ANGAS SECURITIES LIMITED

ACN: 091 942 728
Annual report for the financial year ended 30 June 2018

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 2018. 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			
	Fully paid ordinary shares	Partly paid ordinary shares	Redeemable Preference Shares	Fixed interest securities
Directors	Number	Number	$	$
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

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.

On 28 July 2017, the Company sent an explanatory notice to its debenture holders calling for a meeting to consider various 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 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 ("Angas Prime") and Angas Contributory Mortgage Fund ("Angas Direct"), which have external investors. Angas Financial Services, which is a housing and commercial loan broker, is another division of Angas Securities Limited.

The consolidated entity now only holds one remaining investment in real property. This is intended to be sold pursuant to the Third Run-Off Proposal.

Other property investments include 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 $4,867,912 (2017: operating loss of $2,273,999).

After allowing for impairment and debenture liability revaluation and amortisation, the operating profit of the consolidated group (after income tax and before dividends) for the financial year amounted to $6,440,517 (2017: operating loss of $26,478,433).

Impaired loans continue to be managed. Further impairment expenses of $12,431,201 (2017: $28,986,272) 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 $32,084,613 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 Direct, which is a commercial property finance portfolio that is funded externally, and the management of Angas Prime, which is a pooled mortgage trust. The Company is licensed by ASIC to be Responsible Entity for Angas Direct and Angas Prime. 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 of the Angas Direct or Angas Prime portfolios.

At the second meeting of debenture holders held on 11 August 2016, the Company expressed the intention to restructure Angas Direct and Angas Prime by transferring the Responsible Entity and management to a wholly-owned subsidiary (Angas Mortgage Management Ltd ("AMML")) so that both businesses could be sold off (if required) to repay first ranking debentures pursuant to the Run-Off. AMML was incorporated in October 2016 and ASIC has assessed the application for an Australian Financial Services Licence ("AFSL") to enable the subsidiary to replace Angas as Responsible Entity and manager of Angas Direct and Angas Prime. The application was lodged in October 2016 and during this period, no formal decision has been made by ASIC as to whether to grant or refuse the AFSL application. The purpose of the AFSL application was to realise Angas Direct and Angas Prime to generate funds for the Run-Off. The Run-Off is due to expire on 30 June 2019. As Angas is now unable to realise Angas Direct and Angas Prime ahead of 30 June 2019, AMML has withdrawn its application from ASIC. Nothing arising from the AMML application nor its withdrawal impacts on the ability of Angas Securities to continue to conduct its funds management business to generate revenue to support the Run-Off.

The Directors determined that as a consequence of the approval of the Third Run-Off proposal and subsequent ratification by the Federal Court on 1 September 2017, the resultant change in estimates of the cash flows relating to the Debenture Liability resulted in the application of AASB 139 "Financial Instruments: Recognition and Measurement" paragraph AG8. The impact of the application of AG8 resulted in restating the balance of the Debenture Liability as at 1 September 2017, $67,816,167, which resulted in the Net Asset position of the Company and the Group becoming positive (this has been explained in detail in Note 3 under Mortgage Debenture Business and Note 4 of the Financial Statements).

Corporate Governance

The Board of Directors is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Management of the Company's business on a day to day basis is delegated by the Board to the Managing Director. The Managing Director is responsible for managing the Company within corporate governance framework established by the Board

The Company's Corporate Governance Policy can be downloaded from the Angas website at www.angassecurities.com/governance.

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 previous 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.

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 resulted in the application of AASB 139 "Financial Instruments: Recognition and Measurement" paragraph AG8. The impact of the application of AG8 resulted in restating the balance of the Debenture Liability as at 1 September 2017, $67,816,167, which resulted 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 to $71.3 million.

Subsequent events

In May 2018, the LRC requested Angas to provide a briefing to LRC at the September 2018 meeting concerning the intentions of the directors if it was considered likely to be insufficient time to realise all of the residual assets in the legacy debenture fund by 30 June 2019. This briefing was provided and Angas subsequently compiled a formal written proposal for LRC outlining options being considered by its board and management. Angas directors subsequently met with representatives of Trustco on 30 October 2018 and 14 December 2018. Whilst these discussions will continue, neither Angas nor Trustco favour a further extension of the Run-Off. The preferred course is to develop a mechanism which will preserve the assets for debenture investors whilst retiring Trustco and the financial burden of the Run-Off. A secondary issue is a claim by Trustco for out of pocket fees incurred with external advisers engaged prior to and throughout the Run-Off process.

Meanwhile, there has been a formal report made by Angas to the Federal Court on alternative proposals that have been under consideration. Orders were made by the Honourable Justice Beach on 8 November 2018 setting out a structure by which the parties should conduct their deliberations in good faith. The Orders of Justice Beach require each of Angas and the Trustee to consult in good faith with each other and with ASIC. The consultation process is ongoing.

As a result of several settlements occurring post 30 June 2018, the projected cashflow from the Run-off has been adjusted downwards. Angas considers it unlikely that the shortfalls relating to these settlements will be offset by uplift from the sale of other assets. Accordingly, the principal return to debenture holders is now projected to be less than 100 cents in the dollar.

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. As set out above, and in Note 3 of the Financial Statements, the Directors determined that the projected quantum and timing of forecast cash flows contained in the Third Run-Off Proposal would not be achieved and therefore the debenture holders would not receive 100 cents in the dollar.

The Directors have concluded that a restructure proposal is the preferred option and in the best interests of debenture holders. The Trustee has notified Angas and given qualified support to a Scheme of Arrangement in the form of a debt for equity restructure.

Subject to debenture holders supporting the restructure proposal and it being ratified by the Federal Court, then Angas will continue to realise the assets of the legacy debenture business and manage the two mortgage trusts, Angas Prime and Angas Direct.

Dividends

No dividend was declared in respect of the financial year ended 30 June 2018.

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, 17 Board meetings and 9 Audit, Risk Management and Compliance Committee ("ARMCO") meetings were held.

	Board Meetings		ARMCO	
Directors	Held	Attended	Held	Attended
Mr A Luckhurst-Smith	17	17	9	8
Mr M J Hower	17	17	9	1 *
Mr C T Guthrie	17	15	9	1 *

* - Mr M Hower and Mr C Guthrie are not members of ARMCO but were present as observers at one meeting.

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 33 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 33 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 2018. 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
Simon Thompson	Chief Financial Officer	24 March 2015
Natalie Gatis	Company Secretary	19 September 2016

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 was entitled to an annual review of remuneration. This review would require an independent assessment from an industry expert who would determine whether the Director'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 for the Directors was obtained early in the 2015 financial year. 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 that time.

Annual Remuneration as at 30 June 2018:

Name	Annual Salary *	% Paid
Matthew Hower	$208,680 + 9.5% Super	100%
Andrew Luckhurst-Smith	$208,680 + 9.5% Super	100%
N Gatis	$105,000 + 9.5% Super (FTE)	80% (works 4 days per week)
S Thompson	$138,000 + 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 Angas without the consent of the Board;
2. In the absence of sound commercial reasons that are for the benefit of Angas such consent will not normally be forthcoming; and
3. In the event directors' Angas 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 2018:

	30 June 2014 $	30 June 2015 $	30 June 2016 $	30 June 2017 $	30 June 2018 $
Revenue	33,563,703	30,215,630	22,730,736	8,670,373	4,632,868
Net profit / (loss) before tax	(7,981,874)	(11,732,892)	(8,826,949)	(26,478,433)	6,440,517
Net profit / (loss) after tax	(5,422,923)	(15,030,738)	(8,840,397)	(26,478,433)	6,440,517

	30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Share price at start of year[2]	-	-	-	-	-
Share price at end of year[2]	-	-	-	-	-
Interim dividend[1]		-	-	-	-
Final dividend[1]	-	-	-	-	-

[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

2018	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
N Gatis	81,558	-	-	7,748	89,306
S Thompson	138,000	-	-	13,110	151,110
					871,426

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
					840,958

(i) Fees relate to directors fees.

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.
2018			
A Luckhurst-Smith	1,045,506	-	1,045,506
M J Hower	2,134,663	-	2,134,663
2017			
A Luckhurst-Smith	171,976	873,530	1,045,506
M J Hower	3,049,518	(914,855)	2,134,663

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	
	2018 $	2017 $
Consolidated revenue includes the following amounts arising from transactions with key management personnel of the consolidated entity or their related parties:		
Serviced office	-	-
Trail commission	1,096	1,044
	1,096	1,044
Consolidated profit includes the following expenses arising from transactions with key management personnel of the consolidated entity or their related parties:		
Management fee	68,185	82,344
	68,185	82,344

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. This arrangement was terminated on 31 August 2015. The balance of service fees owing from Hower Corporation Pty Ltd as at 30 June 2018 was $NIL (2017: $130,284) after the balance was repaid in full on15 August 2017.

During the 2017/18 financial year, the retail lending business received $1,096 (2017: $1,044) 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 $68,185 (2017: $82,344). 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

Andrew Luckhurst-Smith
Executive Chairman
Adelaide, 31 January 2019

Deloitte.

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31 January 2019

The Board of Directors
Angas Securities Limited
Level 14
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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 2018, 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 faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

L C Girolamo
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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 2018, 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 2018 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, as of 30 June 2018, the Consolidated Entity's liabilities exceeded its assets by $26,277,465 (Company liabilities exceeded its assets by $26,420,798). As stated in Note 3 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.

Deloitte.

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 totalling $45,738,130 as at 30 June 2018 (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.

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>Carrying amount of Financial Assets; Loans and Trade Receivables – Interest and Fees (cont'd)</td><td>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 the relevant disclosures in the notes to the financial statements.</td></tr>
<tr><td>Accounting in respect of the Mortgage Debenture Liability relating to restating the balance as at 1 September 2017

As set out in Note 21, the company and the consolidated entity restated the mortgage debenture liability as at 1 September 2017 to $67,816,167 resulting in a gain on restatement of $61,514,313, as a result of the change in estimates of the cash flows related to the mortgage debenture liability as a consequence of the approval of the Third Run-Off proposal and subsequent ratification by the Federal Court on 1 September 2017.

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.</td><td>In conjunction with our Accounting Technical specialists, our procedures included, but were not limited to:
analysing management's basis for restating the 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,
challenging the methodology and inputs used to determine the amortised cost of the Mortgage Debenture Liability by:
- 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 the original effective interest rate of the mortgage debenture liability, and
- assessing the appropriateness of relevant disclosures in the notes to the financial statements.</td></tr>
</table>

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying amount of Investment Properties In accordance with the policy disclosed in Note 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) totalling $7,530,000 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, including: • future sales rates • Estimated project development potential	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 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 2018, 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 going concerns, 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.

Deloitte.

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 going concerns. 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 going concerns.
- 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.

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.

Deloitte.

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 2018.

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2018, 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

DELOITTE TOUCHE TOHMATSU

L C Girolamo
Partner
Chartered Accountants
Adelaide, 31 January 2019

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

Andrew Luckhurst-Smith
Executive Chairman
Adelaide, 31 January 2019

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Consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2018

		Consolidated		Company	
		2018	2017	2018	2017
	Note	$	$	$	$
Interest revenue	6	664,492	2,049,093	660,409	2,044,809
Interest expense	7	(38,054,291)	(36,249,787)	(37,774,683)	(35,629,104)
Net interest (expense)/ revenue		(37,389,799)	(34,200,694)	(37,114,274)	(33,584,295)
Non-interest revenue	6	3,968,376	6,621,280	3,340,791	5,148,732
Gain on derecognition of financial liability	4,21	-	39,918,615	-	39,918,615
Gain on restatement of financial liability	4,21	61,514,313	-	61,514,313	-
Marketing expenses		(92,281)	(120,031)	(92,281)	(120,031)
Occupancy expenses		(401,280)	(471,797)	(401,280)	(471,797)
Administration expenses	8	(8,428,631)	(8,521,859)	(8,246,814)	(8,489,589)
Impairment expenses	8	(12,431,201)	(28,986,272)	(12,908,242)	(30,136,282)
Other expenses		(298,980)	(717,675)	-	(673)
Profit/(Loss) before tax		6,440,517	(26,478,433)	6,092,213	(27,735,320)
Income tax benefit / (expense)	9	-	-	-	-
Profit/(Loss) for the year		6,440,517	(26,478,433)	6,092,213	(27,735,320)
Other comprehensive income		-	-	-	-
Total comprehensive profit/(loss) for the year		6,440,517	(26,478,433)	6,092,213	(27,735,320)
Attributable to:					
Equity holders of the parent		6,446,311	(26,529,274)	6,092,213	(27,735,320)
Non-controlling interests		(5,794)	50,841	-	-
		6,440,517	(26,478,433)	6,092,213	(27,735,320)

Notes to the financial statements are included on pages 24 to 72.

Consolidated statement of financial position as at 30 June 2018

		Consolidated		Company	
		2018	2017	2018	2017
	Note	$	$	$	$
Assets					
Cash and cash equivalents	31(a)	4,143,597	13,072,422	4,011,189	4,026,039
Trade and other receivables	11	16,096,452	24,074,120	16,097,040	24,030,369
Loans	13	30,392,992	62,477,605	30,488,992	62,573,605
Other financial assets	12	-	-	1,686,693	10,234,155
Property, plant and equipment	15	322	1,515	322	1,515
Other assets	18	32,694	48,292	32,694	48,292
Investment property	16	7,530,000	9,533,911	-	519,750
Other intangible assets	17	2	3,074	2	3,074
Total assets		58,196,059	109,210,939	52,316,932	101,436,799
Liabilities					
Trade and other payables	20	7,252,610	2,110,261	7,216,816	1,965,385
Provisions	22	180,788	243,431	180,788	243,431
Interest bearing liabilities	21	77,040,126	139,471,994	71,340,126	131,740,994
Current tax liability	9	-	13,448	-	-
Total liabilities		84,473,524	141,839,134	78,737,730	133,949,810
Net assets		(26,277,465)	(32,628,195)	(26,420,798)	(32,513,011)
Equity					
Issued capital	23	17,225,127	17,225,127	17,225,127	17,225,127
Accumulated Losses	24	(43,516,115)	(49,962,426)	(43,645,925)	(49,738,138)
Equity attributable to equity holders of the parent		(26,290,988)	(32,737,299)	(26,420,798)	(32,513,011)
Non-controlling interest		13,523	109,104	-	-
Total equity		(26,277,465)	(32,628,195)	(26,420,798)	(32,513,011)

Notes to the financial statements are included on pages 24 to 72.

Consolidated statement of change in equity for the financial year ended 30 June 2018

Consolidated	Issued Capital $	Accumulated Profit/(Losses) $	Non-controlling interest $	Total $
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)
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)
Profit/(loss) for the period	-	6,446,311	(5,794)	6,440,517
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year		6,446,311	(5,794)	6,440,517
Payment of dividends – ordinary shares	-	-	-	-
Payment of dividends – preference shares	-	-	-	-
Redemption of units in trust	-	-	(89,787)	(89,787)
Issue of capital – ordinary shares	-	-	-	-
Issue of capital – preference shares	-	-	-	-
Balance at 30 June 2018	17,225,127	(43,516,115)	13,523	(26,277,465)

Company	Issued Capital $	Accumulated Profit/(Losses) $	Non-controlling interest $	Total $
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	-	-	-	-
Balance at 30 June 2017	17,225,127	(49,738,138)	-	(32,513,011)
Profit/(loss) for the period	-	6,092,213	-	6,092,213
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	6,092,213	-	6,092,213
Payment of dividends – ordinary shares	-	-	-	-
Payment of dividends – preference shares	-	-	-	-
Conversion of RPS to ordinary shares	-	-	-	-
Balance at 30 June 2018	17,225,127	(43,645,925)	-	(26,420,798)

Notes to the financial statements are included on pages 24 to 72.

Consolidated statement of cash flows for the financial year ended 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $	Company 2018 $	Company 2017 $
Cash flows from operating activities					
Receipts from customers		6,346,754	5,592,424	5,740,386	4,059,329
Payments to suppliers and employees		(4,020,081)	(8,266,340)	(3,657,642)	(7,694,787)
Cash used in operations		2,326,673	(2,673,916)	2,082,744	(3,635,458)
Interest received		6,877,848	777,311	6,873,764	377,457
Interest paid		(272,548)	(1,106,929)	(380)	(499,502)
Income taxes paid		(13,448)	(42,177)	-	-
Net cash used in operating activities	29(d)	8,918,524	(3,045,711)	8,956,128	(3,757,503)
Cash flows from investing activities					
Proceeds from repayment of mortgage loans		21,076,869	9,233,387	21,076,869	8,955,969
Payments for mortgage loans		(140,000)	-	(140,000)	-
Redemption of units in trust		-	(10,597)	6,755,583	797,288
Amounts advanced to subsidiaries		-	(1,793)	-	-
Amounts received from subsidiaries		-	-	-	650,000
Proceeds from sale of investment properties		-	19,330,393	-	-
Net cash on disposal/(acquisition) of subsidiary	34	-	2,422,000	-	2,421,999
Proceeds from financial assets		-	100,000		-
Net cash provided by / (used in) investing activities		20,936,869	31,073,390	27,692,452	12,825,256
Cash flows from financing activities					
Proceeds from borrowings		-	-	-	-
Repayment of borrowings		(2,031,000)	(10,216,767)	-	-
Repayment of units redeemed in trust		(89,787)	-	-	-
Repayment of fixed interest securities		(36,663,430)	(9,434,567)	(36,663,430)	(9,434,567)
Dividends paid:				-	
- members of parent entity		-	-	-	-
Net cash provided by / (used in) financing activities		(38,784,217)	(19,651,334)	(36,663,430)	(9,434,567)
Net increase / (decrease) in cash and cash equivalents		(8,928,825)	8,376,344	(14,850)	(366,814)
Cash and cash equivalents at the beginning of the financial year		13,072,422	4,696,078	4,026,039	4,392,853
Cash and cash equivalents at the end of the financial year	29(a)	4,143,597	13,072,422	4,011,189	4,026,039

Notes to the financial statements are included on pages 24 to 72.

1. General information

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

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

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

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

2. Application of new and revised Accounting Standards

2.1 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 2017, and therefore relevant for the current year end.

AASB 2016-1 Amendments to Australian Accounting Standards–Recognition of Deferred Tax Assets for Unrealised Losses	The changes clarify four issues regarding recognition and measurement of deferred tax assets.
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 requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016	Amends AASB 12 Disclosure of Interests in Other Entities, to clarify the interaction of AASB 12 with AASB 5 Non-current Assets Held for Sale and Discontinued Operation
AASB 1048 Interpretation of Standard	This service standard ensures there is no difference between the status of Interpretations in the hierarchy between IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

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 2018-1 Amendments to Australian Accounting Standards Annual Improvements 2015–2017 Cycle	1 January 2019	30 June 2020
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 Leases 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 2019 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 31 January 2019.

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 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 Angas Securities Limited ("the Company) business involves raising funds from investors under the Trust Deed for the First Ranking Debenture Stock (the "Trust Deed") and then lending those monies to various borrowers secured by first ranking mortgages over real property "(Loan Receivables"). This component is described as the "Mortgage Debenture Business".

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

Due to deterioration in the property market after the global financial crisis, the value of securities supporting the Loan Receivables made under the Trust Deed reduced to a point where the Trustee considered there may exist uncertainty as to whether the Company could meet its obligations under the Trust 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 agreement required that the Company submit a proposal (the "Run-Off proposal") to the Debenture Holders to amend 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 ("Principal Balances") 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 Receivables 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.

Under the Run-Off proposal, the Board of the Company remained responsible for the conduct of the Company's business. The Board was required to consult with the LRC during the period of the Run-Off Proposal of the mortgage debentures. If the Board desired not to follow any opinions or advice of the LRC in relation to the Loan Receivable realisation process, the Company and the Trustee were required to seek directions from the Federal Court. This arrangement remains in place as at the date of this report.

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 Receivables. 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 Receivables. 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 Receivables, 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

By 30 June 2016, the Company had made payments to Debenture Holders of 34 cents in the dollar of their Principal Balances. However, 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 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 on 11 August 2016, 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 approved by the LRC.

During the 30 June 2017 financial year, the Company 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. Whilst there was a provision for the LRC to grant an extension to 30 September 2017, such an extension would still 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 (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 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;
- the transfer of the Company's managed investment scheme business to Angas Mortgage Management Ltd, a subsidiary of the Company, so that it could 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 the Company or defaults by the Company 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.

2019 Restructure Proposal

The Third Run-Off Proposal envisaged that the plans and strategies for each Loan Receivable realisation and the realisation of other assets would result in the debenture holders receiving 100.19c in the dollar of their Principal Balances.

The Directors have been closely considering the progress of the Third Run-off Proposal. In particular they have been considering the possibility that the timeframe for realisation of assets as per the Third Run-off Proposal may not be met and that Debenture Holders may receive less than 100c in the dollar return on their Principal Balances. This was discussed with the LRC on 28 September 2018. At this meeting, the LRC advised the Company's Chairman that the LRC required advice as to the Company's position and was considering its position should the Company not be able to meet its obligations under the Third Run-off Proposal.

The Directors of the Company met on 5 October 2018 and based on the information available to them on the status of all property sales, they concluded that the Company would not be able to meet the payments contained within the Third Run-off Proposal. The Directors then resolved to propose to the LRC that they should approach the Federal Court to seek orders to call a meeting of the Debenture Holders to seek approval for a "restructure" of the remaining debenture debt (the "2019 Restructure Proposal"). The 2019 Restructure Proposal considered either a "Fourth Run-off Proposal" or some form of "Scheme of Arrangement". The Directors concluded that any proposal would require the Debenture Holders to release the Company from the commitment to pay 100c in the dollar of the Principal Balances.

The 2019 Restructure Proposal, consistent with the First Run-Off Proposal, the Second Run-Off Proposal and the Third Run-Off Proposal, required the Directors of the Company to make significant estimates, judgments and assumptions. These are in relation to the method, quantum and timing of cash flows in respect of the repayments, and refinancing of Loan Receivables and/or the orderly realisation of the securities supporting the Loan Receivables. The Directors 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 preparing these financial statements on the going concern basis, the Directors have assumed that they will be successful in obtaining support from the Debenture Holders for the 2019 Restructure Proposal. The Directors advised that it is inherently difficult to estimate the likely cash flows of the Loan Receivables as the remaining security assets are predominantly development properties, which have limited reference to equivalent sales and other proxy references used by valuers. In addition, it is also inherently difficult to estimate the likely cash flows from secondary securities held as collateral and guarantees and other legal claims and actions taken by the Company that support the loans to borrowers. Where possible the Directors have used their professional experience and sought advice from appropriately experienced real estate specialists and where relevant, legal advisors to assist in estimating these cash flows.

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;
- The impact of foreign exchange rates on international buyers;
- Changes to bank regulations that may impact lending capacity of purchasers, in particular the impact of the Financial Services Royal Commission; and
- The impact of state based property taxes and duties.

The Directors have assessed impairment based on the best information available to them. Given the factors set out above, there exists inherent and significant uncertainty in relation to estimates, judgments and assumptions made. If the events and circumstances surrounding each Loan Receivable realisation are not consistent with those estimates, judgments and assumptions, then it is likely that there will be further negative material adjustments to the future carrying value of the loan assets and consequently the outcome for Debenture Holders.

The 2019 Restructure Proposal provided to the LRC was either to:

1. extend to a fourth run-off with no commitment to achieve a 100c return of the Principal Balances; or

2. entering into a "scheme of arrangement" whereby the remaining Loan Receivables and other assets forming the security for the debenture holders would be transferred into some form of "Special Purpose Vehicle" to sell down the remaining security assets. The Debenture Holders would also relieve Angas of the obligation to return to the Debenture Holders their outstanding principal in full and by a specified date. The proposal would involve the debenture holders receiving equity in the Company, which would continue as the Responsible Entity for the Angas Prime and Angas Direct [formerly APIF and ACMF]. Debenture Holders would also receive units in the Special Purpose Vehicle.

The Directors resolved to undertake discussions with their advisors on the options for a "Scheme of Arrangement".

The Chairman advised the LRC of this resolution at its meeting dated 26 October 2018. Consequently, the LRC requested that the Company's Directors should meet with the Trustee to discuss the 2019 Restructure Proposal and advised the LRC of the outcome.

Following the meeting with the Trustee:

1. The Trustee agreed in principle with the proposition put forward by the Company and indicated that its preference was for a "Scheme of Arrangement"; and

2. The Trustee agreed in principle that it would consent to the proposal in broad terms when the Company took this matter before the Federal Court.

Pursuant to the above, the Directors of the Company compiled a formal written proposal outlining the various options being considered by the LRC and subsequently discussed this with the Trustee.

Federal Court Orders relating to the 2019 Restructure Proposal

The Company presented affidavit evidence to Justice Beach in the Federal Court setting out on the alternative proposals under consideration. Court orders by Consent were made by Justice Beach on 8 November 2018 setting out a structure by which parties should conduct their deliberations in good faith. Key highlights of the Court order by Consent were as follows:

I. Each of the defendant (the Company) and the plaintiff (the Trustee) are to consult in good faith with each other and ASIC to seek to reach an agreed position regarding the Company's proposal to alter the run-off. This consultation required the Trustee to notify the Company in writing of its formal position by 30 November 2018, in relation to the options set out in the Discussion Paper, which is in the form of an Affidavit by Andrew Luckhurst-Smith to the Federal Court dated 1 November 2018. (Note: The Trustee notified Angas of its position by 4 December 2018 and gave qualified support to a Scheme of Arrangement in the form of a debt/equity restructure.)

II. The Company file and serve its interlocutory application to alter the run-off and any additional supporting affidavit(s) by 21 December 2018. (Note: The Interlocutory Application was not filed due to an agreement between the

Company and the Trustee's legal representatives to lodge an amended application to the Federal Court. The amended application is currently in the process of being agreed between the legal representatives of the Company and the Trustee.

III. The Company prepare an explanatory statement to debenture holders (the "2019 Explanatory Statement") which will disclose material information necessary for debenture holders to vote at the Meeting (defined below) to be sent to ASIC and the plaintiff in draft form by 4.00 pm (AEST) on 8 February 2019.

IV. The Company and the Trustee consult in good faith with each other and ASIC to reach an agreed form of the 2019 Explanatory Statement for Court approval. This consultation requires the following:

- The Company to provide the Trustee and ASIC with any information and/or documents requested that are reasonably necessary for considering the disclosures included in the 2019 Explanatory Statement. All relevant information and documents are to be provided as soon as practicable and in any event, no later than 15 February 2019;
- The Company to be notified of any objections to the form of the 2019 Explanatory Statement by 22 February 2019; and
- The Company to provide the Trustee and ASIC with a second draft of the 2019 Explanatory Statement, if necessary after considering objections received to the draft 2019 Explanatory Statement, by 1 March 2019.

V. The Trustee provide the Company and ASIC with a draft of any letter it proposes to send to debenture holders by 8 March 2019.

VI. In the event of objections as to the form of the 2019 Explanatory Statement and the Trustee's letter to debenture holders, which cannot be resolved by agreement between the parties, the proceeding may be re-listed on three days' notice to all parties.

VII. The Trustee file and serve any affidavits and any interlocutory application by 22 March 2019.

VIII. Without limiting the generality of the above order, if the Trustee opposes the orders sought in the Application, it is to file and serve by 22 March 2019 any evidence in support of such opposition, including such evidence as it considers appropriate directed to:

- Unreasonable delay in realisation of any particular loan recover and security realisation
- Steps taken by the Trustee's representative on the LRC to avoid such delays
- Any inappropriate or uncommercial transaction in relation to such recovery or realisation and financial consequence thereof and any steps taken by the Trustee's representative on the LRC
- Any current estimate that the Trustee has made concerning the quantum and timing of recovery of the balance of the Company's debenture loan book in:
    - the scenario where the orders sought in the defendant's Application are made; and
    - the scenario where the orders are not made.

IX. The Court will hear and determine the Application and any interlocutory application which may be made by the plaintiff on 5 April 2019, including whether it is appropriate to approve the form of the 2019 Explanatory Statement to be issued by the Company to Debenture Holders and any letter the Trustee proposes to send to Debenture Holders; and make orders that the 2019 Explanatory Statement, together with any letter from the Trustee, be communicated to Debenture Holders by 9 April 2019; and a meeting of debenture holders be convened on 30 April 2019.

In conclusion, these circumstances lead to material uncertainty around critical estimates, judgments and assumptions that have been used in preparing this financial report.

Going Concern

The financial report has been prepared on a 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 2018 was a profit after tax of $6,440,517 (2017: $26,478,433 loss) including a gain of $61,514,313 resulting from an adjustment to the carrying value of financial liabilities in accordance with AASB 139 para AG 8. (2017; $39,918,615 gain arising on de-recognition of financial liabilities and as at that date), the consolidated net liabilities are $26,277,465 (2017: Net Liabilities $32,628,195). The result for the Company for the year ended 30 June 2018 was a profit after tax of $6,092,213 (2017: $27,735,320 after a gain of $61,514,313 resulting from an adjustment to the carrying value of financial liabilities in accordance with AASB 139 para AG 8 (2017; $39,918,615 gain arising on de-recognition of financial liabilities and as at that date), the Company net liabilities are $26,420,798 (2017: net liabilities $32,513,011).
2) The net operating cash inflows for the consolidated entity have increased in the current period to $8,918,524 (2017: ($3,045,711)). Net cash outflows from financing and investing activities were $17,847,348 (2017: ($11,422,056)), resulting in negative net cash flow. The net operating cash inflows for the Company have increased in the current period to $8,956,128 (2017: ($3,757,503)). Net cash outflows from financing and investing activities for the Company were $8,970,978 (2017: Net Inflow of $3,390,689).
3) The Company has continued to be in breach of the conditions of its Australian Financial Services Licence (AFSL). If the AFSL were to be revoked, it would negatively impact its ability to continue to derive income from its management activities, therefore the ability of the Company and the Consolidated Entity to fund their operating cash flows.
4) ASIC has to the date of this report not yet provided consent to restructure the Responsible Entity of the Managed Investment Scheme business and the AFSL to enable that business to be sold, if required.
5) The Company and the Consolidated Entity have Loan Receivables that are non-performing and therefore are not earning interest or fee income. These assets are at a risk of incurring further impairments. The Company and the Consolidated Entity have amended the Trust Deed with the debenture holders as set out above which committed the Company and the Consolidated Entity to the Third Run-Off Proposal. Payments were required be made to Debenture Holders as assets are disposed and other proceeds collected, with a commitment to complete the repayment of the remaining debenture debt by 30 June 2019. Actual performance during the Third Run-Off Proposal period is set out above and has varied materially from the Third Run-off Proposal as approved.
6) The Directors and management have spent significant time executing the First, Second and Third Run-Off Proposals. 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 Receivable, to execute in a manner, which they believe, will maximise the returns to the investors. 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 Receivables and/or orderly realisation of the securities supporting the Loan Receivables. This is explained in more detail in the preceding note entitled "Material Uncertainty around critical estimates, judgments and assumptions".
7) The Third Run-Off Proposal contained plans and strategies for each Loan Receivable and other realisation of other assets, which would result in the Debenture Holders receiving 100.19c in the dollar on their original Principal Balances. However, the Third Run-off Proposal did acknowledge that there was a material and significant risk that the quantum and timing of the proceeds from executing these strategies. On 5 October 2018, the Directors resolved that, based on the information available to them on the status of all property sales, that the projected quantum and timing of forecast cash flows contained in the Third Run-off Proposal would not be achieved.

   The Directors further resolved that the Company provide the LRC with a proposal that it would be seeking to approach the Federal Court to put an alternative proposal to the debenture holders. The Directors were of the opinion that given the nature of the remaining assets that the preferred approach would be to ask the debenture holders to consider either:

   - an extended Fourth Run-off with no commitment to achieve a 100 cent return of principal invested; or
   - entering into some form of a "scheme of arrangement" whereby the remaining Loan Receivables and other assets forming the security for the debenture holders would be transferred into some form of "Special Purpose Vehicle" to sell down the remaining security assets. The Debenture Holders would also relieve Angas of the obligation to return to the Debenture Holders their outstanding principal in full and by a specified date. The proposal would also involve the debenture holders receiving equity in the Company which will continue as the Responsible Entity for the Angas Prime and Angas Direct [formerly APIF and ACMF], and units in the Special Purpose Vehicle.

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

1) A significant portion of the result for the financial period has resulted from an adjustment to the carrying value of financial liabilities (refer Notes 4 and 21) and the timing effect of discounting of cash flows and the subsequent negative impact of the impairment of certain Loan Receivables and other assets.
2) As stated above, the Directors and management spent significant time executing the First, Second and Third Run-Off Proposals in challenging market conditions. Considering these market conditions and other factors set out above, the Directors have concluded that it is in the best interests of the debenture holders to present them with an amended realisation strategy in the form of the 2019 Restructure Proposal. 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 Receivables, have enabled the development of an updated realisation strategy. This strategy requires Debenture Holders to agree to an extended period of time maximise the returns from the security assets. The cash flows used in the preparation of these financial statements form the basis of the assumptions that will be used in the 2019 Restructure Proposal currently being developed by the Directors.
3) In relation to Loan Receivables where the Company is realising the value of the underlying security, 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 including an estimated timing of sale. This includes 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 net cash flows arising from the price that they expect they can achieve within the likely proposed timeframe of the 2019 Restructure Proposal. It 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 that form security for the Loan Receivables.
4) The Directors believe that the Company's and the Consolidated Entity's continued focus as a fund manager, the continual restructuring and streamlining of business operations and overhead structure will enable the Company and Consolidated Entity to fund their operating expenditures.
5) The continuing ability of the Company and the Consolidated Entity to comply with the Trust Deed and any amendments to the deed approved by the Debenture Holders at the meeting held on 16 August 2017.
6) The Directors have determined, therefore, that if the proposed restructure in whatever form it is approved and subsequent ratification is obtained from the Federal Court during 2019, then the resultant change in structure of the Debenture Holders' Interest from a debt instrument to some form of equity instrument, the Company will be able to comply with the conditions of its AFSL, including the net tangible assets test.
7) The Directors are of the opinion that they will be able to obtain the support of the debenture holders for 2019 Restructure Proposal in the final form it takes. Throughout all of the three previous run-off proposals, the Directors have maintained regular communication with the debenture holders and have achieved support at all three previous meetings to approve the run-off proposals.
8) 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 principal to the debenture holders.

If the above mitigating factors are not achieved, in particular, if the debenture holders do not support the 2019 Restructure Proposal in the form presented to them by the Company, or if the 2019 Restructure Proposal is not ratified by the Federal Court, then there is material uncertainty whether the Company and the Consolidated Entity will continue as going concerns. If that is the case, it is unlikely they will realise their assets and settle their liabilities in the normal course of business and be able to pay their 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.

3.5 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.

3.8 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.

3.9 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.

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.

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

3.13 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.

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

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.

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 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.

Investment Properties

For investment properties, which are based on the lower of cost less accumulated depreciation and recoverable amount, the directors assess the recoverable amount 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 of investment 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.

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

Revised estimates of receipts and payments

The Directors determined that as a consequence of the approval of the Third Run-Off proposal and subsequent ratification by the Federal Court on 1 September 2017, a substantial modification of the debenture liability did not occur and therefore no derecognition applied. When a debenture derecognition does not apply but there is a resultant change in the estimates of the cash flows relating to the Debenture Liability, then the application of AASB 139 "Financial Instruments: Recognition and Measurement" paragraph AG8 is applied. This requires the Company to adjust the carrying amount of the financial liability to reflect the actual and revised estimated cashflows, which is mainly impacted by the extension of the term and no fixed commitment to repay until the end of the revised term. The impact of the application of AG8 resulted in restating the balance of the Debenture Liability as at 1 September 2017, $67,816,167, and recognising a gain of $61,514,313, which resulted in the Net Asset position of the Company and the Group becoming positive as at that date.

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 to $71.3 million.

Determination of Fair Value of new Mortgage Debenture Liabilities

In the previous financial year, the Directors determined that a substantial modification of the mortgage debenture liability had occurred as a result of the August 2016 changes approved by the Debenture Holders.

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 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 (including investments in mortgages via Angas Direct). 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).

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 2018 $	Year ended 30 June 2017 $	Year ended 30 June 2018 $	Year ended 30 June 2017 $
Commercial Lending	687,749	2,500,135	5,473,140	(29,694,435)
Structured Finance	3,313,451	4,509,701	2,792,737	3,696,919
Commercial Property Investments	627,584	656,759	(1,344,308)	172,900
Investment Properties	4,084	1,003,778	(480,552)	(653,817)
	4,632,868	8,670,373	6,440,517	(26,478,433)
Profit / (loss) before tax			6,440,517	(26,478,433)
Income tax benefit / (expense)			-	-
Consolidated segment revenue and profit / (loss) for the year	4,632,868	8,670,373	6,440,517	(26,478,433)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2017: 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 2018 $	30 June 2017 $
Commercial Lending	50,135,133	90,718,302
Structured Finance	369,305	385,960
Commercial Property Investments	7,093,518	8,577,375
Investment Properties	598,103	9,529,302
Total segment assets	58,196,059	109,210,939
Unallocated assets	-	-
Total assets	58,196,059	109,210,939

Segment liabilities

	30 June 2018 $	30 June 2017 $
Commercial Lending	74,705,800	129,938,973
Structured Finance	557,205	537,589
Commercial Property Investments	9,210,664	9,350,213
Investment Properties	(145)	1,998,911
Total segment liabilities	84,473,524	141,825,686
Unallocated liabilities	-	13,448
Total liabilities	84,473,524	141,839,134

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 2018 $	30 June 2017 $
Commercial Lending	3,072	25,311
Structured Finance	1,193	434
Commercial Property Investments	-	-
Investment Properties	174,700	15,366
Total depreciation and amortisation	178,965	41,111

6. Revenue

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

	Consolidated		Company	
	2018	2017	2018	2017
	$	$	$	$
Interest revenue:				
Bank deposits	25,375	24,406	21,292	23,431
Other loans and receivables	639,117	2,024,687	639,117	2,021,378
	664,492	2,049,093	660,409	2,044,809
Non-interest revenue:				
Loan fee income	6,310	30,367	6,310	19,990
Management Fees	3,193,384	4,363,161	3,193,384	4,363,161
Dividends from subsidiaries	-	-	-	197,403
Trailing commission & retail lending income	120,066	79,799	120,065	79,799
Upfront commission – retail lending	-	53,039	-	53,039
Gain/(loss) on disposal of asset	(519,747)	(108,236)	(519,747)	(108,236)
Rental income:				
Operating lease rental income:				
Investment properties	634,584	1,669,371	7,000	9,797
Other – serviced office	533,779	533,779	533,779	533,779
	3,968,376	6,621,280	3,340,791	5,148,732
Total Revenue	4,632,868	8,670,373	4,001,200	7,193,541

7. Interest expense

	Consolidated		Company	
	2018	2017	2018	2017
	$	$	$	$
Interest on fixed interest securities (i)	37,774,683	35,629,104	37,774,683	35,629,104
Interest on portfolio loan	279,608	248,345	-	-
Interest on commercial bills	-	372,338	-	-
Other interest expense	-	-	-	-
Total interest expense	38,054,291	36,249,787	37,774,683	35,629,104

(i) As described in Note 4, the Directors determined that as a consequence of the approval of the Third Run-off proposal and subsequent ratification by the Federal Court on 1 September 2017, the resultant change in estimates of the cash flows relating to the Debenture Liability resulted in the application of AASB 139 "Financial Instruments: Recognition and Measurement" paragraph AG8. The impact of the application of AG8 was in restating the balance of the Debenture Liability as at 1 September 2017, $67,816,167, which resulted in an increment to results and net assets of the Company and the Group of $61,514,313. The restated Debenture Liability was then amortised during the period resulting in an interest expense of $37,774,683.

8. Profit/(Loss) for the year

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

	Consolidated		Company	
	2018	2017	2018	2017
	$	$	$	$
Direct operating expenses from investment properties that generated rental income during the year (i)	279,338	497,239	-	673
	279,338	497,239	-	673
Operating lease rental expenses (i)	376,125	438,001	376,125	438,001
	376,125	438,001	376,125	438,001
Impairment losses on investment property				
Impairment loss on investment property	1,309,462	391,000	-	-
Reversal of impairment loss on investment property	-	(786,255)	-	-
	1,309,462	(395,255)	-	-
Impairment losses on financial assets:				
Impairment loss/(reversal) on loans carried at amortised cost	10,051,790	28,141,927	10,051,790	28,612,731
Bad debt	1,069,949	1,014,197	1,064,573	116,012
Impairment loss/(reversal) on receivables	-	49,144	-	143,812
Impairment loss on investment in subsidiaries	-	-	1,791,879	1,287,468
Impairment loss/(reversal) on investments	-	176,259	-	(23,741)
Impairment on Goodwill	-	-	-	-
	11,121,739	29,381,527	12,908,242	30,136,282
	12,431,201	28,986,272	12,908,242	30,136,282

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

8. Profit/(Loss) for the year (cont'd)

	Consolidated		Company	
	2018 $	2017 $	2018 $	2017 $
Administration expenses:				
Employee benefit expense:				
Post-employment benefits:				
Defined contribution plans	153,588	165,899	153,588	165,899
Other employee benefits	1,819,022	1,914,284	1,819,022	1,914,284
Other employee expenses	41,717	314,747	41,717	314,747
Lending expenses and disbursements	1,250,511	1,377,107	1,250,511	1,377,107
Professional fees	4,115,829	3,801,453	4,115,829	3,801,453
Computer expenses	214,591	246,610	214,591	246,610
Depreciation	178,965	41,111	4,265	25,745
Travel and entertainment	108,757	144,539	108,757	144,539
Printing and postage	107,174	114,600	107,174	114,600
Insurance	207,391	168,252	207,391	168,252
Other	231,086	233,257	223,969	216,353
	8,428,631	8,521,859	8,246,814	8,489,589

9. Income taxes

Income tax recognised in profit or loss

	Consolidated		Company	
	2018	2017	2018	2017
	$	$	$	$
Current tax				
In respect of the current year	-	-	-	-
In respect of prior years	-	-	-	-
	-	-	-	-
Deferred tax				
In respect of the current year	-	-	-	-
Total income tax expense / (benefit) recognised in the current year	-	-	-	-

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

	Consolidated		Company	
	2018	2017	2018	2017
	$	$	$	$
Profit / (loss) before tax	6,440,517	(26,478,433)	6,092,213	(27,735,320)
Income tax expense / (benefit) calculated at 30%	1,932,155	(7,943,530)	1,827,664	(8,320,596)
Effect of expenses that are not deductible in determining taxable profit	-	(44,086)	-	(44,086)
Less franking credits claimed on dividend from subsidiary	-	-	-	-
	1,932,155	(7,987,616)	1,827,664	(8,364,682)
Derecognition of tax assets recognised in the current and prior years	(1,932,155)	7,987,616	(1,827,664)	8,364,682
Income tax expense / (benefit) recognised in profit or loss	-	-	-	-

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	
	2018	2017	2018	2017
	$	$	$	$
Current tax assets				
Tax refund receivable	-	-	-	-
	-	-	-	-
Current tax liability				
Income tax payable	-	13,448	-	-
	-	13,448	-	-

Deferred tax balances

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

	Consolidated		Company	
	2018	2017	2018	2017
	$	$	$	$
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	
	2018	2017	2018	2017
	$	$	$	$
Trade receivables – Interest and fees	19,098,951	25,451,072	19,074,800	25,398,709
Trade receivables - allowance for doubtful debts	(3,753,813)	(3,753,813)	(3,753,813)	(3,753,813)
	15,345,138	21,697,259	15,320,987	21,644,896
Trailing commission receivable	331,987	363,338	331,987	363,338
Other receivables	419,327	2,013,523	444,066	2,022,135
	16,096,452	24,074,120	16,097,040	24,030,369

The below table summarises trade receivables which are past due:

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

	Consolidated		Company	
	2018	2017	2018	2017
	$	$	$	$
0 – 1 year	-	-	-	-
1 – 2 years	-	151,300	-	151,300
2 – 5 years	-	10,376	-	-
5+ years	-	1,186,661	-	1,186,661
	-	1,348,337	-	1,337,961

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

	Consolidated		Company	
	2018	2017	2018	2017
	$	$	$	$
0 – 1 year	-	2,537,929	-	2,537,929
1 – 2 years	2,571,617	12,898,107	2,571,617	12,898,107
2 – 5 years	9,750,305	3,318,733	9,750,305	3,318,733
5+ years	1,550,195	122,644	1,550,195	122,644
	13,872,117	18,877,413	13,872,117	18,877,413

11. Trade and other receivables (cont'd)

Movement in the allowance for doubtful debts

	Consolidated		Company	
	2018	2017	2018	2017
	$	$	$	$
Balance at the beginning of the year	(3,753,813)	(12,849,213)	(3,753,813)	(12,623,080)
Impairment losses derecognised on property sale receivables	-	9,013,078	-	9,013,078
Impairment losses recognised on loan receivables	-	-	-	(143,811)
Reversal Impairment losses on receivables	-	82,322	-	-
Balance at the end of the year	(3,753,813)	(3,753,813)	(3,753,813)	(3,753,813)

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	
	2018	2017	2018	2017
	$	$	$	$
Investments carried at cost:				
Investments in subsidiaries (note 30)	-	-	1,069,054	7,734,155
Loans and receivables carried at amortised cost:				
Loan to Mannum Unit Trust (i)	-	-	617,639	2,500,000
	-	-	1,686,693	10,234,155

(i) This loan was made to Mannum Unit Trust with interest payable monthly. Interest stopped being charged December 2015.

13. Loans

	Consolidated		Company	
	2018 $	2017 $	2018 $	2017 $
Mortgage loans	87,186,281	109,313,484	87,043,948	109,076,771
Allowances for doubtful debts	(56,793,289)	(46,835,879)	(56,554,956)	(46,503,166)
	30,392,992	62,477,605	30,488,992	62,573,605
<u>Maturity analysis</u>				
Not longer than 3 months	30,392,992	62,477,605	30,488,992	62,573,605
Longer than 3 months and not longer than 12 months	-	-	-	-
Longer than one year not longer than 5 years	-	-	-	-
	30,392,992	62,477,605	30,488,992	62,573,605
<u>Loan by security</u>				
Secured by first mortgage	30,266,974	62,324,518	30,362,974	62,420,518
Secured by second mortgage (i)	126,018	153,087	126,018	153,087
Secured by collateral security	-	-	-	-
	30,392,992	62,477,605	30,488,992	62,573,605
<u>Loan by security</u>				
Chattel	-	-	-	-
Commercial property	3,956,001	12,568,929	3,956,001	12,568,929
Residential property	26,436,991	49,908,676	26,532,991	50,004,676
Industrial property	-	-	-	-
	30,392,992	62,477,605	30,488,992	62,573,605

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

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

	Consolidated		Company	
	2018 $	2017 $	2018 $	2017 $
Balance at the beginning of the year	46,835,879	18,599,572	46,503,166	17,890,435
Impairment losses recognised on loans	12,908,783	29,061,457	12,908,783	28,728,743
Reversal of impairment losses recognised on loans	(2,951,373)	-	(2,856,993)	-
Bad debt write off	-	(825,149)	-	(116,012)
Balance at the end of the year	56,793,289	46,835,879	56,554,956	46,503,166

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 2018

TOTAL LOANS	NO. OF LOANS	COMMENTARY
$ 18,996,089	2	Primary asset is rural property close to Sydney
$ 2,476,991	2	Security comprises several retirement villages in Adelaide
$ 1,464,523	3	Perth based builder and property developer with a range of distinct residential, commercial and retail properties
$ 268,437	2	Perth based property developer with security comprising prime commercial, residential and retail sites across WA
$ 23,206,040		

Top Five 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		

13. Loans (cont'd)

Top Ten largest loans as at 30 June 2018

CUSTOMER	LOAN AMOUNT	CATEGORY	ASSET STATE	ARREARS
A	$ 9,826,975	Residential Development	NSW	$2,688,417
A	$ 9,169,114	Residential Development	NSW	$1,244,344
F	$ 2,592,357	Residential Development	WA	$1,447,481
J	$ 1,499,637	Residential Development	SA	-
Q	$ 1,288,206	Commercial Development	SA	-
T	$ 977,355	Residential Development	SA	-
P	$ 653,567	Residential Development	SA	-
	$ 623,165	Residential Development	WA	-
R	$ 435,512	Residential – vacant land	WA	$2,245,621
N	$ 268,437	Residential – vacant land	WA	$604,785
Total	**$27,334,325**			

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	**$80,315,281**			

14. Expired loans

	Consolidated		Company	
	2018 $	2017 $	2018 $	2017 $
Expired loans – Fixed interest securities funded	28,462,974	58,480,518	28,462,974	58,480,518
Expired loans – Non-fixed interest securities funded	1,930,018	3,997,087	2,026,018	3,997,087
Total	30,392,992	62,477,605	30,488,992	62,477,605

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	
	2018 $	2017 $	2018 $	2017 $
0 - 1 year	-	-	-	-
1 - 2 years	-	425,000	-	425,000
2 – 5 years	-	-	-	-
5+ years	-	-	-	-
Total	-	425,000	-	425,000

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	
	2018 $	2017 $	2018 $	2017 $
0 - 1 year	-	-	96,000	-
1 - 2 years	-	-	-	-
2 – 5 years	1,900,000	3,940,000	1,900,000	3,940,000
5+ years	-	10,000	-	10,000
Total	1,900,000	3,950,000	1,996,000	3,950,000

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	
	2018 $	2017 $	2018 $	2017 $
0 - 1 year	-	-	-	-
1 - 2 years	-	43,729,914	-	43,729,914
2 – 5 years	24,598,139	13,945,587	24,598,139	13,945,587
5+ years	3,864,835	380,017	3,864,835	380,017
Total	28,462,974	58,055,518	28,462,974	58,055,518

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	
	2018 $	2017 $	2018 $	2017 $
0 - 5 years	-	-	-	-
5+ years	30,018	47,087	30,018	47,087
Total	30,018	47,087	30,018	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 2016	553,691	553,691
Additions	-	-
Disposals – sale and leaseback	-	-
Disposals	(14,241)	(14,241)
Balance at 1 July 2017	539,450	539,450
Additions	-	-
Disposals – sale and leaseback	-	-
Disposals	-	
Balance at 30 June 2018	539,450	539,450
Accumulated depreciation		
Balance at 1 July 2016	(522,346)	(522,346)
Depreciation expense	(17,812)	(17,812)
Disposals	2,223	2,223
Balance at 1 July 2017	(537,935)	(537,935)
Depreciation expense	(1,193)	(1,193)
Disposals	-	-
Balance at 30 June 2018	(539,128)	(539,128)
Net book value		
As at 30 June 2017	1,515	1,515
As at 30 June 2018	322	322

Company	Plant and equipment at cost $	Total $
Gross carrying amount		
Balance at 1 July 2016	539,450	539,450
Additions	-	-
Disposals – sale and leaseback	-	-
Disposals	-	-
Balance at 1 July 2017	539,450	539,450
Additions	-	-
Disposals – sale and leaseback	-	-
Disposals	-	-
Balance at 30 June 2018	539,450	539,450
Accumulated depreciation		
Balance at 1 July 2016	(520,123)	(520,123)
Depreciation expense	(17,812)	(17,812)
Disposals	-	-
Balance at 1 July 2017	(537,935)	(537,935)
Depreciation expense	(1,193)	(1,193)
Disposals	-	-
Balance at 30 June 2018	(539,128)	(539,128)
Net book value		
As at 30 June 2017	1,515	1,515
As at 30 June 2018	322	322

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

16. Investment property

	Consolidated		Company	
	2018 $	2017 $	2018 $	2017 $
At cost				
Balance at beginning of year	9,533,911	29,354,193	519,750	519,750
Acquisitions	-	-	-	-
Impairment losses	(1,309,461)	(391,000)	-	-
Loss on disposal of property	(519,750)		(519,750)	
Building & development costs	-	-	-	-
Disposal of investment property	-	(19,413,916)	-	-
Depreciation	(174,700)	(15,366)	-	-
Balance at end of year	7,530,000	9,533,911	-	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

2018 Property location	Book Value	Fair Value	Valuation Date
Lot 71 Coral Cove QLD	$ 500,000	$ 500,000	30/06/2017 *
Mannum Green Shopping Centre SA	$7,030,000	$7,030,000	08/12/2017
TOTAL	**$7,530,000**	**$7,530,000**	

* Directors' valuation

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

16. Investment property (cont'd)

Company

2018

Property location	Book Value	Fair Value	Valuation Date
N/A	-	-	-
TOTAL	-	-	-

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**	

Fair value of the consolidated entity's investment properties

The fair value of the consolidated entity's investment properties as at 30 June 2018 and 30 June 2017 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.

Details of the company and consolidated entity's investment properties and information about the fair value hierarchy as at 30 June 2018 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 30 June 2018
Investment properties				
Company	-		-	-
Consolidated Entity	-		$7,530,000	**$7,530,000**

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

17. Other intangible assets

	Consolidated			
	Software under lease $	Software $	Copyright, Website & Formation Exp $	Total $
Gross carrying amount				
Balance at 30 June 2016	-	171,330	2	171,332
Additions	-	-	-	-
Disposal	-	-	-	-
Balance at 30 June 2017	-	171,330	2	171,332
Additions	-	-	-	-
Disposal	-	-	-	-
Balance at 30 June 2018	-	171,330	2	171,332
Accumulated amortisation and impairment				
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)
Amortisation expense	-	(3,072)	-	(3,072)
Disposal	-	-	-	-
Balance at 30 June 2018	-	(171,330)	-	(171,330)
Net book value				
As at 30 June 2017	-	3,072	2	3,074
As at 30 June 2018	-	-	2	2

	Company			
	Software under lease $	Software $	Copyright, Website & Formation Exp $	Total $
Gross carrying amount				
Balance at 30 June 2016	-	171,330	2	171,332
Additions	-	-	-	-
Disposal	-	-	-	-
Balance at 30 June 2017	-	171,330	2	171,332
Additions	-	-	-	-
Disposal	-	-	-	-
Balance at 30 June 2018	-	171,330	2	171,330
Accumulated amortisation and impairment				
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)
Amortisation expense	-	(3,072)	-	(3,072)
Disposal	-	-	-	-
Balance at 30 June 2018	-	(171,330)	-	(171,330)
Net book value				
As at 30 June 2017	-	3,072	2	3,074
As at 30 June 2018	-	-	2	2

18. Other assets

	Consolidated		Company	
	2018 $	2017 $	2018 $	2017 $
Prepayments	32,694	48,292	32,694	48,292
	32,694	48,292	32,694	48,292

19. Assets pledged as security

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

20. Trade and other payables

	Consolidated		Company	
	2018 $	2017 $	2018 $	2017 $
Trade payables (i)	3,754,602	1,904,474	3,735,623	1,758,475
Goods and services tax payable	3,498,008	205,787	3,481,193	206,910
	7,252,610	2,110,261	7,216,816	1,965,385

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

21. Interest bearing liabilities

	Consolidated		Company	
	2018 $	2017 $	2018 $	2017 $
Secured – at amortised cost				
Fixed interest securities (i) (ii)	70,301,150	130,704,210	70,301,150	130,704,210
Redeemable Preference Shares (iii)	1,038,976	1,036,784	1,038,976	1,036,784
BankSA Bank bills (iv)	-	1,935,000	-	-
Business markets loan (v)	5,700,000	5,796,000	-	-
	77,040,126	139,471,994	71,340,126	131,740,994
Maturity analysis				
Not longer than 3 months	5,700,000	136,500,210	-	130,704,210
Longer than 3 months and not longer than 12 months	70,301,150	1,935,000	70,301,150	-
Longer than 1 year and not longer than 5 years	1,038,976	1,036,784	1,038,976	1,036,784
Longer than 5 years	-	-	-	-
	77,040,126	139,471,994	71,340,126	131,740,994

(i) 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 resulted in the application of AASB 139 "Financial Instruments: Recognition and Measurement" paragraph AG8. The impact of the application of AG8 resulted in restating the balance of the Debenture Liability as at 1 September 2017, $67,816,167, which resulted in an increment to results and net assets of the Company and the Group of $61,514,313.

The restated Debenture 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 $37,774,683. The movement in this account for the year is summarised as follows:

	2018 $	2017 $
Opening balance	130,704,210	144,920,615
Less:		
Debenture repayments	(36,663,430)	(9,434,567)
Gain on derecognition of financial liability (Note 4)	-	(39,918,615)
Gain on restatement of financial liability (Note 4)	(61,514,313)	-
Add:		
Amortisation of interest expense (Note 7)	37,774,683	35,136,777
Closing balance	70,301,150	130,704,210

(ii) The carrying value of fixed interest securities of $70,301,150 as at 30 June 2018 represents the amortised cost of that liability. The principal value of the liability is $98,822,617.

(iii) The face value of the Redeemable Preference Shares ("RPS") Series 1 ("RPS1") and Series 3 ("RPS3"): $1,045,000 (2017: $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 none (2017: one) bank bills 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.

22. Provisions

	Consolidated		Company	
	2018	2017	2018	2017
	$	$	$	$
Employee benefits (i)	180,788	243,431	180,788	243,431
	180,788	243,431	180,788	243,431

(i) The provision for employee benefits includes $75,723 (2017: $75,189) of annual leave and $105,065 (2017: $168,242) 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.

23. Issued capital

	Consolidated		Company	
	2018	2017	2018	2017
	$	$	$	$
10,983,388 fully paid ordinary shares (2017: 10,983,388)	12,225,127	12,225,127	12,225,127	12,225,127
Nil partly paid ordinary shares (2017: Nil)	-	-	-	-
5,000,000 redeemable preference shares (2017: 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.

	2018		2017	
	No.	$	No.	$
Fully paid ordinary shares				
Balance at beginning of year	10,983,388	12,225,127	10,983,388	12,225,127
Issue of shares	-	-	-	-
Conversion of redeemable preference shares (RPS)	-	-	-	-
RPS interest payable derecognised	-	-	-	-
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.

23. Issued capital (cont'd)

	2018		2017	
	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.

	2018		2017	
	No.	$	No.	$
Redeemable preference shares				
Balance at beginning of year	5,000,000	5,000,000	5,000,000	5,000,000
Conversion to ordinary shares	-	-	-	-
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.

24. Accumulated Profit/(Loss)

	Consolidated		Company	
	2018	2017	2018	2017
	$	$	$	$
Balance at beginning of year	(49,962,426)	(23,433,152)	(49,738,138)	(22,002,818)
Profit / (loss) attributable to owners of the Company	6,446,311	(26,529,274)	6,092,213	(27,735,320)
Dividends provided for or paid (note 27)	-	-	-	-
Balance at end of financial year	(43,516,115)	(49,962,426)	(43,645,925)	(49,738,138)

25. Dividends on equity instruments

No dividends were paid during the year (2017: NIL)

	Company	
	2018	**2017**
	$	**$**
Adjusted franking account balance	3,555,157	3,555,157
Impact on franking account balance of dividends not recognised	-	-

26. 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. On November 2017, the Full Court awarded costs against the Trustee for an appeal against a costs order which failed. Those costs have not yet been paid but can be offset by the Company against the contingent liability.

During the year, an additional claim for Trustee expenses was lodged. The Company did not expect the additional claim. There had been no disclosure by the Trustee of these additional expenses in the material provided to investors at the third meeting held in August 2017, despite many of the expenses having been incurred before then. The initial claim (incorporating previous claims) was for $4,397,280.44 although this was later reduced to $3,858,472.96 (on the same basis). The Company has sought itemization and explanation from the Trustee but remains dissatisfied with the justification provided. Nevertheless, the Financial Statements have booked a further accrual of $1,900,000 to address the Trustee's further claim.

There is a claim for unspecified damages against the Company in the Supreme Court of South Australia brought in the name of two corporate borrowers (both in receivership) by their directors. The subject matter covers similar claims brought in two earlier proceedings, both of which were dismissed including one which was appealed to the Full Court and dismissed. The Company has been provided with eight versions of a Statement of Claim so far. Several issues agitated in the latest version have been struck out as being barred by the Statute of Limitations. The borrower companies' appeal against the strike out was dismissed by the Full Court on 21 December 2018. Meanwhile, the borrower companies have been directed to provide security for the Company's costs of $450,000 before the claim can proceed. The borrower companies have been permitted to pay $250,000 (which has been done) with the balance due should the proceedings be set down for trial.

There is a claim for unspecified damages against the Company in the Supreme Court of New South Wales brought by the purported assignee of a Trust which is a borrower in default. The corporate entity which acted as Trustee was wound up by the ATO in 2009. The assignee has admitted that it is impecunious. An order for security for costs made on 25 November 2016 was complied with on 22 December 2017. No step has been taken in the proceedings since then. The Company is seeking to enforce several costs orders made in the proceedings to date. A Bill of Costs was served on the assignee on 7 December 2018. Formalities are continuing to quantify and recover these costs awarded in favour of the Company.

There is a claim in debt and damages for repudiation of contract against the Company in the Supreme Court of New South Wales brought by a former commission agent. The Company has denied liability and Cross Claimed for payments made to date under mistake of fact. The proceedings are listed for trial on 18 February 2019.

27. Leases

Finance leases

Leasing arrangements

There were no finance leases in place for the year (2017: Nil).

Operating leases

Leasing arrangements as Lessee

The consolidated entity leases three offices under operating leases expiring within none to four 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	
	2018	2017	2018	2017
	$	$	$	$
Not longer than 1 year	305,268	328,260	305,268	328,260
Longer than 1 year and not longer than 5 years	1,121,372	1,316,832	1,121,372	1,316,832
Longer than 5 years	-	128,726	-	128,726
	1,426,640	1,773,818	1,426,640	1,773,818

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.

Non-cancellable future minimum lease receivable

	Consolidated		Company	
	2018	2017	2018	2017
	$	$	$	$
Not longer than 1 year	663,817	710,029	-	-
Longer than 1 year and not longer than 5 years	2,653,717	2,305,096	-	-
Longer than 5 years	2,930,038	3,447,483	-	-
	6,247,572	6,462,608	-	-

28. Subsidiaries

Name of subsidiary	Principal activity	Country of incorporation	Ownership interest 2018 %	Ownership interest 2017 %
Angas Commercial Property Trust	Property Investments	Australia	98.6	98.6
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 (i)	Commercial Property Investment	Australia	80.0	80.0
Mannum Green Shopping Centre Pty Ltd as trustee for Mannum Unit Trust (ii)	Commercial Property Investment	Australia	75.0	75.0
Angas Mortgage Management Ltd (iii)	Financial services	Australia	100.0	100.0

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

(ii) Mannum Investment Group Pty Ltd as trustee for Mannum Investment Unit Trust owns 75% of the units in Mannum Green Shopping Centre Pty Ltd as trustee for Mannum Unit Trust. Angas Commercial Property Trust holds the other 25% of the units Mannum Green Shopping Centre Pty Ltd as trustee for Mannum Unit Trust.

(iii) This wholly-owned subsidiary was incorporated on 25 October 2016 with the intention that it would replace Angas as Responsible Entity and manager of Angas Direct and Angas Prime. As at 30 June 2018, ASIC has yet to agree to this restructure.

<u>Composition of group</u>

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 2018	Number of wholly-owned subsidiaries 2017
Property Investments	Australia	-	-
Commercial Property Investment	Australia	-	-
Financial Services	Australia	1	1
Structured Finance	Australia	1	1

Principal Activity	Place of incorporation and operation	Number of non-wholly-owned subsidiaries 2017	Number of non-wholly-owned subsidiaries 2016
Property Investments	Australia	-	-
Commercial Property Investment	Australia	-	-
Financial Services	Australia	1	-
Structured Finance	Australia	1	1

29. 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, if any. 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	
	2018 $	2017 $	2018 $	2017 $
Cash – Trading account (at call)	3,834,294	9,914,033	3,701,886	867,650
Cash – Fixed interest securities fund (at call)	308,475	3,157,568	308,475	3,157,568
Cash on hand	828	821	828	821
	4,143,597	13,072,422	4,011,189	4,026,039

(b) Financing facilities

	Consolidated		Company	
	2018 $	2017 $	2018 $	2017 $
Secured bank bill facilities:				
• amount used	-	1,935,000	-	-
• amount unused	-	-	-	-
		1,935,000	-	-
Portfolio Loan:				
• amount used	-	-	-	-
• amount unused	-	-	-	-
	-	-	-	-
Business market loan:				
• amount used	5,700,000	5,796,000	-	-
• amount unused	-	-	-	-
	-	5,796,000	-	-

(c) Cash balances not available for use

In accordance with the Third Run-Off Proposal, the company must hold $2 million in cash at the end of each month, subject to the approval of the LRC if any of the buffer is to be used.

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

29. 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	
	2018	2017	2018	2017
	$	$	$	$
Profit / (loss) for the year	6,440,517	(26,478,433)	6,092,213	(27,735,320)
Debt issue costs recognised in profit or loss	(2,191)	(2,191)	(2,191)	(2,191)
Impairment of assets	12,431,201	28,986,922	11,116,363	30,039,345
Impairment recovered on assets	-	(23,741)	-	(23,741)
Reversal of impairment loss recognised on investments in subsidiaries	-	-	-	-
Impairment loss recognised on investments in subsidiaries	-	-	1,791,879	-
Gain on revaluation of debenture liability	(61,514,313)	(39,918,615)	(61,514,313)	(39,918,615)
Amortisation of debenture liability	37,774,683	35,136,777	37,774,683	35,136,777
Depreciation	178,965	41,111	4,265	25,745
Change in tax balances	(13,448)	(42,177)	-	-
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Trade and other receivables	7,977,669	(2,545,629)	7,933,329	(3,065,157)
Loan receivables	-	(17,038)	-	(17,038)
Inventory	-	396,000	-	396,000
Other assets	535,348	2,281,159	535,348	1,663,913
Increase/(decrease) in liabilities:				
Trade and other payables	5,172,736	(891,271)	5,287,195	(288,637)
Interest bearing liabilities	-	-	-	-
Provisions	(62,643)	31,416	(62,643)	31,416
Net cash used in operating activities	8,918,524	(3,045,711)	8,956,128	(3,757,503)

30. 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 from the growth of the two managed investment schemes, Angas Direct and Angas Prime.

Mannum Unit Trust holds one business markets loan which is secured against the Mannum Shopping Centre in South Australia. Mannum Unit Trust is a subsidiary of the consolidated entity.

(b) Categories of financial instruments

	Consolidated		Company	
	2018 $	2017 $	2018 $	2017 $
Financial assets				
Cash and cash equivalents	4,143,597	13,072,422	4,011,189	4,026,039
Loans and receivables	46,489,444	86,551,725	46,586,032	97,806,987
Financial liabilities				
At amortised cost	84,292,736	141,582,254	78,556,942	133,706,378

(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 month, requiring permission of the LRC to use some of this buffer, if necessary.

(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 30(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.

30. 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 $7,782 (2017: increase/(decrease) by $26,707). These movements are as a result of lower/higher interest income from these financial assets.
- equity would increase/(decrease) by nil (2017: 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.

30. 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 month 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 liabilities.

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 + $
2018				
Fixed interest rates				
Trade and other payables	0.00%	7,252,610	-	-
Redeemable Preference Shares (RPS)	9.75%	-	1,045,000	-
Fixed interest securities	0.00%	98,822,617	-	-
		106,075,227	1,045,000	-
Variable interest rates				
Business markets loan	4.42%	5,836,890	-	-
Bank bills	5.82%	-	-	-
		5,836,890	-	-
		111,912,117	1,045,000	-
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	-

30. Financial instruments (cont'd)

(h) Liquidity risk management (cont'd)

COMPANY	Average interest rate %	Less than 1 year $	1-5 years $	5 years + $
2018				
Fixed interest rates				
Trade and other payables	0.00%	7,216,816	-	-
Redeemable Preference Shares (RPS)	9.75%	-	1,045,000	-
Fixed interest securities	0.00%	98,822,617	-	-
		106,039,433	1,045,000	-
Variable interest rates				
Portfolio loan	0.00%	-	-	-
		-	-	-
		106,039,433	1,045,000	-
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	-

31. 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	
	2018 $	2017 $	2018 $	2017 $
Short-term employee benefits	810,918	783,257	810,918	783,257
Post-employment benefits	60,508	57,701	60,508	57,701
	871,426	840,958	871,426	840,958

32. 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	
	2018 $	2017 $
Consolidated revenue includes the following amounts arising from transactions with key management personnel of the consolidated entity or their related parties:		
Trail commission	1,096	1,044
	1,096	1,044
Consolidated profit includes the following expenses arising from transactions with key management personnel of the consolidated entity or their related parties:		
Management fee	68,185	82,344
	68,185	82,344
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	-	-
	-	-

32. 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. This arrangement was terminated on 31 August 2015. The balance of service fees owing from Hower Corporation Pty Ltd as at 30 June 2018 was $NIL (2017: $130,284) after the balance was repaid in full on15 August 2017.

During 2017/18, the retail lending business received $1,096 (2017: $1,044) 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 $68,185 (2017: $82,344). The management fee related to services provided by Angas Property Fund Limited relating to the management of investment properties held within the Trusts.

(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	1,136,958
Cardiff Capital Pty Ltd	1	2,346,837
Mortgage Funds Management Pty Ltd	1	50,749,772
Barker Performance Trust 1	2	652,188
Barker Performance Trust 2	5	2,887,450
		57,773,205

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.

33. Remuneration of auditors

	Consolidated		Company	
	2018	2017	2018	2017
	$	$	$	$
Auditor of the parent entity				
Audit or review of the financial report	250,000	375,000	250,000	375,000
(Over)/under provision of prior year audits	735,351	72,410	735,351	72,410
Professional services	-	-	-	-
Taxation services	907	907	907	907
	986,258	448,317	986,258	448,317

The auditor of Angas Securities Limited is Deloitte Touche Tohmatsu.

34. Disposal of subsidiary

There was no disposal of subsidiary during the financial year.

35. Events after the reporting period

Refer to "Subsequent Events" section in Directors Report.