ANGAS SECURITIES LIMITED

ACN: 091 942 728
Annual report for the financial year ended 30 June 2015

Directors' report

The directors of Angas Securities Limited ("ASL" or "Angas") submit herewith the annual financial report of the company for the financial year ended 30 June 2015. 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.
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. Retired as a director on 22 August 2014.
Clive Thomas Guthrie	Twenty seven years at Westpac handling general banking, financial services and trust management followed by 15 years at Trust Company as manager of corporate trusts and Senior Manager Structured Finance. Joined the Board 1 July 2013.

The above named directors held office during the whole of the financial year and since the end of the financial year except for:

- Paul Stephen McCarthy – resigned 22 August 2014

Directorships of other listed companies

No directors have held directorships of other listed companies in the three 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	-
P S McCarthy	44,770	-	-	-
C T Guthrie	-	-	-	-

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report section of this Directors' Report, on pages 6 to 11. 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 resigned as company secretary on 13 May 2015 and Lauren Crosby was appointed. Ariel Slavin was appointed dual company secretary on 14 August 2015.

Both Lauren and Ariel are qualified solicitors and hold 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 existing investors (as provided under section 708(14) of the Corporations Act) through the issue of fixed interest securities principally for first mortgage lending (as well as for other approved purposes including real property investments).

In addition, Angas is responsible entity of two managed investment schemes, Angas Prime Income Fund and Angas Contributory Mortgage Fund, which have external investors. Angas Financial Services, being a division of Angas Securities Limited, is a housing and commercial loan broker.

The consolidated entity holds investments in real property. Five of the most substantial property investments are held in Angas Commercial Property Trust. This portfolio includes 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 an interest in Hindmarsh Precinct Development which owns commercial land adjacent to the Adelaide Entertainment Centre at Hindmarsh SA, and residential land at Wannanup WA. Finally there is a structured finance investment in the Mannum Green Shopping Centre in SA.

Review of operations

The operating loss after income tax and before dividends for the period amounted to $15,030,738 (2014: Loss $5,422,923). This was a decrease over the previous year's result. Expenses relating to the recovery of loans have continued to be incurred. The quantum and value of expired loans has largely remained the same but the ongoing recovery costs have contributed to the operating loss.

An abnormal impost comprises expenses related to professional fees incurred by the company and the Trustee under its indemnity as a result of working with the Trustee appointed under the Deed for the Issue of First Ranking Debenture Stock in respect of an Independent Business Review commenced in November 2012. The Trustee advised the Company on 11th March 2015 that it had completed the exercise. As a further result of the Independent Business Review, the company also incurred increased accounting and valuation fees for the year ending 30 June 2015.

In April 2015, as a result of legal proceedings brought by the Trustee against the company, the Federal Court made interim orders freezing the redemption of matured Debentures and placing a limit on early redemptions due to hardship. As described in "Subsequent Events", the company and the Trustee have since reached an agreement to resolve the proceedings. Significant professional fees were incurred by the company in defending these legal proceedings.

Impaired loans continued to be managed. Further impairment expenses of $12,212,840 have been incurred for the year ending 30 June 2015 assessed in accordance with Australian Accounting Standards.

Interest revenue decreased for the year due to a number of factors. The company held excess liquidity during the period, in excess of that required by the Trust Deed. Other influences impacting revenue are the treatment of loans having interest suspended as they are managed out to discharge, as well as a reduction in the mortgage book size of $34.74M for the twelve month period.

During the period, the activities of the consolidated entities still focused on the raising of funds from existing investors through the issue of debenture securities principally for first mortgage lending (as well as for other approved purposes including real property investments), management of Angas Contributory Mortgage Fund ("ACMF") which is a commercial property finance portfolio that is funded externally, and the management of Angas Prime Income Fund ("APIF") which is a mortgage trust. Revenue is derived by the company from managing these two mortgage trust including a performance fee structure. The company bears no credit risk for non-performance of loans in either of ACMF's or APIF's portfolio.

On 3 September 2014, the minority unit holders in Mannum Investment Group Pty Ltd as trustee for Mannum Investment Unit Trust and Mannum Green Shopping Centre Pty Ltd as trustee for Mannum Unit Trust sold their units to Angas Commercial Property Trust, a subsidiary of Angas Securities Limited. The combined purchase price paid by Angas Commercial Property Trust for the units totaled $990,000.

Future developments for the consolidated entity include maintaining core operating functions as a lender and funds manager whilst running off the established debenture business and as manager of AFS, ACMF and APIF. The consolidated entity plans to maintain the retail lending business which generates fee income from retail lending using third party funding sources. ACMF and APIF continue to perform well and are solid contributors to revenue.

Future developments

The consolidated entity proposes to run-off its traditional debenture business by 31 December 2016 as detailed under "Subsequent Events". The consolidated entity plans to maintain the retail lending business which generates fee income from retail lending using third party funding sources. APIF is a retail investment product comprising a pooled mortgage trust that was successfully launched in FY 14. This product is in addition to the contributory mortgage trust known as ACMF, which has completed its third year of trading during the period. Both mortgage trusts are expected to be solid contributors to earnings on an ongoing basis.

A diminution in direct competitors, the progressive aging of the Australian population and low interest rates are expected to underpin the strength of the Company's retail offerings.

Business risks that Angas faces to its financial performance include credit losses of principal and interest in respect of its lending activities from its run-off debenture funded portfolio. These could arise due to loan size, borrowers default, and protracted delays in realizing security and falls 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

In the half-year report for the half-year ended 31 December 2014, the directors disclosed that they were conducting a strategic review including assessing alternative strategies for operating the mortgage debenture business that were aimed at better outcomes for retail investors and other stakeholders as a result of lower operating costs, including professional and other fees, as well as enhanced business efficiency. The outcome of this review has resulted in a material change to the current and future operations of the company during and subsequent to the end of financial year.

The Trust Company (Nominees) Limited ("Trustee") has continued to closely monitor the company. The Independent Business Review that was being conducted by the Trustee was completed during the year and the company was advised of this on 16th March 2015. This resulted in the Trustee initiating action in the Federal Court and on 29th April 2015, the Federal Court made interim orders to freeze the redemption of matured debentures and place a limit on early redemptions due to hardship. The Company and the Trustee entered into negotiations to resolve the concerns of the Trustee and agreement was reached on 9th June 2015. The details of this resolution which changed the state of the affairs of the company are set out in the Subsequent Events section.

Dividends

No dividend was declared in respect of the financial year ended 30 June 2015.

Subsequent events

Mortgage Debenture Fund Business

The Company and the Trustee reached an agreement on 9th June 2015. The core requirements of the agreement were that the Company agreed to putting a proposal to the mortgage debenture holders that would require them to consider amending the Trust Deed for First Ranking Debenture Stock dated 19th July 2000, as amended on by the Deed of Variation on 24th September 2002, as amended by the Second Deed of Variation dated 28th August 2007 and as amended by the Third Deed of Variation dated 18th March 2008, ("the Trust Deed") to give effect to the following:

- The redemption date for all debentures to be extended until 31 December 2016 with effect from 29 April 2015;
- The interest rate for all debentures to be reduced to 4% per annum with effect from 1 August 2015;
- The company to make payments of principal amounts owed to debenture holders as set out below:
  - 31 October 2015 — 20%
  - 28 February 2016 — 20%
  - 30 June 2016 — 10%
  - 30 December 2016 — 50%
- An independent committee comprising three members will also be established being the Loans Realisation Committee ("LRC") to consult with and advise the board regarding the realisation by company of its loan assets during the Run-Off Proposal.
- The LRC will comprise representatives of the company, the Trustee and an independent person. The company's representative is their independent director Mr Clive Guthrie, the Trustee's representative is Mr Christopher Green and the independent person determined by the Federal Court is Mr John Powell.
- The company to be released from certain of its obligations under the Trust Deed from the date the extraordinary resolution is passed until 31 December 2016, such as paying dividends to the holders of redeemable preference shares; and
- The company and the Trustee to be authorised to do any things reasonably required to give effect to the Federal Court orders and the Run-Off Proposal.

The company prepared an explanatory notice and on 24th July 2015 sent the notice to the mortgage debenture holders calling for a meeting to consider these proposals which required them to vote on an extraordinary resolution. The meeting was held on 10th August 2015 at which the mortgage debenture holders voted in favour of the extraordinary resolution with a majority of 90% in favour of the Run-Off Proposal. The outcome of the meeting was then approved by the Federal Court on 14th August 2015 and the company was then directed to amend the Trust Deed and implement the proposal accordingly.

The board of the company remains responsible for the conduct of the company's business. The Board will consult with the LRC during the period of the Run-Off Proposal of the mortgage debentures. If the board desires not to follow any opinions or advice of the LRC in relation to the loan realisation process, the company and the Trustee will be required to seek directions from the Federal Court.

The function of the LRC includes providing opinions or advice on material decisions in relation to the loan realization process as well as making other decisions relating to the Run-Off proposal. In connection with the Run-Off proposal, the Federal Court Orders (as amended) provide that the LRC will oversee the loan realization process as follows:

1. The company must provide the LRC with an updated run-off schedule on or before the 10th business day of each month, showing the position of the company as at the last business day of the preceding month.
2. During the run-off period, the LRC will be responsible for the following:
   (a) Providing opinions and advice on material decisions relating to the realisation by the company of loan assets, with materiality to be determined as follows:
      (i) Decisions in relation to matters regarding loan assets involving any interests of related entities of the company, whether documented or undocumented, formal or informal, registered or unregistered, which create any rights to receive distributions from repayments or realisations from security, in those loan assets as identified by the company in the Run-Off Proposal.
      (ii) Decisions in relation to, or to give effect to realisations where:
         (1) If the realisation relates to the discharge of a loan asset where the face value of the loan asset recorded in the Run-Off Proposal is equal to or greater than $1 million; or
         (2) If the realisation relates to security held by the company where the carrying value of the relevant security recorded in the Run-Off Proposal is equal to or greater than $1 million.
   (b) Considering, and if thought appropriate, approving requests made for approval by the LRC in respect of the cash buffer and the interim payments to Debenture Holders. For example if the company wishes to vary any of the amounts of or dates for payment of principal to debenture holders, it must first obtain approval from the LRC.
   (c) Considering, and if thought appropriate, approving requests made by the Trustee for additional remuneration incurred in respect of the Run-Off Proposal.

<u>Potential Breach of Australian Financial Services Licence ("AFSL")</u>

On 20th September 2015, the Company notified the Australian Securities Investments Commission ("ASIC") of a potential breach in relation to the Company's obligations under its AFSL expected to occur on 30th September 2015. The potential breach relates to the company's net tangible assets reporting requirements as well meeting their obligations as responsible entity of Angas Prime Income Fund ("APIF") and Angas Contributory Mortgage Fund ("ACMF")

If an actual breach occurs, the company will liaise further with ASIC to explore options until a permanent solution can be agreed and implemented. The company is currently obtaining further advice and investigating the appointment of an external responsible entity for APIF and ACMF, should the company not meet the requirements of the AFSL. The company will continue to act as a manager of the investment schemes of APIF and ACMF.

<u>Redeemable Preference Shares</u>

The Federal Court order made on 29th April 2015 remains in place so far as it prevents the company from redeeming or paying dividends to the holder of any redeemable preference shares ("RPS"). The board is proposing an exchange of Redeemable Preference Shares Series One and Redeemable Preference Shares Series Four to convert them to ordinary shares in October 2015 which will reduce liabilities by $6.96M and increase the net asset position by $6.96M.

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, 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 14 Audit, Risk Management and Compliance Committee ("ARMCO") meetings were held.

	Board Meetings		ARMCO	
Directors	Held	Attended	Held	Attended
Mr A Luckhurst-Smith	16	16	14	12
Mr M J Hower	16	16	N/A	2
Mr P S McCarthy	1	1	N/A	N/A
Mr C T Guthrie	16	13	N/A	2

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 37 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 37 to the financial statements do not compromise the external auditor's independence 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 12 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 2015. 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
Paul McCarthy	Director and Credit Committee Chairman	6 August 2007 (retired 22 August 2014)
Clive Guthrie	Non-executive Director	1 July 2013
Edwina Starck	Company Secretary	1 November 2010 (retired 15 May 2015)
Lauren Crosby	Company Secretary (dual)	13 May 2015
Ariel Slavin	Company Secretary (dual)	14 August 2015

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.

As the Executive Director Paul McCarthy resigned (on 22 August 2014) during the financial year, the Managing Director and Executive Chairman took on additional workload and as a consequence, the Board resolved that some additional compensation was required. A Remuneration Report was obtained from Makrid Preiss which was considered by the Board and independent director Clive Guthrie.

The Board approved to increase the Executive Chairman's salary by $35,000 and increase the percentage paid to the Managing Director from 85% to 92.5%, which was effective 22 August 2014.The Board resolved that directors fees would remain the same at $5,000 per month.

Annual Remuneration as at 30 June 2015:

Name	Annual Salary *	% Paid
Matthew Hower	$287,375 + 9.5% Super	92.5%
Andrew Luckhurst-Smith	$225,190 + 9.5% Super	100%
Edwina Starck	$105,008 + 9.5% Super	100%
Clive Guthrie **	N/A	N/A

* 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 and $1,000.00 per month consultancy fee for heading the Due Diligence Committee.

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.
Remuneration for KMP has not been linked to performance, with no automatic annual remuneration increases made.

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. 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 changed, the National Stock Exchange ("NSX") will be immediately notified.

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 2015:

	30 June 2011 $	30 June 2012 $	30 June 2013 $	30 June 2014 $	30 June 2015 $
Revenue	30,715,934	35,728,620	44,448,874	33,563,703	30,215,630
Net profit / (loss) before tax	2,717,369	2,012,309	1,252,562	(7,981,874)	(11,732,892)
Net profit / (loss) after tax	1,834,438	1,547,125	534,187	(5,422,923)	(15,030,738)

	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015
Share price at start of year[2]	-	-	-	-	-
Share price at end of year[2]	-	-	-	-	-
Interim dividend[1]		-	-	-	-
Final dividend[1]	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 key management personnel

	Short-term employee benefits			Post-employment benefits	Total
	Salary	Fees (i)	Allowances (ii)	Superannuation	
2015	$	$	$	$	$
Executive officers					
M J Hower	262,728	60,000	-	24,959	347,687
A Luckhurst-Smith	220,164	60,000	-	20,916	301,080
P S McCarthy	27,022	8,548	-	2,567	38,137
C T Guthrie	-	72,000	-	-	72,000
E Starck	97,978	-	-	8,824	106,802
L Crosby (iii)	-	-	-	-	-
					865,706

	Short-term employee benefits			Post-employment benefits	Total
	Salary	Fees (i)	Allowances (ii)	Superannuation	
2014	$	$	$	$	$
Executive officers					
M J Hower	244,269	60,000	-	22,595	326,864
A Luckhurst-Smith	190,190	60,000	-	17,593	267,783
P S McCarthy	189,668	60,000	-	17,544	267,212
K J Lyons (iv)	63,262	5,000	6,000	6,407	80,669
C T Guthrie		69,000	-	-	69,000
E Starck	88,073	-	-	8,147	96,220
					1,107,748

(i) Fees relate to directors fees.

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

(iii) L Crosby was not employed by the Company, but was on secondment from Charlton Rowley Lawyers.

(iv) K J Lyons resigned on 31 July 2013.

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 9.50% superannuation with annual salary reviews.

Loans to key management personnel

The consolidated entity has not provided any key management personnel with any loans.

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.
2015			
A Luckhurst-Smith	171,976	-	171,976
M J Hower	424,176	-	424,176
P S McCarthy	44,770	-	44,770
2014			
A Luckhurst-Smith	171,976	-	171,976
M J Hower	424,176	-	424,176
K J Lyons	97,124	-	97,124
P S McCarthy	12,895	31,875	44,770

Partly paid ordinary shares of Angas Securities Limited

	Balance at 1 July No.	Net other change No.	Balance at 30 June No.
2015			
P S McCarthy	-	-	-
2014			
P S McCarthy	31,875	(31,875)	-

Other transactions with key management personnel of the Group

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	
	2015 **$**	**2014** **$**
Consolidated revenue includes the following amounts arising from transactions with key management personnel of the consolidated entity or their related parties:		
Serviced office	128,328	193,652
Trail commission	7,717	18,320
	136,045	211,972
Consolidated profit includes the following expenses arising from transactions with key management personnel of the consolidated entity or their related parties:		
Legal consultancy	46,998	73,496
Management fee	102,554	109,801
	150,562	191,365
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)

Angas Securities Limited charged 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 2015 financial year $128,328 (2014: $184,416) was charged to KWS Capital No.2 Pty Ltd in the form of a service fee. (This arrangement was terminated on 31 August 2015). For the 2015 financial year $nil (2014: $7,872) was charged to Mr A Luckhurst-Smith. In addition a service fee of $276,331 (2014: $1,364) was charged in 2015 to Angas Prime Income Fund for which Angas Securities Limited is the Responsible Entity and a service fee of $257,448 (2014: $257,316) was charged to Angas Contributory Mortgage 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 2015 the retail lending business received $7,717 (2014: $18,320) in trail commission from FAST in relation to residential home loans held by Andrew Luckhurst-Smith and Paul McCarthy.

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	$1,010	(2014: $2,201)
Angas Prime Income Fund	$ Nil	(2014: $5,868)

(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 $46,998 (2014: $ 73,496). 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 and P S McCarthy are shareholders of this company) of $102,554 (2014: $109,801). 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 $30,299 (2014: $30,886) has been included as trailing commission receivable by the company as a result of home loans between Mr A Luckhurst-Smith and Angas Financial Services; and Mr Paul McCarthy and Angas Financial Services. The trail commission receivable rate is determined by FAST.

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

On behalf of the Directors

A Luckhurst-Smith
Director
Adelaide, 30 September 2015

Deloitte.

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

30 September 2015

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 2015, 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

S T Harvey
Partner
Chartered Accountants

Deloitte.

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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 2015, 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 15 to 74.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

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

Opinion

In our opinion:

(a) the financial report of Angas Securities Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2015 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 3 in the financial report, which indicates that the consolidated entity incurred a loss of $15,030,738 and has negative operating cash flows of $5,423,626 for the year ended 30 June 2015 and as of that date the consolidated entity has a net asset deficiency of $5,495,825 . These conditions, 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 and consolidated entity's ability to continue as going concerns and therefore, the company and the consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 11 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Angas Securities Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S T Harvey
Partner
Chartered Accountants
Adelaide, 30 September 2015

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

A Luckhurst-Smith
Director
Adelaide, 30 September 2015

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Contents

Consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2015

		Consolidated		Company	
	Note	2015 $	2014 $	2015 $	2014 $
Interest revenue	6	20,785,871	23,988,506	20,770,065	23,631,247
Interest expense	7	(19,118,043)	(21,563,784)	(18,053,001)	(20,271,288)
Net interest revenue		1,667,828	2,424,722	2,717,065	3,359,959
Non interest revenue	6	9,429,759	9,575,197	7,709,880	7,669,227
Marketing expenses		(370,000)	(505,468)	(370,000)	(505,468)
Occupancy expenses		(688,160)	(604,718)	(688,160)	(604,718)
Administration expenses	8	(8,885,626)	(10,998,929)	(8,843,252)	(10,927,543)
Impairment expenses		(12,212,840)	(7,277,552)	(11,903,897)	(6,879,025)
Other expenses		(673,853)	(595,126)	(97,862)	(89,694)
Profit / (loss) before tax	8	(11,732,892)	(7,981,874)	(11,476,227)	(7,977,262)
Income tax benefit / (expense)	9	(3,297,846)	2,558,951	(3,119,665)	2,714,614
Profit / (loss) for the year		(15,030,738)	(5,422,923)	(14,595,892)	(5,262,648)
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the year		(15,030,738)	(5,422,923)	(14,595,892)	(5,262,648)
Attributable to:					
Equity holders of the parent		(14,990,388)	(5,304,750)	(14,595,892)	(5,262,648)
Non-controlling interests		(40,350)	(118,173)	-	-
		(15,030,738)	(5,422,923)	(14,595,892)	(5,262,648)

Notes to the financial statements are included on pages 21 to 74.

Consolidated statement of financial position as at 30 June 2015

		Consolidated		Company	
		2015	2014	2015	2014
	Note	$	$	$	$
Assets					
Cash and cash equivalents	33(a)	27,972,738	22,744,969	27,607,459	22,020,623
Trade and other receivables	11	13,731,411	17,293,781	13,314,082	17,066,452
Current tax assets	9	79,308	66,247	79,308	66,247
Property held for resale	17	5,052,803	4,917,552	1,439,303	1,304,052
Loans	13	166,817,154	201,556,956	165,921,322	200,462,304
Deferred tax assets	9	-	3,227,269	-	3,119,665
Other financial assets	12	300,000	218,000	15,405,300	14,557,471
Property, plant and equipment	15	89,917	201,395	76,472	201,395
Other assets	21	2,639,091	206,278	2,567,362	129,405
Inventory - property	18	2,514,600	2,742,300	2,514,600	2,742,300
Investment property	16	29,609,202	33,908,050	519,750	4,837,659
Other intangible assets	20	44,578	88,200	44,578	88,200
Goodwill	19	141,611	592,184	141,611	592,184
Total assets		248,992,413	287,763,181	229,631,147	267,187,957
Liabilities					
Trade and other payables	23	4,355,073	4,204,744	3,840,840	3,065,575
Other financial liabilities	26	144	384,188	144	330,919
Interest bearing liabilities	24	249,772,509	273,001,364	230,168,465	253,278,597
Current tax liability	9	70,577	52,761	-	-
Provisions	25	289,935	337,267	289,935	337,267
Total liabilities		254,488,239	277,980,324	234,299,385	257,012,358
Net assets		(5,495,825)	9,782,857	(4,668,238)	10,175,599
Equity					
Issued capital	27	9,028,067	9,028,067	9,028,067	9,028,067
Retained earnings	28	(14,641,517)	872,711	(13,696,305)	1,147,532
Equity attributable to equity holders of the parent		(5,613,450)	9,900,778	(4,668,238)	10,175,599
Non-controlling interest		117,624	(117,921)	-	-
Total equity		(5,495,825)	9,782,857	(4,668,238)	10,175,599

Notes to the financial statements are included on pages 21 to 74.

Consolidated statement of change in equity for the financial year ended 30 June 2015

Consolidated

	Issued Capital $	Retained earnings $	Non-controlling interest $	Total $
Balance at 30 June 2013	8,953,451	6,677,461	252	15,631,164
Profit/(loss) for the period	-	(5,304,750)	(118,173)	(5,422,923)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	(5,304,750)	(118,173)	(5,422,923)
Payment of dividends – ordinary shares	-	-	-	-
Payment of dividends – preference shares	-	(500,000)	-	(500,000)
Off-market share buy-back	-	-	-	-
Issue of capital – ordinary shares	-	-	-	-
Issue of capital – preference shares	-	-	-	-
Installment partly paid shares	74,616	-	-	74,616
Other	-	-	-	-
Balance at 30 June 2014	9,028,067	872,711	(117,921)	9,782,857
Profit/(loss) for the period	-	(14,990,388)	(40,350)	(15,030,738)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	(14,990,388)	(40,350)	(15,030,738)
Payment of dividends – ordinary shares	-	-	-	-
Payment of dividends – preference shares	-	(247,945)	-	(247,945)
Transfer of units with minority interests	-	(275,894)	275,894	-
Issue of capital – ordinary shares	-	-	-	-
Issue of capital – preference shares	-	-	-	-
Installment partly paid shares	-	-	-	-
Balance at 30 June 2015	9,028,067	(14,641,517)	117,624	(5,495,827)

Company

	Issued Capital $	Retained earnings $	Non-controlling interest $	Total $
Balance at 30 June 2013	8,953,451	6,910,180	-	15,863,631
Profit/(loss) for the period	-	(5,262,648)	-	(5,262,648)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	(5,262,648)	-	(5,262,648)
Payment of dividends – ordinary shares	-	-	-	-
Payment of dividends – preference shares	-	(500,000)	-	(500,000)
Issue of capital – ordinary shares	-	-	-	-
Issue of capital – preference shares	-	-	-	-
Installment partly paid shares	74,616	-	-	74,616
Balance at 30 June 2014	9,028,067	1,147,532	-	10,175,599
Profit/(loss) for the period	-	(14,595,892)	-	(14,595,892)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	(14,595,892)	-	(14,595,892)
Payment of dividends – ordinary shares	-	-	-	-
Payment of dividends – preference shares	-	(247,945)	-	(247,945)
Issue of capital – ordinary shares	-	-	-	-
Issue of capital – preference shares	-	-	-	-
Installment partly paid shares	-	-	-	-
Balance at 30 June 2015	9,028,067	(13,696,305)	-	(4,668,238)

Notes to the financial statements are included on pages 21 to 74.

Consolidated statement of cash flows for the financial year ended 30 June 2015

	Note	Consolidated 2015 $	Consolidated 2014 $	Company 2015 $	Company 2014 $
Cash flows from operating activities					
Receipts from customers		9,777,523	8,397,742	8,072,658	6,536,441
Payments to suppliers and employees		(13,609,671)	(12,060,060)	(13,259,276)	(11,727,073)
Payments of property investment distributions		(8,395)	-	-	-
Interest received		19,152,230	25,165,190	19,411,094	24,794,287
Interest paid		(20,669,491)	(21,872,093)	(19,596,976)	(20,608,049)
Income tax received		-	-	-	-
Income taxes paid		(65,822)	(1,149,694)	(13,062)	(924,931)
Net cash used in operating activities	33(d)	(5,423,626)	(1,518,915)	(5,385,562)	(1,929,325)
Cash flows from investing activities					
Proceeds from repayment of mortgage loans		82,550,607	93,118,731	82,528,607	87,169,317
Payments for mortgage loans		(52,847,002)	(79,193,007)	(52,883,002)	(73,722,274)
Proceeds from units in trust		-	-	-	300,000
Payment of units in trust		-	-	(600,000)	-
Proceeds from sale of property held for resale		4,289,356	-	4,289,356	-
Amounts advanced to subsidiaries		-	-	(197,707)	(128,292)
Amounts received from subsidiaries		-	-	-	713,000
Proceeds from sale of plant and equipment		-	-	-	-
Payments for property, plant and equipment		(28,969)	(9,408)	(14,728)	(9,408)
Payment of building and development costs for investment properties		(53,746)	-	-	-
Net cash outflow on disposal of subsidiary	38(c)	-	(434,263)	-	-
Amounts advanced to subsidiaries		-	-	-	-
Net cash provided by / (used in) investing activities		33,910,246	13,482,053	33,122,526	14,322,343
Cash flows from financing activities					
Proceeds from borrowings		88,726	53,523	-	-
Repayment of borrowings		(1,165,381)	(107,763)	(1,046,658)	(107,643)
Repayment of units redeemed in trust			-	-	-
Proceeds from issue of equity securities			74,616	-	74,616
Proceeds from investors – managed investment scheme			-	-	-
Payment for investment in subsidiary		(1,078,726)	-	-	-
Proceeds from issue of fixed interest securities		12,038,598	29,140,479	12,038,598	29,140,479
Repayment of fixed interest securities		(32,894,123)	(40,442,722)	(32,894,123)	(40,442,722)
Proceeds from issue of redeemable preference shares		-	-	-	-
Repayment of redeemable preference shares		-	(130,000)	-	(130,000)
Payment of debt issue costs		-	-	-	-
Dividends paid:					
- members of parent entity		(247,945)	(500,000)	(247,945)	(500,000)
Net cash provided by / (used in) financing activities		(23,258,851)	(11,911,867)	(22,150,128)	(11,965,270)
Net increase / (decrease) in cash and cash equivalents		5,227,769	51,271	5,586,836	427,748
Cash and cash equivalents at the beginning of the financial year		22,744,969	22,693,698	22,020,623	21,592,875
Cash and cash equivalents at the end of the financial year	33(a)	27,972,738	22,744,969	27,607,459	22,020,623

Notes to the financial statements are included on pages 21 to 74.

1. General information

Angas Securities Limited (the Company) is a public company incorporated in Australia and operating in Adelaide. Fixed interest securities issued up to and including the date of 31 January 2014 by Angas Securities Limited were listed on the National Stock Exchange (NSX). No fixed interest securities were listed on the NSX after 31 January 2014.

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. Application of new and revised Accounting Standards

2.1 New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

In the current year, the consolidated entity has applied a number of new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014, and therefore relevant for the current year end.

AASB 2012-3' Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments have been applied retrospectively. [As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements. /The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments does not have any material impact on the amounts recognised in the Group's consolidated financial statements.]
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by AASB 13 'Fair Value Measurements'. The application of these amendments does not have any material impact on the disclosures in the Group's consolidated financial statements.

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

2.1 New and revised AASBs affecting amounts reported and/or disclosures in the financial statements (cont'd)

AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	The amendments to AASB 139 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. As the Group does not have any derivatives that are subject to novation, the application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	The amendments to AASB 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. To qualify as an investment entity, a reporting entity is required to: • obtain funds from one or more investors for the purpose of providing them with investment management services; • commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and • measure and evaluate performance of substantially all of its investments on a fair value basis. Consequential amendments have been made to AASB 12 and AASB 127 to introduce new disclosure requirements for investment entities. As the Company is not an investment entity (assessed based on the criteria set out in AASB 10 as at 1 July 2014), the application of the amendments does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.
AASB 2014-1 'Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)	The Annual Improvements 2010-2012 has made number of amendments to various AASBs, which are summarised below. • The amendments to AASB 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to AASB 2 are effective for sharebased payment transactions for which the grant date is on or after 1 July 2014. • The amendments to AASB 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of AASB 9 or AASB 139 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to AASB 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014. • The amendments to AASB 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker. • The amendments to the basis for conclusions of AASB 13 clarify that the issue of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. • The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. • The amendments to AASB 124 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services.

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

2.1 New and revised AASBs affecting amounts reported and/or disclosures in the financial statements (cont'd)

AASB 2014-1 'Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles) (cont'd)	However, disclosure of the components of such compensation is not required. The Annual Improvements 2011-2013 has made number of amendments to various AASBs, which are summarised below. • The amendments to AASB 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself. • The amendments to AASB 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, AASB 139 or AASB 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within AASB 132. • The amendments to AASB 140 clarify that AASB 140 and AASB 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether: ▪ the property meets the definition of investment property in terms of AASB 140; and ▪ the transaction meets the definition of a business combination under AASB 3. The application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.
AASB 2014-1 'Amendments to Australian Accounting Standards' (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119)	The amendments to AASB 119 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service. The application of these amendments to AASB 119 does not have any material impact on the disclosures or on the amount recognised in the Group's consolidated financial statements.
Interpretation 21 'Levies'	Interpretation 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. Interpretation 21 has been applied retrospectively. The application of this Interpretation does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.
AASB 1031 'Materiality', AASB 2013-9 'Amendments to Australian Accounting Standards' – Conceptual Framework, Materiality and Financial Instruments' (Part B: Materiality), AASB 2014-1 'Amendments to Australian Accounting Standards' (Part C: Materiality)	The revised AASB 1031 is an interim standard that cross-references to other Standards and the 'Framework for the Preparation and Presentation of Financial Statements' (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations. Once all of these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031, AASB 2013-9 (Part B) and AASB 2014-1 (Part C) does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

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

2.2 Standards and Interpretations in issue not yet adopted

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017	30 June 2018
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part D: 'Consequential Amendments arising from AASB 14'	1 January 2016	30 June 2017
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments'	1 January 2015	30 June 2016
AASB 14 'Regulatory Deferral Accounts'	1 January 2016	30 June 2017
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017

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

At the date of publication, there have been no IASB Standards or IFRIC Interpretations that are issued but not yet effective.

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 30 September 2015.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the consolidated entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Going Concern

The financial report has been prepared on the going concern basis which contemplates the continuity of business activities and the realisation of assets and the settlement of liabilities in the normal course of business and in line with the Run-Off Proposal.

For the reasons outlined below, there is material uncertainty whether the company and the consolidated entity will continue as going concerns:

1) The result of the year ended 30 June 2015 is a loss after tax of $15.03M (2014: $5.42M loss).
2) There has been a deterioration in the net asset position of the consolidated entity to a net liability position of $5.5 (2014: Net Asset position of $9.78M).
3) The operating cash outflows have increased in the current year to $5.42M (2014: $1.52M). Net cash inflows from financing and investing activities were $10.65M (2014: $1.57M).
4) The consolidated entity still has a significant number of loan facilities which are non-performing and therefore are not earning interest or fee income and are at a risk of incurring further impairments.
5) The key assumptions on which the Run-Off Proposal is based involves risks, variables and uncertainties in relation to the quantum and timing of realising securities for non-performing loans and the quantum and timing of realising of investment property assets of the group.
6) The Company has recently notified ASIC of a potential breach in relation to the company's obligations under its Australian Financial Services Licence (refer to Subsequent Events section). If the company in unable to reach a satisfactory arrangement in relation to the breach, including but not limited to entering into an arrangement with an independent third party to become the Responsible Entity for APIF and ACMF and appointing the company as the manager then there is doubt over the forecast revenue streams from this business.
7) The company has amended its Trust Deed with the mortgage debenture holders as set out above which commits the company to a Run-Off Proposal which requires payments to be made to mortgage debenture holders in amounts and dates contained therein. The Run-Off proposal requires the Company to realise its mortgage loans and other assets to meet this schedule. If the company is unable to meet this commitment or obtain approval of the LRC to vary the commitment then it and the Trustee must return to the Federal Court to seek further orders.

3. Significant accounting policies (cont'd)

Going Concern (cont'd)

The directors believe that it is appropriate to prepare the financial report on the going concern basis after considering the following mitigating factors:

1) The directors and management have spent significant time preparing and testing the run-off of the debenture fund with the assistance of an external accounting firm and have assessed that the assumptions underlying the Run-Off proposal are reasonable and achievable.
2) A significant portion of the operating loss for the year has resulted from the impairment of certain loans and other assets. These have been factored into the Run-Off Proposal and the directors do not anticipate any further impairment of these assets.
3) The consolidated entity has previously utilised the sale of loans to investors and other financiers as a tool for managing liquidity and the directors are confident that they will continue to be able to do this.
4) In order to rectify the net liability position, the directors propose to convert certain redeemable preference shares to ordinary shares. This conversion is anticipated to occur in October 2015 (refer to Subsequent Events note) which would decrease the net liability position or lead to a net asset position by $6.96M.
5) Advice is being obtained and investigations continue into the appointment of an external responsible entity for APIF and ACMF. The company will continue to act as manager of these managed investment schemes and therefore this will not impact future revenue.
6) The directors believe that continued focus as fund manager, the restructuring and streamlining of business operations and overhead structure will ensure the company is well placed during the Run-Off Proposal.
7) The Directors believe their asset realisation strategy is achievable and will allow the company to meet its obligations under the Run-Off Proposal.
8) After 31 December 2016, the company and the consolidated entity plan to maintain the retail lending business known as Angas Financial Services which generates fee income from retail lending using third party funding sources. APIF is a retail investment product comprising a pooled mortgage trust that was successfully launched in FY 14. This product is in addition to the contributory mortgage trust known as ACMF, which has completed its third year of trading during the period. Both mortgage trusts are expected to be solid contributors to earnings on an ongoing basis.

If the above mitigating factors are not achieved, then there is material uncertainty whether the company and consolidated entity will continue as going concerns and therefore whether they will realise their assets and settle their liabilities in the normal course of business and in line with the Run-Off Proposal. The financial report does not include adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the company and the consolidated entity not continue as a going concerns.

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 structured entities) controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

3. Significant accounting policies (cont'd)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with consolidated entity's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the consolidated entity are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

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.

(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, 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.

3. Significant accounting policies (cont'd)

(b) Business combinations (cont'd)

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.

(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 3(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 3(b) above.

(d) Revenue recognition

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

<u>Interest revenue</u>

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.

<u>Trust distribution</u>

Trust distribution revenue is recognised when receivable.

<u>Loan fee income</u>

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.

<u>Trailing commission</u>

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.

<u>Upfront commission</u>

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.

<u>Rental income</u>

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

3. Significant accounting policies (cont'd)

(d) Revenue recognition (cont'd)

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.

(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 profit or loss and other 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 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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 in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity, respectively. Where current and deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(f) Cash and cash equivalents

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

3. Significant accounting policies (cont'd)

(g) Financial 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.

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

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

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest 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 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.

Derecognition of financial assets

The consolidated entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the consolidated entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the consolidated entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the consolidated entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the consolidated entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. Significant accounting policies (cont'd)

(h) Financial assets (cont'd)

On derecognition of a financial asset other than in its entirety (e.g. when the consolidated entity retains an option to repurchase part of a transferred asset), the consolidated entity allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

(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.

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 3(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.

3. Significant accounting policies (cont'd)

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

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.

(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 properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at its cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Depreciation is recognised so as to write off the cost or valuation of investment properties 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.

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

Buildings	50 years

3. Significant accounting policies (cont'd)

(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

Short-term and Long-term 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.

Retirement benefits costs

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

Termination benefit

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(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. Finance expenses are recognised immediately in profit or loss. 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.

3. Significant accounting policies (cont'd)

(p) Leasing (cont'd)

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 so 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 asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such assets (or disposal groups) and its sale is highly probable. 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.

When the consolidated entity is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the consolidated entity will retain a non-controlling interest in its former subsidiary after the sale.

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.

(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 of the Company 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, apart from those involving estimations (see 4.2 below), that the directors have made in the process of applying the consolidated entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Trailing commission

Trailing commission receivable is calculated at a discount rate of 16.73% (post-tax) on total retail loans. Management estimates that the average life of a loan is 8 years.

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.

Deferred taxation on tax losses

For the purposes of measuring a deferred tax asset arising from tax losses Management has reviewed future budgets and forecasts to determine that the Consolidated entity will be profitable and hence will be in a position to claim tax losses in the future.

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

4.2 Key sources of estimation uncertainty (cont'd)

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. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill at 30 June 2015 was $141,611 (30 June 2014: 592,184). An impairment loss was recognised during 2015 of $450,573 (2014: nil).

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 realisable 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.

Trail Commission

When valuing the trail book, the Board estimates that the average life of a loan is 7 years. The estimate of 7 years is based on the historic repayment of loans in the existing trail book.

The Board believe that 7 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 Board of Directors of the Company 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 involves 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 Investments Properties, which includes all activities relating to investments made in properties solely for investment purposes (all properties are commercial tenanted and receive monthly rental income).

<u>Segment revenues and results</u>

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

	Segment revenue		Segment profit/(loss)	
	Consolidated		Consolidated	
	Year ended 30 June 2015 $	Year ended 30 June 2014 $	Year ended 30 June 2015 $	Year ended 30 June 2014 $
Commercial Lending	24,505,988	28,617,497	(13,756,986)	(10,519,835)
Structured Finance	3,322,003	2,618,540	2,207,073	1,948,920
Commercial Property Investments	657,533	647,352	(264,421)	(363,200)
Investment Properties	1,730,106	1,680,314	81,442	952,241
	30,215,630	33,563,703	(11,732,892)	(7,981,874)
Profit / (loss) before tax			(11,732,892)	(7,981,874)
Income tax benefit / (expense)			(3,297,846)	2,558,951
Consolidated segment revenue and profit / (loss) for the year	30,215,630	33,563,703	(15,030,738)	(5,422,923)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2014: nil).

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 2015 $	30 June 2014 $
Commercial Lending	213,308,911	248,298,536
Structured Finance	2,116,626	2,523,576
Commercial Property Investments	12,437,492	12,385,448
Investment Properties	21,050,076	21,262,107
Total segment assets	248,913,105	284,469,667
Unallocated assets	79,308	3,293,514
Total assets	248,992,413	287,763,181

Segment liabilities

	30 June 2015 $	30 June 2014 $
Commercial Lending	227,769,496	251,601,872
Structured Finance	1,321,383	1,300,627
Commercial Property Investments	13,223,516	12,907,050
Investment Properties	12,103,266	12,118,014
Total segment liabilities	254,417,662	277,927,563
Unallocated liabilities	70,577	52,761
Total liabilities	254,488,239	277,980,324

For the purpose of monitoring segment performance and allocating resources between segments all assets and liabilities are allocated to reportable segments other than current and deferred tax assets and liabilities.

Other segment information

Depreciation and amortisation

	30 June 2015 $	30 June 2014 $
Commercial Lending	174,763	214,303
Structured Finance	436	871
Commercial Property Investments	-	-
Investment Properties	35,480	34,684
Total depreciation and amortisation	210,679	249,858

6. Revenue

The following is an analysis of the consolidated entity's revenue for the year.

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Interest revenue:				
Bank deposits	675,127	909,175	670,985	902,656
Other loans and receivables	20,110,744	23,079,331	20,099,080	22,728,591
	20,785,871	23,988,506	20,770,065	23,631,247
Non interest revenue:				
Loan fee income	3,705,739	4,920,071	3,705,233	4,902,326
Management Fees	2,357,340	1,461,646	2,357,340	1,461,646
Distributions from unit trusts	-	-	631,605	-
Dividends from subsidiaries	-	-	-	390,000
Trailing commission & retail lending income	156,983	174,063	156,983	174,063
Upfront commission – retail lending	70,299	66,634	70,299	66,634
Gain/(loss) on disposal of property	(52,297)		(52,297)	
Rental income:				
Operating lease rental income:				
Investment properties	2,529,588	2,501,815	146,078	178,794
Other – serviced office	662,107	450,968	694,639	495,764
	9,429,759	9,575,197	7,709,880	7,669,227

7. Interest expense

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Interest on fixed interest securities	17,131,870	19,324,722	17,131,870	19,324,722
Interest on Redeemable Preference Shares ("RPS") Series 1 & 3	876,586	887,955	876,586	887,955
Interest on hire purchase	1,659	4,472	1,659	4,472
Interest on portfolio loan	345,309	428,925	42,886	53,904
Interest on commercial bills	762,619	793,672	-	-
Interest on warehouse trust facility	-	123,803	-	-
Other interest expense	-	235	-	235
Total interest expense	19,118,043	21,563,784	18,053,001	20,271,288

8. Profit for the year

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

	Consolidated		Company	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Direct operating expenses from investment properties that generated rental income during the year (ii)	516,757	532,067	97,862	89,695
	516,757	532,067	97,862	89,695
Operating lease rental expenses (ii)	642,146	555,879	642,146	555,879
	642,146	555,879	642,146	555,879
<u>Impairment losses on investment property</u>				
Impairment loss on investment property	227,700	232,750	227,700	34,750
Reversal of impairment loss on investment property	-	(434,487)		(3,803)
	227,700	(201,737)	227,700	30,947
<u>Impairment losses on property held for resale</u>				
Impairment of property held for resale	-	106,699	-	106,699
	-	106,699	-	106,699
<u>Impairment losses on financial assets:</u>				
Reversal of impairment loss on loans carried at amortised cost (note 13)	-	(91,320)	-	-
Impairment loss on loans carried at amortised cost (note 13)	6,696,780	1,219,147	6,373,153	1,219,147
Bad debt	1,275,468		1,275,468	
Impairment loss on trade receivables	2,272,971	1,558,378	838,748	1,558,378
Impairment loss on inventory – property (note 18)	-	-	-	-
Impairment loss on property sale receivables (note 11)	1,289,348	4,686,385	1,289,348	4,686,385
Impairment loss on investments in subsidiaries	-	-	51,127	100,024
Impairment on Goodwill	450,573	-	450,573	-
Reversal of impairment loss on investments in subsidiaries (i)	-	-	-	(822,555)
	11,985,140	7,372,590	11,676,198	6,741,379
	12,212,840	7,277,552	11,903,898	6,879,025

(i) In 2014 as a result of movements in the value of investment properties held by Angas Commercial Property Trust, Angas Securities Limited wrote back previously impaired 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	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Administration expenses:				
Employee benefit expense:				
Post employment benefits:				
Defined contribution plans	228,475	226,407	228,475	226,407
Other employee benefits	2,718,644	2,808,557	2,718,644	2,808,557
Other employee expenses	603,095	587,210	603,095	587,210
Lending expenses and disbursements	2,949,678	2,820,994	2,949,678	3,132,133
Professional fees	1,069,515	2,700,844	1,069,515	2,700,844
Computer expenses	249,726	265,516	249,726	265,516
Depreciation	210,679	249,858	175,199	215,174
Travel and entertainment	211,051	227,019	211,051	227,019
Printing and postage	107,006	169,801	107,006	169,801
Insurance	172,838	132,574	172,838	132,574
Other	364,919	810,149	358,025	462,308
	8,885,626	10,998,929	8,843,252	10,927,543

9. Income taxes

Income tax recognised in profit or loss

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Current tax				
In respect of the current year	70,577	263,268	-	-
In respect of prior years		-	-	-
	70,577	263,268		-
Deferred tax				
In respect of the current year	3,227,269	(2,822,219)	3,119,665	(2,714,614)
Total income tax expense / (benefit) recognised in the current year	3,297,846	(2,558,951)	3,119,665	(2,714,614)

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

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Profit / (loss) before tax	(11,732,892)	(7,981,874)	(11,476,227)	(7,977,262)
Income tax expense / (benefit) calculated at 30%	(3,519,868)	(2,394,562)	(3,442,868)	(2,393,179)
Effect of expenses that are not deductible in determining taxable profit	475,850	2,753	(155,755)	(154,293)
Less franking credits claimed on dividend from subsidiary	-	(167,142)	-	(167,142)
	(3,044,018)	(2,558,951)	(3,598,623)	(2,714,614)
Derecognition of tax assets recognised in the current and prior years	6,341,864	-	6,718,288	-
Income tax expense / (benefit) recognised in profit or loss	3,297,846	(2,558,951)	3,119,665	(2,714,614)

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

Current tax assets and liabilities

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Current tax assets				
Tax refund receivable	79,308	66,247	79,308	66,247
	79,308	66,247	79,308	66,247
Current tax liability				
Income tax payable	70,577	52,761	-	-
	70,577	52,761	-	-

9. Income taxes (cont'd)

Deferred tax balances

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

	Consolidated 2015 $	Consolidated 2014 $	Company 2015 $	Company 2014 $
Deferred tax assets	-	3,227,269	-	3,119,665
Deferred tax liabilities	-	-	-	-
	-	3,227,269	-	3,119,665

The directors believe that the Consolidated Entity will not be in a position to utilize deferred tax assets within a reasonable period and therefore the asset has been fully written off in the current period.

2015	Consolidated Opening balance $	Consolidated Recognised in profit or loss $	Consolidated Closing balance $
Temporary differences			
Inventory – property	446,486	(446,486)	-
Trade and other receivables	662,584	(662,584)	-
Trade and other payables	96,667	(96,667)	-
Provisions	101,180	(101,180)	-
Loans	1,279,296	(1,279,296)	-
Unused tax losses and credits			-
Tax losses	641,056	(641,056)	-
	3,227,269	(3,227,269)	-

2014	Consolidated Opening balance $	Consolidated Recognised in profit or loss $	Consolidated Closing balance $
Temporary differences			
Inventory – property	398,651	47,835	446,486
Trade and other receivables	(702,055)	1,364,639	662,584
Trade and other payables	15,612	81,055	96,667
Provisions	84,459	16,721	101,180
Loans	608,383	670,913	1,279,296
Unused tax losses and credits			
Tax losses	-	641,056	641,056
	405,050	2,822,219	3,227,269

2015	Company Opening balance $	Company Recognised in profit or loss $	Company Closing balance $
Temporary differences			
Inventory – property	446,486	(446,486)	-
Trade and other receivables	662,584	(662,584)	-
Trade and other payables	96,667	(96,667)	-
Provisions	101,180	(101,180)	-
Loans	1,171,692	(1,171,692)	-
Unused tax losses and credits			-
Tax losses	641,056	(641,056)	-
	3,119,665	(3,119,665)	-

2014	Company Opening balance $	Company Recognised in profit or loss $	Company Closing balance $
Temporary differences			
Inventory – property	398,651	47,835	446,486
Trade and other receivables	(702,055)	1,364,639	662,584
Trade and other payables	15,612	81,055	96,667
Provisions	84,459	16,721	101,180
Loans	608,383	563,309	1,171,692
Unused tax losses and credits			
Tax losses	-	641,056	641,056
	405,050	2,714,615	3,119,665

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	
	2015	2014	2015	2014
	$	$	$	$
Trade receivables – Interest (i)	12,097,031	12,164,610	11,717,566	12,059,815
Trade receivables – Fees (i)	3,757,512	4,463,505	3,726,072	4,398,782
Trade receivables - allowance for doubtful debts	(3,223,320)	(1,558,378)	(3,223,320)	(1,558,378)
Trailing commission receivable	486,754	510,755	486,754	510,755
Property sale receivables	9,013,078	9,013,078	9,013,078	9,013,078
Property sale receivables – allowance for doubtful debts	(9,013,078)	(7,723,730)	(9,013,078)	(7,723,730)
Other receivables	613,434	423,941	607,010	366,130
	13,731,411	17,293,781	13,314,082	17,066,452

(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 low rate interest only on the 8th day of the month at a rate outlined in the individual loan agreement.

<u>Ageing of past due but not impaired</u>

	Consolidated		Company	
	2015	2014	2015	2014
	$	$	$	$
0 – 1 year	986,576	82,306	986,576	82,306
1 – 2 years	-	5,595,962	-	5,595,962
2 – 5 years	284,798	5,616,922	-	5,606,288
5+ years	4,932,600	-	4,932,600	-
	6,203,974	11,295,190	5,919,176	11,284,556

<u>Ageing of past due impaired</u>

	Consolidated		Company	
	2015	2014	2015	2014
	$	$	$	$
0 – 1 year	226,373	-	226,373	-
1 – 2 years	-	-	-	-
2 – 5 years	94,667	94,161	-	-
5+ years	-	-	-	-
	321,040	94,161	226,373	-

11. Trade and other receivables (cont'd)

Movement in the allowance for doubtful debts

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Balance at the beginning of the year	(9,282,108)	(3,095,499)	(9,282,108)	(3,095,499)
Impairment losses recognised on property sale receivables	(1,289,348)	(4,628,231)	(1,289,348)	(4,628,231)
Impairment losses recognised on loan receivables	(1,664,942)	(1,558,378)	(1,664,942)	(1,558,378)
Impairment losses on loan receivables realised	-	-	-	-
Balance at the end of the year	(12,236,398)	(9,282,108)	(12,236,398)	(9,282,108)

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	
	2015 $	2014 $	2015 $	2014 $
Investments carried at cost:				
Investments in subsidiaries (note 32)	200,000	-	12,618,300	11,652,471
Loans and receivables carried at amortised cost:				
Term deposit – BankSA (i) (ii)	100,000	218,000	-	118,000
Loan to Angas Investment Finance Pty Ltd (iii)	-	-	287,000	287,000
Loan to Mannum Unit Trust (iv)	-	-	2,500,000	2,500,000
	300,000	218,000	15,405,300	14,557,471

(i) Angas Securities Limited was required to deposit $118,000 with BankSA as security in relation to the $NIL (2014: $1,775,000) Commercial Bill facility assumed on the acquisition of Hindmarsh Precinct Developments Pty Ltd as trustee for The Lot 101 Development Unit Trust in 2012. The Commercial Bill facility was closed and the deposit was offset against a new loan facility during the financial year.
(ii) Angas Commercial Property Trust ("ACPT") was required to deposit $100,000 (2014: $100,000) as security in relation to the $12,048,000 Commercial Bill Facility with BankSA. The deposit is subject to a Deed of Deposit and Set-off.
(iii) This loan was made to Angas Investment Finance Pty Ltd (formerly Advance Investments Finance No 2 Pty Ltd) to fulfil the subordinated debt requirements of the Bendigo and Adelaide Bank Limited warehouse facility. $713,000 of the loan was repaid in FY 2014.
(iv) Angas Securities Limited lent Mannum Unit Trust $2,500,000 with interest payable monthly.

13. Loans

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Mortgage loans	177,876,046	207,471,800	176,480,712	206,018,468
Interest received in advance	(1,074,516)	(2,707,627)	(1,074,515)	(2,707,627)
Fees received in advance	(79,287)	(354,799)	(79,287)	(354,799)
Allowances for doubtful debts	(9,905,089)	(2,852,418)	(9,405,588)	(2,493,738)
	166,817,154	201,556,956	165,921,322	200,462,304

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Maturity analysis				
Not longer than 3 months	137,038,764	120,997,310	136,142,932	119,902,658
Longer than 3 months and not longer than 12 months	25,633,273	80,559,646	25,633,273	80,559,646
Longer than one year not longer than 5 years	4,145,117	-	4,145,117	-
	166,817,154	201,556,956	165,921,322	200,462,304
Loan by security				
Secured by chattel mortgage	1,135,000	1,133,425	1,135,000	1,133,425
Secured by first mortgage	165,416,136	199,251,180	164,520,304	198,334,861
Secured by second mortgage (i)	266,018	1,172,351	266,018	994,018
Secured by collateral security	-	-		-
	166,817,154	201,556,956	165,921,322	200,462,304
Loan by security				
Chattel	1,135,000	1,133,425	1,135,000	1,133,425
Commercial property	47,917,383	57,915,207	47,917,383	57,975,208
Rural property	474,436	1,833,032	474,436	1,833,032
Residential property	117,290,335	140,675,292	116,394,503	139,520,639
Industrial property	-	-	-	-
	166,817,154	201,556,956	165,921,322	200,462,304

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

Movement in the allowance for doubtful debts

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Balance at the beginning of the year	2,852,418	1,842,591	2,493,738	1,392,591
Impairment losses recognised on loans	7,477,366	1,219,147	7,336,546	1,219,147
Reversal of impairment losses recognised on loans	(424,696)	(91,320)	(424,696)	-
Bad debt write off	-	(118,000)	-	(118,000)
Balance at the end of the year	9,905,088	2,852,418	9,405,588	2,493,738

13. Loans (cont'd)

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 Eight loans to related borrowers as at 30 June 2015

TOTAL LOANS	NO. OF LOANS	COMMENTARY
$ 26,300,000	3	Primary asset is a prestigious rural/residential property close to Sydney and additional collateral security over harbour side apartments in Sydney
$ 24,836,529	6	Perth based builder and property developer with a range of distinct residential, commercial and retail properties
$ 17,352,556	5	Perth based property developer with security comprising prime commercial, residential and retail sites across WA
$ 12,080,000	3	Security comprises a luxury residential/equine property on the northern beach outskirts of Sydney
$ 11,950,848	7	Major WA based land developer with well located residential commercial assets across WA (predominantly residential subdivision)
$ 11,463,402	2	Adelaide based property developer and retailers with prime security comprising residential subdivision land and commercial/light industrial land holdings
$ 7,115,320	3	Completed apartment complex on the outskirts of Adelaide CBD
$ 5,743,257	4	Security comprises several retirement villages in Adelaide
$ 116,841,912		

Top Eight loans to related borrowers as at 30 June 2014

TOTAL LOANS	NO. OF LOANS	COMMENTARY
$ 24,509,237	7	Perth based builder and property developer with a range of distinct residential, commercial and retail properties providing security
$ 24,005,572	3	Primary asset is a prestigious rural/residential property close to Sydney and additional collateral security over harbour side apartments in Sydney
$ 23,678,787	9	Major WA based land developer with well located residential commercial assets across WA (predominantly residential subdivision)
$ 18,805,591	6	Security comprises several retirement villages in Adelaide
$ 17,487,156	5	Perth based property developer with security comprising prime commercial, residential and retail sites across WA
$ 14,097,752	3	Completed apartment complex on the outskirts of Adelaide CBD
$ 13,680,000	2	Adelaide based property developer and retailers with prime security comprising residential subdivision land and commercial/light industrial land holdings. Significant collateral security is also held
$ 11,630,000	2	Security comprises a luxury residential/equine property on the northern beach outskirts of Sydney
$ 147,894,095		

13. Loans (cont'd)

Top Ten largest loans as at 30 June 2015

CUSTOMER	LOAN AMOUNT	CATEGORY	ASSET STATE	ASSET VALUE*	VALUATION DATE	INTEREST ARREARS
A	$ 13,000,000	Residential	NSW	$ 17,918,636	17/06/2014	$270,833
A	$ 12,300,000	Residential	NSW	$ 17,918,636	17/06/2014	$256,250
B	$ 10,000,000	Residential	NSW	$ 13,000,000	10/12/2014	$1,591,033
C	$10,000,000	Residential	WA	$19,165,000	01/03/2014	$442,167
D	$ 9,905,000	Commercial	QLD	$ 15,000,000	27/09/2011	$3,199,967
F	$ 8,976,265	Residential	WA	$10,680,000	21/05/2015	$909,739
E	$ 7,990,609	Residential	WA	$35,298,000	14/10/2014	-
H	$ 7,042,150	Commercial	SA	$16,431,000	08/04/2015	-
K	$ 6,594,000	Residential	SA	$9,421,000	25/03/2015	-
L	$ 5,543,000	Residential	WA	$8,800,000	09/07/2015	$496,731
Total	**$91,351,024**					

Top Ten largest loans as at 30 June 2014

CUSTOMER	LOAN AMOUNT	CATEGORY	ASSET STATE	ASSET VALUE*	VALUATION DATE	INTEREST ARREARS
D	$ 9,905,000	Commercial	QLD	$ 15,000,000	27/09/2011	$3,116,975
I	$ 6,641,238	Residential	SA	$ 8,020,000	30/08/2013	-
J	$ 6,040,000	Residential	SA	$ 8,780,000	20/12/2012	$1,606,291
Total: Not in Order	**$ 22,586,238**					
A	$22,375,572	Residential	NSW	$55,034,095	17/06/2014	-
B	$10,000,000	Residential	NSW	$17,500,000	23/12/2013	$ 583,333
C	$10,000,000	Residential	WA	$19,165,000	01/03/2014	-
E	$ 9,250,000	Residential	WA	$36,300,000	23/10/2013	-
F	$ 8,976,265	Residential	WA	$13,410,004	22/02/2013	$ 109,813
G	$ 7,875,000	Residential	WA	$11,250,000	29/04/2014	-
H	$ 7,830,000	Commercial	SA	$21,827,150	22/05/2013	-
Total	**$76,306,837**					

14. Expired loans

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Expired loans – Fixed interest securities funded	45,773,344	49,857,016	45,773,344	49,857,016
Expired loans – Non-fixed interest securities funded	5,144,816	1,850,338	4,152,984	934,018
Total	50,918,160	51,707,354	49,926,328	50,791,034

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

Ageing of expired loan but not impaired – Fixed interest securities funded

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
0 - 1 year	14,505,277	2,093,000	14,505,277	2,093,000
1 - 2 years	-	22,843,138	-	22,843,138
2 – 5 years	15,648,258	17,546,238	15,648,258	17,546,238
5+ years	1,000,000	-	1,000,000	-
Total	31,153,535	42,482,376	31,153,535	42,482,376

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.

Ageing of expired loan but not impaired – Non-fixed interest securities funded

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
0 - 1 year	3,982,966	-	3,982,966	-
1 - 2 years	238,333	-	-	-
2 – 5 years	573,018	1,359,018	170,018	934,018
5+ years	-	-	-	-
Total	4,794,317	1,359,018	4,152,984	934,018

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

Ageing of impaired expired loans – Fixed interest securities funded

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
0 - 1 year	1,467,885	-	1,467,885	-
1 - 2 years	-	5,105,000	-	5,105,000
2 – 5 years	12,768,439	2,269,640	12,768,439	2,269,640
5+ years	383,486	-	383,486	-
Total	14,619,810	7,374,640	14,619,810	7,374,640

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

Ageing of impaired expired loans – Non-fixed interest securities funded

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
1 - 2 years	-	-	-	-
2 – 5 years	350,499	491,320	-	-
Total	350,499	491,320	-	-

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 2013	512,001	321,055	833,056
Additions	9,408	-	9,408
Disposals – sale and leaseback	36,399	(135,031)	(98,632)
Disposals	(730)	-	(730)
Balance at 1 July 2014	557,078	186,024	743,102
Additions	34,084	-	34,084
Disposals – sale and leaseback	-	-	-
Disposals	(37,471)	(186,024)	(223,495)
Balance at 30 June 2015	553,691	-	553,691
Accumulated depreciation			
Balance at 1 July 2013	(313,055)	(159,552)	(472,607)
Depreciation expense	(89,749)	(81,528)	(171,277)
Disposals	730	101,447	102,177
Balance at 1 July 2014	(402,074)	(139,633)	(541,707)
Depreciation expense	(91,087)	(41,278)	(132,365)
Disposals	29,387	180,911	210,298
Balance at 30 June 2015	(463,774)	-	(463,774)
Net book value			
As at 30 June 2014	155,004	46,391	201,395
As at 30 June 2015	89,917	-	89,917

Company	Plant and equipment at cost $	Equipment under finance lease at cost $	Total $
Gross carrying amount			
Balance at 1 July 2013	512,001	321,055	833,056
Additions	9,408	-	9,408
Disposals – sale and leaseback	36,399	(135,031)	(98,632)
Disposals	(730)	-	(730)
Balance at 1 July 2014	557,078	186,024	743,102
Additions	19,843	-	19,843
Disposals – sale and leaseback	-	-	-
Disposals	(37,471)	(186,024)	(223,495)
Balance at 30 June 2015	539,450	-	539,450
Accumulated depreciation			
Balance at 1 July 2013	(313,055)	(159,552)	(472,607)
Depreciation expense	(89,749)	(81,528)	(171,277)
Disposals	730	101,447	102,177
Balance at 1 July 2014	(402,074)	(139,633)	(541,707)
Depreciation expense	(90,291)	(41,278)	(131,569)
Disposals	29,387	180,911	210,298
Balance at 30 June 2015	(462,978)	-	(462,978)
Net book value			
As at 30 June 2014	155,004	46,391	201,395
As at 30 June 2015	76,472	-	76,472

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

16. Investment property

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
At cost				
Balance at beginning of year	33,908,050	32,849,998	4,837,659	4,868,607
Acquisitions	-	-	-	-
Impairment losses (note 8)	-	(232,750)	-	(34,750)
Reversal of impairment losses (note 8)	-	434,487	-	3,802
Building & development costs	53,745	-	-	-
Transfer from property held for resale (note 17)	(4,317,909)	891,000	(4,317,909)	-
Depreciation	(34,684)	(34,685)	-	-
Balance at end of year	29,609,202	33,908,050	519,750	4,837,659

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

Consolidated

2015

Property location	Book Value	Fair Value	Valuation Date
26 Murdoch Circuit, Acacia Ridge QLD	$ 891,000	$ 960,300	30/06/2015
32 Murdoch Circuit Acacia Ridge QLD	$5,774,056	$5,940,000	30/06/2015
23 Breene Place Morningside QLD	$8,546,624	$8,910,000	30/06/2015
107 Reichart Rd Winnellie NT	$4,207,136	$4,250,000	30/06/2014
Lot 71 Coral Cove QLD	$1,039,500	$1,050,000	30/06/2014
Villa 41, 177 Pimpala Rd Woodcroft SA	$ 297,000	$ 300,000	28/07/2014
Apt 307, 177 Pimpala Rd Woodcroft SA	$ 222,750	$ 225,000	28/07/2014
Mannum Green Shopping Centre SA	$8,631,136	$9,550,000	17/10/2013
TOTAL	**$29,609,202**	**$31,185,300**	

Consolidated

2014

Property location	Book Value	Fair Value	Valuation Date
53A Junction Rd Wahroonga NSW	$1,439,304	$1,550,000	13/05/2014
55 Junction Rd Wahroonga NSW	$1,435,500	$1,450,000	26/02/2013
55A Junction Rd Wahroonga NSW	$1,443,105	$1,525,000	05/05/2014
26 Murdoch Circuit, Acacia Ridge QLD	$ 891,000	$ 900,000	30/06/2014
32 Murdoch Circuit Acacia Ridge QLD	$5,791,501	$5,850,000	30/06/2014
23 Breene Place Morningside QLD	$8,563,500	$8,650,000	30/06/2014
107 Reichart Rd Winnellie NT	$4,207,500	$4,250,000	30/06/2014
Lot 71 Coral Cove QLD	$1,039,500	$1,050,000	30/06/2014
Villa 41, 177 Pimpala Rd Woodcroft SA	$ 297,000	$ 300,000	28/07/2014
Apt 307, 177 Pimpala Rd Woodcroft SA	$ 222,750	$ 225,000	28/07/2014
Mannum Green Shopping Centre SA	$8,577,390	$9,550,000	17/10/2013
TOTAL	**$33,908,550**	**$35,300,000**	

16. Investment property (cont'd)

Company

2015

Property location	Book Value	Fair Value	Valuation Date
Villa 41, 177 Pimpala Rd Woodcroft SA	$ 297,000	$ 300,000	28/07/2014
Apt 307, 177 Pimpala Rd Woodcroft SA	$ 222,750	$ 225,000	28/07/2014
TOTAL	**$ 519,750**	**$ 525,000**	

2014

Property location	Book Value	Fair Value	Valuation Date
53A Junction Rd Wahroonga NSW	$1,439,304	$1,550,000	13/05/2014
55 Junction Rd Wahroonga NSW	$1,435,500	$1,450,000	26/02/2013
55A Junction Rd Wahroonga NSW	$1,443,105	$1,525,000	05/05/2014
Villa 41, 177 Pimpala Rd Woodcroft SA	$ 297,000	$ 300,000	28/07/2014
Apt 307, 177 Pimpala Rd Woodcroft SA	$ 222,750	$ 225,000	28/07/2014
TOTAL	**$4,837,659**	**$5,050,000**	

Fair value of the consolidated entity's investment properties

The fair value of the consolidated entity's investment properties as at 30 June 2015 and 30 June 2014 has been arrived at on the basis of valuations carried out on the respective dates (listed in the above tables) by independent valuers not related to the Group. All the valuers used are members of the Institute of Valuers of Australia, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Details of the consolidated entity's investment properties and information about the fair value hierarchy as at 30 June 2015 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 30 June 2015
Investment properties	-	**$31,185,300**	-	**$31,185,300**

There were no transfers between Levels 1 and 2 during the year.

17. Property held for resale

	Consolidated 2015 $	Consolidated 2014 $	Company 2015 $	Company 2014 $
Balance at beginning of year	4,917,552	5,915,251	1,304,052	1,410,751
Impairment losses	-	(106,699)	-	(106,699)
Sale of property	(4,182,658)		(4,182,658)	-
Transfer from investment property	4,317,909		4,317,909	-
Transfer to investment property	-	(891,000)	-	-
Transfer from other assets	-	-	-	-
Balance at end of year	5,052,803	4,917,552	1,439,303	1,304,052

<u>Consolidation</u>

2015

	Book Value	Fair Value	Valuation Date
53A Junction Rd Wahroonga NSW (i)	$1,439,303	$1,700,300	26/02/2013
Lot 101 Adam St Hindmarsh SA	$3,613,500	$3,650,000	04/02/2013
TOTAL	**$5,052,803**	**$5,350,300**	

(i) Property sold and settled on 13 July 2015 for $1,735,000 (inclusive of GST)

2014

	Book Value	Fair Value	Valuation Date
53 Junction Rd Wahroonga NSW (i)	$1,304,052	$1,425,000	26/02/2013
Lot 101 Adam St Hindmarsh SA	$3,613,500	$3,650,000	04/02/2013
TOTAL	**$4,917,552**	**$5,075,000**	

<u>Company:-</u>

2015

Property location	Book Value	Fair Value	Valuation Date
53A Junction Rd Wahroonga NSW (i)	$1,439,303	$1,700,300	26/02/2013
TOTAL	**$1,439,303**	**$1,700,300**	

(i) Property sold and settled on 13 July 2015 for $1,735,000 (inclusive of GST)

2014

Property location	Book Value	Fair Value	Valuation Date
53 Junction Rd Wahroonga NSW (i)	$1,304,052	$1,425,000	26/02/2013
TOTAL	**$1,304,052**	**$1,425,000**	

<u>Fair value of the consolidated entity's property held for resale</u>

The fair value of the consolidated entity's <u>property held for resale</u> as at 30 June 2015 and 30 June 2014 has been arrived at on the basis of valuations carried out on the respective dates (listed in the above tables) by independent valuers not related to the Group. All the Valuers used are members of the Institute of Valuers of Australia, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Details of the consolidated entity's <u>property held for resale</u> and information about the fair value hierarchy as at 30 June 2015 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 30 June 2015
<u>Property held for resale</u>	-	$5,350,300	-	**$5,350,300**

There were no transfers between Levels 1 and 2 during the year.

18. Inventory – property

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Balance at beginning of year	2,742,300	2,742,300	2,742,300	2,742,300
Impairment losses	(227,700)	-	(227,700)	-
Balance at end of year	2,514,600	2,742,300	2,514,600	2,742,300

19. Goodwill

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Gross carrying amount				
Balance at beginning of year	707,209	707,209	707,209	707,209
Balance at end of year	707,209	707,209	707,209	707,209
Accumulated impairment losses				
Balance at beginning of year	(115,025)	(115,025)	(115,025)	(115,025)
Impairment losses reocognised in the year	(450,573)	-	(450,573)	-
Balance at end of year	(565,598)	(115,025)	(565,598)	(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	141,611	592,184	141,611	592,184

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the Structured Finance cash-generating unit.

Before recognition of impairment losses, the carrying amount of goodwill was allocated to cash-generating units as follows:

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Gross carrying amount				
Structured Finance	645,484	645,484	645,484	645,484
Commercial Property Investments	61,725	61,725	61,725	61,725
	707,209	707,209	707,209	707,209

Structured Finance

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 15.5%. The first year of the cash flow was based on internal budgets prepared for this business unit for the year ending 2014/15 and going forward a 2.5% 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.

During the financial year, the consolidated entity assessed the recoverable amount of goodwill, and determined that goodwill associated with the acquisition of API Home Loans was impaired by $450,573 (2014: nil).

Commercial Property Investments

The goodwill associated with the Commercial Property Investments cash-generating unit was impaired to nil in 2011.

20. Other intangible assets

	Consolidated			
	Software under lease $	Software $	Copyright, Website & Formation Exp $	Total $
Gross carrying amount				
Balance at 30 June 2013	50,681	157,619	2	208,302
Additions	-	-	-	-
Disposal	-	-	-	-
Balance at 30 June 2014	50,681	157,619	2	208,302
Additions	-	13,711	-	13,711
Disposal	(50,681)	-	-	(50,681)
Balance at 30 June 2015	-	171,330	2	171,332
Accumulated amortisation and impairment				
Balance at 30 June 2013	(15,865)	(57,525)	-	(73,390)
Amortisation expense	(12,670)	(34,042)	-	(46,712)
Balance at 30 June 2014	(28,535)	(91,567)	-	(120,102)
Amortisation expense	(8,435)	(35,187)	-	(43,622)
Disposal	36,970	-	-	36,970
Balance at 30 June 2015	-	(126,754)	-	(126,754)
Net book value				
As at 30 June 2014	22,146	66,052	2	88,200
As at 30 June 2015	-	44,576	2	44,578

	Company			
	Software under lease $	Software $	Copyright, Website & Formation Exp $	Total $
Gross carrying amount				
Balance at 30 June 2013	50,681	157,619	2	208,302
Additions	-	-	-	-
Disposal	-	-	-	-
Balance at 30 June 2014	50,681	157,619	2	208,302
Additions	-	13,711	-	13,711
Disposal	(50,681)	-	-	(50,681)
Balance at 30 June 2015	-	171,330	2	171,332
Accumulated amortisation and impairment				
Balance at 30 June 2013	(15,865)	(57,525)	-	(73,390)
Amortisation expense	(12,670)	(34,042)	-	(46,712)
Balance at 30 June 2014	(28,535)	(91,567)	-	(120,102)
Amortisation expense	(8,435)	(35,187)	-	(43,622)
Disposal	36,970	-	-	36,970
Balance at 30 June 2015	-	(126,754)	-	(126,754)
Net book value				
As at 30 June 2014	22,146	66,052	2	88,200
As at 30 June 2015	-	44,576	2	44,578

21. Other assets

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Prepayments	2,639,091	206,278	2,567,362	129,405
	2,639,091	206,278	2,567,362	129,405

22. Assets pledged as security

In accordance with the security arrangements of liabilities, as disclosed in note 24 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	
	2015 $	2014 $	2015 $	2014 $
Trade payables (i)	3,094,772	1,210,748	2,826,215	1,100,730
Proceeds received from settlements payable to third parties	-	1,163,458	-	1,163,458
Goods and services tax payable	934,959	730,196	889,283	676,045
Dividends payable on fully paid preference shares (series 5)	125,342	125,342	125,342	125,342
Payables to minority investors in subsidiaries	200,000	975,000	-	-
	4,355,073	4,204,744	3,840,840	3,065,575

(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	
	2015 $	2014 $	2015 $	2014 $
Secured – at amortised cost				
Fixed interest securities (i)	221,566,652	243,641,911	221,566,652	243,641,911
Redeemable Preference Shares (ii)	8,601,813	8,590,027	8,601,813	8,590,027
BankSA Bank bills (iii)	12,047,767	13,822,767	-	-
Business markets loan (iv)	7,556,277	5,900,000	-	-
BankSA Portfolio loan	-	992,791	-	992,791
BankSA Hire purchase (Note 31)	-	53,868	-	53,868
	249,772,509	273,001,364	230,168,465	253,278,597
Maturity analysis				
Not longer than 3 months	-	52,940,479	-	51,165,479
Longer than 3 months and not longer than 12 months	122,664,894	137,865,753	113,096,849	137,865,754
Longer than 1 year and not longer than 5 years	127,107,615	82,195,132	117,071,616	64,247,364
Longer than 5 years		-		-
	249,772,509	273,001,364	230,168,465	253,278,597

(i) The face value of fixed interest securities was $219,654,325 (2014: $240,178,788) 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"): $8,665,000 (2014: $8,665,000). 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 one remaining reset date 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 takeover 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 (2014: 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.

(iv) As referred to in note 39 Mannum Green became wholly owned by the Consolidated Entity on the 3rd of September 2014 and as such the terms of the loan facility with NAB were renegotiated. The renegotiated facility has a covenant around interest rate cover which is currently being met.

25. Provisions

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Employee benefits (i)	289,935	337,267	289,935	337,267
	289,935	337,267	289,935	337,267

(i) The provision for employee benefits includes $79,351 (2014: $103,790) of annual leave and $210,584 (2014: $233,478) 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% of the long service leave provision.

26. Other financial liabilities

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Funds received in advance (i)	144	330,919	144	330,919
Rental received in advance	-	53,269	-	-
	144	384,188	144	330,919

(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		Company	
	2015 $	2014 $	2015 $	2014 $
738,046 fully paid ordinary shares (2014: 738,046)	1,528,067	1,528,067	1,528,067	1,528,067
Nil partly paid ordinary shares (2014: Nil)	-	-	-	-
7,500,000 redeemable preference shares (2014: 7,500,000)	7,500,000	7,500,000	7,500,000	7,500,000
	9,028,067	9,028,067	9,028,067	9,028,067

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.

	2015		2014	
	No.	$	No.	$
Fully paid ordinary shares				
Balance at beginning of year	738,046	1,528,067	706,171	853,911
Issue of shares			-	-
Transfer from partly paid ordinary shares	-	-	31,875	674,156
Balance at end of year	738,046	1,528,067	738,046	1,528,067

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

27. Issued capital (cont'd)

	2015		2014	
	No.	$	No.	$
Partly paid ordinary shares				
Balance at beginning of year	-	-	31,875	599,540
Installment on allotment	-	-	-	74,616
Transfer to fully paid ordinary shares	-	-	(31,875)	(674,156)
Balance at end of year	-	-	-	-

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.

	2015		2014	
	No.	$	No.	$
Redeemable preference shares				
Balance at beginning of year	7,500,000	7,500,000	7,500,000	7,500,000
Issue of shares	-	-	-	-
Balance at end of year	7,500,000	7,500,000	7,500,000	7,500,000

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 effected by the Company.

28. Retained earnings

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Balance at beginning of year	872,711	6,677,461	1,147,532	6,910,180
Profit / (loss) attributable to owners of the Company	(14,990,388)	(5,304,750)	(14,595,892)	(5,262,648)
Transfer of units within wholly owned group	(275,895)	-	-	-
Dividends provided for or paid (note 29)	(247,945)	(500,000)	(247,945)	(500,000)
Balance at end of financial year	(14,641,517)	872,711	(13,696,305)	1,147,532

29. Dividends on equity instruments

	2015		2014	
	Cents per share	Total $	Cents per share	Total $
Recognised amounts				
Fully paid ordinary shares				
Final dividend:	-		-	-
Fully franked at a 30% tax rate	-		-	-
Fully paid preference shares (series 2)				
Interim dividend:				
Fully franked at a 30% tax rate	4.96	247,945	4.96	247,945
Final dividend:				
Fully franked at a 30% tax rate	-		5.04	252,055
Fully paid preference shares (series 5)				
Final dividend:				
Franked at a 25% tax rate	-		-	-
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend:				
Fully franked at a 30% tax rate	-	-	-	-
Fully paid preference shares (series 2)				
Interim dividend:				
Fully franked at a 30% tax rate	-		4.96	247,945
Fully paid preference shares (series 5)				
Final dividend:				
Fully franked at a 25% tax rate	-		5.01	125,342
Interim dividend:				
Fully franked at a 25% tax rate	-		4.99	124,658

	Company	
	2015 $	2014 $
Adjusted franking account balance	3,634,465	3,727,666
Impact on franking account balance of dividends not recognised	-	(189,595)

30. Contingent liabilities and contingent assets

There is a claim against the Company for Trustee expenses of $1.95M which remains unsubstantiated and subject to approval by the Federal Court. The Company has brought to account the sum of $1,212,681 as at 30 June 2015, comprising $862,681 paid by the Company post balance date on account of the Trustee's unresolved claim together with a further sum of $350,000 which the Company considers to be a reasonable allowance for any additional liability (subject to receipt of substantiation from the Trustee). The balance of $737,319 is considered as a contingent liability.

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	
	2015 $	2014 $	2015 $	2014 $
No later than 1 year	-	53,868	-	53,868
Later than 1 year and not later than 5 years	-	-	-	-
	-	53,868	-	53,868

Operating leases

Leasing arrangements as Lessee

The consolidated entity leases three offices under operating leases expiring within one to six 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	
	2015 $	2014 $	2015 $	2014 $
Not longer than 1 year	493,466	352,671	493,466	352,671
Longer than 1 year and not longer than 5 years	628,098	323,284	628,098	323,284
	1,121,564	675,955	1,121,564	675,955

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	
	2015 $	2014 $	2015 $	2014 $
Not longer than 1 year	1,856,111	2,237,035	-	-
Longer than 1 year and not longer than 5 years	3,569,119	4,956,531	-	-
Longer than 5 years	4,586,624	5,204,384	-	-
	10,011,854	12,397,950	-	-

32. Subsidiaries

Name of subsidiary	Principal activity	Country of incorporation	Ownership interest 2015 %	Ownership interest 2014 %
Angas Commercial Property Trust	Property Investments	Australia		98.6
Hindmarsh Precinct Developments Pty Ltd as trustee for The Lot 101 Development Unit Trust	Commercial Property Investment	Australia		70.0
Angas Investment Finance Pty Ltd (formerly Advance Investments Finance No 2 Pty Ltd)	Structured Finance	Australia		100.0
Mannum Investment Group Pty Ltd as trustee for Mannum Investment Unit Trust (i)	Commercial Property Investment	Australia		80.0
Mannum Green Shopping Centre Pty Ltd as trustee for Mannum Unit Trust (ii)	Commercial Property Investment	Australia		75.0

(i) Angas Securities holds 80% of the units in Mannum Investment Group Pty Ltd as trustee for Mannum Investment Unit Trust. Angas Commercial Property Trust holds the other 20% of the units in Mannum Investment Group Pty Ltd as trustee for Mannum Investment Unit Trust.

(ii) 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. Angas Commercial Property Trust holds the other 25% of the units Mannum Green Shopping Centre Pty Ltd as trustee for Mannum Unit Trust.

Composition of group

Information about the composition of the Group at the end of the reporting period is as follows:

Principal Activity	Place of incorporation and operation	Number of wholly-owned subsidiaries 2015	2014
Property Investments	Australia	-	-
Commercial Property Investment	Australia	-	-
Commercial Lending	Australia	-	-
Structured Finance	Australia	1	1

Principal Activity	Place of incorporation and operation	Number of non-wholly-owned subsidiaries 2015	2014
Property Investments	Australia	1	1
Commercial Property Investment	Australia	3	3
Commercial Lending	Australia	-	-
Structured Finance	Australia	-	-

33. 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, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Cash – Trading account (at call)	1,427,686	6,652,764	1,062,407	5,928,418
Cash – Fixed interest securities fund (at call)	14,570,151	3,806,011	14,570,151	3,806,011
Cash – NAB (at call and term deposit)	5,111,977	5,484,758	5,111,977	5,484,758
Cash – Bank of Queensland (term deposit)	6,861,614	6,800,000	6,861,614	6,800,000
Cash on hand	1,310	1,436	1,310	1,436
	27,972,738	22,744,969	27,607,459	22,020,623

(b) Financing facilities

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Secured bank bill facilities:				
• amount used	13,704,044	13,822,767	-	-
• amount unused	118,956	233	-	-
	13,823,000	13,823,000	-	-
Portfolio Loan:				
• amount used	-	992,791	-	992,791
• amount unused	-	7,209	-	7,209
	-	1,000,000	-	1,000,000
Hire purchase facility:				
• amount used	-	53,868	-	53,868
• amount unused	-	-	-	-
	-	53,868	-	53,868
Business market loan:				
• amount used	5,900,000	5,900,000	-	-
• amount unused	-	-	-	-
	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 Trust Deed for First Ranking Fixed Interest Securities Stock.

The consolidated entity must hold $97,000 (2014: $97,000) 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 $243,000 which is made up of the following:

- $ 223,000 Bank guarantee – office leases
- $ 20,000 Bank guarantee - ASIC (relating to AFS Licence requirement)

33. 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	
	2015	2014	2015	2014
	$	$	$	$
Profit / (loss) for the year	(15,030,738)	(5,422,923)	(14,595,892)	(5,262,648)
Debt issue costs recognised in profit or loss	(11,786)	(11,786)	(11,786)	(11,786)
Investment expenses recognised in profit or loss	107,850	68,169	107,850	68,169
Impairment of assets	8,224,387	1,423,775	8,083,567	1,423,775
Impairment recovered on assets		(3,803)		(3,803)
Reversal of impairment loss recognised on investments in subsidiaries	-	-		(822,555)
Impairment loss recognised on investments in subsidiaries		-	(168,122)	100,024
Impairment on Goodwill	450,573		450,573	
Depreciation and amortisation	210,679	249,858	175,199	215,174
Change in tax balances	3,232,024	(3,708,644)	3,106,604	(3,639,545)
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Trade and other receivables	2,954,343	4,519,239	3,144,341	4,735,058
Loan receivables	(1,908,623)	128,898	(1,908,623)	128,898
Inventory	227,700	-	227,700	-
Other assets	(2,432,816)	8,184	(2,437,957)	(27,306)
Increase/(decrease) in liabilities:				
Trade and other payables	150,910	1,447,348	39,114	1,384,450
Interest bearing liabilities	(1,550,798)	(272,966)	(1,550,798)	(272,966)
Provisions	(47,332)	55,736	(47,332)	55,736
Net cash used in operating activities	(5,423,627)	(1,518,915)	(5,385,562)	(1,929,325)

34. Financial instruments

(a) Capital risk management

The company manages its capital to ensure that entities in the consolidated entity 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, 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, also a subsidiary of the consolidated entity, currently holds one loan facility 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. This portfolio loan was repaid in full during the current financial year.

(b) Categories of financial instruments

	Consolidated		Company	
	2015 $	2014 $	2015 $	2014 $
Financial assets				
Cash and cash equivalents	27,972,738	22,744,969	27,607,459	22,020,623
Loans and receivables	180,848,565	222,068,737	192,549,486	232,086,227
Financial liabilities				
At amortised cost	254,127,726	277,590,296	234,009,449	256,675,091

(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 34(f)) and, to a lesser degree, foreign currency exchange rates (refer note 34(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.

34. 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 and loan facilities, fixed interest securities, and hire purchase facilities. Bank bills 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 $41,732 (2014: increase/(decrease) by $10,147). These movements are as a result of lower/higher interest income from these financial assets.
- equity would increase/(decrease) by nil (2014: 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.

34. 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 + $
2015				
Fixed interest rates				
Trade and other payables	0.00%	4,355,073	-	-
Hire purchase	0.00%	-	-	-
Redeemable Preference Shares (RPS)	9.50%	878,987	10,535,897	-
Fixed interest securities	6.94%	186,617,532	47,190,285	-
		191,851,592	57,726,182	-
Variable interest rates				
Portfolio loan	0.00%	-	-	-
Business markets loan	7.90%	2,130,208	6,299,179	-
Bank bills	4.99%	2,520,537	10,533,862	-
		4,650,745	16,833,041	-
		196,502,337	74,559,223	-
2014				
Fixed interest rates				
Trade and other payables	0%	4,204,744	-	-
Hire purchase	8.15%	55,527	-	-
Redeemable Preference Shares (RPS)	9.50%	1,704,935	9,909,576	-
Fixed interest securities	7.40%	194,405,338	63,947,738	-
		200,370,544	73,857,314	-
Variable interest rates				
Portfolio loan	5.42%	1,046,600	-	-
Business markets loan	6.35%	374,414	6,492,908	-
Bank bills	5.70%	2,468,597	13,133,387	-
		3,889,611	19,626,295	-
		204,260,155	93,483,609	-

34. Financial instruments (cont'd)

(h) Liquidity risk management (cont'd)

COMPANY	Average interest rate %	Less than 1 year $	1-5 years $	5 years + $
2015				
Fixed interest rates				
Trade and other payables	0.00%	3,840,840	-	-
Hire purchase	0.00%	-	-	-
Redeemable Preference Shares (RPS)	9.50%	878,987	10,535,897	-
Fixed interest securities	6.94%	186,617,533	47,190,284	-
		191,337,360	57,726,182	-
Variable interest rates				
Portfolio loan	0.00%	-	-	-
		-	-	-
		191,337,360	57,726,182	-
2014				
Fixed interest rates				
Trade and other payables	0%	3,065,575	-	-
Hire purchase	8.15%	55,527	-	-
Redeemable Preference Shares (RPS)	9.50%	1,704,935	9,909,576	-
Fixed interest securities	7.40%	194,405,338	63,947,738	-
		199,231,375	73,857,314	-
Variable interest rates				
Portfolio loan	5.42%	1,046,600	-	-
		1,046,600	-	-
		200,277,975	73,857,314	-

34. 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 + $
2015				
Fixed interest rates				
Loans	13.37%	163,798,675	4,206,220	-
Trade and other receivables	0.00%	13,244,657	-	-
		177,043,332	4,206,220	-
Variable interest rates				
Cash	0.78%	1,426,794	-	-
Other cash deposits	2.58%	26,543,742	-	-
		27,970,536	-	-
		205,013,868	4,206,220	-
2014				
Fixed interest rates				
Loans	13.55%	204,699,289	-	-
Trade and other receivables	0%	4,600,883	323,191	10,255
		209,300,172	323,191	10,255
Variable interest rates				
Cash	0.90%	6,654,201	-	-
Other cash deposits	3.43%	16,090,769	-	-
		22,744,970	-	-
		232,045,142	323,191	10,255

Company

	Average interest rate %	Less than 1 year $	1-5 years $	5 years + $
2015				
Fixed interest rates				
Loans	13.37%	162,902,843	4,206,220	-
Trade and other receivables	0.00%	12,654,066		-
		175,556,909	4,206,220	-
Variable interest rates				
Cash	1.90%	1,063,717	-	-
Other cash deposits	2.58%	26,543,742	-	-
		27,607,459	-	-
		203,164,368	4,206,220	
2014				
Fixed interest rates				
Loans	13.55%	203,604,636	-	-
Trade and other receivables	0%	3,461,714	323,191	10,255
		207,066,350	323,191	10,255
Variable interest rates				
Cash	2.50%	5,929,855	-	-
Other cash deposits	3.43%	16,090,769	-	-
		22,020,624	-	-
		229,086,974	323,191	10,255

35. 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	
	2015 $	2014 $	2015 $	2014 $
Short-term employee benefits	807,773	1,035,462	807,773	1,035,462
Post-employment benefits	57,266	72,286	57,266	72,286
	865,039	1,107,748	865,039	1,107,748

36. Related party transactions

Angas Securities Limited is the parent and ultimate controlling party respectively of the consolidated entity.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the consolidated entity and other related parties are disclosed below.

(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) 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	
	2015 $	2014 $
Consolidated revenue includes the following amounts arising from transactions with key management personnel of the consolidated entity or their related parties:		
Serviced office	128,328	193,652
Trail commission	7,717	18,320
	136,045	211,972
Consolidated profit includes the following expenses arising from transactions with key management personnel of the consolidated entity or their related parties:		
Interest expense	1,010	8,068
Legal consultancy	46,998	73,496
Management fee	102,554	109,801
	150,562	191,365
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	30,299	30,886
	30,299	30,886
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)

36. Related party transactions (cont'd)

(b) Other transactions with key management personnel of the consolidated entity (cont'd)

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 2015 financial year $128,328 (2014: $184,416) was charged to KWS Capital No.2 Pty Ltd in the form of a service fee. For the 2015 financial year $nil (2014: $7,872) was charged to Mr A Luckhurst-Smith. In addition a service fee of $276,331 (2014: $1,364) was charged in 2015 to Angas Prime Income Fund for which Angas Securities Limited is the Responsible Entity and a service fee of $257,448 (2014: $257,316) was charged to Angas Contributory Mortgage 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 2015 the retail lending business received $7,717 (2014: $18,320) in trail commission from FAST in relation to residential home loans held by Andrew Luckhurst-Smith and Paul McCarthy. 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	$1,548	(2014: $2,201)
Angas Prime Income Fund	$ Nil	(2014: $5,868)

(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 $46,998 (2014: $ 73,496). 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 $102,554 (2014: $109,801). 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 $30,299 (2014: $30,886) has been included as trailing commission receivable by the company as a result of home loans between Mr A Luckhurst-Smith and Angas Financial Services; and Mr Paul McCarthy and Angas Financial Services. The trail commission receivable rate is determined by FAST.

Entities associated with Mr K J Lyons and Mr A Luckhurst-Smith have a pari passu interest in a property sale receivable of $125,000 each. The investment met the derecognition criteria of AASB139 and accordingly the property sale receivable in Trade and other receivables (Note 11) is recorded net of this investment.

36. Related party transactions (cont'd)

(c) 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	1	813,948
Cardiff Capital Pty Ltd	2	2,189,254
Mortgage Funds Management Pty Ltd	1	38,030,102
Barker Performance Trust 1	4	657,963
Barker Performance Trust 2	7	5,249,684
		46,940,951

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.

37. Remuneration of auditors

	Consolidated		Company	
	2015	2014	2015	2014
	$	$	$	$
Auditor of the parent entity				
Audit or review of the financial report	397,375	484,085	397,375	484,085
(Over)/under provision of prior year audit	(11,110)	112,035	(11,110)	112,035
Professional services	107,632	155,925	107,632	155,925
Taxation services	907	907	907	907
	494,804	752,952	494,804	752,952

The auditor of Angas Securities Limited is Deloitte Touche Tohmatsu.

38. Disposal of subsidiary

As a result of a change in Angas Contributory Mortgage Fund Constitution in June 2014, Angas Securities Limited no longer controls Angas Contributory Mortgage Fund.

	2015 $	2014 $
(a) Consideration received		
Consideration received in cash and cash equivalents	-	-
	-	-

(b) Analysis of assets and liabilities over which control was lost	2015 $	2014 $
Assets		
Cash & cash equivalents	-	261,560
Loans: Sub-schemes	-	33,518,000
Liabilities		
Trade & other payables	-	(257,051)
Investors: Sub-schemes	-	(33,518,000)
Prepaid interest	-	(4,509)
	-	-

	2015 $	2014 $
(c) Net cash outflow on disposal of subsidiary		
Consideration received in cash and cash equivalents	-	-
Less: cash and cash equivalent balances disposed of	-	(434,263)
	-	(434,263)

39. Events after the reporting period

Refer to "Subsequent Events" section in Directors Report.