

ANGAS CONTRIBUTORY MORTGAGE FUND

ARSN: 151 979 645

Half year report for the half-year ended 31 December 2017

Directors' report

The directors of Angas Securities Limited (ACN 091 942 728) ("Angas"), the responsible entity, submit herewith the financial report of Angas Contributory Mortgage Fund for the half-year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors and senior management

The names of the directors of the Responsible Entity during or since the end of the half-year are:

Name

Mr Andrew Luckhurst-Smith

Mr Matthew John Hower

Mr Clive Thomas Guthrie

The above named directors held office during and since the end of the half year.

Principal Activities

The Fund is a registered management investment scheme domiciled in Australia. The principal activity of the Fund during the course of the half-year was to invest funds in accordance with its investment objectives and guidelines as set out in the current Product Disclosure Statement and in accordance with the provisions of the Constitution. A revised PDS was issued on 4 December 2015.

There have been no significant changes in the activities of the Fund during the half financial year.

The Fund did not have any direct employees during the period.

Review of Operations

The results of the operations of the Fund are disclosed in the statement of profit and loss and other comprehensive income of these financial statements. The net profit for the year ended 31 December 2017 was Nil (2016: \$Nil).

The Fund provides for mortgage investments secured by a variety of real estate such as metropolitan residential property with a mix of commercial and suitable regional, rural, coastal or industrial properties. Each mortgage investment is an individual sub-scheme offered to the Fund members who choose whether and how much to invest. Total mortgage investments as at 31 December 2017 stand at \$67,245,141 (2016: \$51,377,000). It is expected that the Fund will grow under the same objectives and guidelines as the current reporting period.

Distributions

The Fund is not a trust and therefore no distributions have been paid or declared since the start of the financial year, and no distributions in respect of the half financial year are payable in accordance with the Constitution.

Subsequent events

The largest loan in the ACMF portfolio is secured by a first mortgage over Fernhill Central, being a significant site with the historic homestead and curtilage within the broader Fernhill Estate. On 13 March 2018, ACMF sold the Fernhill Central site to an undisclosed party. Settlement is expected prior to 30 June 2018. The sale price will clear all ACMF loan principal, accrued interest, holding costs and expenses pertaining to the sale.

Fees paid to and interest held in the Fund by the Responsible Entity

The Responsible Entity is entitled to lending income charged to borrowers including establishment fees, loan extension fees and early repayment fees. These fees have no impact on the investors or returns generated from the Fund. The Responsible Entity also collects a monthly management fee which is deducted from the interest as and when received from the Borrower in accordance with the Syndicate PDS for each mortgage investment.

No fees were paid to the directors of the Responsible Entity during the half-year ending 31 December 2017.

Restructure of Responsible Entity

On 11 August 2016, the Responsible Entity held a meeting of its debenture holders to vote on the updated "Run-off Proposal" as set out as a motion in its Explanatory Statement. The proposal was approved by debenture holders and was subsequently ratified by the Federal Court on 19 August 2016.

The Run-off Proposal has no direct impact on the Fund save that Angas has implemented steps to restructure the Responsible Entity and manager of the Fund in order for Angas to obtain market value for those rights if required to fully discharge its obligations to debenture holders. A new subsidiary has been incorporated and ASIC is currently assessing the application for an Australian Financial Services Licence ("AFSL") to enable the subsidiary to replace Angas as Responsible Entity and manager of ACMF. The application was lodged in late October 2016 and since that time, ASIC has requested additional information in relation to the application which Angas has provided. The assessment of the application remains in progress.

The Board continues to closely monitor the requirements of Angas Securities Ltd as the Responsible Entity of the AFSL and its role as Manager for the Fund.

Interests in the Fund

Investor funds and the application of those funds is disclosed in Note 3 of the financial statements.

The value of the Fund's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in the notes to the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 3 of the annual report.

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 of the Responsible Entity, Angas Securities Limited.



Matthew Hower
Managing Director
Adelaide, 15 March 2018

Auditor's Independence Declaration to the Directors of Angas Securities Limited, the Responsible Entity of the Angas Contributory Mortgage Fund

In relation to our review of the interim financial report of the Angas Contributory Mortgage Fund for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- i. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.


PERKS AUDIT PTY LTD


PETER J HILL
Director
Registered Company Auditor

15 March 2018
Adelaide

INDEPENDENT AUDIT REVIEW REPORT TO THE UNITHOLDERS OF THE ANGAS CONTRIBUTORY MORTGAGE FUND

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of the Angas Contributory Mortgage Fund ("the Fund"), which comprises the statement of financial position as at 31 December 2017, statement of comprehensive income, statement of changes in equity, statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Interim Financial Report

The directors of Angas Securities Limited ("the Responsible Entity") are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports 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 interim financial report is not in accordance with the *Corporations Act 2001* including; giving a true and fair view of the Fund's financial position as at 31 December 2017 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 auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of the Angas Contributory Mortgage Fund is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Fund's financial position as at 31 December 2017 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*.

Perks Audit

PERKS AUDIT PTY LTD

180 Greenhill Road
Parkside
South Australia 5063

P Hill

PETER J HILL

Director

Registered Company Auditor

15 March 2018

Adelaide

Directors' declaration

The directors of the Responsible Entity declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- (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 Fund.

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

On behalf of the Directors of the Responsible Entity, Angas Securities Limited.



Matthew Hower
Managing Director
Adelaide, 15 March 2018

Index to the financial report

Contents	Page
Statement of profit or loss and other comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the Financial Statements	
1. Significant accounting policies	12
2. Assets, Liabilities and Right of Indemnity	12
3. Trade and other payables	13
4. Contingent liabilities and contingent assets	13
5. Subsequent events	13

**Statement of profit or loss and other comprehensive income
for the half-year ended 31 December 2017**

Note	Half-year ended 31 December 2017	Half-year ended 31 December 2016
	\$	\$
Income		
Interest	-	-
Other income	-	-
Total income	-	-
Expenses		
Lending expenses	-	-
Administration expenses	-	-
Total expenses	-	-
Profit/(Loss)	-	-
Other Expenses		
Transfers to Responsible Entity	-	-
Net profit/(Loss)	-	-
Other comprehensive income	-	-
Total comprehensive income/(loss) for the half-year	-	-

Notes to the financial statements have been included in the accompanying pages.

**Statement of financial position
as at 31 December 2017**

	31 December 2017	30 June 2017
Note	\$	\$
Assets		
Cash and cash equivalents	2,588,580	3,458,978
Trade and other receivables	686,657	465,701
Total assets	3,275,237	3,924,679
Liabilities		
Trade and other payables	2,565,207	3,337,303
Intercompany – Responsible Entity	710,030	587,376
Total liabilities	3,275,237	3,924,679
Net assets	-	-
Equity		
Retained Earnings	-	-
Total equity	-	-

Notes to the financial statements have been included in the accompanying pages.

**Statement of changes in equity
for the half-year ended 31 December 2017**

Note	31 December 2017 \$	30 June 2017 \$
Total equity at the beginning of the year	-	-
Net Profit for the year	-	-
Net income and expenses recognised directly in equity	-	-
Total recognised income and expense for the half-year	-	-
Transactions with equity holders in their capacity as equity holders	-	-
Total equity at the end of the half-year	-	-

Notes to the financial statements have been included in the accompanying pages.

**Statement of cash flows
for the half-year ended 31 December 2017**

Note	Half-year ended 31 December 2017 \$	Half-year ended 31 December 2016 \$
Cash flows from operating activities		
Income received	-	-
Interest received	-	-
Payments to suppliers	(1,498,905)	150,051
Net cash used in operating activities	(1,498,905)	150,051
Cash flows from investing activities		
Receipts from borrowers	1,477,380	16,174,818
Payments to borrowers	(15,425,866)	(20,845,000)
Funds received in advance	1,208,702	244,691
Net cash generated by/(used in) investing activities	(12,739,784)	(4,425,491)
Cash flows from financing activities		
Receipts from investors	27,812,866	39,803,000
Payments to investors	(13,864,380)	(35,029,818)
Interest paid to investors	(580,195)	(408,842)
Net cash generated by/(used in) financing activities	13,368,291	4,364,340
Net increase/(decrease) in cash and cash equivalents	(870,398)	88,900
Cash and cash equivalents at the beginning of the financial year	3,458,978	528,408
Cash and cash equivalents at the end of the half-year	2,588,580	617,308

Notes to the financial statements have been included in the accompanying pages.

Notes to the 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 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 the fair value of the consideration given in exchange for 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 Fund's annual financial report for the year ended 30 June 2017, 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 Fund 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 reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Fund's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Fund's presentation of, or disclosure in, its half-year financial statements.

2. Assets, Liabilities and Right of Indemnity

Each sub-scheme of the Fund is managed severally by Angas Securities Limited in its capacity as the Responsible Entity. The Responsible Entity has a right of indemnity for the liabilities of each sub-scheme to the extent of the assets of each sub-scheme. Any shortfall is met by the investors of each sub-scheme severally. Assets of sub-schemes are not available to meet the liability of other sub-schemes.

The assets of the Fund are not directly available to meet any liability of the Responsible Entity operating in its own right.

Assets and liabilities managed by Angas Contributory Mortgage Fund not recognised in the financial statements are:

	31 December 2017 \$	30 June 2017 \$
Assets		
Interest bearing assets- Angas Securities Limited	18,185,406	15,080,000
Interest bearing assets- Non related parties	49,059,735	38,216,656
Total Assets	67,245,141	53,296,656
Liabilities		
Interest bearing liabilities- Angas Securities Limited	18,185,406	15,080,000
Interest bearing liabilities- Non related parties	49,059,735	38,216,656
Total Assets	67,245,141	53,296,656
Net Assets	-	-

3. Trade and other payables

	31 December 2017	30 June 2017
	\$	\$
Interest payable to investors	1,208,702	580,195
Other payables	1,356,505	2,757,108
	<u>2,565,207</u>	<u>3,337,303</u>

4. Contingent liabilities and contingent assets

There are no contingent liabilities and contingent assets relating to the half-year reports to be disclosed.

5. Subsequent events

Refer to "Subsequent events" note in Directors' Report.