ANGAS SECURITIES LIMITED

ACN: 091 942 728
Annual report for the financial year ended 30 June 2017

Directors' report

The directors of Angas Securities Limited ("the Company" or "Angas") submit herewith the annual financial report of the company and its subsidiaries ("the consolidated group" or "consolidated entity") for the financial year ended 30 June 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors

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.
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.

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	1,045,506	-	-	-
M J Hower	2,134,663	-	-	-
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 10. 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

Ariel Slavin resigned as company secretary on 18 August 2016 and Lauren Crosby resigned as company secretary on 19 September 2016. Natalie Gatis was appointed company secretary on 19 September 2016. She is a qualified solicitor who joined Angas from a national law firm where she specialised in the area of banking and finance.

Principal activities

Historically, a significant component of the Company's business involved raising funds from investors under a Mortgage Debenture Deed (the "Trust Deed") and then lending those monies to various borrowers secured by first ranking mortgages over real property. This component is described as the "Mortgage Debenture Business". This has been in formal Run-Off since 14 August 2015.

A meeting was held on 11 August 2016 at which the debenture holders voted in favour of an extraordinary resolution to extend the period of the Run-Off. The outcome of the meeting was approved by the Federal Court on 19 August 2016. The details of the Run-Off are explained further under "Changes in state of affairs".

In addition, Angas is the 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 were held in Angas Commercial Property Trust, with four being sold during the 2016/17 financial year. The remaining properties are intended to be sold pursuant to the Third Run-Off Proposal.

Other property investments comprise an interest in two units at Fernleigh Gardens Estate, Woodcroft, SA and also there is a structured finance investment in the Mannum Green Shopping Centre in SA.

Review of operations

The operating loss of the consolidated group prior to impairment and debenture liability revaluation and amortisation (after income tax and before dividends) for the financial year was $2,273,999 (2016: operating profit of $2,790,433).

After allowing for impairment and debenture liability revaluation and amortisation, the operating loss of the consolidated group (after income tax and before dividends) for the financial year amounted to $26,478,433 (2016: operating loss of $8,840,397).

Impaired loans continue to be managed. Further impairment expenses of $28,986,272 (2016: $11,630,830) have been incurred for the current financial year, assessed in accordance with Australian Accounting Standards.

Interest revenue decreased for the year due to a number of factors. The major 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 $38,277,806 for the financial year.

During the period, the activities of the consolidated entity focused on the run-off of its traditional debenture business, as detailed below in "Change in state of affairs", the 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 pooled mortgage trust. The Company is licensed by ASIC to be Responsible Entity for ACMF and APIF. Revenue is derived by the Company from managing these two mortgage trusts including a performance fee structure. The Company bears no credit risk for non-performance of loans in either ACMF's or APIF's portfolio.

At the meeting of debenture holders held on 11 August 2016, the Company expressed the intention to restructure ACMF and APIF by transferring the Responsible Entity and management to a wholly-owned subsidiary so that both businesses could be sold off (if required) to repay first ranking debentures pursuant to the Run-Off. A wholly-owned subsidiary was incorporated during the period and ASIC is currently assessing the application for an Australian Financial Services Licence ("AFSL") to enable the subsidiary to replace Angas as Responsible Entity and manager of ACMF and APIF. The application was lodged in late October 2016 and since that time, ASIC has requested additional information in relation to the application which Angas has provided. The assessment of the application remains in progress as at October 2017.

Further, the Company obtained the opinion of an independent expert which supported the view of the Directors that the management rights in relation to ACMF and APIF had a market value of $10 million.

The Directors have determined that the Second Run-Off Proposal, as approved by debenture holders on 11 August 2016, and ratified by the Federal Court on 19 August 2016, has given rise to a substantial modification to the terms of the mortgage debenture liabilities (this has been explained in detail as at Note 1 Mortgage Debenture Business and Note 4 of the Financial Statements).

The Directors engaged an appropriately qualified advisor to assist them quantify the financial effect of the change being the fair value of the liability. This resulted in the Company derecognising its Financial Liability, and then recognising a new Financial Liability of $105 million, resulting in an increment to its result for the period of $39.92 million. Further details of this are set out in Note 23 to the Financial Statements.

Changes in state of affairs

Pursuant to the First Run-Off Proposal which was approved by the Federal Court on 14 August 2015, the Company had made payments to debenture holders comprising 34 cents in the dollar of the Principal Balances as at 30 June 2016. These payments had been made later than required by the Run-Off Proposal approved by the debenture holders in August 2015. Further, under the terms of the First Run-Off Proposal, the Company was required to have paid debenture holders 50 cents in the dollar of their Principal Balances by 30 June 2016. The Company was therefore in breach of the Run-Off Proposal and the Trust Deed.

The Company made application to the Federal Court last year seeking relief from the consequences of its breach. The Company proposed changes to the First Run-Off Proposal be put to the debenture holders at a further meeting for their approval. These changes were intended to give effect to the Second Run-Off Proposal and broadly provided for:

- the dates and amounts of the remaining interim payments of Principal Balances to be amended such that Angas would make part payments of remaining Principal Balances in amounts determined by Angas where Angas holds sufficient cash to make payment;
- the redemption date for all Debentures was to be extended from 31 December 2016 to 30 June 2017 or such later date, being no later than 30 September 2017, as was approved by the Loans Realisation Committee;
- interest payments on Debentures were to be suspended from 1 August 2016 but with interest to continue to accrue at the current rate of 4% per annum and payment of this suspended interest to be made to debenture holders after their Debentures have been redeemed in full, or if Angas has insufficient assets remaining to pay the suspended interest in full, payment of their pro rata share of any remaining Angas assets in the Second Run-Off Schedule;
- the release of Angas from certain of its obligations under the Trust Deed that were approved by debenture holders at the August 2015 meeting being extended to match the proposed extension to the redemption date for Debentures.

On 26 July 2016, the Company sent an explanatory notice to its debenture holders calling for a meeting to consider these proposals which required them to vote on an extraordinary resolution. The meeting was held on 11 August 2016 at which the debenture holders voted an extraordinary resolution in favour of the Second Run-Off Proposal. The outcome of the meeting was approved by the Federal Court on 19 August 2016 and the Company was then directed to amend the Trust Deed and implement the proposal accordingly.

In accordance with the Second Run-Off Proposal, part payments of remaining Principal Balances were to be made at the end of a given month in which the Company held sufficient cash in excess of the cash buffer. Further, the redemption date for all debentures was extended from 31 December 2016 to 30 June 2017 or such later date, being no later than 30 September 2017, as was approved by the LRC.

During the 2016/17 financial year, the Company made repayments to Debenture Holders totaling $9,434,566. Prior to year end, the Directors determined that the Company would not be able to meet the repayment obligations contained in the Second Run-Off Proposal by 30 June 2017 and that whilst there was a provision for the LRC to grant an extension to 30 September 2017, such an extension would not enable the repayment obligations to be met.

This resulted in the Directors concluding that they should seek leave from the Federal Court to seek a further meeting of the Debenture Holders to present them with the Third Run-Off Proposal. The Company through its legal representatives appeared before Justice Beach in the Federal Court on 13 April 2017 and His Honour made orders on the 21 April 2017 setting out the process for proceeding to a third meeting of the Debenture holders. The order also confirmed the LRC had approved an extension of the Second Run-Off Proposal until 30 September 2017 to facilitate the holding of the meeting of the Debenture Holders.

Subsequent events

Mortgage Debenture Business - Third Run-Off Proposal

As detailed above, the Directors determined that the Company would not be able to meet the repayment obligations contained in the Second Run-Off Proposal by 30 June 2017 and that whilst there was a provision for the LRC to grant an extension to 30 September 2017, such an extension would not enable the repayment obligations to be met. The Company, through its legal representatives, appeared before Justice Beach in the Federal Court on 13 April 2017 and His Honour made orders on the 21 April 2017 setting out the process for proceeding to a third meeting of the Debenture holders.

The Company proposed changes to the Run-Off Proposal be put to the debenture holders at a further meeting for their approval. These changes were intended to give effect to the Third Run-Off Proposal and broadly provided for:

- an extension to the redemption date for Debentures to 30 June 2019;
- interest to stop accruing on Debentures, and Debenture Holders to forgive all interest that has accrued on Debentures since 1 August 2016;
- to transfer the Angas managed investment scheme functions to Angas Mortgage Management Limited, an Angas Subsidiary, so they can be more readily realised for the benefit of Debenture Holders and to provide an alternative form of guarantee to the Trustee to the one currently required by the Trust Deed; and
- the circumstances in which the Trustee can claim additional remuneration in priority to Debenture Holders following any appointment of receivers to Angas or defaults by Angas under the Trust Deed.

On 28 July 2017, the Company sent an explanatory notice to its debenture holders calling for a meeting to consider these proposals which required them to vote on an extraordinary resolution. The meeting was held on 16 August 2017 at which the debenture holders passed an extraordinary resolution in favour of the Third Run-Off Proposal. The outcome of the meeting was approved by the Federal Court on 1 September 2017 and the Company was then directed to amend the Trust Deed and implement the proposal accordingly.

The Directors have determined as a consequence of the approval of the Third Run-off proposal and subsequent ratification by the Federal Court on 1 September 2017 that the resultant change in estimates of the cash flows relating to the Debenture Liability will result in the application of AASB 139 "Financial Instruments: Recognition and Measurement" paragraph AG8. The impact of the application of AG8 will result in restating the balance of the Debenture Liability as at 1 September 2017, $67,816,167, which would result in the Net Asset position of the Company and the Group becoming positive.

The Directors also engaged an appropriately qualified advisor to determine the Fair Value of the Debentures in accordance with AASB 139 "Financial Instruments: Recognition and Measurement. Whilst it was concluded that a further Significant Modification of the Debenture Liability did not occur as a result of the amendments approved by the Debenture Holders, the Directors note that the Fair Value Range calculated by the advisor was in the range of $64.3 million - $71.3 million.

Since 30 June 2017, the Company has received $20.81 million in loan/arrears repayments and proceeds from sale of other assets. During that time, the Company has repaid Debenture Holders $19.13 million.

Future developments

In accordance with the Third Run-Off Proposal, the Company is required to run-off its mortgage debenture business by 30 June 2019. The Company plans at present to maintain the retail lending business which generates fee income from retail lending. Both mortgage trusts, APIF and ACMF have become established Managed Investment Schemes for retail investors. They are expected to be solid contributors to earnings during the Third Run-Off period, but may be sold if required to fulfill the Company's obligations under the Run-Off Proposal. A diminution in direct competitors, the increasing demographic of the Australian population seeking self-funded retirement products and low interest rates are expected to underpin the strength of APIF and ACMF.

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 the inherent uncertainty relating to the quantum and timing of cashflows from realising security in relation to its loans. As some direct property investments are geared, any losses could be magnified. Those matters are covered in Notes to Financial Statements under 3.2 "Going Concern and Material Uncertainty around critical estimates, judgments and assumptions". 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.

Dividends

No dividend was declared in respect of the financial year ended 30 June 2017.

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, 14 Board meetings and 7 Audit, Risk Management and Compliance Committee ("ARMCO") meetings were held.

	Board Meetings		ARMCO	
Directors	Held	Attended	Held	Attended
Mr A Luckhurst-Smith	14	14	7	7
Mr M J Hower	14	13	n/a	n/a
Mr C T Guthrie	14	14	n/a	n/a

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 35 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 35 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 11 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 2017. 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
Clive Guthrie	Non-executive Director	1 July 2013
Lauren Crosby	Company Secretary (dual)	13 May 2015 (resigned 19 September 2016)
Ariel Slavin	Company Secretary (dual)	14 August 2015 (resigned on 18 August 2016)
Natalie Gatis	Company Secretary	19 September 2016
Simon Thompson	Chief Financial Officer	24 March 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

Prior to the implementation of the First Run-Off Proposal, each Director would be entitled to an annual review of remuneration. This review would require an independent assessment from an industry expert which would determine that the KMP's remuneration was at a market level for their particular role. The Board would then review the independent expert's assessment and confirm whether it accepted the recommended rate. This was solely at the Board's discretion and the relevant Director had to abstain from voting with regard to their particular recommendation.

The last Remuneration Report was obtained from Makrid Preiss early in the 2015 financial year. However, it was agreed that as a result of the implementation of the First Run-Off Proposal, the remuneration packages of the Executive Directors would be reduced by 15%. The Board approved this reduction, which was effective 1 October 2015. There has been no change in the remuneration of Directors since then.

Annual Remuneration as at 30 June 2017:

Name	Annual Salary *	% Paid
Matthew Hower	$208,680 + 9.5% Super	100%
Andrew Luckhurst-Smith	$208,680 + 9.5% Super	100%
N Gatis	$68,000 + 9.5% Super (4 days per week)	100%
S Thompson	$130,000 + 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 and being a member of the Loans Realisation Committee (LRC).

KMP (excluding the Company Secretary and Chief Financial Officer) 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 and Chief Financial Officer) 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.

The Board has 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 held by Executive Directors.
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 two KMP's are also shareholders 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 2017:

	30 June 2013 $	30 June 2014 $	30 June 2015 $	30 June 2016 $	30 June 2017 $
Revenue	44,448,874	33,563,703	30,215,630	22,730,736	8,670,373
Net profit / (loss) before tax	1,252,562	(7,981,874)	(11,732,892)	(8,826,949)	(26,478,433)
Net profit / (loss) after tax	534,187	(5,422,923)	(15,030,738)	(8,840,397)	(26,478,433)

	30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017
Share price at start of year[2]	-	-	-	-	-
Share price at end of year[2]	-	-	-	-	-
Interim dividend[1]		-	-	-	-
Final dividend[1]	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

2017	Short-term employee benefits Salary $	Fees (i) $	Allowances $	Post-employment benefits Superannuation $	Total $
Executive officers					
M J Hower	208,680	51,000	-	19,825	279,505
A Luckhurst-Smith	208,680	51,000	-	19,825	279,505
C T Guthrie	-	72,000	-	-	72,000
A Slavin (resigned 18/8/2016)	14,631	-	-	1,211	15,842
N Gatis (appointed 19/9/2016)	54,574	-	-	5,185	59,759
S Thompson	122,692	-	-	11,655	134,347
L Crosby (ii)	-	-	-	-	-
					840,958

2016	Short-term employee benefits Salary $	Fees (i) $	Allowances $	Post-employment benefits Superannuation $	Total $
Executive officers					
M J Hower	222,966	53,250	-	21,182	297,398
A Luckhurst-Smith	212,807	53,250	-	20,217	286,274
C T Guthrie	-	72,000	-	-	72,000
A Slavin	63,839	-	-	6,065	69,904
S Thompson	106,765	-	-	10,143	116,908
L Crosby (ii)	-	-	-	-	-
					842,484

(i) Fees relate to directors fees.
(ii) L Crosby was not employed by the Company, but was on secondment from Charlton Rowley Lawyers until 19 September 2016.

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 and Chief Financial Officer) are employed under contract.

The Company Secretary and Chief Financial Officer are 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.
2017			
A Luckhurst-Smith	171,976	873,530	1,045,506
M J Hower	3,049,518	(914,855)	2,134,663
2016			
A Luckhurst-Smith	171,976	-	171,976
M J Hower	424,176	2,625,342	3,049,518

There are no partly paid ordinary shares of Angas Securities Limited.

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	
	2017 $	2016 $
Consolidated revenue includes the following amounts arising from transactions with key management personnel of the consolidated entity or their related parties:		
Serviced office	-	21,388
Trail commission	1,044	823
	1,044	22,211
Consolidated profit includes the following expenses arising from transactions with key management personnel of the consolidated entity or their related parties:		
Management fee	82,344	100,083
	82,344	100,083
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	-	-
	-	-

Angas Securities Limited previously charged a service fee to Hower Corporation Pty Ltd, of which Mr M J Hower is a director, for office space, equipment and services provided. For the 2017 financial year $NIL (2016: $21,388) was charged to Hower Corporation Pty Ltd in the form of a service fee. This arrangement was terminated on 31 August 2015. The balance of service fees owing from Hower Corporation Pty Ltd as at 30 June 2017 was $130,284 (2016: $351,896). This balance was repaid in full by 15 August 2017.

During the 2016/17 financial year, the retail lending business received $1,044 (2016: $823) in trail commission from FAST in relation to residential home loans held by Andrew Luckhurst-Smith.

A management fee was paid by Angas Commercial Property Trust and Mannum Unit Trust ("Trusts") to Angas Property Fund Limited (M J Hower and A Luckhurst-Smith are shareholders of this company) of $82,344 (2016: $100,083). The management fee related to services provided by Angas Property Fund Limited relating to the management of investment properties held within the Trusts.

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

Matthew Hower
Director
Adelaide, 30 November 2017

Deloitte.

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30 November 2017

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

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 2017, 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

Stephen Harvey
Partner

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Angas Securities Limited (the "Company") and its subsidiaries (the "Consolidated Entity"), which comprises the statements of financial position as at 30 June 2017, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of the Company and the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company and the Consolidated Entity's financial position as at 30 June 2017 and of their financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the financial report, which indicates that the Consolidated Entity incurred a net loss of $26,478,433 (Company loss of $27,735,320) during the year ended 30 June 2017 and, as of that date, the Consolidated Entity's liabilities exceeded its assets by $32,628,195 (Company liabilities exceeded its assets by $32,513,011). As stated in Note 3 under the headings titled "Material Uncertainty in relation to critical estimates, assessments, and adjustments" and "Going Concern", these events or conditions, along with other matters as set forth in Note 3 indicate that a material uncertainty exists that may cast significant doubt on the Company and the Consolidated Entity's ability to continue as going concerns. Our opinion is not modified in respect of this matter.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Our procedures in relation to going concern included, but were not limited to:

- inquiring of management and the directors as to their knowledge of events and conditions that may impact the assessment of the ability of the Company and the Consolidated Entity to continue as going concerns;
- challenging the key assumptions contained in the cashflow forecast prepared by management and approved by the Board in relation to going concern;
- assessing the adequacy of disclosures related to going concern included in note 3.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying amount of Financial Assets; Loans and Trade Receivables – Interest and Fees The consolidated entity's and the company's statement of financial position includes loans and trade receivables – interest and fees (disclosed in notes 13 and 11 respectively). As set out in note 4 management is required to make significant estimates and judgements relating to the recoverable amount of these assets including determining the key assumptions used to estimate the quantum and timing of expected future cash flows from realisation of the assets, being real property and borrowers' guarantees, forming the security for each individual loan facility.	Our procedures included, but were not limited to: • assessing the cash flow models prepared by management to ensure that they: - are consistent with the methodology required by the applicable accounting standards, - accurately reflect the assumptions contained therein. • in conjunction with our real estate experts assessing and challenging: - management's strategies and assumptions around quantum and timing of sales of real property, - the information provided to management by their real estate experts including pricing information, development strategies, cost estimates used in development scenarios with offers received, status reports from legal and real estate advisors on progress, relevant correspondence from legal and other advisors, correspondence from relevant local and state government bodies, valuations and or comparable sales for properties where available, - forecast bio-credit sales comparison to past sales information for existing bio-credits and expert reports for new bio-credit types.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
	• performing sensitivities to the forecast cash flows to quantify the impact of reasonable changes in the realisation outcomes, being the factors with the most significant impact on recoverable value, • agreeing the rights to the cash flows from assets used in the recovery assessment to underlying agreements including mortgage and guarantee agreements, • testing on a sample basis management's model for mathematical accuracy, and • assessing the appropriateness of relevant disclosures in the notes to the financial statements.
Accounting in respect of the Mortgage Debenture Liability relating to de-recognition of the original Mortgage Debenture Liability and recognition of new Mortgage Debenture Liability As set out in note 4 Mortgage Debenture Liability – Fixed Interest Securities the consolidated entity and the company and the consolidated entity derecognised the original mortgage debenture liability and recognised a new financial liability in respect of mortgage debenture liability at fair value as a result of the significant modification of the terms of the original mortgage debentures arising from amendments to the Trust Deed (being the agreement between the Company and the holders of the mortgage debentures). The assessment as to whether there was a significant modification in respect of the original Mortgage Debenture Liability required management to exercise significant judgement relating to the assessment of the quantitative and qualitative changes to the terms and conditions relating to the debentures including the structure applying to the Debenture Holders as a group. In respect of the new mortgage debenture liability management engaged an independent expert to assist them in determining the value of the new Mortgage Debenture Liability.	In conjunction with our Accounting Technical and Treasury and Capital Markets specialists our procedures included, but were not limited to: • analysing management's basis for the de-recognition of the original Mortgage Debenture Liability in accordance with the applicable accounting standard including assessing the quantitative and qualitative changes to the rights of individual debenture holders resulting from the combined effects of the changes to their returns, redemption rights, the terms of the Run off Proposals and other changes to the Trust Deed as approved by those debenture holders, • assessing the independence, competence and objectivity of management's expert used to determine the fair value of the new Mortgage Debenture Liability, • challenging the methodology and inputs used to determine the fair value of the Mortgage Debenture Liability by: - comparing the basis of the determination of fair value with recognised bases under the applicable accounting standards, - agreeing aggregate cash flows used in the model to management's estimated cash flows used in its going concern assessment, - cross checking the discount rate with a range of rates for entities with similar credit ratings, and

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
In determining the fair value the expert was required to exercise significant estimates and judgements in respect of the key assumptions used in the valuation as set out in note 4.	- assessing the appropriateness of relevant disclosures in the notes to the financial statements.
Carrying amount of Investment Properties In accordance with the policy disclosed in notes 3.18 management is required to assess whether the company and the consolidated entity are required to impair the carrying value of investment properties (note 16) where there is an indication that those assets have suffered an impairment loss. As set out in note 4 the assessment of the recoverable amount of the properties used in the impairment assessment requires management to use significant estimates, judgements and assumptions.	In conjunction with our real estate specialists our procedures included, but were not limited to: • assessing the basis used by management in determining their assessment of the carrying value to ensure it was not greater than fair value, • assessing and challenging the fair value calculation used by management including: - comparing rental capitalisation rates with industry ranges, - comparing selling prices with adjacent properties, - assessing results of the auction process in May 2017. • assessing the appropriateness of relevant disclosures in the notes to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company and the Consolidated Entity's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Company and the Consolidated Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company and the Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company and the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report of Angas Securities Limited included in pages 6 to 10 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

DELOITTE TOUCHE TOHMATSU

Stephen Harvey
Partner
Chartered Accountants
Adelaide, 30 November 2017

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

Matthew Hower
Director
Adelaide, 30 November 2017

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Consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2017

		Consolidated		Company	
	Note	2017 $	2016 $	2017 $	2016 $
Interest revenue	6	2,049,093	14,248,983	2,044,809	14,241,696
Interest expense	7	(36,249,787)	(9,224,613)	(35,629,104)	(8,258,621)
Net interest (expense)/ revenue		(34,200,694)	5,024,370	(33,584,295)	5,983,075
Non-interest revenue	6	6,621,280	8,481,753	5,148,732	6,517,678
Gain on derecognition of financial liability	4,23	39,918,615	-	39,918,615	-
Marketing expenses		(120,031)	(120,785)	(120,031)	(120,785)
Occupancy expenses		(471,797)	(609,383)	(471,797)	(609,383)
Administration expenses	8	(8,521,859)	(8,536,095)	(8,489,589)	(8,450,296)
Impairment expenses	8	(28,986,272)	(11,630,830)	(30,136,282)	(11,139,150)
Other expenses		(717,675)	(1,435,979)	(673)	(487,651)
(Loss) before tax		(26,478,433)	(8,826,949)	(27,735,320)	(8,306,512)
Income tax benefit / (expense)	9	-	(13,448)	-	-
(Loss) for the year		(26,478,433)	(8,840,397)	(27,735,320)	(8,306,512)
Other comprehensive income		-	-	-	-
Total comprehensive (loss) for the year		(26,478,433)	(8,840,397)	(27,735,320)	(8,306,512)
Attributable to:					
Equity holders of the parent		(26,529,274)	(8,791,634)	(27,735,320)	(8,306,512)
Non-controlling interests		50,841	(48,763)	-	-
		(26,478,433)	(8,840,397)	(27,735,320)	(8,306,512)

Notes to the financial statements are included on pages 24 to 75.

Consolidated statement of financial position as at 30 June 2017

		Consolidated		Company	
		2017	2016	2017	2016
	Note	$	$	$	$
Assets					
Cash and cash equivalents	31(a)	13,072,422	4,696,078	4,026,039	4,392,853
Trade and other receivables	11	24,074,120	21,672,303	24,030,369	21,109,024
Property held for resale	17	-	3,613,500	-	-
Loans	13	62,477,605	100,755,411	62,573,605	100,241,279
Other financial assets	12	-	424,952	10,234,155	15,294,177
Property, plant and equipment	15	1,515	31,344	1,515	19,328
Other assets	20	48,292	1,725,460	48,292	1,712,205
Inventory - property	18	-	396,000	-	396,000
Investment property	16	9,533,911	29,354,193	519,750	519,750
Other intangible assets	19	3,074	11,006	3,074	11,006
Total assets		109,210,939	162,680,247	101,436,799	143,695,622
Liabilities					
Trade and other payables	22	2,110,261	2,978,257	1,965,385	2,306,089
Provisions	24	243,431	212,015	243,431	212,015
Interest bearing liabilities	23	139,471,994	165,573,514	131,740,994	145,955,209
Current tax liability	9	13,448	55,625	-	-
Total liabilities		141,839,134	168,819,411	133,949,810	148,473,313
Net assets		(32,628,195)	(6,139,164)	(32,513,011)	(4,777,691)
Equity					
Issued capital	25	17,225,127	17,225,127	17,225,127	17,225,127
Accumulated Losses	26	(49,962,426)	(23,433,152)	(49,738,138)	(22,002,818)
Equity attributable to equity holders of the parent		(32,737,299)	(6,208,025)	(32,513,011)	(4,777,691)
Non-controlling interest		109,104	68,861	-	-
Total equity		(32,628,195)	(6,139,164)	(32,513,011)	(4,777,691)

Notes to the financial statements are included on pages 24 to 75.

Consolidated statement of change in equity for the financial year ended 30 June 2017

Consolidated	Issued Capital $	Accumulated Losses $	Non-controlling interest $	Total $
Balance at 30 June 2015	9,028,067	(14,641,518)	117,624	(5,495,827)
Profit/(loss) for the period	-	(8,791,634)	(48,763)	(8,840,397)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year		(8,791,634)	(48,763)	(8,840,397)
Payment of dividends – ordinary shares	-	-	-	-
Payment of dividends – preference shares	-	-	-	-
Transfer of units with minority interests	-	-	-	-
Conversion of RPS to ordinary shares	7,745,342	-	-	7,745,342
RPS interest payable derecognised	451,718	-	-	451,718
Issue of capital – ordinary shares	-	-	-	-
Issue of capital – preference shares	-	-	-	-
Other	-	-	-	-
Balance at 30 June 2016	17,225,127	(23,433,152)	68,861	(6,139,164)
Profit/(loss) for the period	-	(26,529,274)	50,841	(26,478,433)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	(26,529,274)	50,841	(26,478,433)
Payment of dividends – ordinary shares	-	-	-	-
Payment of dividends – preference shares	-	-	-	-
Redemption of units in trust	-	-	(10,597)	(10,597)
Disposal of interest in subsidiary	-	-	-	-
RPS interest payable derecognised	-	-	-	-
Issue of capital – ordinary shares	-	-	-	-
Issue of capital – preference shares	-	-	-	-
Balance at 30 June 2017	17,225,127	(49,962,426)	109,104	(32,628,195)

Company	Issued Capital $	Accumulated Losses $	Non-controlling interest $	Total $
Balance at 30 June 2015	9,028,067	(13,696,305)	-	(4,668,238)
Profit/(loss) for the period	-	(8,306,512)	-	(8,306,512)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	(8,306,512)	-	(8,306,512)
Payment of dividends – ordinary shares	-	-	-	-
Payment of dividends – preference shares	-	-	-	-
Conversion of RPS to ordinary shares	7,745,342	-	-	7,745,342
RPS interest payable derecognised	451,718	-	-	451,718
Balance at 30 June 2016	17,225,127	(22,002,818)	-	(4,777,691)
Profit/(loss) for the period	-	(27,735,320)	-	(27,735,320)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	(27,735,320)	-	(27,735,320)
Payment of dividends – ordinary shares	-	-	-	-
Payment of dividends – preference shares	-	-	-	-
Conversion of RPS to ordinary shares	-	-	-	-
RPS interest payable derecognised	-	-	-	-
Balance at 30 June 2017	17,225,127	(49,738,138)	-	(32,513,011)

Notes to the financial statements are included on pages 24 to 75.

Consolidated statement of cash flows for the financial year ended 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $	Company 2017 $	Company 2016 $
Cash flows from operating activities					
Receipts from customers		5,592,424	8,816,774	4,059,329	7,033,001
Payments to suppliers and employees		(8,266,340)	(9,168,430)	(7,694,787)	(8,333,855)
Cash used in operations		(2,673,916)	(351,656)	(3,635,458)	(1,300,854)
Interest received		777,311	4,621,562	377,457	4,725,048
Interest paid		(1,106,929)	(11,162,008)	(499,502)	(10,249,451)
Income tax received		-	79,308	-	79,308
Income taxes paid		(42,177)	-	-	-
Net cash used in operating activities	31(d)	(3,045,711)	(6,812,794)	(3,757,503)	(6,745,949)
Cash flows from investing activities					
Proceeds from repayment of mortgage loans		9,233,387	58,128,087	8,955,969	57,956,023
Payments for mortgage loans		-	(1,280,128)	-	(1,280,128)
Proceeds from units in trust		-	-	-	-
Redemption of units in trust		(10,597)	-	797,288	-
Proceeds from sale of property held for resale		-	1,439,303	-	1,439,303
Amounts advanced to subsidiaries		(1,793)	-	-	-
Amounts received from subsidiaries		-	-	650,000	150,000
Payment for investment properties		-	(170,100)	-	-
Proceeds from sale of investment properties		19,330,393	-	-	-
Payment of building and development costs for investment properties		-	5,540	-	-
Net cash on disposal/(acquisition) of subsidiary	36	2,422,000	-	2,421,999	-
Proceeds from financial assets		100,000	-	-	-
Net cash provided by / (used in) investing activities		31,073,390	58,122,702	12,825,256	58,265,198
Cash flows from financing activities					
Proceeds from borrowings		-	133,026	-	-
Repayment of borrowings		(10,216,767)	14,260	-	-
Repayment of units redeemed in trust		-	-	-	-
Proceeds from issue of fixed interest securities		-	(144)	-	(144)
Repayment of fixed interest securities		(9,434,567)	(74,733,711)	(9,434,567)	(74,733,711)
Dividends paid:					
- members of parent entity		-	-	-	-
Net cash provided by / (used in) financing activities		(19,651,334)	(74,586,569)	(9,434,567)	(74,733,855)
Net increase / (decrease) in cash and cash equivalents		8,376,344	(23,276,661)	(366,814)	(23,214,606)
Cash and cash equivalents at the beginning of the financial year		4,696,078	27,972,738	4,392,853	27,607,459
Cash and cash equivalents at the end of the financial year	31(a)	13,072,422	4,696,078	4,026,039	4,392,853

Notes to the financial statements are included on pages 24 to 75.

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
Level 14, 26 Flinders Street
Adelaide SA 5000
Tel: (08) 8410 4343

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

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

2. Application of new and revised Accounting Standards

2.1 Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group has applied amendments to AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2016, and therefore relevant for the current year end.

AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.
AASB 1057 Application of Australian Accounting Standards AASB 2015-9 Amendments to Australian Accounting Standards–Scope and Application Paragraphs	These Standards effectively move Australian specific application paragraphs from each Standard into a combined Standard. The Standards have no impact on the application of individual standards.
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	Amends AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets to provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	Amends AASB 127 Separate Financial Statements
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	Amends AASB 127 Separate Financial Statements Amends a number of pronouncements as a result of the IASB's 2012-2014 annual improvements cycle.
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	Amends AASB 101 Presentation of Financial Statements to provide clarification regarding the disclosure requirements in AASB 10
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	Amends AASB 112 Income Taxes
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	Amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirement.

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of financial statements, the Standards and Interpretations that were issued but not yet effective are listed below.

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', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15'	1 January 2018	30 June 2019
AASB 16 will replace AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease , Interpretation 115 Operating Leases–Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2019	30 June 2020

The impact of these standards on the Company and the Consolidated Entity has not yet been assessed. The assessment will commence in the 2018 financial year.

3. Significant accounting policies

3.1 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 November 2017.

3.2 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 and Material Uncertainty around critical estimates, judgments and assumptions

Mortgage Debenture Business

A significant component of the Company's business involves raising funds from investors under a Mortgage Debenture Deed (the "Trust Deed") and then lending those monies to various borrowers secured by first ranking mortgages over real property. This component is described as the "Mortgage Debenture Business".

The Mortgage Debenture Business is overseen by an Independent Trustee who is appointed under the Mortgage Debenture Deed and acts on behalf of the Debenture Holders to ensure the Company complies with the Mortgage Debenture Deed.

Due to deterioration in the property market after the global financial crisis, the value of securities supporting the loans made under the Mortgage Debenture Deed reduced to a point where the Trustee considered there may exist uncertainty as to whether the Company could meet its obligations under the Mortgage Debenture Deed.

First Run-Off Proposal

Subsequent to a series of negotiations and protracted court proceedings, the Company and the Trustee reached an agreement on 9 June 2015. The core requirements of the agreement were that the Company agreed to submit a proposal (the "Run-Off proposal") to the debenture holders that would require them to consider amending the Trust Deed for First Ranking Debenture Stock to give effect to the following:

- The redemption date for all debentures to be extended until 31 December 2016;
- The interest rate for all debentures to be reduced to 4% per annum with effect from 1 August 2015;
- The Company to make interim part redemptions of principal owed to debenture holders commencing on 30 October 2015 followed by further interim part redemptions with a final discharge due by 31 December 2016. This is defined as the "Run-Off period";
- An independent committee comprising three members to be established being the Loans Realisation Committee ("LRC") to consult with and advise the Board of the Company regarding the realisation of its loan assets during the Run-Off period;
- The Company was to hold a cash buffer of $5 million to be used only with the approval of the LRC;
- The Company was to be released from certain of its obligations under the Trust Deed from the date the extraordinary resolution was 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 anything reasonably required to give effect to the Federal Court orders and the Run-Off Proposal.

A meeting was held on 10 August 2015 at which the debenture holders voted in favour of an extraordinary resolution to implement the Run-Off Proposal. The outcome of the meeting was then approved by the Federal Court on 14 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 asset realisation process, the Company and the Trustee will be required to seek directions from the Federal Court.

The first payment of 20c in the dollar to debenture holders in accordance with the Run-Off Proposal was due to be paid on 30 October 2015. The Company sought approval from the LRC on 28 October 2015 to make a payment of 16c on 30 October 2015 and another payment of 4c on 20 November 2015 due to the timing of realisation of loan assets. These payments were made to debenture holders on 30 October 2015 and 20 November 2015 respectively. The cash buffer was used to make the payment to debenture holders on 20 November 2015 with the conditional approval of the LRC.

The second payment of 20c in the dollar to debenture holders was due to be paid on 29 February 2016. The Company sought approval from the LRC on 21 January 2016 to make a payment of 10c on 29 February 2016 and a payment of 10c on 30 April 2016 due to the timing of realisation of loan assets. This was approved by the LRC and the payment of 10c was paid to debenture holders on 29 February 2016 with permission of the LRC to use some of its cash buffer. Due to the timing of realisation of loan assets, the Company was unable to make the payment of 10c in the dollar that was due to be paid on 30 April 2016. The Company then made a 4c payment to debenture holders on 24 June 2016.

Second Run-Off Proposal

As at 30 June 2016, the Company had therefore made payments to debenture holders comprising 34 cents in the dollar of the Principal Balances, but, under the terms of the Run-Off Proposal, the Company was required to have paid debenture holders 50 cents in the dollar of their Principal Balances. The Directors then sought leave from the Federal Court to convene another meeting of Debenture Holders to submit a revised Run-off Proposal (the Second Run-Off Proposal). The meeting was held on 11 August 2016 and the Second Run-Off Proposal was approved by the Debenture Holders.

In accordance with the Second Run-Off Proposal accepted by debenture holders at the second investor meeting held 11 August 2016, part payments of remaining Principal Balances will be made at the end of a given month in which the Company

holds sufficient cash in excess of the cash buffer. Further, the redemption date for all debentures has been extended from 31 December 2016 to 30 June 2017 or such later date, being no later than 30 September 2017, as is approved by the LRC.

During the current financial year, the Company had made repayments to Debenture Holders totaling $9,434,566. During that time, the Directors determined that the Company would not be able to meet the repayment obligations contained in the Second Run-Off Proposal by 30 June 2017 and that whilst there was a provision for the LRC to grant an extension to 30 September 2017, such an extension would not enable the repayment obligations to be met.

Third Run-Off Proposal

This resulted in the Directors concluding that they should seek leave from the Federal Court to hold a further meeting of the Debenture Holders to present them with an amended run-off schedule "Third Run-Off Proposal". The Company through its legal representatives appeared before Justice Beach in the Federal Court on 13 April 2017 and His Honour made orders on 21 April 2017 setting out the process for proceeding to a third meeting of the Debenture Holders. The order also confirmed the LRC had approved an extension of the Second Run-Off Proposal until 30 September 2017 to facilitate the holding of the meeting of the Debenture Holders.

The Company proposed changes to the Run-Off Proposal be put to the debenture holders at a further meeting for their approval. These changes were intended to give effect to the Third Run-Off Proposal and broadly provided for:

- an extension to the redemption date for Debentures to 30 June 2019;
- interest to stop accruing on Debentures, and Debenture Holders to forgive all interest that has accrued on Debentures since 1 August 2016;
- to transfer the Angas managed investment scheme functions to Angas Mortgage Management Ltd, an Angas subsidiary, so they can be more readily realised for the benefit of Debenture Holders and to provide an alternative form of guarantee to the Trustee to the one currently required by the Trust Deed; and
- the circumstances in which the Trustee can claim additional remuneration in priority to Debenture Holders following any appointment of receivers to Angas or defaults by Angas under the Trust Deed.

On 28 July 2017, the Company sent an explanatory notice to its debenture holders calling for a meeting to consider these proposals which required them to vote on an extraordinary resolution. The meeting was held on 16 August 2017 at which the debenture holders passed an extraordinary resolution in favour of the Third Run-Off Proposal. The outcome of the meeting was approved by the Federal Court on 1 September 2017 and the Company was then directed to amend the Trust Deed and implement the proposal accordingly.

Material Uncertainty around critical estimates, judgments and assumptions

As with the First Run-Off Proposal and the Second Run-Off Proposal, the Third Run-Off Proposal requires the Directors of the Company to make significant estimates, judgments and assumptions in relation to the method, quantum and timing of cashflows in respect of the repayments, and refinancing of loan facilities and/or the orderly realisation of the securities supporting those facilities. The Directors have applied their knowledge and experience in the areas of lending, property development and property management, and have sought advice from appropriately qualified professionals. They have also taken into account information received directly or indirectly from potential purchasers in relation to each property, particularly around uncertainties relating to planning and environmental considerations.

In relation to each loan facility, a revised realisation strategy has been developed to maximise the returns to investors. The Directors also note implicit in each of these strategies, in respect of many of the properties, held as security for the loan facilities, it is inherently difficult to assess the likely cashflows as the remaining security assets are predominantly development properties which have limited reference to equivalent sales and other proxy references used by valuers. These strategies also contain estimated recoveries against secondary securities held as collateral and guarantees and other legal claims and actions taken by the Directors to maximise the return to Debenture Holders. These estimated recoveries are inherently difficult to estimate both in quantum and timing, however, the Directors have used their collective experience and sought advice from appropriately experienced real estate specialists and where relevant, legal advisors to assist in determining their assumptions.

The strategies that have been adopted by the Directors require a constant assessment of market conditions in relation to the specific attributes of each property, these factors include:

- National, state and local economic outlook and conditions
- Changes in state and local planning laws and regulations
- Impact of foreign exchange rates on international buyers
- Changes to bank regulations that may impact lending capacity of purchasers; and
- The impact of state based property taxes and duties.

The Directors from time to time test the market for buyers by placing properties into an auction process based on advice from its selling agents, including listing 5 properties at an auction held on 31 May 2017. None of the properties reached the reserve prices recommended by the Company's agent and approved by the LRC, however negotiations are continuing with a number of interested parties who have engaged with the Company and its selling agents. One contract has proceeded to settlement, another has exchanged but is yet to settle and several parties remain engaged in negotiations with the Company.

The current market conditions, as they relate to the property sectors and geographies of the property market in which the consolidated entity holds security, results in a significant level of volatility and uncertainty in relation to both the quantum and timing of future cash flows and decisions which will need to be made as to when each asset is realised. There are many milestones and hurdles in this process and if delays occur the timing of asset sales may need to be varied to obtain the best outcome for the Debenture Holders. In some cases these events could result in further impairment of the carrying value of loan assets and or failure to complete the Third Run-Off Proposal.

The Directors have assessed impairment based on the best information available to them. Given the factors set out above, there is inherent and significant uncertainty in relation to estimates, judgments and assumptions made and if the ultimate outcome of the events and circumstances surrounding each loan facility realisation are not consistent with those estimates, judgments and assumptions then it is reasonably possible that there may be a material adjustment to the carrying value of the loan assets of the Consolidated Entity.

This may result in the Company and the consolidated entity;

- not realising all assets within the timeframe of the Third Run-off proposal; and / or
- achieving a 100c in the $ return to the Debenture Holders.

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.

For the reasons outlined below, there is material uncertainty whether the consolidated entity will continue as a going concern:

1) The result for the consolidated entity for the year ended 30 June 2017 is a loss after tax of $26,478,433 (2016: $8,840,397 loss) after a gain of $39,918,615 (2016; $NIL) arising on de-recognition of financial liabilities and as at that date, the consolidated negative net assets are $32,628,195 (2016: $6,139,164). The result for the company for the year ended 30 June 2017 is a loss after tax of $27,735,320 (2016: $8,306,512 loss) after a gain of $39,918,615 (2016; $NIL) arising on de-recognition of financial liabilities and as at that date, the consolidated negative net assets are $32,513,011 (2016: $4,777,691).
2) The net operating cash outflows for the consolidated entity have decreased in the current period to $3,045,711 (2016: $6,812,794). Net cash inflows from financing and investing activities were $11,521,056 (2016: ($16,463,867)). The net operating cash outflows for the company have decreased in the current period to $3,757,503 (2016: $6,745,949). Net cash inflows from financing and investing activities were $3,390,689 (2016: ($16,468,657)).
3) Reported losses (prior to restatement) and lodgement of these Financial Statements have resulted in the Company breaching the conditions of its Australian Financial Services Licence (AFSL) which may negatively impact its ability to continue to derive income from its management activities and thereby negatively impacting the Company and the Consolidated Entity's ability to fund their operating cash flows.
4) ASIC has to the date of this report not provided consent to restructure the Responsible Entity of the Managed Investment Scheme business and the Australian Financial Services Licence to enable that business to be sold, if required.
5) The Company and the Consolidated Entity have loan facilities that are non-performing and therefore are not earning interest or fee income and are at a risk of incurring further impairments. The Company and the Consolidated Entity have amended the Trust Deed with the mortgage debenture holders as set out above which committed the Company and the Consolidated Entity to the Third Run-Off Proposal and required payments to be made to mortgage debenture holders for the amounts and dates contained therein. Actual performance during the First and Second Run-Off Proposal periods is set out above and has varied materially from the First and Second Run-off Proposals as approved.
6) The Second Run-Off Proposal required the Company and the Consolidated Entity to realise the mortgage loans and other assets to meet the remaining payments by 30 June 2017, or such later date, being no later than 30 September 2017, as was approved by the LRC. This requirement was not met
7) The Directors and management have spent significant time executing the Second Run-Off Proposal. In doing so, the Directors have applied their knowledge and experience in the areas of lending and property development and property management and sought advice from appropriately qualified professionals and in relation to each loan facility, to execute in a manner which they believe will maximise the returns to the investors, this included:
    - During the period and subsequent to period end, the Directors have continued to market the properties for sale in accordance with their obligations as set out in the Second Run-off Proposal but in implementing those strategies have found that the overall current economic environment has not been conducive to achieving the results they anticipated when they sought approval from the debenture holders.
    - In May 2017, placing a number of properties for auction with a major auction house. Whilst there was interest from a number of potential buyers, no sales were achieved and the Directors concluded from discussions with potential buyers that whilst they had interest in the subject properties they would need to obtain a greater level of assurance that the subject properties would meet important planning and environmental hurdles before they

would enter into a contract to buy. The Directors have found that this is a consistent message across many properties in the portfolio and have concluded that it is in the Debenture Holders' best interests for the Directors to pursue obtaining various planning and environmental approvals to make the properties more attractive to potential purchasers. Obtaining these approvals is generally a timely and uncertain process.

For the reasons set out above, the Directors have concluded that they will not be able to achieve the repayment of the debenture obligations in accordance with the Second Run-off proposal and as a result have sought leave of the Federal Court to convene a meeting of the Debenture Holders to present an amended Third Run-off Proposal. In the Third Run-off Proposal, as in previous proposals, the realisation of loan assets to make payments to debenture holders requires the Directors of the Company to make significant estimates, judgments and assumptions in relation to the method, quantum and timing of cash flows from the repayments, refinancing of loan facilities and/or orderly realisation of the securities supporting those facilities. This is explained in more detail in the preceding note entitled "Material Uncertainty around critical estimates, judgments and assumptions".

8) The Third Run-Off proposal still maintains that the plans and strategies for each loan facility and other realisation of other assets will result in the Debenture Holders receiving 100.19c in the dollar on their original debenture capital. However, this Proposal does acknowledge that there is a material and significant risk that the quantum and timing of the proceeds from executing these strategies may not result in this occurring and that, should the Directors and/or the LRC and/or the Trustee conclude that achieving 100c in the dollar will not be achieved, the Directors and/or the LRC and/or the Trustee will need to determine whether they need to seek further Directions from the Federal Court which may include holding a further meeting of the Debenture Holders and providing them with an alternative proposal for consideration.

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

1) A significant portion of the result for the financial period has resulted from the gain on de-recognition of the debenture liability (refer Notes 4 and 23) and the timing effect of discounting of cash flows and the subsequent negative impact of the impairment of certain loans and other assets.
2) As stated above, the Directors and management spent significant time executing the Second Run-Off Proposal in very difficult market conditions, however, in doing so, the Directors believe their knowledge and experience in the areas of lending and property development and property management combined with advice from appropriately qualified professionals in relation to each loan facility, have enabled the development of an updated realisation strategy which has as its core component to utilise the extended period of time granted by the debenture holders to maximise the returns from the security assets. The cash flows used in the preparation of these financial statements form the basis of the Third Run-Off Proposal as amended by actual cashflows occurring after the preparation of the Explanatory Statement up until the date of this report.
3) Subsequent to year end the Debenture Holders voted to amend the Trust Deed to allow for a Third Run-off Proposal which amongst its changes extended the Run-off period to 30 June 2019, provided for no interest to be paid to the Debenture Holders and to extinguish any accrued interest for the period 1 August 2016 to 16 August 2017.
4) In relation to loan assets where the Company is realising the value of underlying securities, the estimated quantum and timing of the net cash flows is based on the estimated net realisable value for which a property can be exchanged on the estimated timing of sale and taking into account the estimated selling costs likely to be incurred in the disposal of the property. These estimations are based upon the Directors' assessment of the estimated net cash flows arising from the price that they expect they can achieve within the proposed timeframe of the Third Run-off Proposal and is based on their business experience and, where available, a combination of external advice, sales plans presented by licensed real estate agents and offers received for the properties.
5) The Directors believe that the Company's and the Consolidated Entity's continued focus as a fund manager, the restructuring and streamlining of business operations and overhead structure will assist the Company and Consolidated Entity to fund their operating expenditures.
6) The continuing ability of the Company and the Consolidated Entity to comply with the Mortgage Debenture Trust Deed and any amendments to the deed approved by the Debenture Holders at the meeting held on 16 August 2017.
7) The Directors have determined as a consequence of the approval of the Third Run-off Proposal and subsequent ratification by the Federal Court on 1 September 2017 and the resultant change in estimates of the cash flows relating to the Debenture Liability, that the Company will be able to comply with the net assets test.
8) The amendments to the Trust Deed also allow Angas Mortgage Management Limited (AMML), ACN 615 541 378, to have its Guarantee to the Trustee or any of its property charged to the Trustee limited to $1 or any other amount as approved by the Federal Court on application from the Trustee. This will allow AMML to apply for an Australian Financial Services Licence (AFSL) and for AMML to become the Responsible Entity for the two Managed Investment Schemes – ACMF and APIF for whom the Company is the Responsible Entity. AMML has applied to the Australian Securities and Investments Commission (ASIC) for an AFSL.
9) The Directors acknowledge that,
    - the forecast cash flows provided to the Debenture Holders to support the Third Run-off Proposal disclosed a cash surplus of $410,730, after paying the Debenture Holders 100c in the $ of their Original Debenture Capital on the basis of the assessments of assets realised used by the Directors. The Directors further note that the most recent update of the forecast cashflows discloses a surplus of $561,362 (this amount includes the Directors estimate of the net recovery from all assets which are subject to the material uncertainties set out in this note) which results in a return of 100.27 cents in the $. The Trustee obtained a number of valuations and based on those valuations used by the Trustee the estimated return to Debenture holders would be $0.9085 per Debenture. If the Company formed the view that it was insolvent, then the Directors would then need to consider their options given the intent of the Third Run-off Proposal. These may include advising the Debenture Holders as part of the Chairman's regular updates, and seeking directions from the Federal Court, which may ultimately result in convening a meeting of the Debenture Holders to amend the Trust Deed to

remediate this. If the Debenture Holders did not approve the proposed amendments then the Company may be placed in formal administration

- as stated in the Third Run-off Proposal and these financial statements there is significant uncertainty in relation to both the quantum and timing of the cash inflows, particularly from the sale of security properties, investment properties and the MIS business.
- the forecast cash surplus at the end of the Run-off period has minimum room or slippage and any reductions in net realisations, further provides for further significant uncertainty in relation to the achievement of repaying the Debenture Holders 100c in the $, however as at the date of signing this report the Directors did not have any evidence of any material reductions in net realisations.
- they will pursue the sale of all assets at or above the estimated net proceeds included as assumptions to the Third Run-off Proposal forecasts. Whilst the Directors believe they can achieve at least the amount contained in the forecasts they will be required to make decisions which are in the overall best interests of the Debenture Holders and this may involve accepting an offer price for an asset which is below the forecast amount. Should this occur it will require the Directors to seek guidance from the LRC. Included in any proposal to accept a below forecast offer they will provide the LRC with an updated overall cash flow forecast including the impact of accepting this offer.
- it is their opinion that the legal effect of the Debenture Holders' approval of the Third Run-off Proposal was that they have been tasked to continue to realise all company assets to maximise the return to the Debenture Holders and that this process will require a period until 30 June 2019 to complete.
- it is also their opinion that the LRC, by virtue of the inclusion of a senior officer of the Trustee on LRC, that progress of the Third Run-off proposal is transparent to the Trustee as the representative of the Debenture Holders and that the Trustee can therefore form a view on whether any amended cashflow presented to the LRC is in the overall best interests of the Debenture Holders.
- if the Trustee is concerned about whether the provision of forecast a return to Debenture Holders being below 100c in the $ is not in the overall best interests of the Debenture Holders then the Trustee may refer its concerns back to the Federal Court.

10) The Directors believe that their continued focus on maximising returns for Debenture Holders and the previous support they have received for all three Run-off proposals, despite significant changes to the amount and timing of returns and the rights of individual Debenture Holders, demonstrates the support for the Directors to continue to realise the Company's Assets and return Capital to the Debenture Holders

If the above mitigating factors are not achieved, in particular, if the Trustee chooses to make and is successful in making an application to the Federal Court to reconvene a meeting of the Debenture Holders and the Debenture Holders withdraw their support for the Directors to continue with the Third Run-off Proposal or any alternative proposal, then there is material uncertainty whether the Company and the 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 Third Run-Off Proposal and be able to pay its debts as when they fall due. If this occurs, it is likely to result in the Company and the Consolidated Entity being placed into formal administration. 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 going concerns.

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

3.3 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.

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

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

3.4 Revenue recognition

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

Interest revenue

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

Trust distribution

Trust distribution revenue is recognised when receivable.

Loan fee income

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

Trailing commission

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

Upfront commission

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

Rental income

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

Profit on sale of property

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

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

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

3. Significant accounting policies (cont'd)

3.5 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 not recognised 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.

3.6 Cash and cash equivalents

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

3.7 Financial instruments

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

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

3. Significant accounting policies (cont'd)

3.8 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.

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.

3. Significant accounting policies (cont'd)

3.9 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.

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 effective yield basis.

3. Significant accounting policies (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 other financial liabilities

The consolidated entity derecognises financial liabilities when, and only when, the consolidated entity's obligations are discharged, cancelled or they expire, or if there is a significant change to the terms of the financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. Refer to 4 "Mortgage Debenture Liability – Fixed Interest Securities".

3.10 Derivative financial instruments

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

Embedded derivatives

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

3.11 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

3.12 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)

3.13 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

3.14 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.

3.15 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.

3.16 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)

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.

3.17 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.

3.18 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.

3.19 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.

3.20 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.

3.21 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.

The following are the critical judgements, including those involving estimations 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 7 years.

Loans

Since the implementation of the First Run-Off Proposal, the Company has not entered in to any new lending.
In terms of provisioning against loans, the Board meets on a monthly basis and reviews all loans which are credit impaired. To determine if there exists objective evidence of impairment the Directors of the Company do make significant estimates, judgments and assumptions in relation to the method, quantum and timing of cashflows in respect of the repayments, and refinancing of loan facilities and/or the orderly realisation of the securities supporting those facilities.

The Directors have applied their knowledge and experience in the areas of lending, property development and property management, and have sought advice from appropriately qualified professionals. They have also taken into account information received directly or indirectly from potential purchasers in relation to each property, particularly around uncertainties relating to planning and environmental considerations.

In relation to each loan facility, a revised realisation strategy has been developed to maximise the returns to investors. The Directors also note implicit in each of these strategies, in respect of many of the properties, held as security for the loan facilities, it is inherently difficult to assess the likely cashflows as the remaining security assets are predominantly development properties which have limited reference to equivalent sales and other proxy references used by valuers. These strategies also contain estimated recoveries against secondary securities held as collateral and guarantees and other legal claims and actions taken by the Directors to maximise the return to Debenture Holders. These estimated recoveries are inherently difficult to estimate both in quantum and timing, however, the Directors have used their collective experience and sought advice from appropriately experienced real estate specialists and where relevant, legal advisors to assist in determining their assumptions.

The strategies that have been adopted by the Directors require a constant assessment of market conditions in relation to the specific attributes of each property, these factors include:

- National, state and local economic outlook and conditions
- Changes in state and local planning laws and regulations
- Impact of foreign exchange rates on international buyers
- Changes to bank regulations that may impact lending capacity of purchasers; and
- The impact of state based property taxes and duties.

The Directors from time to time test the market for buyers by placing properties into an auction process based on advice from its selling agents, including listing 5 properties at an auction held on 31 May 2017. None of the properties reached the reserve prices recommended by the Company's agent and approved by the LRC, however negotiations are continuing with a number of interested parties who have engaged with the Company and its selling agents. One contract has proceeded to settlement, another has exchanged but is yet to settle and several parties remain engaged in negotiations with the Company.

The current market conditions, as they relate to the property sectors and geographies of the property market in which the consolidated entity holds security, results in a significant level of volatility and uncertainty in relation to both the quantum and timing of future cash flows and decisions which will need to be made as to when each asset is realised. There are many milestones and hurdles in this process and if delays occur the timing of asset sales may need to be varied to obtain the best outcome for the Debenture Holders. In some cases these events could result in further impairment of the carrying value of loan assets and or failure to complete the Third Run-Off Proposal.

Recoverable amount of loans

The above strategies feed into the impairment assessment of each loan as set out below.

In terms of assessing impairment of 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 based on, but not limited to, the following:

- relevant sales strategy, including expected timing of sale, selling price and selling costs
- assessing information and advice from real estate experts
- impact and cost of development approval requirements
- estimated holding costs
- estimated realisation and timing of loan collateral

The above 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 loans within the next financial year.

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.

Non Current Assets Held for Sale, Investment and Inventory Properties

For non-current assets held for sale, investment and inventory properties, the Directors assess the carrying which is based on cost less accumulated depreciation by various techniques including advice from sales agents for properties listed for sale, and also with reference to historical independent valuations from licensed valuers are commissioned, in assessing recoverable amount and net realisable values.

The recoverable amount for 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.

The recoverable amount for loans and investment property and net realisable value for inventory properties are estimates sensitive to several key assumptions in any internal assessment and/or 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.

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.

Mortgage Debenture Liability – Fixed Interest Securities

Substantial modification of Mortgage Debenture Liabilities

The Directors have determined that the combined effects of the First and Second Run-Off Proposals, which were approved by Debenture Holders on the 11 August 2015 and 16 August 2016 respectively, have given rise to a substantial modification to the terms of the mortgage debenture liabilities. In making their assessment the Directors considered both the quantitative and qualitative aspects of the amendments impacting the cash flows and the individual rights of the debenture holders. The combined Run-off proposals impacted the cash flows of the debenture liabilities by deferring principal repayments to the end of the term and only requiring interim payments to the extent cash was available; reducing the rate of interest and only requiring payment of interest at the end of the term to the extent that surplus cash is available after the repayment of the principal. By approving the Run-Off proposals the Debenture Holders now vote as a group on matters relating to the debentures and not as individual holders in their own right. That is, the terms of the mortgage debenture liabilities were not modified solely in contemplation of their respective terms and conditions but were replaced by a new uniform structure.

Determination of Fair Value of new Mortgage Debenture Liabilities

As a consequence of the substantial modification of the mortgage debenture liabilities the Directors derecognised the original liability and recognised a new financial liability in respect of the mortgage debentures at fair value. In measuring the fair value of the new financial liability the Directors applied the requirements of *AASB 13 Fair Value Measurement*. In accordance with AASB 13 when the fair value of a liability is determined, if that liability is held by another party as an asset then the fair value of the liability should be determined with reference to the perspective of a market participant that holds the identical item as an asset at the measurement date. As the mortgage debentures are not traded in an active market and the terms and conditions contained in the Run-Off Proposals result in the timing of the cash flows being linked to the sales of underlying assets, that are also not traded in an active market, the valuation used was an income approach as required by AASB 13. The Directors obtained independent valuation advice in respect of the determining the valuation using this approach. In valuing the mortgage debenture liability the valuer used the following inputs;

- the estimated amount and timing of future cash flows a buyer would apply to the expected amounts relating to the underlying loan assets and other assets of the entity that could be realised
- the estimated cash inflows and outflows from operating activities
- the level of required cash reserves following assumptions
- a discount rate that reflects the credit risk of the consolidated entity

Based on the assessment by the independent valuer the Directors recognised the new mortgage debenture liability at a fair value of $105,000,000 which forms the basis of amortised cost in respect of which amortisation of interest will be recognised for that liability in accordance with the effective interest rate as required by AASB 139.

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).

5. Segment information (cont'd)

Segment revenues and results

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 2017 $	Year ended 30 June 2016 $	Year ended 30 June 2017 $	Year ended 30 June 2016 $
Commercial Lending	2,500,135	16,361,822	(29,694,435)	(11,422,331)
Structured Finance	4,509,701	3,793,632	3,696,919	2,845,866
Commercial Property Investments	656,759	661,860	172,900	(295,767)
Investment Properties	1,003,778	1,913,422	(653,817)	45,283
	8,670,373	22,730,736	(26,478,433)	(8,826,949)
Profit / (loss) before tax			(26,478,433)	(8,826,949)
Income tax benefit / (expense)			-	(13,448)
Consolidated segment revenue and profit / (loss) for the year	8,670,373	22,730,736	(26,478,433)	(8,840,397)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2016: 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.

Segment assets and liabilities

Segment assets

	30 June 2017 $	30 June 2016 $
Commercial Lending	90,718,302	127,728,707
Structured Finance	385,960	1,540,726
Commercial Property Investments	8,577,375	12,332,731
Investment Properties	9,529,302	21,078,083
Total segment assets	109,210,939	162,680,247
Unallocated assets	-	-
Total assets	109,210,939	162,680,247

5. Segment information (cont'd)

Segment liabilities

	30 June 2017 $	30 June 2016 $
Commercial Lending	129,938,973	142,089,854
Structured Finance	537,589	1,173,420
Commercial Property Investments	9,350,213	13,414,522
Investment Properties	1,998,911	12,085,990
Total segment liabilities	141,825,686	168,763,786
Unallocated liabilities	13,448	55,625
Total liabilities	141,839,134	168,819,411

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 2017 $	30 June 2016 $
Commercial Lending	25,311	90,283
Structured Finance	434	434
Commercial Property Investments	-	-
Investment Properties	15,366	196,138
Total depreciation and amortisation	41,111	286,855

6. Revenue

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

	Consolidated		Company	
	2017	2016	2017	2016
	$	$	$	$
Interest revenue:				
Bank deposits	24,406	227,548	23,431	224,784
Other loans and receivables	2,024,687	14,021,435	2,021,378	14,016,912
	2,049,093	14,248,983	2,044,809	14,241,696
Non-interest revenue:				
Loan fee income	30,367	2,858,467	19,990	2,858,467
Management Fees	4,363,161	2,366,474	4,363,161	2,366,474
Distributions from unit trusts	-	-	-	592,184
Dividends from subsidiaries	-	-	197,403	-
Trailing commission & retail lending income	79,799	82,433	79,799	82,433
Upfront commission – retail lending	53,039	50,428	53,039	50,428
Gain/(loss) on disposal of property	(108,236)	(36,946)	(108,236)	(36,946)
Rental income:				
Operating lease rental income:				
Investment properties	1,669,371	2,605,729	9,797	33,204
Other – serviced office	533,779	555,167	533,779	571,433
	6,621,280	8,481,753	5,148,732	6,517,678
Total Revenue	8,670,373	22,730,736	7,193,541	20,759,374

7. Interest expense

	Consolidated		Company	
	2017	2016	2017	2016
	$	$	$	$
Interest on fixed interest securities (i)	35,629,104	7,953,401	35,629,104	7,953,401
Interest on Redeemable Preference Shares ("RPS") Series 1 & 3	-	305,220	-	305,220
Interest on portfolio loan	248,345	260,638	-	-
Interest on commercial bills	372,338	705,355	-	-
Other interest expense	-	-	-	-
Total interest expense	36,249,787	9,224,613	35,629,104	8,258,621

(i) As described in Note 4, the Directors have determined that the Second Run-Off Proposal has given rise to a substantial modification to the terms of the mortgage debenture liabilities. In an event of a substantial modification to a financial liability the directors are required to derecognise the original financial liability and to recognise the new financial liability at fair value. The financial liability is then to be amortised over the term of the Second Run-Off Proposal, being to 30 September 2017. The amortisation amount included in the above figure was $35.14 million.

8. Loss for the year

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

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
Direct operating expenses from investment properties that generated rental income during the year (i)	497,239	459,272	673	33,418
	497,239	459,272	673	33,418
Operating lease rental expenses (i)	438,001	578,732	438,001	578,732
	438,001	578,732	438,001	578,732
<u>Impairment losses on investment property</u>				
Impairment loss on investment property	391,000	148,500	-	-
Reversal of impairment loss on investment property	(786,255)	-	-	-
	(395,255)	148,500	-	-
<u>Impairment losses on financial assets:</u>				
Impairment loss on loans carried at amortised cost	28,141,927	8,442,344	28,612,731	8,232,708
Bad debt	1,014,197	1,792,845	116,012	1,792,845
Impairment loss/(reversal) on receivables	49,144	481,349	143,812	386,682
Impairment loss on inventory – property (note 18)	-	624,182	-	624,182
Impairment loss on investment in subsidiaries	-	-	1,287,468	(207,267)
Impairment loss/(reversal) on investments	176,259	-	(23,741)	168,390
Impairment on Goodwill	-	141,611	-	141,611
	29,381,527	11,842,330	30,136,282	11,139,150
	28,986,272	11,630,830	30,136,282	11,139,150

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

8. Loss for the year (cont'd)

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
Administration expenses:				
Employee benefit expense:				
Post-employment benefits:				
Defined contribution plans	165,899	176,630	165,899	176,630
Other employee benefits	1,914,284	2,127,896	1,914,284	2,127,896
Other employee expenses	314,747	356,332	314,747	356,332
Lending expenses and disbursements	1,377,107	2,292,325	1,377,107	2,292,325
Professional fees	3,801,453	2,377,143	3,801,453	2,377,143
Computer expenses	246,610	240,190	246,610	240,190
Depreciation	41,111	286,855	25,745	90,717
Travel and entertainment	144,539	162,646	144,539	162,646
Printing and postage	114,600	128,841	114,600	128,841
Insurance	168,252	156,180	168,252	156,180
Other	233,257	231,059	216,353	341,398
	8,521,859	8,536,095	8,489,589	8,450,296

9. Income taxes

Income tax recognised in profit or loss

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
Current tax				
In respect of the current year	-	13,448	-	-
In respect of prior years	-	-	-	-
	-	13,448	-	-
Deferred tax				
In respect of the current year	-	-	-	-
Total income tax expense / (benefit) recognised in the current year	-	13,448	-	-

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

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
Profit / (loss) before tax	(26,478,433)	(8,826,949)	(27,735,320)	(8,306,512)
Income tax expense / (benefit) calculated at 30%	(7,943,530)	(2,648,085)	(8,320,596)	(2,491,954)
Effect of expenses that are not deductible in determining taxable profit	(44,086)	(241,531)	(44,086)	(241,531)
Less franking credits claimed on dividend from subsidiary	-	-	-	-
	(7,987,616)	(2,889,616)	(8,364,682)	(2,733,485)
Derecognition of tax assets recognised in the current and prior years	7,987,616	2,903,064	8,364,682	2,733,485
Income tax expense / (benefit) recognised in profit or loss	-	13,448	-	-

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	
	2017 $	2016 $	2017 $	2016 $
Current tax assets				
Tax refund receivable	-	-	-	-
	-	-	-	-
Current tax liability				
Income tax payable	13,448	55,625	-	-
	13,448	55,625	-	-

Deferred tax balances

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

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
Deferred tax assets	-	-	-	-
Deferred tax liabilities	-	-	-	-
	-	-	-	-

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	
	2017 $	2016 $	2017 $	2016 $
Trade receivables – Interest and fees	25,451,072	24,202,663	25,398,709	23,418,621
Trade receivables - allowance for doubtful debts	(3,753,813)	(3,836,135)	(3,753,813)	(3,610,002)
	21,697,259	20,366,528	21,644,896	19,808,619
Trailing commission receivable	363,338	424,004	363,338	424,004
Property sale receivables	-	9,013,078	-	9,013,078
Less: allowance for doubtful debts	-	(9,013,078)	-	(9,013,078)
Other receivables	2,013,523	881,771	2,022,135	876,401
	24,074,120	21,672,303	24,030,369	21,109,024

The below table summarises trade receivables which are past due:

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

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
0 – 1 year	-	1,248,286	-	1,248,286
1 – 2 years	151,300	1,576,875	151,300	1,576,875
2 – 5 years	10,376	395,570	-	-
5+ years	1,186,661	1,855,059	1,186,661	1,855,059
	1,348,337	5,075,790	1,337,961	4,680,220

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

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
0 – 1 year	2,537,929	9,460,918	2,537,929	9,460,918
1 – 2 years	12,898,107	1,453,400	12,898,107	1,453,400
2 – 5 years	3,318,733	-	3,318,733	-
5+ years	122,644	7,359	122,644	7,359
	18,877,413	10,921,677	18,877,413	10,921,677

11. Trade and other receivables (cont'd)

Movement in the allowance for doubtful debts

	Consolidated		Company	
	2017	2016	2017	2016
	$	$	$	$
Balance at the beginning of the year	(12,849,213)	(12,236,398)	(12,623,080)	(12,236,398)
Impairment losses derecognised on property sale receivables	9,013,078	-	9,013,078	-
Impairment losses recognised on loan receivables	-	(612,815)	(143,811)	(386,682)
Reversal Impairment losses on receivables	82,322	-	-	-
Balance at the end of the year	(3,753,813)	(12,849,213)	(3,753,813)	(12,623,080)

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	
	2017	2016	2017	2016
	$	$	$	$
Investments carried at cost:				
Investments in subsidiaries (note 30)	-	324,952	7,734,155	12,825,567
Loans and receivables carried at amortised cost:				
Term deposit – BankSA (i)	-	100,000	-	-
Loan to Angas Investment Finance Pty Ltd (ii)	-	-	-	(31,390)
Loan to Mannum Unit Trust (iii)	-	-	2,500,000	2,500,000
	-	424,952	10,234,155	15,294,177

(i) Angas Commercial Property Trust ("ACPT") was required to deposit $NIL (2016: $100,000) as security in relation to the $1,935,000 (2016: $12,047,767) Commercial Bill Facility with BankSA. The deposit was subject to a Deed of Deposit and Set-off.
(ii) 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.
(iii) This loan was made to Mannum Unit Trust with interest payable monthly. Interest stopped being accrued December 2015.

13. Loans

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
Mortgage loans	109,313,484	119,372,020	109,076,771	118,148,751
Interest received in advance	-	(17,037)	-	(17,037)
Allowances for doubtful debts	(46,835,879)	(18,599,572)	(46,503,166)	(17,890,435)
	62,477,605	100,755,411	62,573,605	100,241,279
Maturity analysis				
Not longer than 3 months	62,477,605	99,755,411	62,573,605	99,241,279
Longer than 3 months and not longer than 12 months	-	1,000,000	-	1,000,000
Longer than one year not longer than 5 years	-	-	-	-
	62,477,605	100,755,411	62,573,605	100,241,279
Loan by security				
Secured by chattel mortgage	-	460,657	-	460,657
Secured by first mortgage	62,324,518	100,028,736	62,420,518	99,514,604
Secured by second mortgage (i)	153,087	266,018	153,087	266,018
Secured by collateral security	-	-	-	-
	62,477,605	100,755,411	62,573,605	100,241,279
Loan by security				
Chattel	-	460,657	-	460,657
Commercial property	12,568,929	24,834,317	12,568,929	24,834,317
Rural property	-	-	-	-
Residential property	49,908,676	75,460,437	50,004,676	74,946,305
Industrial property	-	-	-	-
	62,477,605	100,755,411	62,573,605	100,241,279

(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	
	2017 $	2016 $	2017 $	2016 $
Balance at the beginning of the year	18,599,572	9,905,088	17,890,435	9,405,588
Impairment losses recognised on loans	29,061,457	10,422,345	28,728,743	10,212,708
Reversal of impairment losses recognised on loans	-	-	-	-
Bad debt write off	(825,149)	(1,727,861)	(116,012)	(1,727,861)
Balance at the end of the year	46,835,879	18,599,572	46,503,166	17,890,435

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. Since the implementation of the First Run-Off Proposal, no new loans have been advanced. In terms of loan recovery and provisioning against loans, refer to Note 4 Loans above.

13. Loans (cont'd)

Top Four loans to related borrowers as at 30 June 2017

TOTAL LOANS	NO. OF LOANS	COMMENTARY
$ 31,519,806	3	Primary asset is a prestigious rural/residential property close to Sydney
$ 8,992,940	3	Perth based property developer with security comprising prime commercial, residential and retail sites across WA
$ 3,939,641	3	Perth based builder and property developer with a range of distinct residential, commercial and retail properties
$ 3,511,814	2	Security comprises several retirement villages in Adelaide
$ 47,964,201		

Top Five loans to related borrowers as at 30 June 2016

TOTAL LOANS	NO. OF LOANS	COMMENTARY
$ 36,257,785	4	Primary asset is a prestigious rural/residential property close to Sydney
$ 22,313,000	4	Perth based builder and property developer with a range of distinct residential, commercial and retail properties
$ 12,292,308	3	Perth based property developer with security comprising prime commercial, residential and retail sites across WA
$ 4,422,050	3	Security comprises several retirement villages in Adelaide
$ 1,823,860	2	Completed apartment complex on the outskirts of Adelaide CBD
$ 77,109,003		

13. Loans (cont'd)

Top Ten largest loans as at 30 June 2017

CUSTOMER	LOAN AMOUNT	CATEGORY	ASSET STATE	ARREARS
A	$ 16,843,803	Residential Development	NSW	$5,147,727
A	$ 12,636,003	Residential Development	NSW	$3,753,070
E	$ 5,733,787	Residential Development	WA	-
F	$ 4,844,134	Residential Development	WA	$1,447,481
O	$ 3,142,016	Commercial Development	SA	-
C	$ 2,910,630	Residential Development	WA	$2,244,394
N	$ 2,233,821	Residential Development	WA	$604,853
P	$ 2,004,027	Residential Development	SA	-
M	$ 671,795	Commercial Development	WA	1,871,252
L	$ 357,217	Residential Development	WA	$1,095,266
Total	**$51,377,233**			

Top Ten largest loans as at 30 June 2016

CUSTOMER	LOAN AMOUNT	CATEGORY	ASSET STATE	ARREARS
A	$ 17,668,628	Residential Development	NSW	$3,610,895
A	$ 16,088,500	Residential Development	NSW	$3,133,490
C	$ 8,579,000	Residential Development	WA	$1,949,929
E	$ 7,095,948	Residential Development	WA	-
F	$ 7,092,950	Residential Development	WA	$1,445,368
L	$ 5,543,000	Residential Development	WA	899,575
M	$ 5,530,000	Commercial Development	WA	1,029,408
O	$ 4,384,651	Commercial Development	SA	-
K	$ 4,280,000	Residential Development	SA	$338,334
N	$ 4,052,604	Residential Development	WA	428,260
Total	**$80,315,281**			

14. Expired loans

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
Expired loans – Fixed interest securities funded	58,480,518	93,612,299	58,480,518	93,612,299
Expired loans – Non-fixed interest securities funded	3,997,087	4,720,150	3,997,087	4,110,018
Total	62,477,605	98,332,449	62,477,605	97,722,317

Expired loans refer to loans which are greater than 90 days past the expiry date, included in Mortgage Loans in Note 13.

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

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
0 - 1 year	-	7,111,755	-	7,111,755
1 - 2 years	425,000	8,191,000	425,000	8,191,000
2 – 5 years	-	4,020,030	-	4,020,030
5+ years	-	460,657	-	460,657
Total	425,000	19,783,442	425,000	19,783,442

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	
	2017 $	2016 $	2017 $	2016 $
0 - 1 year	-	-	-	-
1 - 2 years	-	4,178,333	-	3,940,000
2 – 5 years	3,940,000	230,936	3,940,000	-
5+ years	10,000	170,018	10,000	170,018
Total	3,950,000	4,579,287	3,950,000	4,110,018

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	
	2017 $	2016 $	2017 $	2016 $
0 - 1 year	-	57,764,681	-	57,764,681
1 - 2 years	43,729,914	8,922,139	43,729,914	8,922,139
2 – 5 years	13,945,587	7,142,037	13,945,587	7,142,037
5+ years	380,017	-	380,017	-
Total	58,055,518	73,828,857	58,055,518	73,828,857

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	
	2017 $	2016 $	2017 $	2016 $
1 - 2 years	-	-	-	-
2 – 5 years	47,087	140,863	47,087	-
Total	47,087	140,863	47,087	-

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 $	Total $
Gross carrying amount		
Balance at 1 July 2015	553,691	553,691
Additions	-	-
Disposals – sale and leaseback	-	-
Disposals	-	-
Balance at 1 July 2016	553,691	553,691
Additions	-	-
Disposals – sale and leaseback	-	-
Disposals	(14,241)	(14,241)
Balance at 30 June 2017	539,450	539,450
Accumulated depreciation		
Balance at 1 July 2015	(463,774)	(463,774)
Depreciation expense	(58,572)	(58,572)
Disposals	-	-
Balance at 1 July 2016	(522,346)	(522,346)
Depreciation expense	(17,812)	(17,812)
Disposals	2,223	2,223
Balance at 30 June 2017	(537,935)	(537,935)
Net book value		
As at 30 June 2016	31,344	31,344
As at 30 June 2017	1,515	1,515

Company	Plant and equipment at cost $	Total $
Gross carrying amount		
Balance at 1 July 2015	539,450	539,450
Additions	-	-
Disposals – sale and leaseback	-	-
Disposals	-	-
Balance at 1 July 2016	539,450	539,450
Additions	-	-
Disposals – sale and leaseback	-	-
Disposals	-	-
Balance at 30 June 2017	539,450	539,450
Accumulated depreciation		
Balance at 1 July 2015	(462,978)	(462,978)
Depreciation expense	(57,145)	(57,145)
Disposals	-	-
Balance at 1 July 2016	(520,123)	(520,123)
Depreciation expense	(17,812)	(17,812)
Disposals	-	-
Balance at 30 June 2017	(537,935)	(537,935)
Net book value		
As at 30 June 2016	19,328	19,328
As at 30 June 2017	1,515	1,515

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

16. Investment property

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
At cost				
Balance at beginning of year	29,354,193	29,609,202	519,750	519,750
Acquisitions	-	-	-	-
Impairment losses	(391,000)	(148,500)	-	-
Building & development costs	-	88,201	-	-
Disposal of investment property	(19,413,916)	-	-	-
Depreciation	(15,366)	(194,710)	-	-
Balance at end of year	9,533,911	29,354,193	519,750	519,750

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

The properties summarised above are detailed in the tables below:

Consolidated

2017 Property location	Book Value	Fair Value	Valuation Date
Lot 71 Coral Cove QLD	$ 500,000	$ 500,000	30/06/2017 *
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	$8,514,161	$8,907,300	30/06/2017 *
TOTAL	**$9,533,911**	**$9,932,300**	

* Directors' valuation

Consolidated

2016 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	$5,756,612	$5,940,000	30/06/2015
23 Breene Place Morningside QLD	$8,574,897	$8,910,000	30/06/2015
107 Reichart Rd Winnellie NT	$4,206,772	$4,250,000	30/06/2014
Lot 71 Coral Cove QLD	$ 891,000	$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	$8,514,162	$9,550,000	17/10/2013
TOTAL	**$29,354,193**	**$31,185,300**	

16. Investment property (cont'd)

<u>Company</u>

2017

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**	

2016

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**	

<u>Fair value of the consolidated entity's investment properties</u>

The fair value of the consolidated entity's investment properties as at 30 June 2017 and 30 June 2016 has been arrived at on the basis of valuations carried out on the respective dates (listed in the above tables) by the Directors or independent valuers not related to the Group. All the independent 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 other than Mannum Green Shopping Centre which has been valued on a rental yield basis using a range of 5.88% to 8.13. 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 other than in relation to Mannum Green Shopping Centre.

Details of the company and consolidated entity's investment properties and information about the fair value hierarchy as at 30 June 2017 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 30 June 2017
Investment properties				
Company	-		$525,000	**$525,000**
Consolidated Entity	-		$10,032,300	**$9,932,300**

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

17. Property held for resale

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
Balance at beginning of year	3,613,500	5,052,803	-	1,439,303
Impairment losses	-	-		
Sale of property		(1,439,303)	-	(1,439,303)
Transfer from investment property	-	-	-	-
Transfer to investment property	-	-	-	-
Transfer to other financial assets	(3,613,500)	-	-	-
Balance at end of year	-	3,613,500	-	-

Consolidation

2017

	Book Value	Fair Value	Valuation Date
-	-	-	-
TOTAL	-	-	

2016

	Book Value	Fair Value	Valuation Date
Lot 101 Adam St Hindmarsh SA (i)	$3,613,500	$3,650,000	04/02/2013
TOTAL	**$3,613,500**	**$3,650,000**	

(i) The contract to sell Angas' investment in Hindmarsh Precinct Developments was executed in July 2016.

Company:-

2017

Property location	Book Value	Fair Value	Valuation Date
NIL	-	-	-
TOTAL	-	-	

2016

Property location	Book Value	Fair Value	Valuation Date
NIL	-	-	-
TOTAL	-	-	

Fair value of the consolidated entity's property held for resale

The fair value of the consolidated entity's property held for resale as at 30 June 2016 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 property held for resale and information about the fair value hierarchy as at 30 June 2017 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 30 June 2017
Property held for resale	-	-	-	-

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

18. Inventory – property

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
Balance at beginning of year	396,000	2,514,600	396,000	2,514,600
Sale of property	(287,764)	(1,299,087)	(287,764)	(1,299,087)
Loss on sale of property	(108,236)	(195,331)	(108,236)	(195,331)
Impairment losses	-	(624,182)	-	(624,182)
Balance at end of year	-	396,000	-	396,000

19. Other intangible assets

	Consolidated			
	Software under lease $	Software $	Copyright, Website & Formation Exp $	Total $
Gross carrying amount				
Balance at 30 June 2015	-	171,330	2	171,332
Additions	-	-	-	-
Disposal	-	-	-	-
Balance at 30 June 2016	-	171,330	2	171,332
Additions	-	-	-	-
Disposal	-	-	-	-
Balance at 30 June 2017	-	171,330	2	171,332
Accumulated amortisation and impairment				
Balance at 30 June 2015	-	(126,754)	-	(126,754)
Amortisation expense	-	(33,574)	-	(33,574)
Disposal	-	-	-	-
Balance at 30 June 2016	-	(160,328)	-	(160,328)
Amortisation expense	-	(7,930)	-	(7,930)
Disposal	-	-	-	-
Balance at 30 June 2017	-	(168,258)	-	(168,258)
Net book value				
As at 30 June 2016	-	11,004	2	11,006
As at 30 June 2017	-	3,072	2	3,074

	Company			
	Software under lease $	Software $	Copyright, Website & Formation Exp $	Total $
Gross carrying amount				
Balance at 30 June 2015	-	171,330	2	171,332
Additions	-	-	-	-
Disposal	-	-	-	-
Balance at 30 June 2016	-	171,330	2	171,332
Additions	-	-	-	-
Disposal	-	-	-	-
Balance at 30 June 2017	-	171,330	2	171,332
Accumulated amortisation and impairment				
Balance at 30 June 2015	-	(126,754)	-	(126,754)
Amortisation expense	-	(33,574)	-	(33.574)
Disposal	-	-	-	-
Balance at 30 June 2016	-	(160,328)	-	(160,328)
Amortisation expense	-	(7,930)	-	(7,930)
Disposal	-	-	-	-
Balance at 30 June 2017	-	(168,258)	-	(168,258)
Net book value				
As at 30 June 2016	-	11,004	2	11,006
As at 30 June 2017	-	3,072	2	3,074

20. Other assets

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
Prepayments	48,292	1,725,460	48,292	1,712,205
	48,292	1,725,460	48,292	1,712,205

21. Assets pledged as security

In accordance with the security arrangements of liabilities, as disclosed in note 23 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.

22. Trade and other payables

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
Trade payables (i)	1,904,474	2,242,071	1,758,475	1,955,952
Proceeds received from settlements payable to third parties	-	-	-	-
Goods and services tax payable	205,787	736,186	206,910	350,137
	2,110,261	2,978,257	1,965,385	2,306,089

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

23. Interest bearing liabilities

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
Secured – at amortised cost				
Fixed interest securities (i) (ii)	130,704,210	144,920,615	130,704,210	144,920,615
Redeemable Preference Shares (iii)	1,036,784	1,034,594	1,036,784	1,034,594
BankSA Bank bills (iv)	1,935,000	12,047,767	-	-
Business markets loan (v)	5,796,000	7,570,538	-	-
	139,471,994	165,573,514	131,740,994	145,955,209
Maturity analysis				
Not longer than 3 months	136,500,210	-	130,704,210	-
Longer than 3 months and not longer than 12 months	1,935,000	158,842,064	-	145,123,759
Longer than 1 year and not longer than 5 years	1,036,784	6,731,450	1,036,784	831,450
Longer than 5 years	-	-	-	-
	139,471,994	165,573,514	131,740,994	145,955,209

(i) As set out in Note 4 the Directors determined that the impact of the combined effects of the First and Second Run-off proposals resulted in a substantial modification to the debentures. The accounting for the debentures is set out further in that Note. During the current period, the Directors engaged an independent valuer to assist them quantify the fair value of the mortgage debenture liability. This resulted in the Company recognising the new financial liability of $105 million, derecognising the original liability of $144.92 million, resulting in an increment to its result for the period of $39.92 million. The new financial liability was then amortised during the period resulting in an increment in that liability and a corresponding decrement in the result for the period of $35.14 million. The movement in this account for the year is summarised as follows:

	$
Opening balance (1 July 2016)	144,920,615
Less:	
Debenture repayments	(9,434,567)
Derecognition of financial liability (Note 4)	(39,918,615)
Add:	
Amortisation of interest expense (Note 7)	35,136,777
Closing balance (30 June 2017)	130,704,210

(ii) The carrying value of fixed interest securities of $130,704,210 as at 30 June 2017 represents the amortised cost of that liability. The principal value of the liability is $135,486,048. Fair Value $67,000,000.

(iii) The face value of the Redeemable Preference Shares ("RPS") Series 1 ("RPS1") and Series 3 ("RPS3"): $1,045,000 (2016: $1,045,000). RPS1 and RPS3 are subordinate to fixed interest securities but will rank ahead of ordinary share capital and any external funding facility.

(iv) As at the balance date there was one (2016: four) bank bill in place with BankSA.

(v) As referred to in note 30, 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.

24. Provisions

	Consolidated		Company	
	2017	2016	2017	2016
	$	$	$	$
Employee benefits (i)	243,431	212,015	243,431	212,015
	243,431	212,015	243,431	212,015

(i) The provision for employee benefits includes $75,189 (2016: $53,842) of annual leave and $168,242 (2016: $158,173) of long service leave entitlements accrued. Over the next 12 months management estimates that 90% of the annual leave provision will be taken and 20% of the long service leave provision.

25. Issued capital

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
10,983,388 fully paid ordinary shares (2016: 10,983,388)	12,225,127	12,225,127	12,225,127	12,225,127
Nil partly paid ordinary shares (2015: Nil)	-	-	-	-
5,000,000 redeemable preference shares (2016: 5,000,000)	5,000,000	5,000,000	5,000,000	5,000,000
	17,225,127	17,225,127	17,225,127	17,225,127

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.

	2017		2016	
	No.	$	No.	$
Fully paid ordinary shares				
Balance at beginning of year	10,983,388	12,225,127	738,046	1,528,067
Issue of shares	-	-		
Conversion of redeemable preference shares (RPS)	-	-	10,120,000	10,120,000
Conversion of RPS dividend payable	-	-	125,342	125,342
RPS interest payable derecognised	-	-	-	451,718
Balance at end of year	10.983,388	12,225,127	10,983,388	12,225,127

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

25. Issued capital (cont'd)

	2017		2016	
	No.	$	No.	$
Partly paid ordinary shares				
Balance at beginning of year	-	-	-	-
Installment on allotment	-	-	-	-
Transfer to fully paid ordinary shares	-	-	-	-
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.

	2017		2016	
	No.	$	No.	$
Redeemable preference shares				
Balance at beginning of year	5,000,000	5,000,000	7,500,000	7,500,000
Conversion to ordinary shares	-	-	(2,500,000)	(2,500,000)
Balance at end of year	5,000,000	5,000,000	5,000,000	5,000,000

Redeemable Preference Shares – Series 2 ("RPS2") and Series 5 ("RPS5") carry no voting rights except in certain circumstances as outlined in the Private Placement Agreement Appendix A; signed in September 2011 (RPS2); signed in November 2012 (RPS5). RPS2 and RPS5 rank equally among themselves and among all other preference shares issued by Angas Securities Limited. Redemption is solely at the discretion of the company. They rank in priority to all ordinary shares but are unsecured and subordinated to all fixed interest securities holders and creditors to Angas Securities Limited. RPS2 and RPS5 rank in priority to ordinary shares for the payment of dividend. In October 2015, RPS5 were converted to ordinary shares.

Franked Dividends are only payable out of profits for RPS2 and RPS5. RPS2 matures on 31 January 2021 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.

26. Accumulated Losses

	Consolidated		Company	
	2017	2016	2017	2016
	$	$	$	$
Balance at beginning of year	(23,433,152)	(14,641,517)	(22,002,818)	(13,696,305)
Profit / (loss) attributable to owners of the Company	(26,529,274)	(8,791,634)	(27,735,320)	(8,306,512)
Dividends provided for or paid (note 27)	-	-	-	-
Balance at end of financial year	(49,962,426)	(23,433,152)	(49,738,138)	(22,002,818)

27. Dividends on equity instruments

No dividends were paid during the year (2016: NIL)

	Company	
	2017	2016
	$	$
Adjusted franking account balance	3,555,157	3,555,157
Impact on franking account balance of dividends not recognised	-	-

28. Contingent liabilities

Contingent Liabilities

There is a claim against the Company for Trustee expenses of $1.95M which remains subject to approval by the Federal Court. The Company had previously brought to account the sum of $1,212,681 as at 30 June 2015, comprising $862,681 paid by the Company during the period ending 31 December 2015 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.

29. Leases

Finance leases

Leasing arrangements

There were no finance leases in place for the year (2016: Nil).

Operating leases

Leasing arrangements as Lessee

The consolidated entity leases two offices under operating leases (plus another office under a sub-lease agreement) expiring within four to five years, with option to extend for further terms. Both operating lease contracts contain market review clauses in the event that the company exercises its option to renew.

Non-cancellable operating lease payments

	Consolidated		Company	
	2017	2016	2017	2016
	$	$	$	$
Not longer than 1 year	328,260	449,482	328,260	449,482
Longer than 1 year and not longer than 5 years	1,316,832	1,984,141	1,316,832	1,984,141
Longer than 5 years	128,726	-	128,726	-
	1,773,818	2,433,623	1,773,818	2,433,623

Leasing arrangements as Lessor

The consolidated entity has one operating lease for a term of ten years on land and building held at Mannum SA. The properties at Acacia Ridge QLD, Winnellie NT, and Morningside QLD were all sold during the current financial year.

Non-cancellable future minimum lease receivable

	Consolidated		Company	
	2017	2016	2017	2016
	$	$	$	$
Not longer than 1 year	710,029	724,191	-	-
Longer than 1 year and not longer than 5 years	2,305,096	2,196,174	-	-
Longer than 5 years	3,447,483	4,026,175	-	-
	6,462,608	6,946,540	-	-

30. Subsidiaries

Name of subsidiary	Principal activity	Country of incorporation	Ownership interest	
			2017 %	2016 %
Angas Commercial Property Trust	Property Investments	Australia	98.6	98.6
Hindmarsh Precinct Developments Pty Ltd as trustee for The Lot 101 Development Unit Trust (i)	Commercial Property Investment	Australia	0.0	70.0
Angas Investment Finance Pty Ltd (formerly Advance Investments Finance No 2 Pty Ltd)	Structured Finance	Australia	100.0	100.0
Mannum Investment Group Pty Ltd as trustee for Mannum Investment Unit Trust (ii)	Commercial Property Investment	Australia	80.0	80.0
Mannum Green Shopping Centre Pty Ltd as trustee for Mannum Unit Trust (iii)	Commercial Property Investment	Australia	75.0	75.0
Angas Mortgage Management Ltd (iv)	Financial services	Australia	100.0	0.0

(i) Under the "Share and Unit Sale and Purchase Agreement" executed in July 2016, the Company disposed of its 70% interest in Hindmarsh Precinct Developments Pty Ltd. In accordance with the terms of the Agreement, the Company received $2.42 million.

(ii) 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.

(iii) 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.

(iv) This wholly-owned subsidiary was incorporated on 25 October 2016 with the view that it would replace Angas as Responsible Entity and manager of ACMF and APIF.

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	
		2017	2016
Property Investments	Australia	-	-
Commercial Property Investment	Australia	-	-
Financial Services	Australia	1	-
Structured Finance	Australia	1	1

Principal Activity	Place of incorporation and operation	Number of non-wholly-owned subsidiaries	
		2016	2015
Property Investments	Australia	-	-
Commercial Property Investment	Australia	-	-
Financial Services	Australia	-	-
Structured Finance	Australia	1	1

31. 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	
	2017 $	2016 $	2017 $	2016 $
Cash – Trading account (at call)	9,914,033	1,818,169	867,650	1,514,945
Cash – Fixed interest securities fund (at call)	3,157,568	2,877,513	3,157,568	2,877,513
Cash on hand	821	395	821	395
	13,072,422	4,696,078	4,026,039	4,392,853

(b) Financing facilities

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
Secured bank bill facilities:				
• amount used	1,935,000	13,718,305	-	-
• amount unused	-	-	-	-
	1,935,000	13,718,305	-	-
Portfolio Loan:				
• amount used	-	-	-	-
• amount unused	-	-	-	-
	-	-	-	-
Business market loan:				
• amount used	5,796,000	5,900,000	-	-
• amount unused	-	-	-	-
	-	5,900,000	-	-

(c) Cash balances not available for use

In accordance with the Second Run-Off Proposal, the consolidated entity must hold $5 million (this is now $2 million as a result of Third Run-Off Proposal) in cash at the end of each month, subject to the approval of the LRC if any of the buffer is to be used.

The consolidated entity must hold $NIL (2016: $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 $450,000 which is made up of the following:

- $ 290,000 Bank guarantee – office leases
- $ 60,000 Visa business card facility
- $ 100,000 Transaction Negotiation Authority

31. 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	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Profit / (loss) for the year	(26,478,433)	(8,840,397)	(27,735,320)	(8,306,512)
Debt issue costs recognised in profit or loss	(2,191)	(52,781)	(2,191)	(52,781)
Investment expenses recognised in profit or loss	-	77,034	-	77,034
Impairment of assets	28,986,922	11,251,720	30,039,345	10,798,917
Impairment recovered on assets	(23,741)	-	(23,741)	-
Reversal of impairment loss recognised on investments in subsidiaries	-	-	-	(207,267)
Impairment loss recognised on investments in subsidiaries	-	-	-	168,390
Gain on revaluation of debenture liability	(39,918,615)	-	(39,918,615)	
Amortisation of debenture liability	35,136,777	-	35,136,777	
Impairment on Goodwill	-	141,611	-	141,611
Depreciation	41,111	238,263	25,745	90,717
Change in tax balances	(42,177)	64,356	-	79,308
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Trade and other receivables	(2,545,629)	(8,327,574)	(3,065,157)	(8,181,625)
Loan receivables	(17,038)	(1,136,765)	(17,038)	(1,136,765)
Inventory	396,000	2,118,600	396,000	2,118,600
Other assets	2,281,159	913,630	1,663,913	855,157
Increase/(decrease) in liabilities:				
Trade and other payables	(891,271)	(1,270,244)	(288,637)	(1,200,487)
Interest bearing liabilities	-	(1,912,326)	-	(1,912,326)
Provisions	31,416	(77,920)	31,416	(77,920)
Net cash used in operating activities	(3,045,711)	(6,812,794)	(3,757,503)	(6,745,949)

32. 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 repayment of principal to debenture holders. The consolidated entity proposes to maintain its core operating functions, subject to the run-off of the Mortgage Debenture business, whilst continuing to build ts asset base and turnover. Growth of the asset base is expected to be derived from the growth of the two managed investment schemes, APIF and ACMF.

Angas Commercial Property Trust, a subsidiary of the consolidated entity, currently holds one bank bill which is secured against cash. 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.

(b) Categories of financial instruments

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
Financial assets				
Cash and cash equivalents	13,072,422	4,696,078	4,026,039	4,392,853
Loans and receivables	86,551,725	122,852,666	97,806,987	136,644,480
Financial liabilities				
At amortised cost	141,582,254	168,551,770	133,706,378	148,261,297

(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.

In accordance with the Third Run-Off Proposal, the Company must retain a cash buffer of $2 million at the end of each quarter, with permission of the LRC required to use some of this buffer.

(d) Market risk

The consolidated entity's activities expose it primarily to the financial risks of changes in interest rates (refer note 32(f)) and, to a lesser degree, foreign currency exchange rates (refer note 32(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.

32. 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.

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 $26,707 (2016: increase/(decrease) by $74,715). These movements are as a result of lower/higher interest income from these financial assets.
- equity would increase/(decrease) by nil (2016: 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.

32. Financial instruments (cont'd)

(h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework. The consolidated entity manages liquidity risk by maintaining a minimum cash reserve of $2 million at the end of each quarter in accordance with the Third Run-Off Proposal. 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 undiscounted contractual maturities of the financial assets.

The actual cashflows will be based on the Run-Off cashflow which was included in the Explanatory Statement relating to the Third Run-Off Proposal. The Run-Off cashflow model is updated each month for actual performance and forecasts are adjusted accordingly. The Run-Off cashflow model is reviewed each month by Directors and management to ensure it is as accurate as possible based on current knowledge and then is presented at each monthly LRC meeting. Repayments of fixed interest securities (debentures) will be made at the end of each quarter provided the company has at least $2 million cash available after such payment.

CONSOLIDATED	Average interest rate %	Less than 1 year $	1-5 years $	5 years + $
2017				
Fixed interest rates				
Trade and other payables	0.00%	2,110,261	-	-
Redeemable Preference Shares (RPS)	9.75%	-	1,108,040	-
Fixed interest securities	0.00%	135,486,048	-	-
		137,596,309	1,108,040	-
Variable interest rates				
Business markets loan	4.42%	5,892,858	-	-
Bank bills	5.82%	1,977,542	-	-
		7,870,400	-	-
		145,466,709	1,108,040	-
2016				
Fixed interest rates				
Trade and other payables	0.00%	2,978,257	-	-
Redeemable Preference Shares (RPS)	9.75%	97,110	1,201,571	-
Fixed interest securities	4.00%	144,920,615	-	-
		147,995,982	1,201,571	-
Variable interest rates				
Portfolio loan	0.00%	-	-	-
Business markets loan	6.22%	1,915,339	6,172,291	-
Bank bills	4.69%	12,341,440	-	-
		14,256,779	6,172,291	-
		162,252,761	7,373,862	-

32. Financial instruments (cont'd)

(h) Liquidity risk management (cont'd)

COMPANY	Average interest rate %	Less than 1 year $	1-5 years $	5 years + $
2017				
Fixed interest rates				
Trade and other payables	0.00%	1,965,385	-	-
Redeemable Preference Shares (RPS)	9.75%	-	1,108,040	-
Fixed interest securities	0.00%	135,486,048	-	-
		137,451,433	1,108,040	-
Variable interest rates				
Portfolio loan	0.00%	-	-	-
		-	-	-
		137,451,433	1,108,040	-
2016				
Fixed interest rates				
Trade and other payables	0.00%	2,306,089	-	-
Redeemable Preference Shares (RPS)	9.75%	97,110	1,201,571	-
Fixed interest securities	4.00%	144,920,615	-	-
		147,323,814	1,201,571	-
Variable interest rates				
Portfolio loan	0.00%	-	-	-
		-	-	-
		147,323,814	1,201,571	-

33. 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	
	2017 $	2016 $	2017 $	2016 $
Short-term employee benefits	783,257	784,877	783,257	784,877
Post-employment benefits	57,701	57,607	57,701	57,607
	840,958	842,484	840,958	842,484

34. 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 30 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	
	2017 $	2016 $
Consolidated revenue includes the following amounts arising from transactions with key management personnel of the consolidated entity or their related parties:		
Serviced office	-	21,388
Trail commission	1,044	823
	1,044	22,211
Consolidated profit includes the following expenses arising from transactions with key management personnel of the consolidated entity or their related parties:		
Management fee	82,344	100,083
	82,344	100,083
Total assets arising from transactions other than loans and amounts receivable in relation to equity instruments with key management personnel or their related parties:		
Trailing commission	-	8,470
	-	8,470

34. Related party transactions (cont'd)

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

Angas Securities Limited previously charged a service fee to Hower Corporation Pty Ltd, of which Mr M J Hower is a director, for office space, equipment and services provided. For the 2016/17 financial year $NIL (2016: $21,388) was charged to Hower Corporation Pty Ltd in the form of a service fee. This arrangement ceased on 31 August 2015. The balance of service fees owing from Hower Corporation Pty Ltd as at 30 June 2017 was $130,284 (2016: $351,896). This balance was repaid in full by 15 August 2017.

In 2017 the retail lending business received $1,044 (2016: $823) in trail commission from FAST in relation to residential home loans held by Andrew Luckhurst-Smith.

A management fee was paid by Angas Commercial Property Trust and Mannum Unit Trust ("Trusts") to Angas Property Fund Limited (M J Hower and A Luckhurst-Smith are shareholders of this company) of $82,344 (2016: $100,083). The management fee related to services provided by Angas Property Fund Limited relating to the management of investment properties held within the Trusts.

In addition a service fee of $276,331 (2016: $276,331) was charged in 2016 to Angas Prime Income Fund for which Angas Securities Limited is the Responsible Entity and a service fee of $257,448 (2016: $257,448) was charged to Angas Contributory Mortgage Fund for which Angas Securities Limited is the Responsible Entity.

34. 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	1,029,288
Cardiff Capital Pty Ltd	1	2,206,837
Mortgage Funds Management Pty Ltd	1	46,462,416
Barker Performance Trust 1	2	786,316
Barker Performance Trust 2	5	3,135,287
		53,620,144

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.

35. Remuneration of auditors

	Consolidated		Company	
	2017 $	2016 $	2017 $	2016 $
Auditor of the parent entity				
Audit or review of the financial report	375,000	289,692	375,000	289,692
(Over)/under provision of prior year audit	72,410	27,697	72,410	27,697
Professional services	-	43,905	-	43,905
Taxation services	907	907	907	907
	448,317	362,201	448,317	362,201

The auditor of Angas Securities Limited is Deloitte Touche Tohmatsu.

36. Disposal of subsidiary

Under the "Share and Unit Sale and Purchase Agreement" executed in July 2016, the Company disposed of its 70% interest in Hindmarsh Precinct Developments Pty Ltd. In accordance with the terms of the Agreement, the Company received $2.422 million (Refer Note 30).

37. Events after the reporting period

Refer to "Subsequent Events" section in Directors Report.