period. Both were unlisted and unrated issuers so were not directly comparable to the company. However, the regulator publicly announced increased surveillance of the debenture sector and has released proposals for legislative changes to be phased in over four years if enacted. The Company welcomes regulatory reform that enhances investor confidence in the sector and will actively engage in the regulator's consultation process. There has been minimal impact on the debenture reinvestment rate amongst the company's fixed interest securities investors in response to these recent market developments.

As stated at the outset of this Review of Operations, the Trustee for the first ranking investors appointed an advisory firm to initiate a review of the Company's operations. This appointment was made on 22 November 2012. The purpose of the review was to ensure the Company had sufficient capacity to trade and operate as a going concern and repay all first ranking investments in full as they fell due. The independent advisor report was issued in its final form to the Trustee on 3 April 2013. The report was prepared solely for the use of the Trustee and is not to be disclosed or relied upon by any other party without prior written consent of its author. Since the independent advisor's report was received, the Company and the Trustee have agreed certain enhanced reporting protocols and other measures required by the Trustee. The Basis of Preparation of the financial report at Note 3 consider this information in the context of the going concern assumptions as at the date of this report.

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 fixed interest securities 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. A retail investment product comprising a pooled mortgage trust known as Angas Prime Income Fund ("APIF") is proposed to be re-launched in FY 14. This will be in addition to the contributory mortgage trust known as Angas Contributory Mortgage Fund ("ACMF") which completed its first full year of trading during the period.

Angas is Australia's largest issuer of fixed interest securities (commonly known as debentures) issued pursuant to Chapter 6D of the Corporations Act. Angas proposes that APIF will complement the two existing retail offerings. A diminution in direct competitors, the progressive aging of the Australian population and the recent fall in interest rates are expected to underpin the strength of these two retail offerings.

Business risks that Angas faces to its financial performance include credit losses of principal and interest in respect of its core lending activities. These could arise due to loan size, borrowers default, protracted delays in realizing security and fall in the property market. As some property investments are geared, any losses could be magnified. Investments utilizing put and call structures expose Angas to equity risk. The directors believe that there are appropriate risk management structures in place to mitigate against potential losses. In the case of ACMF and APIF losses from lending are absorbed by investors in the mortgage trusts rather than by the Company as manager.

Changes in state of affairs

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

Dividends

No dividend was declared in respect of the financial year ended 30 June 2013.

Subsequent events

On 8 July 2013 a private investor co-invested $14,000,000 in the Fernhill loan. The co-investor participates in the mortgage on a pari passu basis as first mortgagee pursuant to a Co-Investment and Security Trust Deed.

A fully franked dividend of $247,945 (imputed credit of $106,262) was declared on 25 July 2013 and paid on 31 July 2013 for Redeemable Preference Share holders in Series 2. This represents a fully franked dividend of 4.96 cents per share. Payment of this dividend will reduce franking credits available for subsequent reporting periods to equity holders by $106,262.

On 31 July 2013 a Call was made for $74,615 relating to partly paid shares issued to Barri Nominees, of which P S McCarthy is a director. Payment for the Call was not made by Barri Nominees until 12 September 2013; applicable interest will be charged and payable by Barri Nominees.

The Company provided ASIC with an undertaking on 2 January 2013. The undertaking was given during the Exposure Period for Prospectus 14 and involved an undertaking to not issue any fixed interest securities to new investors under its current Prospectus (Prospectus 14). The undertaking expired and a Consolidated Supplementary Prospectus was issued on 9 August 2013.

On 23 September 2013 the Company settled on an assignment and re-structure of a loan with Wayville 283 Pty Ltd from a previous mortgagee. The loan is in order with an approved limit of $6.509 million drawn to $6.35 million as at the date of this report. Security comprises a first mortgage over 17 apartments at The Terraces at 4 – 8 Goodwood Road, Wayville which increases the exposure of the Company to this Borrower.

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, 16 Board meetings and 15 Audit, Risk Management and Compliance Committee ("ARMCO") meetings were held.

Directors	Board Meetings Held	Board Meetings Attended	ARMCO Held	ARMCO Attended
Mr A Luckhurst-Smith	16	15	15	11
Mr M J Hower	16	15	N/A	N/A
Mr K J Lyons	16	14	15	12
Mr P S McCarthy	16	15	N/A	N/A
Mr C T Guthrie	N/A	N/A	N/A	N/A

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 ARMCO, 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 8 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 2013. 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
Clive Guthrie	Non-executive Director	1 July 2013
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 July 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, excluding directors fees which were slightly under and could be increased from $3,500 per month to $5,000 per month. The Board reviewed this advice and recommended there be no salary increases for the period and that directors fees would increase from $3,500 per month to $5,000 per month for each director. 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 KMP.

Annual Remuneration as at 30 June 2013:

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%
Clive Guthrie **	N/A	N/A
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 by the Board.

** Mr Guthrie is a non-executive director and therefore is not paid a salary. Mr Guthrie is paid a directors fee of $5,000.00 per month.

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 in line 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 certainly been 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 absence of sound commercial reasons that are for the benefit of ASL such consent will not normally be forthcoming; and
3. In the event directors' ASL shareholding is charged, 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 2013:

	30 June 2009 $	30 June 2010 $	30 June 2011 $	30 June 2012 $	30 June 2013 $
Revenue	22,050,469	27,136,605	30,715,934	35,728,620	44,448,874
Net profit before tax	1,369,173	3,800,162	2,717,369	2,012,309	1,252,562
Net profit after tax	856,183	2,746,182	1,834,438	1,547,125	534,187

	30 June 2009	30 June 2010	30 June 2011	30 June 2012	30 June 2013
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	400,000	1,000,000	1,000,000	1,000,000

[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.

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

2013	Short-term employee benefits			Post-employment benefits	Total
	Salary $	Fees (i) $	Allowances (ii) $	Superannuation $	$
Executive officers					
M J Hower	244,269	60,000	-	21,984	326,253
A Luckhurst-Smith	190,190	60,000	-	17,117	267,307
P S McCarthy	189,668	60,000	-	17,070	266,738
K J Lyons	99,144	60,000	9,800	9,805	178,749
C T Guthrie	-	-	-	-	-
E Starck	59,132	-	-	5,322	64,454
					1,103,501

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
E Starck	58,575	-	-	5,272	63,847
					1,038,415

(i) Fees relate to directors fees $60,000 (2012: $42,000) per annum.
(ii) Allowances relate to an accommodation allowance for interstate executive officers when travelling to Adelaide and fees received in relation to director property inspections.

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, 2 October 2013

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

2 October 2013

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 2013, 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
DELOITTE TOUCHE TOHMATSU

J M Burton
Partner
Chartered Accountants

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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 2013, the statement of profit or loss and other 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 11 to 71.

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.

Deloitte.

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 2013 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 3 in the financial report, which indicates that the Independent Business Review commissioned by the Trustee of the debenture holders remains incomplete. This incomplete review, along with other matters set forth in Note 3, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 7 of the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

J M Burton
Partner
Chartered Accountants
Adelaide, 2 October 2013

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, 2 October 2013

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Consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2013

		Consolidated		Company	
		2013	2012	2013	2012
	Note	$	$	$	$
Interest revenue	6	35,503,217	28,533,002	32,551,525	28,040,141
Interest expense	7	(26,169,422)	(21,803,979)	(23,080,421)	(20,396,644)
Net interest revenue		9,333,795	6,729,023	9,471,104	7,643,497
Non interest revenue	6	8,945,657	7,195,618	7,994,776	5,862,719
Marketing expenses		(312,156)	(413,520)	(300,041)	(346,930)
Occupancy expenses		(615,264)	(425,679)	(615,264)	(425,679)
Administration expenses		(10,139,986)	(7,046,192)	(10,302,674)	(6,894,714)
Impairment expenses		(4,624,112)	(3,333,765)	(4,260,393)	(3,489,530)
Lending waivers		(662,440)	(148,190)	(662,440)	(148,190)
Other expenses		(672,932)	(544,986)	(52,266)	(73,449)
Profit before tax	8	1,252,562	2,012,309	1,272,802	2,127,724
Income tax expense	9	(718,375)	(465,184)	(664,683)	(364,889)
Profit for the year		534,187	1,547,125	608,119	1,762,835
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		534,187	1,547,125	608,119	1,762,835
Attributable to:					
Equity holders of the parent		750,595	1,690,258	608,119	1,762,835
Non-controlling interests		(216,408)	(143,133)	-	-
		534,187	1,547,125	608,119	1,762,835

Notes to the financial statements are included on pages 17 to 71.

Consolidated statement of financial position as at 30 June 2013

	Note	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
Assets					
Cash and cash equivalents	34(a)	22,693,698	28,844,084	21,592,875	27,553,371
Trade and other receivables	11	23,224,929	17,852,869	23,213,415	17,823,699
Current tax assets	9	-	184,367	-	284,663
Property held for resale	17	5,915,251	4,320,558	1,410,751	3,420,558
Loans	13	238,241,658	206,248,136	215,189,223	192,653,274
Deferred tax assets	9	405,050	76,917	405,050	76,917
Other financial assets	12	218,000	868,000	14,719,648	14,609,773
Property, plant and equipment	15	360,449	535,303	360,449	535,303
Other assets	21	214,462	3,879,728	102,099	47,925
Inventory - property	18	2,742,300	2,940,000	2,742,300	2,940,000
Investment property	16	32,849,998	27,326,869	4,868,607	2,845,558
Other intangible assets	20	134,912	165,019	134,912	163,864
Goodwill	19	592,184	592,184	592,184	592,184
Total assets		327,592,891	293,834,034	285,331,513	263,547,089
Liabilities					
Trade and other payables	23	2,777,101	1,887,058	1,690,078	776,517
Other financial liabilities	26	1,349,943	392,302	1,317,141	392,302
Interest bearing liabilities	24	306,680,213	277,606,955	265,320,449	248,295,016
Current tax liability	9	872,939	-	858,683	-
Provisions	25	281,531	233,560	281,531	233,560
Total liabilities		311,961,727	280,119,875	269,467,882	249,697,395
Net assets		15,631,164	13,714,159	15,863,631	13,849,694
Equity					
Issued capital	27	8,953,451	5,920,921	8,953,451	5,920,921
Retained earnings	28	6,677,461	7,551,578	6,910,180	7,928,773
Equity attributable to equity holders of the parent		15,630,912	13,472,499	15,863,631	13,849,694
Non-controlling interest		252	241,660	-	-
Total equity		15,631,164	13,714,159	15,863,631	13,849,694

Notes to the financial statements are included on pages 17 to 71.

Consolidated statement of change in equity for the financial year ended 30 June 2013

Consolidated	Issued Capital $	Retained earnings $	Non-controlling interest $	Total $
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
Profit/(loss) for the period	-	750,595	(216,408)	534,187
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	750,595	(216,408)	534,187
Payment of dividends – ordinary shares	-	(1,000,000)	-	(1,000,000)
Payment of dividends – preference shares	-	(626,712)	-	(626,712)
Redemption of units in trust	-	-	(25,000)	(25,000)
Issue of capital – ordinary shares	66,728	-	-	66,728
Issue of capital – preference shares	2,500,000	-	-	2,500,000
Installment partly paid shares	465,802	-	-	465,802
Other	-	2,000	-	2,000
Balance at 30 June 2013	8,953,451	6,677,461	252	15,631,164

Company	Issued Capital $	Retained earnings $	Non-controlling interest $	Total $
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	-	1762,835
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
Profit/(loss) for the period	-	608,119	-	608,119
Other comprehensive income for the year	-	-	-	-
Total comprehensive Income for the year	-	608,119	-	608,119
Payment of dividends – ordinary shares	-	(1,000,000)	-	(1,000,000)
Payment of dividends – preference shares	-	(626,712)	-	(626,712)
Issue of capital – ordinary shares	66,728	-	-	66,728
Issue of capital – preference shares	2,500,000	-	-	2,500,000
Installment partly paid shares	465,802	-	-	465,802
Balance at 30 June 2013	8,953,451	6,910,180	-	15,863,631

Notes to the financial statements are included on pages 17 to 71.

Consolidated statement of cash flows for the financial year ended 30 June 2013

	Note	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
Cash flows from operating activities					
Receipts from customers		7,679,605	7,855,247	6,561,401	5,963,253
Payments to suppliers and employees		(11,595,684)	(8,061,871)	(10,727,300)	(7,358,058)
Payments of property investment distributions		(2,025)	-	-	-
Interest received		26,318,768	24,667,941	23,230,402	24,103,952
Interest paid		(25,333,722)	(21,795,753)	(22,218,615)	(20,013,267)
Income tax received		337,045	888,303	337,045	888,303
Income taxes paid		(326,246)	(661,074)	(186,516)	(661,074)
Net cash (used in)/generated by operating activities	34(d)	(2,922,259)	2,892,793	(3,003,583)	2,923,109
Cash flows from investing activities					
Proceeds from repayment of mortgage loans		97,273,754	66,374,591	63,709,404	64,746,254
Payments for mortgage loans		(130,073,993)	(103,604,454)	(82,839,235)	(97,386,490)
Payment for property held for resale		-	(575,000)	-	(575,000)
Proceeds from units in trust		-	-	900,000	-
Payment of units in trust		-	-	(1,200,000)	(900,000)
Proceeds from financial assets		650,000	3,700,000	-	3,700,000
Payments for financial assets		-	(2,467,730)	-	(4,387,605)
Amounts advanced to subsidiaries		-	-	-	(2,711,142)
Proceeds from sale of property, plant and equipment		17,768	240	17,768	240
Payments for property, plant and equipment		(33,321)	(397,817)	(33,321)	(397,817)
Proceeds from property held for resale		-	-	-	220,175
Payments for acquisition of investment properties		(1,307,646)	(3,461,349)	-	-
Payment of building and development costs for investment properties		(3,364,383)	(2,649,326)	(66,097)	(435,510)
Amounts advanced to subsidiaries		-	-	(893,270)	-
Net cash outflow on acquisition of subsidiaries		-	-	-	(1,000,300)
Net cash used in investing activities		(36,837,821)	(43,080,845)	(20,404,751)	(39,127,195)
Cash flows from financing activities					
Proceeds from borrowings		3,420,736	5,878,892	-	237,086
Repayment of borrowings		(807,412)	(3,837,949)	(112,532)	(137,949)
Repayment of units redeemed in trust		(25,000)	-	-	-
Proceeds from issue of equity securities		532,530	94,798	532,530	94,798
Payment for share buy-back					
- Member of parent entity		-	(1,150,000)	-	(1,150,000)
Proceeds from investors – managed investment scheme		18,371,000	2,897,000	-	-
Repayments from investors – managed investment scheme		(4,910,000)	-	-	-
Proceeds from issue of fixed interest securities		55,592,412	57,209,558	55,592,412	57,209,558
Repayment of fixed interest securities		(40,915,000)	(26,989,250)	(40,915,000)	(27,189,250)
Proceeds from issue of redeemable preference shares		3,875,000	5,841,000	3,875,000	5,841,000
Payment of debt issue costs		(23,202)	(14,180)	(23,202)	(14,180)
Dividends paid:					
- members of parent entity		(1,501,370)	(1,165,753)	(1,501,370)	(1,165,753)
Net cash provided by financing activities		33,609,694	38,764,116	17,447,838	33,725,310
Net increase / (decrease) in cash and cash equivalents		(6,150,386)	(1,423,936)	(5,960,496)	(2,478,776)
Cash and cash equivalents at the beginning of the financial year		28,844,084	30,268,020	27,553,371	30,032,147
Cash and cash equivalents at the end of the financial year	34(a)	22,693,698	28,844,084	21,592,875	27,553,371

Notes to the financial statements are included on pages 17 to 71.

1. General information

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

The Company's registered office and its principal place of business is as follows:

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

Amendments to AASB 101 'Presentation of Financial Statements'	The amendment (part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income' introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above Mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2012-5 'Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle') requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position), when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The related notes to the third statement of financial position are not required to be disclosed.

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

2.2 Standards and Interpretations in issue not yet adopted

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 the relevant amending standards	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements' and AASB 2011- 7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (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 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) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014

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

AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	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
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	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

None at time of publication.

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 2 October 2013.

Going Concern

The financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

During the current financial year and to the date of this report, in the fixed interest securities funded commercial lending sector, two significant debenture companies entered receivership during the first half of the period. Both were unlisted and unrated issuers so were not directly comparable to the company. However, the Australian Securities and Investments Commission ('ASIC') publicly announced increased surveillance of the debenture sector and has released proposals for legislative changes to be phased in over four years if enacted. The Company welcomes regulatory reform that enhances investor confidence in the sector and will continue to actively engage in the regulator's consultation process. There has been minimal impact on the debenture reinvestment rate amongst the company's fixed interest securities investors in response to these recent market developments.

In response to these industry developments, the Trustee for the first ranking investors appointed an advisory firm to initiate a review of the Company's operations. This appointment was made on 22 November 2012. The purpose of the review was to ensure the Company had sufficient capacity to trade and operate as a going concern and repay all first ranking investments in full as they fell due. The independent advisor report was issued in its final form to the Trustee on 3 April 2013. The report was prepared solely for the use of the Trustee and is not to be disclosed or relied upon by any other party without prior written consent of its author. Since the independent advisor's report was received, the Company and the Trustee have agreed certain enhanced reporting protocols and other measures required by the Trustee.

Nonetheless, the Independent Business Review being undertaken by the Trustee remains incomplete, including a further review of secured property valuations, and without a final determination by the Trustee as to any further measures that may be imposed pursuant to the Trustee's powers under the Trust Deed for First Ranking Debenture Stock ("Trust Deed"), there accordingly exists significant uncertainty regarding the ability of the Company and of the group to continue as going concerns and that therefore the company and the group may be unable to realise their assets and discharge their liabilities in the normal course of business.

Despite the matters outlined above, the Directors believe that, it is appropriate to prepare the financial statements on a going concern basis for the following reasons:-

(a) on 9 August 2013, ASIC completed its review of the Consolidated Supplementary Prospectus. Accordingly, the Company has a current Prospectus and Consolidated Supplementary Prospectus in the market allowing the company to accept applications from new investors,

(b) fixed interest securities are not issued under terms at call, and therefore the profile of contractual redemptions can be managed with existing cash resources and realization of assets if required,

(c) forecast cashflows remain positive in the foreseeable future

(d) in accordance with section 912A(1)(d) of the Corporations Act, the company has adequate resources to continue operating for the foreseeable future. It has liquid assets above the 5% minimum liquidity requirement under the Trust Deed and its capital is at a higher level than previous periods with Net Tangible Assets standing above the amount required under the Trust Deed, and

(e) the Company has previously utilised the sale of loans to investors or other financiers as a tool for managing its liquidity. The Directors are confident that the Company will continue to have this ability in this future.

Accordingly, the financial report does not include adjustments relating to the recoverably and classification of recorded assets amounts or to the amount and classification of liabilities that might be necessary should the consolidated entity and the company not continue as going concern.

3. Significant accounting policies (cont'd)

Draft regulatory guidance on future liquidity and capital requirements for debenture issuers has recently been released by ASIC per Consultation Paper 199. The company welcomes regulatory reform that leads to increased investor confidence in the sector and will engage on the consultation process by lodging a submission with ASIC prior to the end of this month. The Company is broadly supportive of the increased requirements for capital and liquidity as proposed by ASIC and the Directors believe that the Company will be capable of compiling with them. The proposed four year transition process will be adequate for the company to formulate and implement any changes.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for 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 consolidated entity 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 acquire 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.

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 consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the consolidated entity 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 consolidated entity enters an agreement that locks in the sale 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 before tax 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 and trade and other payables, 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

(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 18.58% (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 Valuations 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%
- Development Loan of up to 70% of the "as is" value of the development
- Construction Loan of up to 70% of the "as if complete" end 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 indicators of impairment. Where there is objective evidence of impairment, the Board assess the recoverability of a loan by preparing a discounted Cashflow. The cashflow 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. If the principal and unpaid interest and fees falls short of the discounted cashflow total, 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

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

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

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.

4.2.2 Recoverable amount of financial and non-financial assets

In terms of provisioning against loans, the Board meets on a monthly basis and reviews all loans which have indicators of impairment. For all mortgage loans, independent valuations are commissioned to assess the value of the underlying real property associated with the registered first mortgage security on an ongoing basis.

Where there is objective evidence of impairment, the Board assess the recoverability of a loan by preparing a discounted Cashflow. The cashflow 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. If the principal and unpaid interest and fees falls short of the discounted cashflow total, 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

Similarly, for non-current assets held for sale, investment and inventory properties, periodic independent valuations from licensed valuers are commissioned in assessing recoverable amount and net realizable values.

The recoverable amount for loans and investment property and net realisable value for inventory properties are estimates sensitive to several key assumptions in any independent valuation including estimated future sales rates made based on current and future sales in relevant markets and estimated project development potential. Changes in these assumptions could cause the carrying amounts to exceed the recoverable amounts from time to time.

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

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 an 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 fixed interest securities 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 2013 $	30 June 2012 $	30 June 2013 $	30 June 2012 $
Commercial Lending	40,733,508	33,029,947	1,978,038	1,489,730
Structured Finance	1,723,773	1,087,450	550,324	349,499
Commercial Property Investments	349,327	63	(596,354)	(456,463)
Investment Properties	1,642,266	1,611,160	(679,446)	629,543
	44,448,874	35,728,620	1,252,562	2,012,309
Profit before tax			1,252,562	2,012,309
Income tax expense			718,375	465,184
Consolidated segment revenue and profit for the period	44,448,874	35,728,620	534,187	1,547,125

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.

5. Segment information (cont'd)

Segment assets and liabilities

Segment assets

	30 June 2013 $	30 June 2012 $
Commercial Lending	285,446,977	250,086,652
Structured Finance	8,721,508	13,057,065
Commercial Property Investments	12,416,031	9,350,588
Investment Properties	20,603,325	20,978,149
Total segment assets	327,187,841	293,472,454
Unallocated assets	405,050	361,580
Total assets	327,592,891	293,834,034

Segment liabilities

	30 June 2013 $	30 June 2012 $
Commercial Lending	279,042,522	247,539,854
Structured Finance	7,360,360	11,585,534
Commercial Property Investments	12,574,433	8,912,637
Investment Properties	12,111,473	12,081,850
Total segment liabilities	311,088,788	280,119,875
Unallocated liabilities	872,939	-
Total liabilities	311,961,727	280,119,875

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	
	2013	2012	2013	2012
	$	$	$	$
Interest revenue:				
Bank deposits	1,137,451	1,377,463	1,091,575	1,330,808
Other loans and receivables	34,365,766	27,155,539	31,459,950	26,709,333
	35,503,217	28,533,002	32,551,525	28,040,141
Non Interest revenue:				
Loan fee income	6,362,697	5,052,496	5,370,938	4,967,963
Management Fee	-	-	1,332,442	313,909
Distributions from unit trust	-	-	147,975	-
Dividend from subsidiary	-	-	200,000	-
Trailing commission & retail lending income	114,480	205,101	114,480	205,101
Upfront commission – retail lending	54,661	103,838	54,661	103,838
Rental revenue:				
Operating lease rental revenue:				
Investment properties	2,129,784	1,562,275	162,621	-
Other – serviced office	284,035	271,908	611,659	271,908
	8,945,657	7,195,618	7,994,776	5,862,719

7. Interest expense

	Consolidated		Company	
	2013	2012	2013	2012
	$	$	$	$
Interest on fixed interest securities	21,324,213	19,033,566	21,324,213	19,037,702
Interest on Redeemable Preference Shares ("RPS") Series 1 & 3	844,289	703,091	844,289	703,091
Interest on investors in sub-scheme	1,668,393	-	-	-
Interest on hire purchase	17,589	14,595	17,589	14,595
Interest on portfolio loan	172,108	68,663	59,662	68,663
Interest on commercial bills	879,630	1,174,694	-	-
Interest on warehouse trust facility	428,532	236,777	-	-
Other interest expense	834,668	572,593	834,668	572,593
Total interest expense	26,169,422	21,803,979	23,080,421	20,396,644

8. Profit for the year

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

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
Direct operating expenses from investment properties that generated rental income during the year (ii)	492,124	271,044	52,266	73,449
	492,124	271,044	52,266	73,449
Operating lease rental expenses (ii)	563,885	372,750	563,885	372,750
	563,885	372,750	563,885	372,750
<u>Impairment (profit)/loss on investment property</u>				
Impairment of investment property	1,095,471	71,423	24,303	-
Impairment recovered on investment property	-	(850,000)	-	-
	1,095,471	(778,577)	24,303	-
<u>Impairment (profit)/loss on property held for resale</u>				
Impairment of property held for resale	120,629	-	28,553	-
	120,629	-	28,553	-
<u>Impairment losses on financial assets:</u>				
Impairment loss on loans carried at amortised cost (note 13)	1,103,144	1,988,946	653,144	1,988,946
Impairment loss on trade receivables	-	650,681	-	650,681
Impairment loss on inventory – property (note 18)	197,700	1,096,281	197,700	1,096,281
Impairment on property sale receivables (note 11)	2,107,168	376,434	2,107,168	376,434
Impairment loss on investments in subsidiaries	-	-	1,249,525	-
Reversal of impairment loss on investments in subsidiaries (i)	-	-	-	(622,812)
	3,408,012	4,112,342	4,207,537	3,489,530
	4,624,112	3,333,765	4,260,393	3,489,530

(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.

(ii) Included in other operating expenses in the consolidated statement of profit or loss and other comprehensive income.

8. Profit for the year (cont'd)

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
Administration expenses:				
Employee benefit expense:				
Post employment benefits:				
Defined contribution plans	231,919	223,622	231,919	223,622
Other employee benefits	3,038,301	2,778,248	3,038,301	2,778,248
Other employee expenses	542,698	442,831	542,698	442,831
Lending expenses and disbursements	2,736,189	1,200,428	3,032,623	1,328,465
Professional fees	2,066,472	792,052	2,066,472	792,052
Computer expenses	275,175	231,634	275,175	231,634
Depreciation	267,196	234,257	232,512	199,573
Travel and entertainment	209,571	206,982	209,571	206,982
Printing and postage	178,948	172,487	178,948	172,487
Insurance	148,013	128,458	148,013	128,458
Other	445,504	635,193	346,442	390,362
	10,139,986	7,046,192	10,302,674	6,894,714

9. Income taxes

Income tax recognised in profit or loss

	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
Current tax				
Current tax expense in respect of the current year	1,045,237	203,683	991,545	103,388
Adjustments recognised in the current year in relation to current tax of prior years	1,271	(103,150)	1,271	(103,150)
	1,046,508	100,533	992,816	238
Deferred tax				
Deferred tax (benefit)/expense relating to the origination and reversal of temporary differences	(328,133)	364,651	(328,133)	364,651
Total income tax expense recognised in the current year	718,375	465,184	664,683	364,889

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

	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
Profit before tax	1,252,562	2,012,309	1,272,802	2,127,724
Income tax expense calculated at 30%	375,768	603,693	381,840	638,317
Effect of expenses that are not deductible in determining taxable profit	427,050	(35,359)	367,286	(170,278)
Less franking credits claimed on dividend from subsidiary	(85,714)	-	(85,714)	-
	717,104	568,334	663,412	468,039
Adjustments recognised in the current year in relation to the current tax of prior years	1,271	(103,150)	1,271	(103,150)
Income tax expense recognised in profit or loss	718,375	465,184	664,683	364,889

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 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
<u>Current tax assets</u>				
Tax refund receivable	-	184,367	-	284,663
	-	184,367	-	284,663
<u>Current tax liability</u>				
Tax payable	872,939	-	858,683	-
	872,939	-	858,683	-

9. Income taxes (cont'd)

Deferred tax balances

2013	Consolidated Opening balance $	 Charged to income $	 Closing balance $
Temporary differences			
Investment property	-	-	-
Inventory – property	328,884	69,767	398,651
Trade and other receivables	(1,172,322)	470,267	(702,055)
Trade and other payables	16,400	(788)	15,612
Goodwill	-	-	-
Provisions	70,067	14,392	84,459
Loans	833,888	(225,505)	608,383
	76,917	328,133	405,050

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

2013	Company Opening balance $	 Charged to income $	 Closing balance $
Temporary differences			
Investment property	-	-	-
Inventory – property	328,884	69,767	398,651
Trade and other receivables	(1,172,322)	470,267	(702,055)
Trade and other payables	16,400	(788)	15,612
Goodwill	-	-	-
Provisions	70,067	14,392	84,459
Loans	833,888	(225,505)	608,383
	76,917	328,133	405,050

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

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

	Consolidated 2013 $	 2012 $	Company 2013 $	 2012 $
Deferred tax assets	405,050	76,917	405,050	76,917
Deferred tax liabilities	-	-	-	-
	405,050	76,917	405,050	76,917

10. Earnings per share

The company is not required to disclose earnings per share as it is not:

(a) a reporting entity whose ordinary shares or potential ordinary shares are publicly traded; or

(b) a reporting entity that is in the process of issuing ordinary shares or potential ordinary shares in public markets.

11. Trade and other receivables

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
Trade receivables – Interest (i)	13,221,806	7,463,089	13,103,775	7,405,557
Trade receivables – Fees (i)	3,146,369	1,860,272	3,036,722	1,433,619
Allowance for doubtful debts	-	(650,681)	-	(650,681)
Security held – QLD lease	5,647	5,647	5,647	5,647
Trailing commission receivable	531,529	640,018	531,529	640,018
Property sale receivables	5,917,579	8,216,288	5,917,579	8,216,288
Intercompany receivables	-	-	309,548	455,015
Other receivables	401,999	318,236	308,615	318,236
	23,224,929	17,852,869	23,213,415	17,823,699

(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	
	2013 $	2012 $	2013 $	2012 $
30 – 60 days	-	-	-	-
60 – 90 days	-	-	-	-
90 – 120 days	-	-	-	-
120+ days	12,837,752	2,348,160	12,794,764	2,348,160
	12,837,752	2,348,160	12,794,764	2,348,160

Ageing of past due impaired

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
30 – 60 days	-	-	-	-
60 – 90 days	-	-	-	-
90 – 120 days	-	-	-	-
120+ days	971,270	237,419	895,299	237,419
	971,270	237,419	895,299	237,419

Movement in the allowance for doubtful debts

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
Balance at the beginning of the year	(650,681)	-	(650,681)	-
Impairment losses recognised on loan receivables	-	(650,681)	-	(650,681)
Impairment losses on loan receivables realised	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	
	2013 $	2012 $	2013 $	2012 $
Investments carried at cost:				
Investments in subsidiaries (note 32)	-	-	11,101,648	11,157,903
Loans and receivables carried at amortised cost:				
Term deposit – BankSA (i) (ii)	218,000	868,000	118,000	118,000
Loan to Advance Investments Finance No 2 (iii)	-	-	1,000,000	1,000,000
Loan to Mannum Unit Trust (iv)	-	-	2,500,000	2,333,870
	218,000	868,000	14,719,648	14,609,773

(i) Angas Securities Limited was required to deposit $118,000 with BankSA as security in relation to the $1,775,000 (2012: $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 $100,000 (2012: $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 fulfil 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 payable monthly. The loan is due to be repaid by February 2014.

13. Loans

	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
Mortgage loans	243,189,075	213,841,337	219,515,342	199,812,587
Interest received in advance	(2,868,852)	(5,871,099)	(2,697,554)	(5,437,211)
Fees received in advance	(235,974)	(236,835)	(235,974)	(236,835)
Allowances for doubtful debts	(1,842,591)	(1,485,267)	(1,392,591)	(1,485,267)
	238,241,658	206,248,136	215,189,223	192,653,274
Maturity analysis				
Not longer than 3 months	161,433,567	115,684,175	151,081,330	105,522,425
Longer than 3 months and not longer than 12 months	65,062,173	89,563,961	52,361,975	87,130,849
Longer than one year not longer than 5 years	11,745,918	1,000,000	11,745,918	-
	238,241,658	206,248,136	215,189,223	192,653,274
Loan by security				
Secured by chattel mortgage	1,000,000	1,000,000	1,000,000	1,000,000
Secured by first mortgage	236,025,595	202,306,073	213,211,493	188,711,211
Secured by second mortgage (i)	1,216,063	2,942,063	977,730	2,942,063
Secured by collateral security	-	-	-	-
	238,241,658	206,248,136	215,189,223	192,653,274
Loan by security				
Chattel	1,000,000	1,000,000	1,000,000	1,000,000
Commercial property	76,263,209	95,820,533	72,143,209	91,330,533
Rural property	2,504,773	5,093,308	2,504,773	3,196,308
Residential property	148,630,475	104,334,295	130,921,014	97,126,433
Industrial property	9,843,201	-	8,620,227	-
	238,241,658	206,248,136	215,189,223	192,653,274

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

<u>Movement in the allowance for doubtful debts</u>

	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
Balance at the beginning of the year	1,485,267	3,641,766	1,485,267	3,641,766
Impairment losses recognised on loans	1,103,144	1,988,946	653,144	1,988,946
Bad debts recovered	-	(233,140)	-	(233,140)
Bad debt write off	(745,820)	(3,912,305)	(745,820)	(3,912,305)
Balance at the end of the year	1,842,591	1,485,267	1,392,591	1,485,267

Loan recoverability

The primary security for any real property loan provided by the company must be a first registered mortgage over freehold and leasehold property. Additional security is often sought as collateral. The company's Loan to Valuation Ratio (LVR) for new loan origination 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 indicators of impairment. Where there is objective evidence of impairment, the Board assess the recoverability of a loan by preparing a discounted cashflow. The cashflow 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. If the principal and unpaid interest and fees falls short of the discounted cashflow total, 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

13. Loans (cont'd)

Top Ten loans to related borrowers as at 30 June 2013

TOTAL LOANS	NO. OF LOANS	COMMENTARY
$ 26,938,140.28	16	Perth based builder and property developer with a range of distinct residential, commercial and retail properties providing security
$ 26,666,775.38	3	Primary asset is a prestigious rural/residential property, along with collateral security over harbourside apartments in Sydney
$ 18,074,586.38	6	Security comprises several retirement villages in Adelaide
$ 13,900,398.00	2	Funding provided for development of several retail/commercial sites in Adelaide suburbs with a lease in place to a large retail company
$ 12,835,804.29	4	Perth based property developer with security comprising prime commercial, residential and retail sites across WA
$ 11,630,000.00	2	Security comprises a luxury residential/equine property on the northern outskirts of Sydney
$ 11,078,145.94	2	Completed apartment complex on the outskirts of Adelaide CBD
$ 10,204,356.94	4	Major WA based land developer with well located residential and commercial assets across WA (predominantly residential subdivision)
$ 9,868,844.36	2	Prime beachfront residential/commercial and retail development in Perth
$ 4,420,000.00	2	Security comprises several residential townhouses and apartment developments in greater western Sydney
$ 145,617,051.57		

Top Ten loans to related borrowers as at 30 June 2012

TOTAL LOANS	NO. OF LOANS	COMMENTARY
$25,144,000.00	3	Primary asset is a prestigious rural/residential property, along with collateral security over harbour side apartments in Sydney
$18,075,018.15	16	Perth based builder and property developer with a range of distinct residential, commercial and retail properties providing security
$18,074,586.38	6	Security comprises several retirement villages in Adelaide
$14,173,775.00	2	Prime commercial development sites in South Bank Melbourne.
$13,572,738.00	2	Funding provided for development of retail site in Adelaide suburbs with a lease in place to a large retail company
$13,424,410.94	2	Completed apartment complex on the fringe of Adelaide CBD
$8,476,387.00	2	Marina berths and commercial properties in Adelaide, supported by collateral securities
$7,055,000.00	2	Security comprises several residential townhouses and apartment developments in greater western Sydney
$5,886,761.94	2	Security is luxury residential assets in prime Perth suburbs
$5,691,180.24	2	Prime beachfront residential/commercial and retail development in Perth
$129,573,857.65		

13. Loans (cont'd)

Top Ten largest loans as at 30 June 2013

CUSTOMER	LOAN AMOUNT	CATEGORY	ASSET STATE	ASSET VALUE*	VALUATION DATE	INTEREST ARREARS
B**	$ 13,205,000.00	Commercial	QLD	$ 15,000,000.00	27/09/2011	$4,771,541.64
H	$ 7,226,337.44	Residential	SA	$ 8,950,000.00	20/09/2012	-
I	$ 6,474,643.66	Residential	QLD	$ 8,430,489.00	1/09/2012	-
J***	$ 5,900,037.30	Commercial	SA	$ 10,463,000.00	15/07/2013	$363,458.99
Total: Not in Order	**$ 32,806,018.40**					
A***	$ 25,036,775.38	Residential	NSW	$ 64,665,373.53	24/06/2013	-
C***	$ 11,600,000.00	Commercial	VIC	$ 30,322,240.00	26/09/2012	-
D	$ 10,000,000.00	Residential	NSW	$ 17,750,000.00	28/11/2012	-
E	$ 8,939,928.00	Commercial	SA	$ 12,330,000.00	22/05/2013	-
F***	$ 8,096,408.00	Residential	WA	$ 14,104,010.00	22/02/2013	-
G	$ 7,117,740.28	Residential	WA	$ 19,165,000.00	13/05/2013	-
Total	**$70,790,851.66**					

*Shows only Prime security. For some loans, collateral securities are also held

**Prime Security only. A collateral security is under contract of sale which should return an additional $6,000,000 on settlement.

***Total loan face value excluding co-investment principal from joint lenders on a pari passu basis which have met derecognition criteria per AASB139.

Top Ten largest loans as at 30 June 2012

CUSTOMER	LOAN AMOUNT	CATEGORY	ASSET STATE	ASSET VALUE*	VALUATION DATE	INTEREST ARREARS
A**	$13,205,000.00	Commercial	QLD	$ 19,000,000.00	27/09/2011	$2,376,899.99
B	$ 8,926,337.44	Residential	SA	$ 14,350,000.00	1/02/2011	$1,183,883.51
C	$ 6,040,000.00	Commercial	SA	$ 11,800,000.00	7/10/2008	$1,156,290.67
Total: Not in Order	**$28,171,337.44**					
D****	$29,800,000.00	Residential	NSW	$ 50,000,000.00	22/05/2012	-
E	$10,370,463.00	Commercial	VIC	$ 28,191,600.00	28/04/2010	-
F	$ 8,612,268.00	Commercial	SA	$ 12,630,000.00	30/06/2011	-
G	$ 7,591,951.09	Residential	QLD	$ 13,625,000.00	2/11/2011	-
H	$ 6,436,387.00	Commercial	SA	$ 10,463,000.00	9/11/2011	-
I	$ 6,275,000.00	Commercial	NSW	$ 9,500,000.00	7/04/2011	-
J***	$ 5,750,000.00	Residential	NSW	$ 8,300,000.00	5/10/2011	-
Total	**$74,836,069.69**					

*Shows only Prime security. For some loans, collateral securities are also held

**Asset Value shows Prime security only. A collateral security is under contract which should return an additional $6,000,000 on settlement.

***$800,000 of this loan principal is provided on a pari passu basis with a third party lender. Derecognition criteria has been met under AASB139.

****$3,000,000 of this loan principal is provided on a pari passu basis with a third party lender. Derecognition criteria has been met under AASB139.

13. Loans (cont'd)

A loan is classified Past Due if a Borrower fails to make a payment when contractually due. Hence, a loan is classified Past Due if an interest rate arrear exists, even if the loan itself has no yet expired.

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
Mortgage loans	238,241,658	206,248,136	215,189,223	192,653,274
Aging of Past due loan				
Nil to 90 days	2,694,400	25,388,412	2,550,000	24,687,412
91 > 180 days	578,730	2,743,750	578,730	480,000
181 > 365 days	33,551,267	25,631,337	33,551,267	22,131,337
>365 days	29,566,375	16,072,571	27,203,375	16,072,571
	66,390,772	69,836,070	63,883,372	63,371,320
Percentage of loan book past due	27.87%	33.86%	29.69%	32.89%
Number of past due Loans				
Total	23	25	19	20

Market Risk – Sensitivity Analysis

The sensitivity analysis below has been determined based on the consolidated entity's exposure to property market volatility as it relates to the underlying security of real property against the consolidated entity's mortgage loans at the end of the financial reporting period.

If property valuations associated with underlying security of all past due mortgage loans were to be 10% lower and all other variables were held constant, the consolidated entity's profit and net asset position for the year ended 30 June 2013 would have decreased by no more than $4.9M; however if the property valuations were 10% higher than the entity's profit and net asset position for the year ended 30 June 2013 would increase by an amount greater than $4.9m.

Fernhill

As at 30 June 2013, Angas has a mortgage loan receivable of $27.6 million secured by first mortgage over an historic property called 'Fernhill' comprising some 702 hectares of land on the western outskirts of Sydney. At the date Angas acquired the mortgage loan, Mortgage Funds Management (MFM) Pty Ltd and Barker Mortgages Pty Ltd (each director related entities) were third mortgagees. On 30 November 2012, Angas and MFM entered into a development agreement with a purchaser and developer to develop the Eastern and Western precincts. On 30 November 2012, the Company (acting under its second mortgage only) entered into various agreements with a counterparty (Purchaser and Developer) under which the Homestead would be sold and much of the Eastern and Western precinct would be developed. On 30 November 2012, the Purchaser and Developer prepaid the purchase price for the Homestead for $10 million. The first mortgage will not be discharged until the Fernhill Loan has been repaid in full.

It should also be noted that $3 million of the $10 million received from the purchaser and developer was paid to MFM on the condition that the $3 million was reinvested in Angas as capital on 30 November 2012. Angas also released a further $400,000 to each of MFM and Barker to reduce their respective mortgages over Fernhill. All future receipts from Fernhill realisations will be applied in full to pay the principal loan amount due to Angas pursuant to Deeds of Priority between the Fernhill mortgagees.

Syndication of the Fernhill Loan

Since acquiring the Fernhill loan in March 2012, the company has sold $17 million of the Fernhill loan (comprising approximately 56% of the loan) to unrelated entities. Specifically, $3 million of the Fernhill loan was sold to a finance company on 29 June 2012 and $14 million of the Fernhill loan was sold to a private investor on 8 July 2013. The sale of $17 million of the Fernhill loan have met derecognition criteria under AASB139.

Accordingly, the Company exposure to the Fernhill loan has been significantly reduced since the Fernhill loan was assigned to the Company in June 2012. The Company and the two co-investors participate on a pari passu basis as first mortgages pursuant to a Syndicated Lenders Deed and Deed of Assignment of Security and a Co-Investment and Security Trust Deed respectively.

14. Expired loans

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
Expired loans – Fixed interest securities funded	60,355,642	37,369,176	60,355,642	37,369,176
Expired loans – Non-fixed interest securities funded	3,485,130	9,932,480	977,730	3,467,730
Total	63,840,772	47,301,656	61,333,372	40,836,906

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

<u>Ageing of expired loan but not impaired – Fixed interest securities funded</u>

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
30 - 60 days	-	-	-	-
60 - 90 days	-	-	-	-
90 - 120 days	-	-	-	-
120+ days	48,055,568	20,166,273	48,055,568	20,166,273
Total	48,055,568	20,166,273	48,055,568	20,166,273

The above ageing analysis includes the principal outstanding for all fixed interest securities funded expired loans. Security is in the form of registered first mortgages on land and buildings, chattels and collateral security.

<u>Ageing of expired loan but not impaired – Non-fixed interest securities funded</u>

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
30 - 60 days	144,400	764,000	-	764,000
60 - 90 days	-	904,730	-	203,730
90 - 120 days	-	1,413,750	-	-
120+ days	2,940,730	6,850,000	977,730	2,500,000
Total	3,085,130	9,932,480	977,730	3,467,730

The above ageing analysis includes the principal outstanding for all non-fixed interest securities expired loans.

<u>Ageing of impaired expired loans – Fixed interest securities funded</u>

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
30 – 60 days	-	-	-	-
120+ days	12,300,074	16,455,638	12,300,074	16,455,638
Total	12,300,074	16,455,638	12,300,074	16,455,638

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.

<u>Ageing of impaired expired loans – Non-fixed interest securities funded</u>

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
30 – 60 days	-	-	-	-
120+ days	400,000	-	-	-
Total	400,000	-	-	-

The above ageing analysis includes the principal outstanding less provisions for all impaired expired loans.

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 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 1 July 2012	514,466	479,963	994,429
Additions	15,303	-	15,303
Disposals – sale and leaseback	(1,488)	-	(1,488)
Disposals	(16,280)	(158,908)	(175,188)
Balance at 30 June 2013	512,001	321,055	833,056
Accumulated depreciation			
Balance at 1 July 2011	(238,175)	(275,552)	(513,727)
Depreciation expense	(98,344)	(73,914)	(172,258)
Disposals	100,701	126,158	226,859
Balance at 1 July 2012	(235,818)	(223,308)	(459,126)
Depreciation expense	(90,392)	(95,152)	(185,544)
Disposals	13,155	158,908	172,063
Balance at 30 June 2013	(313,055)	(159,552)	(472,607)
Net book value			
As at 30 June 2012	278,648	256,655	535,303
As at 30 June 2013	198,946	161,503	360,449

Company	Plant and equipment at cost $	Equipment under finance lease at cost $	Total $
Gross carrying amount			
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 1 July 2012	514,466	479,963	994,429
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Disposals	13,155	158,908	172,063
Balance at 30 June 2013	(313,055)	(159,552)	(472,607)
Net book value			
As at 30 June 2012	278,648	256,655	535,303
As at 30 June 2013	198,946	161,503	360,449

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

16. Investment property

	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
At cost				
Balance at beginning of financial year	27,326,869	24,445,088	2,845,558	5,458,473
Acquisitions	1,307,646	3,461,349	-	-
Impairment (note 8)	(1,095,471)	(71,423)	(24,303)	-
Impairment recovered (note 8)	-	850,000	-	-
Building & development costs	3,364,384	2,624,963	66,098	435,509
Disposal (sale)	-	(202,866)	-	(202,866)
Transfer from property held for resale (note 17)	1,981,254	-	1,981,254	-
Transfer to property held for resale (note 17)	-	(3,745,558)	-	(2,845,558)
Depreciation	(34,684)	(34,684)	-	-
Balance at end of financial year	32,849,998	27,326,869	4,868,607	2,845,558

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

Consolidated

2013

Property location	Book Value	Valuation	Valuation Date
53A Junction Rd Wahroonga NSW	$1,439,304	$1,500,000	26/02/2013
55 Junction Rd Wahroonga NSW	$1,435,500	$1,450,000	26/02/2013
55A Junction Rd Wahroonga NSW	$1,439,303	$1,475,000	26/02/2013
32 Murdoch Circuit Acacia Ridge Qld	$5,791,501	$5,850,000	30/06/2013
23 Breene Place Morningside Qld	$8,316,000	$8,400,000	30/06/2013
107 Reichart Rd Winnellie NT	$4,059,000	$4,100,000	30/06/2013
Lot 71 Coral Cove Qld	$1,237,500	$1,250,000	21/01/2013
Villa 41, 177 Pimpala Rd Woodcroft SA	$ 307,000	$ 325,000	20/12/2012
Apt 307, 177 Pimpala Rd Woodcroft SA	$ 247,500	$ 250,000	20/12/2012
Mannum Green Shopping Centre SA	$8,577,390	$9,150,000	23/08/2013
TOTAL	**$32,849,998**	**$33,750,000**	

2012

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

The fair value of Lot 4, 17 Breene Place, Morningside is $9.899m 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. 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 Allotment 11 Male Road Mannum for $0.29m.

16. Investment property (cont'd)

Company

2013

Property location	Book Value	Valuation	Valuation Date
Villa 41, 177 Pimpala Rd Woodcroft SA	$ 307,000	$ 325,000	20/12/2012
Apt 307, 177 Pimpala Rd Woodcroft SA	$ 247,500	$ 250,000	20/12/2012
53A Junction Rd Wahroonga NSW	$1,439,304	$1,500,000	26/02/2013
55 Junction Rd Wahroonga NSW	$1,435,500	$1,450,000	26/02/2013
55A Junction Rd Wahroonga NSW	$1,439,303	$1,475,000	26/02/2013
TOTAL	**$4,868,607**	**$5,000,000**	

2012

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.

17. Property held for resale

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
Balance at the beginning of the financial year	4,320,558	-	3,420,558	-
Impairment	(120,629)	-	(28,553)	-
Acquisitions	-	575,000	-	575,000
Transfer from investment property	-	3,745,558	-	2,845,558
Transfer to investment property	(1,981,254)	-	(1,981,254)	-
Transfer from other assets (i)	3,696,576	-	-	-
Balance at the end of year	5,915,251	4,320,558	1,410,751	3,420,558

(i) The land is leased from the Crown for 99 years. The lease will expire on 12 February 2106. In 2013 this property was placed on the market for sale and therefore was transferred from other assets (see note 21).

Consolidation

2013

	Book Value	Valuation	Valuation Date
53 Junction Rd Wahroonga NSW	$1,410,751	$1,425,000	26/02/2013
26 Murdoch Circuit Acacia Ridge QLD	$ 891,000	$ 900,000	30/06/2013
Lot 101 Adam St Hindmarsh SA	$3,613,500	$3,650,000	04/02/2013
TOTAL	**$5,915,251**	**$5,975,000**	

2012

FY 2012 Two properties in New South Wales were 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.

17. Property held for resale (cont'd)

Company:-

2013 Property location	Book Value	Valuation	Valuation Date
53 Junction Rd Wahroonga NSW	$1,410,751	$1,425,000	26/02/2013
TOTAL	**$1,410,751**	**$1,425,000**	

2012

FY 2012 Two properties in New South Wales were held for resale by the company and two in South Australia. No impairment loss was recognised on reclassification of the properties as held for sale at 30 June 2012.

18. Inventory – property

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
Balance at the beginning of the financial year	2,940,000	-	2,940,000	-
Foreclosed land	-	4,036,281	-	4,036,281
Impairment	(197,700)	(1,096,281)	(197,700)	(1,096,281)
Balance at the end of year	2,742,300	2,940,000	2,742,300	2,940,000

19. Goodwill

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
Gross carrying amount				
Balance at beginning of financial year	707,209	707,209	707,209	707,209
Additional amounts recognised from business combinations occurring during the period (note 33)	-	-	-	-
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)	(115,025)	(115,025)	(115,025)
Impairment losses for the year (i)	-	-	-	-
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 (2012: nil).

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

A cash flow was prepared over a 5 year period and a terminal value, using a post-tax discount rate of 13.03% and an implied pre-tax discount rate of 18.29%. The first year of the cash flow was based on internal budgets prepared for this business unit for the year ending 2013/14 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

	Consolidated			
	Software under lease $	Software $	Copyright, Website & Formation Exp $	Total $
Gross carrying amount				
Balance at 30 June 2011	92,479	21,451	2	113,932
Additions	50,681	118,150	1,156	169,987
Transfer of leased assets	(92,479)	-	-	(92,479)
Balance at 30 June 2012	50,681	139,601	1,158	191,440
Additions	-	18,018	-	18,018
Disposal	-	-	(1,156)	(1,156)
Balance at 30 June 2013	50,681	157,619	2	208,302
Accumulated amortisation and impairment				
Balance at 30 June 2011	(54,980)	(13,929)	-	(68,909)
Amortisation expense	(16,814)	(9,297)	-	(26,111)
Transfer of leased assets	68,599	-	-	68,599
Balance at 30 June 2012	(3,195)	(23,226)	-	(26,421)
Amortisation expense	(12,670)	(34,299)	-	(46,969)
Transfer of leased assets	-	-	-	-
Balance at 30 June 2013	(15,865)	(57,525)	-	(73,390)
Net book value				
As at 30 June 2012	47,486	116,375	1,158	165,019
As at 30 June 2013	34,816	100,094	2	134,912

	Company			
	Software under lease $	Software $	Copyright, Website & Formation Exp $	Total $
Gross carrying amount				
Balance at 30 June 2011	92,479	21,451	2	113,932
Additions	50,681	118,150	-	168,831
Transfer of leased assets	(92,479)	-	-	(92,479)
Balance at 30 June 2012	50,681	139,601	2	190,284
Additions	-	18,018	-	18,018
Disposal	-	-	-	-
Balance at 30 June 2013	50,681	157,619	2	208,302
Accumulated amortisation and impairment				
Balance at 30 June 2011	(54,980)	(13,929)	-	(68,909)
Amortisation expense	(16,814)	(9,297)	-	(26,111)
Transfer of leased assets	68,599	-	-	68,599
Balance at 30 June 2012	(3,195)	(23,226)	-	(26,421)
Amortisation expense	(12,670)	(34,299)	-	(46,969)
Transfer of leased assets	-	-	-	-
Balance at 30 June 2013	(15,865)	(57,525)	-	(73,390)
Net book value				
As at 30 June 2012	47,486	116,375	2	163,863
As at 30 June 2013	34,816	100,094	2	134,912

21. Other assets

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
Prepayments	214,462	141,071	102,099	47,925
Prepaid Land Lease - Lot 101 Adam Street, Hindmarsh (i)	-	3,738,657	-	-
	214,462	3,879,728	102,099	47,925

(i) The land is leased from the Crown for 99 years. The lease will expire on 12 February 2106. In 2013 this property was placed on the market for sale and therefore was transferred to property held for resale (see note 17).

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	
	2013 $	2012 $	2013 $	2012 $
Trade payables (i)	2,777,101	1,887,058	1,690,078	776,517
	2,777,101	1,887,058	1,690,078	776,517

(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	
	2013 $	2012 $	2013 $	2012 $
Secured – at amortised cost				
Fixed interest securities (i)	254,230,900	239,677,486	254,230,900	239,677,486
Redeemable Preference Shares (ii)	8,708,241	7,350,698	8,708,241	7,350,698
BankSA Bank bills (iii)	13,822,887	14,517,767	-	-
NAB Business markets loan	5,886,477	2,391,937	-	-
Investors in sub-scheme	16,358,000	2,897,000	-	-
Bendigo & Adelaide Bank Limited – Warehouse Trust Facility	5,292,400	9,505,235	-	-
Promissory note	1,227,007	-	1,227,007	-
BankSA Portfolio loan	992,993	993,569	992,993	993,569
BankSA Hire purchase (Note 31)	161,308	273,263	161,308	273,263
	306,680,213	277,606,955	265,320,449	248,295,016
Maturity analysis				
Not longer than 3 months	70,981,375	52,776,401	64,045,375	49,672,400
Longer than 3 months and not longer than 12 months	152,481,070	145,426,976	135,991,550	131,100,805
Longer than 1 year and not longer than 5 years	83,217,768	79,403,578	65,283,524	67,521,811
Longer than 5 years	-	-	-	-
	306,680,213	277,606,955	265,320,449	248,295,016

(i) The face value of fixed interest securities: Consolidated $250,494,809 (2012: $236,742,235); Company $250,494,809 (2012: $236,742,235). Fixed interest securities may be issued for a period of 1 or 3 years, with interest rates fixed for the term of the fixed interest securities. Interest is payable monthly. Fixed interest securities 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 fixed interest securities to any single investor in excess of 10% of total fixed interest securities on issue.

(ii) The face value of the Redeemable Preference Shares ("RPS") Series 1 ("RPS1"), Series 3 ("RPS3") and Series 4 ("RPS4"): $8,795,000 (2012: $7,420,000). RPS1, RPS3 and RPS4 are subordinate to fixed interest securities 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 has two reset dates the first being 30 April 2015 and the second being 30 April 2018; and RPS4 has two reset dates the first being 31 October 2015 and the second being 31 October 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; RPS3 will expire on 30 April 2021; and RPS4 will expire on 31 October 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 (2012: 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	
	2013	2012	2013	2012
	$	$	$	$
Employee benefits (i)	281,531	233,560	281,531	233,560
	281,531	233,560	283,531	233,560

(i) The provision for employee benefits includes $114,536 (2012: $90,051) of annual leave and $166,995 (2012: $143,509) of long service leave entitlements accrued. Over the next 12 months management estimates that 90% of the annual leave provision will be taken and 5% long service leave.

26. Other financial liabilities

	Consolidated		Company	
	2013	2012	2013	2012
	$	$	$	$
Funds received in advance (i)	1,317,141	392,302	1,317,141	392,302
Rental received in advance	32,802	-	-	-
	1,349,943	392,302	1,317,141	392,302

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

27. Issued capital

	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
706,171 fully paid ordinary shares (2012: 703,016)	853,911	787,182	853,911	787,182
31,875 partly paid ordinary shares (2012: 31,875)	599,540	133,739	599,540	133,739
7,500,000 redeemable preference shares (2012: 5,000,000)	7,500,000	5,000,000	7,500,000	5,000,000
	8,953,451	5,920,921	8,953,451	5,920,921

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.

	2013 No.	2013 $	2012 No.	2012 $
Fully paid ordinary shares				
Balance at beginning of financial year	703,016	787,182	768,546	794,605
Issue of shares	3,155	66,729	3,070	64,930
Off-market share buy-back	-	-	(68,600)	(72,353)
Balance at end of financial year	706,171	853,911	703,016	787,182

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

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

	2013 No.	2013 $	2012 No.	2012 $
Partly paid ordinary shares				
Balance at beginning of financial year	31,875	133,738	31,875	103,871
Installment on allotment	-	465,802	-	29,867
Balance at end of financial year	31,875	599,540	31,875	133,738

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.

	2013 No.	2013 $	2012 No.	2012 $
Redeemable preference shares				
Balance at beginning of financial year	5,000,000	5,000,000	-	-
Issue of shares	2,500,000	2,500,000	5,000,000	5,000,000
Balance at end of financial year	7,500,000	7,500,000	5,000,000	5,000,000

Redeemable Preference Shares – Series 2 ("RPS2") and Series 5 ("RPS5") carry no voting rights except in certain circumstances as outlined in the Private Placement Agreement Appendix A; signed in September 2011 (RPS2); signed in November 2012 (RPS5). RPS2 and RPS5 rank equally among themselves and among all other preference shares issued by Angas Securities Limited. Redemption is solely at the discretion of the company. They rank in priority to all ordinary shares but are unsecured and subordinated to all fixed interest securities holders and creditors to Angas Securities Limited. RPS2 and RPS5 rank in priority to ordinary shares for the payment of dividend.

Franked Dividends are only payable out of profits for RPS2 and RPS5. RPS2 matures on 31 January 2021; RPS5 matures on 30 November 2027 at which date they may be repurchased by the Company at their face value. Dividends will continue to be declared and paid under the Terms of the Issue until the exchange has been effectuated by the Company.

28. Retained earnings

	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
Balance at beginning of financial year	7,551,578	8,104,720	7,928,773	8,409,338
Net profit attributable to members of the parent entity	750,595	1,690,258	608,119	1,762,835
Dividends provided for or paid (note 29)	(1,624,712)	(1,165,753)	(1,626,712)	(1,165,753)
Off-market share buy-back	-	(1,077,647)	-	(1,077,647)
Balance at end of financial year	6,677,461	7,551,578	6,910,180	7,928,773

29. Dividends

	2013 Cents per share	2013 Total $	2012 Cents per share	2012 Total $
Recognised amounts				
Fully paid ordinary shares				
Final dividend:				
Fully franked at a 30% tax rate	136.07	1,000,000	124.94	1,000,000
Fully paid preference shares (series 2)				
Interim dividend:				
Fully franked at a 30% tax rate	4.99	249,315	-	-
Final dividend:				
Fully franked at a 30% tax rate	5.04	252,055	3.32	165,753
Fully paid preference shares (series 5)				
Final dividend:				
Franked at a 25% tax rate	5.01	125,342	-	-
Off-market share buy-back				
Off-market share buy-back:				
Fully franked at a 30% tax rate	-	-	1,570.91	1,077,647
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend:				
Fully franked at a 30% tax rate	-	-	136.07	1,000,000
Fully paid preference shares (series 2)				
Interim dividend:				
Fully franked at a 30% tax rate	4.96	247,945	4.99	249,315

	Company 2013 $	Company 2012 $
Adjusted franking account balance	2,849,877	2,783,288
Impact on franking account balance of dividends not recognised	(106,262)	(428,571)

30. Contingent liabilities and contingent assets

Angas Securities Limited is defending legal proceedings brought in the District Court of New South Wales by Lloyd's Small Business Consortium No. 9056, being the underwriter for a Lloyds Mortgage Indemnity and Impairment Insurance Policy acquired by Angas. A defence has been filed and a letter sent to the plaintiff requesting security for costs and inviting plaintiff to transfer proceedings to a court that can provide equitable relief. Advice from the Company's counsel is that the matter is misconceived.

Angas Securities Limited is defending legal proceedings brought in the District Court of South Australia by Chris Redshaw Constructions Pty Ltd, a building contractor. The Company has been incorrectly named as a party in this matter. The Company did not engage the plaintiff and has no liability for the claim.

Other than as detailed above, there are no other 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	
	2013 $	2012 $	2013 $	2012 $
No later than 1 year	107,440	117,976	107,440	117,976
Later than 1 year and not later than 5 years	53,868	155,287	53,868	155,287
	161,308	273,263	161,308	273,263

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	
	2013 $	2012 $	2013 $	2012 $
Not longer than 1 year	411,451	115,147	411,451	115,147
Longer than 1 year and not longer than 5 years	675,955	261,058	675,955	261,058
	1,087,406	376,205	1,087,406	376,205

Leasing arrangements as Lessor

The consolidated entity has eight operating leases for terms that range from five to fifteen years on land and building held at Mannum SA, Acacia Ridge QLD, Winnellie NT, and Morningside QLD.

Non-cancellable future minimum lease receivable

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
Not longer than 1 year	2,406,210	1,638,843	-	-
Longer than 1 year and not longer than 5 years	6,631,576	4,513,794	-	-
Longer than 5 years	6,102,491	-	-	-
	15,140,277	6,152,637	-	-

32. Subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest 2013 %	Ownership interest 2012 %
Angas Commercial Property Trust	Australia	98.6	98.3
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	100.0
Advance Investment Finance No.2 Pty Ltd	Australia	100.0	100.0
Mannum Investment Group Pty Ltd as trustee for Mannum Investment Unit Trust (ii)	Australia	80.0	80.0
Mannum Green Shopping Centre Pty Ltd as trustee for Mannum Unit Trust (ii)	Australia	75.0	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

2013

No new business combinations were entered into in 2013.

2012

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

	2013 $	2012 $
(b) Consideration transferred		
Cash	-	1,000,300
		1,000,300

(c) Assets acquired and liabilities assumed at the date of acquisition	2013 $	2012 $
Assets		
Cash & cash equivalents	-	7,932
Trade & other receivables (i)	-	81,999
Loans (ii)	-	12,723,971
Liabilities		
Trade & other payables	-	(81,699)
Related party payable – Angas Securities Limited	-	(1,000,000)
Bendigo & Adelaide Bank Warehouse Trust Facility	-	(10,731,903)
	-	1,000,300

(i) 2012: Trade and other receivables acquired of $81,999 mainly relate to interest receivable.

(ii) 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.

(d) Non-controlling interest

2013

Nil

2012

Nil

(e) Goodwill arising on acquisition

2013

Nil

2012

Nil

33. Business combinations (cont'd)

(f) Net cash outflow arising on acquisition	2013 $	2012 $
Consideration transferred	-	1,000,300
Less: cash and cash equivalent balances acquired	-	(7,932)
	-	992,368

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

2013

Nil

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.

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	
	2013 $	2012 $	2013 $	2012 $
Cash – Trading account (at call)	8,370,304	8,926,059	7,481,247	7,635,346
Cash – Fixed interest securities fund (at call)	1,073,064	7,950,737	1,073,064	7,950,737
Cash – NAB (at call and term deposit)	4,537,202	6,965,822	4,537,202	6,965,822
Cash – BankSA (term deposit)	-	5,000,000	-	5,000,000
Cash – Bank of Queensland (term deposit)	8,500,000	-	8,500,000	-
Cash – Trust (Angas Contributory Mortgage Fund)	211,766	-	-	-
Cash on hand	1,362	1,466	1,362	1,466
	22,693,698	28,844,084	21,592,875	27,553,371

(b) Financing facilities

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
Secured bank bill facilities:				
• amount used	13,822,887	14,517,767	-	-
• amount unused	113	233	-	-
	13,823,000	14,518,000	-	-
Portfolio Loan:				
• amount used	992,993	993,569	992,993	993,569
• amount unused	7,007	6,431	7,007	6,431
	1,000,000	1,000,000	1,000,000	1,000,000
Hire purchase facility:				
• amount used	161,308	273,263	161,308	273,263
• amount unused	-	-	-	-
	161,308	273,263	161,308	273,263
Warehouse Trust Facility:				
• amount used	5,292,400	9,505,235	-	-
• amount unused	-	-	-	-
	5,292,400	9,505,235	-	-
Business market loan:				
• amount used	5,886,477	2,557,936	-	-
• amount unused	13,523	3,342,064	-	-
	5,900,000	5,900,000	-	-

(c) Cash balances not available for use

The Fixed Interest Securities Fund account has at all times a cash balance of at least 5% of all fixed interest securities funds issued pursuant to the company's Prospectus and Trust Deed for First Ranking Fixed Interest Securities 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 $240,000 which is made up of the following:

- $ 220,000 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	
	2013	2012	2013	2012
	$	$	$	$
Profit for the year	534,187	1,547,125	608,119	1,762,835
Debt issue costs recognised in profit or loss	17,458	10,557	17,458	10,557
Investment revenue recognised in profit or loss	-	(555,211)	-	(555,211)
Investment expenses recognised in profit or loss	180,278	204,907	180,278	204,907
Impairment of assets	2,387,126	4,183,765	2,023,408	4,112,342
Impairment recovered on assets	-	(850,000)	-	(622,812)
Gain on disposal of property, plant & equipment	-	(240)	-	(240)
Depreciation and amortisation	267,196	274,342	232,512	199,573
Change in tax balances	729,174	785,255	815,214	684,960
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Trade and other receivables	(5,372,061)	(5,403,270)	(5,389,716)	(5,068,794)
Loan receivables	(3,003,108)	1,624,179	(2,906,649)	1,624,179
Inventory	(170,000)	-	(170,000)	-
Other assets	(73,390)	(3,491)	(54,174)	(3,491)
Increase/(decrease) in liabilities:				
Trade and other payables	732,069	700,857	791,155	200,286
Interest bearing liabilities	800,841	346,257	800,841	346,257
Provisions	47,971	27,761	47,971	27,761
Net cash from operating activities	(2,922,259)	2,892,793	(3,003,583)	2,923,109

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 fixed interest securities 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	
	2013 $	2012 $	2013 $	2012 $
Financial assets				
Cash and cash equivalents	22,693,698	28,844,084	21,592,875	27,553,371
Loans and receivables	261,684,588	224,969,005	253,122,286	225,086,746
Financial liabilities				
At amortised cost	310,807,257	279,494,013	268,327,668	249,463,835

(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 that comprises 5% of all fixed interest securities 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, fixed interest securities, 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 fixed interest securities 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 $9,957 (2012: increase/(decrease) by $25,614). These movements are as a result of lower/higher interest income from these financial assets.
- equity would increase/(decrease) by nil (2012: 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 that 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 fixed interest securities on issue as per the Trust Deed for First Ranking Debentures. 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 + $
2013				
Fixed interest rates				
Trade and other payables	0%	3,521,366	-	-
Hire purchase	8.70%	109,888	55,527	-
Bendigo & Adelaide Bank Limited – Warehouse Trust Facility	5.82%	5,292,400	-	-
Investors in sub-scheme	10.00%	16,358,000	-	-
Promissory Note	11.00%	1,227,242	-	-
Redeemable Preference Shares (RPS)	9.50%	7,353,787	2,891,432	-
Fixed interest securities	8.01%	198,462,732	72,901,047	-
		232,325,415	75,848,006	-
Variable interest rates				
Portfolio loan	5.67%	1,049,296	-	-
Business markets loan	6.41%	377,559	7,210,604	-
Bank bills	5.77%	2,494,785	13,823,915	-
		3,921,640	21,034,519	-
		236,247,055	96,882,525	-
2012				
Fixed interest rates				
Trade and other payables	0%	1,887,058	-	-
Hire purchase	8.70%	136,486	165,415	-
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	-
Fixed interest securities	8.39%	187,248,546	71,206,920	-
		201,674,325	80,272,898	-
Variable interest rates				
Portfolio loan	8.33%	1,076,334	-	-
Bank bills	5.13%	3,402,794	15,030,020	-
Business markets loan	6.68%	2,676,262	-	-
		7,155,390	15,030,020	-
		208,829,715	95,302,918	-

35. Financial instruments (cont'd)

(h) Liquidity risk management (cont'd)

COMPANY	Average interest rate %	Less than 1 year $	1-5 years $	5 years + $
2013				
Fixed interest rates				
Trade and other payables	0%	2,434,344	-	-
Hire purchase	8.70%	109,888	55,527	-
Promissory note	11.00%	1,227,242	-	-
Redeemable Preference Shares (RPS)	9.50%	7,353,787	2,891,432	-
Fixed interest securities	8.01%	198,462,732	72,901,047	-
		209,587,993	75,848,006	-
Variable interest rates				
Portfolio loan	5.67%	1,049,296	-	-
		1,049,296	-	-
		210,637,289	75,848,006	-
2012				
Fixed interest rates				
Trade and other payables	0%	776,516	-	-
Hire purchase	8.70%	136,486	165,415	-
Redeemable Preference Shares (RPS)	9.75%	-	8,900,563	-
Fixed interest securities	8.39%	187,248,546	71,206,920	-
		188,161,548	80,272,898	-
Variable interest rates				
Portfolio loan	8.33%	1,076,334	-	-
		1,076,334	-	-
		189,237,882	80,272,898	-

35. Financial instruments (cont'd)

(h) Liquidity risk management (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 + $
2013				
Fixed interest rates				
Loans	12.62%	229,170,245	12,261,866	-
Trade and other receivables	0%	22,364,848	320,142	41,482
		251,535,093	12,582,008	41,482
Variable interest rates				
Cash	0.80%	8,371,667	-	-
Other cash deposits	4.03%	14,110,266	-	-
		22,481,933	-	-
		274,017,026	12,582,008	41,482
2012				
Fixed interest rates				
Loans	13.81%	217,822,781	3,457,025	-
Trade and other receivables	0%	17,808,288	570,950	118,934
		235,631,069	4,027,975	118,934
Variable interest rates				
Cash	3.06%	8,853,591	-	-
Other cash deposits	5.56%	19,916,558	-	-
		28,770,149	-	-
		264,401,218	4,027,975	118,934

Company

	Average interest rate %	Less than 1 year $	1-5 years $	5 years + $
2013				
Fixed interest rates				
Loans	13.90%	205,934,756	12,261,866	-
Trade and other receivables	0%	22,353,331	320,142	41,482
		228,288,087	12,582,008	41,482
Variable interest rates				
Cash	2.75%	7,482,610	-	-
Other cash deposits	4.03%	14,110,265	-	-
		21,592,875	-	-
		249,880,962	12,582,008	41,482
2012				
Fixed interest rates				
Loans	13.81%	207,127,161	-	-
Trade and other receivables	0%	17,764,339	570,950	118,934
		224,891,500	570,950	118,934
Variable interest rates				
Cash	2.96%	7,636,812	-	-
Other cash deposits	5.56%	19,916,558	-	-
		27,553,370	-	-
		252,444,870	570,950	118,934

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	
	2013 $	2012 $	2013 $	2012 $
Short-term employee benefits	963,271	891,271	963,271	891,271
Post-employment benefits	65,976	66,597	65,976	66,597
	1,029,247	957,868	1,029,247	957,868

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

2013	Short-term employee benefits			Post-employment benefits	Total
	Salary $	Fees (i) $	Allowances (ii) $	Superannuation $	$
Executive officers					
M J Hower	244,269	60,000	-	21,984	326,253
A Luckhurst-Smith	190,190	60,000	-	17,117	267,307
P S McCarthy	189,668	60,000	-	17,070	266,738
K J Lyons	99,144	60,000	9,800	9,805	178,749
					1,039,047

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

(i) Fees relate to directors' fees of $60,000 (2011: $42,000) 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.
2013			
A Luckhurst-Smith	171,976	-	171,976
M J Hower	424,176	-	424,176
K J Lyons	97,124	-	97,124
P S McCarthy	9,740	3,155	12,895
2012			
A Luckhurst-Smith	171,976	-	171,976
M J Hower	424,176	-	424,176
K J Lyons	97,124	-	97,124
P S McCarthy	6,670	3,070	9,740

Partly paid ordinary shares of Angas Securities Limited

	Balance at 1 July No.	Net other change No.	Balance at 30 June No.
2013			
P S McCarthy	31,875	-	31,875
2012			
P S McCarthy	31,875	-	31,875

37. Related party transactions (cont'd)

(c) 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 2013 $	Consolidated 2012 $
Consolidated revenue includes the following amounts arising from transactions with key management personnel of the consolidated entity or their related parties:		
Serviced office	284,035	271,908
Trail commission	4,516	4,312
	288,551	276,220
Consolidated profit includes the following expenses arising from transactions with key management personnel of the consolidated entity or their related parties:		
Commissions	8,191	-
Consultancy fee	97,900	95,187
Interest expense	22,647	30,514
Legal consultancy	72,856	70,534
Management fee	148,398	93,553
	349,992	289,788
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	18,600	19,408
	18,600	19,408
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)

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 2013 financial year $260,220 (2012: $254,700) 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 2013 financial year $18,360 (2012: $17,208) was charged to Mr A Luckhurst-Smith. In addition a service fee of $5,455 (2012: NIL) was charged in 2013 to Angas Prime Income Fund for which Angas Securities Limited is the Responsible Entity. The service fees are based on percentage of usage which is reviewed by the Board on an annual basis.

In 2013 the retail lending business received $4,516 (2012: $4,312) in trail commission from FAST in relation to residential home loans held by Andrew Luckhurst-Smith.

During the financial year trailing commission was paid to Hower Corporation Pty Ltd, of which Mr M J Hower is a director, of $8,191 (2012: Nil). Trail commission is based on current market rates and is only paid when applicable.

A consultancy fee of $97,900 (2012: $95,187) 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) Other transactions with key management personnel of the consolidated entity (cont'd)

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

K J Lyons	$ 2,273	(2012: $1,681)
Angas Commercial Property Trust	Nil	(2012: $4,136)
Angas Prime Income Fund	$ 20,375	(2012: $24,696)

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

All fixed interest securities 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 fixed interest securities investment.

Amounts paid to Mr A Luckhurst-Smith for legal consultancy fees for the year were $72,856 (2012: $70,534). 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 $148,398 (2012: $93,553). 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 $18,600 (2012: $19,408) 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 (2012: $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 (2012: $250,000) was made up of principal of nil (2012: nil) each and revenue on investment of $125,000 (2012: $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.

(d) Subsequent mortgages behind the consolidated entity held by key management personnel

The following entities related to Directors of Angas hold subsequent mortgages behind current Angas Loans:

Entity	No. of Loans	Total Value of Loans
KWS Capital Pty Ltd	2	3,181,466
Cardiff Capital Pty Ltd	6	15,328,748
Mortgage Funds Management Pty Ltd	1	30,428,593
Barker Performance Trust 1	6	1,228,142
Barker Performance Trust 2	4	3,321,492
		53,488,441

Any director of Angas is required to report any actual or potential conflict of interest in the first instance to the Compliance Officer. The Compliance Officer records all matters in the Conflict of Interest Register. The Directors must also report any actual or potential conflict at a Board meeting if the director has an interest in a particular matter under discussion. All loan documentation and draw-downs where Angas and a director are transacting with a common borrower must be signed by an independent director.

Angas does not advance loans to Related Body Corporates.

38. Remuneration of auditors

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
Auditor of the parent entity				
Audit or review of the financial report	285,482	133,001	285,482	133,001
(Over)/under provision of prior year audit	62,310	5,383	62,310	5,383
Taxation services	18,603	35,241	18,603	35,241
	366,395	173,625	366,395	173,625

The auditor of Angas Securities Limited is Deloitte Touche Tohmatsu.

39. Subsequent events

On 8 July 2013 a private investor co-invested $14,000,000.00 in the Fernhill Loan. The co-investor participates in the mortgage on a pari passu basis as first mortgagee pursuant to a Co-Investment and Security Trust Deed.

A fully franked dividend of $247,945 (imputed credit of $106,262.23) was declared on 25 July 2013 and paid on 31 July 2013 for Redeemable Preference Share holders in Series 2. This represents a fully franked dividend of 4.96 cents per share. Payment of this dividend will reduce franking credits available for subsequent reporting periods to equity holders by $106,262.23.

On 31 July 2013 a Call was made for $74,615.71 relating to partly paid shares issued to Barri Nominees. Payment for the Call was not made by Barri Nominees until 12 September 2013; applicable interest will be charged and payable by Barri Nominees.

The Company provided ASIC with an undertaking on 2 January 2013. The undertaking was given during the Exposure Period for Prospectus 14 and involved an undertaking to not issue any fixed interest securities to new investors under its current Prospectus (Prospectus 14). The undertaking expired and a Consolidated Supplementary Prospectus was issued on 9 August 2013.

On 23 September 2013 the Company settled on an assignment and re-structure of a loan with Wayville 283 Pty Ltd from a previous mortgagee. The loan is in order with an approved limit of $6.509 million drawn to $6.35 million as at the date of this report. Security comprises a first mortgage over 17 apartments at The Terraces at 4 – 8 Goodwood Road, Wayville which increases the exposure of the Company to this Borrower.