ANGAS SECURITIES LIMITED

ABN 50 091 942 728

Half year report for the half-year ended 31 December 2015

Financial report for the half-year ended 31 December 2015

Directors' report

The directors of Angas Securities Limited ("Angas" or "the Company") submit herewith the financial report for the half-year ended 31 December 2015. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:
The names of the directors of the company during or since the end of the half-year are:

Name
Mr Andrew Luckhurst-Smith
Mr Matthew John Hower
Mr Clive Thomas Guthrie

Review of operations

The operating profit of the consolidated group prior to impairment (after income tax and before dividends) for the period was $665,293 (6 months December 2014 operating loss of $1,076,071). The operating profit of the parent entity (Angas Securities Ltd) prior to impairment (after income tax and before dividends) for the period was $960,029 (6 months December 2014 operating loss of $154,140).

After allowing for impairment, the operating loss of the consolidated group after income tax and before dividends for the period amounted to $675,186 (6 months December 2014 operating loss of $4,250,941). This was an improvement over the previous half year results.

Impaired loans continued to be managed. Further impairment expenses of $1,340,479 (6 months December 2014: $3,174,870) have been incurred for the six months ended 31 December 2015, assessed in accordance with Australian Accounting Standards. The quantum of impairments has improved; however, expenses relating to the recovery of loans have continued to be incurred.
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 $43,930,865 for the six month period.

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

Future developments

The consolidated entity is required to to run-off its traditional debenture business by 31 December 2016. The consolidated entity plans to maintain the retail lending business which generates fee income from retail lending using third party funding sources. APIF is a retail investment product comprising a pooled mortgage trust. This product is in addition to the contributory mortgage trust known as ACMF. Both mortgage trusts are becoming established as Managed Investment Schemes for retail investors. They are expected to be solid contributors to earnings on an ongoing basis.

A diminution in direct competitors, the increasing demographic of the Australian population seeking self-funded retirement products and low interest rates are expected to underpin the strength of the Company's retail offerings.

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

Change in state of affairs

Mortgage Debenture Fund Business

The Company and the Trustee for first ranking debenture holders reached an agreement on 9 June 2015. The core requirements of the agreement were that the Company agreed to submit a proposal to the debenture holders that would require them to consider amending the Trust Deed for First Ranking Debenture Stock to give effect to the following:

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

A meeting was held on 10 August 2015 at which the debenture holders voted in favour of an extraordinary resolution to implement the Run-Off Proposal. The outcome of the meeting was then approved by the Federal Court on 14 August 2015 and the Company was then directed to amend the Trust Deed and implement the proposal accordingly.

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

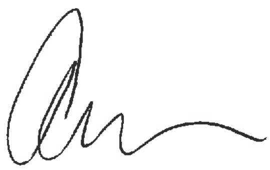
As at 31 December 2015, debenture holders had received 20% of principal owing together with monthly interest of 4% paid each month during the period from August 2015 to December 2015.

Auditor's independence declaration

The auditor's independence declaration is included on page 3 of the half-year report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



Andrew Luckhurst-Smith
Director
Adelaide, 15 March 2016

Deloitte.

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

15 March 2016

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 review of the financial statements of Angas Securities Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S T Harvey
Partner
Chartered Accountants

Deloitte.

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

We have reviewed the accompanying half-year financial report of Angas Securities Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, and condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 25.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Angas Securities Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

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

Deloitte

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Angas Securities Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss of $675,186 and operating cash outflows of $1,364,364 during the half-year ended 31 December 2015. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S T Harvey
Partner
Chartered Accountants
Adelaide, 15 March 2016

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; and
(b) 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 consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

Andrew Luckhurst-Smith
Director

Adelaide, 16 March 2016

Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2015

	Consolidated Half-year ending	
	31 December 2015 $	**31 December 2014 $**
Interest revenue	7,922,081	10,260,735
Interest expense	(5,561,429)	(10,040,707)
Net interest revenue	2,360,652	220,028
Non interest revenue	3,784,135	5,607,686
Marketing expenses	(66,973)	(264,610)
Occupancy expenses	(300,756)	(370,728)
Administration expenses	(4,548,280)	(4,835,354)
Impairment expense	(1,340,479)	(3,174,870)
Other expenses	(563,485)	(360,960)
Profit/(loss) before tax	(675,186)	(3,178,808)
Income tax benefit/(expense)	-	(1,072,133)
Profit/(loss) for the period	(675,186)	(4,250,941)
Other comprehensive income	-	-
Total comprehensive income/(expense) for the period	(675,186)	(4,250,941)
Profit/(Loss) Attributable to:		
Equity holders of the parent	(641,402)	(4,232,068)
Non-controlling interests	(33,784)	(18,873)
	(675,186)	(4,250,941)

Notes to the condensed consolidated financial statements are included on pages 11 to 25.

Condensed consolidated statement of financial position as at 31 December 2015

	Note	Consolidated 31 December 2015 $	30 June 2015 $
Assets			
Cash and cash equivalents		19,595,562	27,972,738
Trade and other receivables	3	16,285,037	13,731,411
Current tax assets		8,731	79,308
Property held for resale	4	3,613,500	5,052,803
Loans	5	131,529,997	166,817,154
Other financial assets		424,952	300,000
Property, plant and equipment		45,606	89,917
Other assets		2,281,550	2,639,091
Inventory – property		1,187,518	2,514,600
Investment property		29,250,583	29,609,202
Other intangible assets		25,690	44,578
Goodwill		141,611	141,611
Total assets		204,390,337	248,992,413
Liabilities			
Trade and other payables		5,919,055	4,355,073
Other financial liabilities		-	144
Interest bearing liabilities		196,395,394	249,772,509
Current tax payable		-	70,577
Provisions		240,561	289,935
Total liabilities		202,555,010	254,488,239
Net assets		1,835,327	(5,495,825)
Equity			
Issued capital		17,225,127	9,028,067
Retained earnings/(accumulated losses)		(15,468,083)	(14,641,517)
Equity attributable to equity holders of the parent		1,757,044	(5,613,450)
Non-controlling interests		78,283	117,624
Total equity		1,835,327	(5,495,825)

Notes to the condensed consolidated financial statements are included on pages 11 to 25.

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2015

	Issued Capital $	Retained earnings $	Non-controlling interest $	Total $
Balance at 1 July 2014	9,028,067	872,711	(117,921)	9,782,857
Profit/(loss) for the period	-	(4,232,068)	(18,873)	(4,250,941)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	(4,232,068)	(18,873)	(4,250,941)
Payment of dividends – ordinary shares	-	-	-	-
Payment of dividends – preference shares	-	(247,945)	-	(247,945)
Transfer of units within wholly owned group	-	(275,894)	275,894	-
Issue of capital – ordinary shares	-	-	-	-
Issue of capital – preference shares	-	-	-	-
Other	-	-	-	-
Balance at 31 December 2014	9,028,067	(3,883,196)	139,100	5,283,971
Balance at 1 July 2015	9,028,067	(14,826,681)	112,067	(5,686,547)
Profit/(loss) for the period		(641,402)	(33,784)	(675,186)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	(641,402)	(33,784)	(675,186)
Payment of dividends – ordinary shares	-	-	-	-
Payment of dividends – preference shares	-	-	-	-
Redemption of units in trust	-	-	-	-
Conversion of RPS to ordinary shares	7,745,342	-	-	7,745,342
Issue of capital – ordinary shares	-	-	-	-
RPS Interest Payable derecognised	451,718	-	-	451,718
Other	-	-	-	-
Balance at 31 December 2015	17,225,127	(15,468,083)	78,283	1,835,327

Notes to the condensed consolidated financial statements are included on pages 11 to 25.

Condensed consolidated statement of cash flows for the half-year ended 31 December 2015

	Consolidated	
	Half-year ended 31 December 2015 $	Half-year ended 31 December 2014 $
Cash flows from operating activities		
Receipts from customers	4,486,613	5,303,520
Payments to suppliers and employees	(2,760,212)	(8,359,772)
Payments of property investment distributions	(3,920)	
Interest received	3,917,383	10,346,046
Interest paid	(7,004,228)	(11,041,875)
Income tax paid	-	(65,822)
Net cash used in operating activities	(1,364,364)	(3,817,903)
Cash flows from investing activities		
Proceeds from repayment of mortgage loans	36,822,543	55,966,562
Payment for mortgage loans	(1,280,128)	(39,463,387)
Proceeds from property held for sale	1,439,303	1,410,750
Payment for property, plant and equipment	-	(28,969)
Payment for investment properties	(124,952)	-
Payment of building and development cost for investment properties	(39,502)	(53,745)
Net cash provided by investing activities	36,817,264	17,831,211
Cash flows from financing activities		
Proceeds from borrowings	85,483	(790,000)
Repayment of borrowings	15,858	(39,980)
Proceeds for issue of equity securities	-	-
Payment for investment in subsidiary	-	(200,000)
Proceeds from investors – managed investment scheme	-	-
Repayment to investors – managed investment scheme	-	-
Proceeds from issues of debt securities	(144)	6,525,080
Repayment of debt securities	(43,930,865)	(16,624,124)
Dividends paid		
- redeemable preference shareholders		(247,945)
- member of the parent entity	-	-
Net cash used in financing activities	(43,829,668)	(11,376,969)
Net increase in cash and cash equivalents	(8,376,769)	2,636,339
Cash and cash equivalents at the beginning of the period	27,972,331	22,744,969
Cash and cash equivalents at the end of the period	19,595,562	25,381,308

Notes to the condensed consolidated financial statements are included on pages 11 to 25.

Notes to the condensed consolidated financial statements

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on fair values of the consideration given in exchange of assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2015 annual financial report for the financial year ended 30 June 2015, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.
New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 1031 'Materiality' (2013)
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets
- and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-
- Financial Assets'
- AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives
- and Continuation of Hedge Accounting '
- AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'
- AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'
- AASB 2014-1 'Amendments to Australian Accounting Standards'
  - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
  - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'
  - Part C: 'Materiality'
- Interpretation 21 'Levies'

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior half-years.

1. Significant accounting policies (cont'd)

Use of Estimates and Assumptions

Preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the application of accounting policies. The estimates and associated assumptions are based on historical experience, current property market conditions and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on a regular and ongoing basis. Areas involving a higher degree of judgment or complexity, or areas where assumptions or estimates are significant are discussed in detail below. If different assumptions or estimates were applied, the resulting values would change, impacting the net assets and income of the consolidated entity.

Provisions for Impairment of Financial Assets

Provisions for impairment of financial assets are raised where there is objective evidence of impairment and at an amount adequate to cover assessed credit related losses. Credit losses arise primarily from mortgage loans, but may also occur with other financial assets such as trading loans and options receivable.

Individually assessed provisions are raised where there is objective evidence of impairment, that is where the company does not expect to receive all contractually due cashflows. Provisions are based primarily on estimates of the realisable value of first mortgage security and other available collateral. Judgment is applied in assessing the value of the security and estimating the timing to realise such security or other collateral. Timing may impact the present value of expected cashflows. The Board meets on a monthly basis with an agenda including consideration and approval of provisions to be made against such loans. Refer Note 5 for further information.

Provisions for Impairment of Investment Properties

The carrying value of investment properties is also reviewed for evidence of impairment and is written down to the extent that it is no longer supported by future probable benefits. Where the current carrying value is greater than the recoverable amount, an amount is charged to the income statement. Conversely, management considers at each reporting period whether there is any indication that any impairment loss previously recorded no longer exists, in which case the recoverable amount is determined and impairment loss is reversed to the income statement.

1. Significant accounting policies (cont'd)

Going Concern and Material Uncertainty around critical estimates, judgements and assumptions

Mortgage Debenture Business

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

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

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

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

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

A meeting was held on 10 August 2015 at which the debenture holders voted in favour of an extraordinary resolution to implement the Run-Off Proposal. The outcome of the meeting was then approved by the Federal Court on 14 August 2015 and the Company was then directed to amend the Trust Deed and implement the proposal accordingly.

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

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

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

The payment of 10c that is due to be paid on 30 April 2016 is unpaid at the date of this report.

The third and fourth payments of 10c and 50c are due to be paid on 30 June 2016 and 30 December 2016 respectively.

Management has put in place plans which they believe will achieve the repayment schedule set out below.

The balance sheet as at 31 December 2015 discloses the following:

Interest Bearing Liabilities - $196,395,394 (30 June 2015 - $249,772,509) of which $175,723,460 (30 June 2015 - $219,654,325) related to Mortgage Debenture Liabilities.

At the date of signing this report the repayment commitment is:

30 April 2016	21,965,433
30 June 2016	21,965,433
31 December 2016	109,827,162
Total	153,758,028

Material Uncertainty around critical estimates, judgments and assumptions

The Run-off Proposal requires the Directors of the Company to make significant estimates, judgments and assumptions in relation to the method, quantum and timing of cashflows in respect of the repayments, and refinancing of loan facilities and/or the orderly realisation of the securities supporting those facilities. The Directors have applied their knowledge and experience in the areas of lending, property development and property management, and have sought advice from appropriately qualified professionals. In relation to each loan facility, a realisation strategy has been developed to maximise the returns to investors.

There is a significant level of volatility and uncertainty in relation to both the quantum and timing of future cash flows and decisions 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 investors. In some cases these events could result in further impairment of the carrying value of loan assets.

The Directors have assessed impairment based on the best information available to them. Given the factors set out above, there is inherent and significant uncertainty in relation to estimates, judgments and assumptions made and if the ultimate outcome of the events and circumstances surrounding each loan facility realisation are not consistent with those estimates, judgements and assumptions then the Consolidated Group may not achieve the carrying amounts in the financial statements resulting in further impairment charges.

Going Concern

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

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

1) The result for the half year ended 31 December 2015 is a loss after tax of $0.675M (2014: $4.251M loss).
2) The operating cash outflows have decreased in the current period to $1.364M (2014: $3.818M). Net cash inflows from financing and investing activities were $36.817M (2014: $17.831M).
3) The Company was in breach of its ASF Licence conditions as at 30 June 2015.
4) The consolidated entity has a significant number of loan facilities which are non-performing and therefore are not earning interest or fee income and are at a risk of incurring further impairments. The Company has amended its Trust Deed with the mortgage debenture holders as set out above which commits the Company to a Run-Off Proposal and requires payments to be made to mortgage debenture holders for the amounts and dates contained therein. Actual performance during the period:
   - Repaid 16% on 31 October 2015 and the LRC agreed to an extension to 20 November 2015 for the balance of 4%
   - The company sought and received approval from the LRC to vary the 29 February 2016 repayment to be paid 10% on 29 February 2016 and 10% on 30 April 2016.

- The Company repaid 10% on 29 February 2016 with permission of the LRC to use some of its cash buffer.

5) The Run-Off Proposal requires the consolidated entity to realise its mortgage loans and other assets to meet the remaining payments. The realisation of loan assets to make payments to debenture holders requires the Directors of the Company to make significant estimates, judgements and assumptions in relation to the method, quantum and timing of cash flows from the repayments, refinancing of loan facilities and/or orderly realisation of the securities supporting those facilities. If the Company is unable to meet these commitments or obtain approval from the LRC, this will result in the Company and the Trustee seeking directions from the Federal Court.

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

1) The Directors and management spent significant time preparing and testing the Run-Off Proposal. In doing so, the Directors have applied their knowledge and experience in the areas of lending and property development and property management and sought advice from appropriately qualified professionals and in relation to each loan facility, developed a realisation strategy which they believe will maximise the returns to the investors. This, together with the assistance of an external accounting firm, the Directors have assessed that the assumptions underlying the Run-Off Proposal were reasonable and achievable.
2) In relation to loan assets where the consolidated group is realising the value of underlying securities, the estimated quantum and timing of the net cash flows is based on the estimated net realisable value, for which a property can be exchanged on the estimated date of sale and taking into account the estimated selling costs likely to be incurred in the disposal of the property. The 31 December 2015 estimations are the Directors' assessment of the net cash flows arising from the price that they expect they can achieve within the required timeframe, based on their business experience and, where available, a combination of external advice, sales plans presented by licensed agents and offers received for the properties.
3) A significant portion of the operating loss for the half-year has resulted from the impairment of certain loans and other assets. These have been factored into the Run-Off Period.
4) The Directors believe that continued focus as fund manager, the restructuring and streamlining of business operations and overhead structure will ensure the Company is well placed during the Run-Off Proposal.
5) The Company rectified its AFS Licence Breach as a result of the conversion of $7.62m of Redeemable preference shares from debt to equity on 27th October 2015. The Company is continuing to look at alternative strategies for the component of its business that requires an AFS licence, including but not limited to transferring the licence to another controlled entity of ASL.
6) Subsequent to 31 December 2016, the consolidated entity plans to maintain the retail lending business known as Angas Financial Services which generates fee income from retail lending using third party funding sources. Angas Prime Income Fund (APIF) is a retail investment product comprising a pooled mortgage trust that was successfully launched in FY 14. This product is in addition to the contributory mortgage trust known as Angas Contributory Mortgage Fund (ACMF), which has completed its third year of trading during the period. Both mortgage trusts are expected to be profitable businesses that will contribute to the consolidated entity's financial performance on an ongoing basis.

If the above mitigating factors are not achieved and as a result the Company is not able to meet its obligations under the Run-off Proposal or obtain approval for variations from the LRC, this will result in the Company and/or the Trustee seeking Directions from the Federal Court. This may result in the Company seeking approval to call a meeting of the Mortgage Debenture Holders to seek approval for further amendments including but not limited to extending the time to repay the Debenture Liabilities or the Court directing the Company to do so. Failure to obtain approval from the Mortgage Debenture Holders is likely to result in the Company being placed in formal administration.

Given the above circumstances, there is material uncertainty whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and settle its liabilities in the normal course of business. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts and to the amount and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

2. Segment information

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

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

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

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

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

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

The final reportable segment is Investments Properties, which includes all activities relating to investments made in properties solely for investment purposes (all properties are commercial tenanted and receive monthly rental income).

Segment revenues and results

The following is an analysis of the consolidated entities revenue and results by reportable segment

	Segment Revenue		Segment Profit/(Loss)	
	Half-year ended		Half-year ended	
	31 Dec 2015 $	31 Dec 2014 $	31 Dec 2015 $	31 Dec 2014 $
Commercial Lending	9,079,621	13,297,091	(1,434,881)	(4,467,987)
Structured Finance	1,440,338	1,381,792	1,178,385	1,117,678
Commercial Property Investments	316,978	330,505	(205,372)	(70,394)
Investment Properties	869,278	859,033	(213,318)	241,895
	11,706,215	15,868,421	(675,186)	(3,178,808)
Loss before tax			(675,186)	(3,178,808)
Income tax expense/(benefit)			-	1,072,133
Consolidated segment revenue and loss for the period	11,706,215	15,868,421	(675,186)	(4,250,941)

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

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

2. Segment information (cont'd)

Segment assets and liabilities

Segment Assets

	31 Dec 2015 $	31 Dec 2014 $
Commercial Lending	169,368,387	230,968,823
Structured Finance	1,896,387	2,397,985
Commercial Property Investments	12,272,085	12,532,819
Investment Properties	20,844,747	21,216,100
Total segment assets	204,381,606	267,115,727
Unallocated assets	8,731	2,234,445
Total assets	204,390,337	269,350,172

Segment Liabilities

	31 Dec 2015 $	31 Dec 2014 $
Commercial Lending	175,809,672	237,533,891
Structured Finance	1,179,881	1,298,658
Commercial Property Investments	13,454,201	13,124,816
Investment Properties	12,111,256	12,108,836
Total segment liabilities	202,555,010	264,066,201
Unallocated liabilities	-	-
Total liabilities	202,555,010	264,066,201

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

	31 Dec 2015 $	31 Dec 2014 $
Commercial Lending	62,504	101,073
Structured Finance	217	427
Commercial Property Investments	-	-
Investment Properties	17,821	17,667
Total depreciation and amortisation	80,542	119,167

3. Trade and other receivables

	Consolidated 31 December 2015 $	30 June 2015 $
Trade receivables – Interest	15,540,091	12,097,031
Trade receivables – Fees	3,018,097	3,757,512
Trade receivables – allowance for doubtful debts	(3,475,459)	(3,223,320)
Trailing commission receivables	443,406	486,754
Property sale receivables	9,013,078	9,013,078
Property sale receivable – allowance for doubtful debts	(9,013,078)	(9,013,078)
Other receivables	758,902	613,434
	16,285,037	13,731,411

4. Property held for resale

	Consolidated 31 December 2015 $	30 June 2015 $
Balance at the beginning of the half year	5,052,803	4,917,552
Property sold	(1,439,303)	(4,182,658)
Impairment	-	4,317,909
Transfer to investment property	-	-
Balance at the end of half year	3,613,500	5,052,803

Consolidation

31 December 2015	Book Value	Valuation	Valuation Date
Lot 101 Adam St Hindmarsh SA	3,613,500	3,650,000	04/02/2013
TOTAL	**3,613,500**	**3,650,000**	

30 June 2015	Book Value	Valuation	Valuation Date
53A Junction Rd Wahroonga NSW (i)	1,439,303	1,700,300	26/02/2013
Lot 101 Adam St Hindmarsh SA	3,613,500	3,650,000	04/02/2013
TOTAL	**5,052,803**	**5,350,300**	

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

5. Loans

	Consolidated	
	31 December 2015 $	**30 June 2015 $**
Mortgage Loans	141,775,629	177,876,046
Interest received in advance	(409,906)	(1,074,516)
Fees received in advance	-	(79,287)
Allowances for doubtful debts	(9,835,726)	(9,905,089)
	131,529,997	166,817,154
Maturity analysis		
Not longer than 3 months	121,162,862	137,038,764
Longer than 3 months and not longer than 12 months	10,367,135	25,633,273
Longer than one year not longer than 5 years	-	4,145,117
	131,529,997	166,817,154
Loan by security		
Secured by chattel mortgage	1,135,000	1,135,000
Secured by first mortgage	130,128,979	165,416,136
Secured by second mortgage	266,018	266,018
Secured by collateral security	-	-
	131,529,997	166,817,154
Loan by security		
Chattel	1,135,000	1,135,000
Commercial property	28,606,439	47,917,383
Rural property	-	474,436
Residential property	101,788,558	117,290,335
	131,529,997	166,817,154

Movement in the allowance for doubtful debts

	Consolidated	
	31 December 2015 $	**30 June 2015 $**
Balance at the beginning of the year	9,905,088	2,852,418
Impairment losses recognised on loans	519,881	7,477,366
Reversal of impairment losses recognised on loans	(589,243)	
Bad debts recovered	-	(424,696)
Bad debt write off	-	-
Balance at the end of the year	9,835,726	9,905,088

Loan recoverability

The primary security for any real property loan provided by the company must be a first registered mortgage over freehold and leasehold property. Additional security is often sought as collateral. The company's Loan to Valuation Ratio (LVR) for new loan origination is maintained at a maximum of 70%. In terms of loan recovery and provisioning against loans, the Credit Committee meets weekly to discuss defaulting loans and loan recoverability while the Board meets on a monthly basis and reviews all loans which have indicators of impairment. Where there is objective evidence of impairment, the Board assess the recoverability of a loan by preparing a discounted cashflow. The cashflow requires critical judgements to be made on the timing of the cash inflows and outflows in addition to the actual amounts recovered. The Board uses previous sales evidence obtained from market data to assess the value of the inflows and outflows and critical judgement on the timing of such inflows and outflows in determining the recoverability of the loan. If the principal and unpaid interest and fees falls short of the discounted cashflow total, then a provision equal to the shortfall is adopted by the Board. Once the recommendation is approved by the Board a provision is made against the loan.

5. Loans (cont'd)

Top Eight loans to related borrowers as at 31 December 2015

TOTAL LOANS	NO. OF LOANS	COMMENTARY
$ 27,180,128	3	Primary asset is a prestigious rural/residential property close to Sydney and additional collateral security over harbour side apartments in Sydney
$ 23,734,000	4	Perth based builder and property developer with a range of distinct residential commercial and retail properties providing security
$ 14,879,607	4	Perth based property developer with security comprising prime commercial, residential and retail sites across WA
$ 12,080,000	3	Security comprises a luxury residential/equine property on the northern beach outskirts of Sydney
$ 10,942,510	2	Adelaide based property developers and retailers with prime security comprising residential subdivision land and commercial/light industrial land holdings. Significant collateral security is also held
$ 4,893,079	3	Security comprises several retirement villages in Adelaide
$ 3,264,320	3	Completed residential apartment complex on the fringe on the Adelaide CBD.
$ 3,012,000	2	Major WA based land developer with well located residential and commercial assets across WA (predominantly residential subdivision).
$99,985,644		

Top Eight loans to related borrowers as at 30 June 2015

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

5. Loans (cont'd)

Top Ten largest loans as at 31 December 2015

CUSTOMER	LOAN AMOUNT	CATEGORY	ASSET STATE	ASSET VALUE*	VALUATION DATE	INTEREST ARREARS
A	$ 13,880,128	Residential	NSW	$ 19,017,427	17/06/2014	$ 1,144,585
A	$ 12,300,000	Residential	NSW	$ 18,896,082	17/06/2014	$ 1, 027,557
B	$ 10,000,000	Residential	NSW	$ 13,000,000	10/12/2014	$ 2,091,033
C	$ 10,000,000	Residential	WA	$ 19,165,000	01/03/2014	$ 1,370,180
F	$ 8,976,265	Residential	WA	$ 10,680,000	21/05/2015	$ 1,433,787
E	$ 7,659,002	Residential	WA	$ 5,500,000	14/10/2014	-
H	$ 7,042,150	Commercial	SA	$ 10,931,000	08/04/2015	$ 140,843
K	$ 6,594,000	Residential	SA	$ 9,421,000	25/03/2015	-
L	$ 5,543,000	Residential	WA	$ 8,800,000	30/06/2015	$ 514,152
M	$ 5,530,000	Commercial	WA	$ 6,580,000	03/10/2014	$ 640,614
Total	**$ 87,524,546**					

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

Top Ten largest loans as at 30 June 2015

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

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

5. Loans (cont'd)

Expired Loans

	Consolidated	
	31 December 2015 $	**30 June 2015 $**
Expired loans – Fixed interest securities funded	88,114,260	45,773,344
Expired loans – Non-fixed interest securities funded	5,003,994	5,144,816
Total	93,118,254	50,918,160

Expired loans refer to loans which are past the expiry date.

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

	Consolidated	
	31 December 2015 $	**30 June 2015 $**
0 - 1 year	70,469,998	14,505,277
1 - 2 years	-	-
2 - 5 years	4,312,952	15,648,258
5+ years	1,000,000	1,000,000
Total	75,782,950	31,153,535

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	
	31 December 2015 $	**30 June 2015 $**
0 - 1 year	4,014,209	3,982,966
1 - 2 years	238,333	238,333
2 - 5 years	400,953	573,018
5+ years	-	-
Total	4,653,495	4,794,317

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

5. Loans (cont'd)

Ageing of impaired expired loans – ***Fixed interest securities funded***

	Consolidated	
	31 December 2015 $	**30 June 2015 $**
0 - 1 year	2,666,628	1,467,885
1 - 2 years	-	-
2 - 5 years	9,664,682	12,768,439
5+ years	-	383,486
Total	12,331,310	14,619,810

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	
	31 December 2015 $	**30 June 2015 $**
1 - 2 years	-	-
2 - 5 years	350,499	350,499
Total	350,499	350,499

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

6. Issues, repurchases and repayments of equity securities

Following a Trigger Event, being the failure to pay a dividend within certain timeframes, the Board resolved to convert RPS Series 1,2 (in part), 4 and 5 to Ordinary Shares. The effect of this is twofold:

a) strengthening Angas' capital position; and
b) providing an equitable conversion of RPS holders' interests.

The converted Ordinary Shares were issued at $1.00 per share. The Ordinary Shares issued on conversion of the RPS rank equally with existing fully paid ordinary shares and carry the same rights as ordinary shares.

This resulted in an additional 10,245,342 ordinary shares being issued.

7. Contingent liabilities and contingent assets

There is a claim against the Company for Trustee expenses of $1.95M which remains unsubstantiated and subject to approval by the Federal Court. The Company has brought to account the sum of $1,212,681 as at 30 June 2015, comprising $862,681 paid by the Company 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.

Other than as detailed above, there are no other contingent liabilities or contingent assets.

8. Dividends

	Half-year ended 31 December 2015		Half-year ended 31 December 2014	
	Cents per share	Total $	Cents per share	Total $
Recognised amounts				
Fully paid ordinary shares				
Final dividend fully franked at a 30% tax rate	-	-	-	-
Fully paid preference shares (series 2)				
Interim dividend fully franked at a 30% tax rate			4.96	247,945

9. Events after the reporting period

In accordance with the Run-Off Schedule as described in the Directors' report, a 20% Principal repayment was projected to be paid to all debenture holders on 29th February 2016.

During January 2016, Angas reported to the Loans Realisation Committee (LRC) that certain anticipated loan settlements would be unlikely to take place as originally forecast in the Run-Off Schedule.

The anticipated delay in settlements of some of the loans required Angas to apply to the LRC to vary the 20% Principal repayment that was due on 29th February 2016.

In accordance with the authority conferred until the Debenture Run-Off arrangement the LRC approved the variance and the principal repayment originally scheduled in February 2016 was split to be paid in two instalments as follows:

1) 10% Principal Repayment on 29th February 2016
2) 10% Principal repayment on 30th April 2016

The first instalment was paid in full on 29th February 2016.

10. Related Party Transactions

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	$ 867,783
Cardiff Capital Pty Ltd	2	$ 2,031,529
Mortgage Funds Management Pty Ltd	1	$40,048,180
Barker Performance Trust 1	2	$ 692,483
Barker Performance Trust 2	5	$ 3,812,596
		$47,452,571

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.

11. Disclosure of additional information

Angas Securities Limited (the Company) is a public company incorporated in Australia and operating in Adelaide. Fixed interest securities issued upto 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.

Angas Securities Limited registered office and its principal place of business is as follows:

Principal Registered Office	Principal Place of Business
Level 14, 26 Flinders Street ADELAIDE SA 5000 TEL: (08) 8410 4343	Level 14, 26 Flinders Street ADELAIDE SA 5000 TEL: (08) 8410 4343

The entity's principal activity is financial services.