ANGAS ASSET MANAGEMENT FUND

ARSN: 633 454 832

Financial report for the half-year ended 31 December 2019

Directors' report

The directors of Angas Securities Limited (ACN 091 942 728) ("Angas") the Responsible Entity, submit herewith the financial report of Angas Asset Management Fund ("AAMF" or "the Trust" or "the Fund") and its subsidiaries ("the consolidated group" or "consolidated entity") for the half-year ended 31 December 2019. 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 Responsible Entity during or since the end of the half-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	Non-executive Director. Finance industry experience in area of corporate structured finance, joined the Board 29 March 2000.
Clive Thomas Guthrie	Non-executive Director. Twenty seven years at Westpac principally in the area of general banking, financial services and trust management, followed by 15 years at Trust Company as manager of corporate trusts and head of Structured Finance. Joined the Board 1 July 2013.
Randal Williams	Non-executive Director. Lawyer with extensive experience in financial services, most recently as Chief Risk Officer and Chief Lending Officer at La Trobe Financial Services, joined the Board 1 March 2019.

Principal Activities

The Trust is a registered management investment scheme domiciled in Australia. The principal activity of the Trust in the course of the half-year is to realise Legacy Assets transferred from Angas on 3 June 2019 in accordance with the Scheme of Arrangement and return capital to unit holders (this is discussed in more detail under Note 4 Scheme of Arrangement).

The Trust is a closed trust and did not have any employees during the financial year.

Review of Operations

The results of the operations of the Trust are disclosed in the Condensed consolidated statement of profit or loss and other comprehensive income of these financial statements. The loss attributable to the consolidated group after fair value adjustment for the half-year ended 31 December 2019 was $4,783,642. During the period, $1,284,002 was returned to unitholders.

Changes in the state of affairs

There was no significant change in the state of affairs of the consolidated entity during the half-year.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the half-year that has significantly affected, or may significantly affect, the operations of the Trust, the results of the Trust, or the state of affairs of the Trust in future financial years.

Future developments

The Board's objective over the next year is to continue to realise Legacy Assets for the benefit of unitholders. AAMF may decide to hold some of the Legacy Assets over the next 1 – 3 years for example, rather than realising them in the short term. This is to allow AAMF time to:

1. Enhance the realisable value of Legacy Assets (for example by seeking subdivision and development approvals); and/or
2. Locate a suitable purchaser to ensure the Legacy Assets are realised for the best possible prices.

Indemnification of officers and auditors

During the half-year, the Responsible Entity paid a premium in respect of a contract insuring the directors of the Responsible Entity (as named above), the secretary of the Responsible Entity and all executive officers of the Responsible Entity 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 Responsible Entity has not otherwise, during or since the end of the half-year, except to the extent permitted by law, indemnified, or agreed to indemnify an officer or auditor of the Responsible Entity or of any related body corporate against a liability incurred as such an officer or auditor.

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

In accordance with the Scheme of Arrangement, no management fees were paid by the Trust to the Responsible Entity. However, as described in note 7, and in accordance with Australian Accounting Standards, a notional management fee was required to be brought to account upon implementation of the Scheme of Arrangement. This was amortised during the half-year ending 31 December 2019 in the amount of $213,775.

No fees were paid by the Trust to the directors of the Responsible Entity during the half-year ending 31 December 2019.

The Responsible Entity or its associates did not hold any interests in the Trust during the half-year ending 31 December 2019.

Trustco liability

During the period from 1 January 2013 to 31 December 2018, the Debenture Trustee of Angas (The Trust Company (Nominees) Ltd referred to as "Trustco") incurred external advisory costs and expenses in relation to overseeing the mortgage debenture business and for various legal proceedings against Angas. Trustco asserted that it was entitled to be reimbursed by Angas in the amount of $4,397,280.44. Angas disputed aspects of these amounts, and eventually agreed to pay to Trustco the amount of $3,358,472.96 in full and final settlement of Trustco's claims.

In accordance with the Scheme of Arrangement, Trustco holds a security interest over the assets in AAMF to secure the agreed expenses of $3,358,472.96 which falls due on 30 June 2020. Since implementation of the Scheme of Arrangement on 3 June 2019, it has been agreed that Trustco will be paid 25% of the net proceeds payable at settlement on the sale of any of the Legacy Assets.

During the half-year ended 31 December 2019, AAMF paid $712,912 to Trustco, leaving a balance owing of $2,645,561 as at 31 December 2019. The Trust will apply receipts from Legacy Asset realisations to repaying the balance of the Trustco liability by the due date of 30 June 2020 in priority to making further unitholder redemptions.

Interests in the Trust

The movement in units on issue in the Trust during the year is disclosed in Note 11 to the financial statements.

The value of the Trust's assets and liabilities is disclosed in the Statement of Financial Position and derived using the basis set out in Note 3 to the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included after this report.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

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

Andrew Luckhurst-Smith
Executive Chairman
Adelaide, 4 March 2020

Perks.

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Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Angas Securities Limited, the Responsible Entity of the Angas Asset Management Fund.

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 the lead audit partner for the review of the financial report of Angas Asset Management Fund for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

a) The auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and

b) Any applicable code of professional conduct in relation to the review.

Perks Audit
PERKS AUDIT PTY LTD

PHill
PETER J HILL
Director
Registered Company Auditor

Date: 4 March 2020

Chartered Accountants
Perks & Associates Pty Ltd
ACN 008 053 576 / ABN 50 507 079 554
Liability limited by a scheme approved under Professional Standards Legislation
Australian Financial Services Licence No 488997

Audit
Perks Audit Pty Ltd
ACN 109 602 100 / ABN 20 173 474 661
Liability limited by a scheme approved under Professional Standards Legislation

Private Wealth
Perks Private Wealth Pty Ltd
ACN 086 643 058 / ABN 88 086 643 058
Australian Financial Services Licence No 236 551

Finance
Perks Finance Pty Ltd
ACN 101 919 537 / ABN 76 533 199 660
Australian Credit Licence No 378241

Perks.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS OF THE ANGAS ASSET MANAGEMENT FUND

Report on the Interim Financial Report

We have reviewed the accompanying half-year financial report of Angas Asset Management Fund, which comprises the consolidated condensed statement of financial position as at 31 December 2019, the consolidated condensed statement of profit or loss and other comprehensive income, the consolidated condensed statement of changes in equity and the consolidated condensed statement of cash flows for the half-year ended on that date, notes to the financial statements including a summary of significant accounting policies , other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

The directors of Angas Securities Limited ("the Responsible Entity") 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 Standards 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 Angas Asset Management Fund's financial position as at 31 December 2019 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 Asset Management Fund, 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 enquires, 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 on 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.

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Independence

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 report.

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 Asset Management Fund is not in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of Angas Asset Management Fund's financial position as at 31 December 2019 and 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

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180 Greenhill Road
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South Australia 5063

PHill

PETER J HILL
Director
Registered Company Auditor

Date: 4 March 2020

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Directors' declaration

The directors of the Responsible Entity declare that:

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

(b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements; and

(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 consolidated entity.

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

Andrew Luckhurst-Smith
Executive Chairman
Adelaide 4 March 2020

Index to the consolidated financial statements

Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2019

	Note	Consolidated Half-year ended 31 December 2019 $	31 December 2018 $
Income			
Interest income		995	-
Total income		**995**	**-**
Expenses			
Administration costs – AAMF implementation and compliance costs		113,349	-
Administration costs – management fee	7	213,775	-
Diminution in fair value of assets		4,457,513	-
Total expenses		**4,784,637**	**-**
Profit/(Loss) for the year		**(4,783,642)**	**-**
Attributable to:			
Equity holders of the parent		(4,783,301)	-
Non-controlling interests		(341)	-
		(4,783,642)	**-**

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

Condensed consolidated statement of financial position as at 31 December 2019

	Note	Consolidated 31 December 2019 $	30 June 2019 $
Assets			
Cash and cash equivalents		931,341	758,030
Trade and other receivables	5	304,761	320,293
Loans	6	35,010,606	41,859,437
Other assets	7	362,354	576,129
Investment property	8	6,570,019	6,627,353
Total assets		**43,179,081**	**50,141,242**
Liabilities			
Trade and other payables	9	2,796,850	3,581,367
Borrowings	10	5,317,353	5,427,353
Total liabilities		**8,114,203**	**9,008,720**
Net assets		**35,064,878**	**41,132,522**
Equity			
Unitholders' equity	11	39,760,732	41,044,734
Retained earnings/(losses)		(4,704,262)	79,040
Equity attributable to equity holders of the parent		35,056,470	41,123,774
Non-controlling interest		8,408	8,748
Total equity		**35,064,878**	**41,132,522**

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

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2019

	Notes	Consolidated Half-year ended 31 December 2019 $	31 December 2018 $
Balance at 1 July 2019		**41,132,522**	**-**
Profit/(Loss) for the year			
- Attributable to equity holders		(4,783,301)	-
- Non-controlling interest		(341)	-
		(4,783,642)	-
			-
Transactions with Unit holders			
Redemption of 2,995,630 units		(1,284,002)	-
		(1,284,002)	-
Balance at 31 December 2019		**35,064,878**	**-**

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

Condensed consolidated statement of cash flows for the half-year ended 31 December 2019

	Note	Consolidated Half-year ended 31 December 2019 $	31 December 2018 $
Cash flows from operating activities			
Receipts from customers		307,900	-
Payments to suppliers		(1,612,003)	-
Interest received		2	-
Interest paid		(141,489)	-
Net cash generated by operating activities		**(1,445,590)**	**-**
Cash flows from investing activities			
Proceeds from collection of loans		3,012,903	-
Net cash used in investing activities		**3,012,903**	**-**
Cash flows from financing activities			
Repayment of borrowings		(110,000)	-
Redemption of units in AAMF		(1,284,002)	-
Net cash generated by/(used in) financing activities		**(1,394,002)**	**-**
Net increase/(decrease) in cash and cash equivalents		**173,311**	**-**
Cash and cash equivalents at the beginning of the period		758,030	-
Cash and cash equivalents at the end of the period		**931,341**	**-**

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

Notes to the consolidated financial statement

1. General information

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.

2. New and revised Australian Accounting Standards

2.1 Amendments to Accounting Standards and new Interpretations that are mandatorily effective for the current reporting period

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.

AASB 16 Leases	AASB 16 replaces 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. The Standard will provide a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.

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 New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

At the date of authorisation of financial statements, the Standards and Interpretations which may be relevant to the Group that were issued but not yet effective are listed below.

Standard/Interpretation	**Effective for annual reporting periods beginning on or after**
AASB 17 Insurance Contracts	1 January 2021
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128], AASB 2015-10 Amendments to Australian Accounting Standards–Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards–Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2022
AASB 2018-6 Amendments to Australian Accounting Standards-Definition of a Business	1 January 2020
AASB 2018-7 Amendments to Australian Accounting Standards–Definition of Material	1 January 2020
AASB 2019-1 Amendments to Australian Accounting Standards–References to the Conceptual Framework	1 January 2020
AASB 2019-3 Amendments to Australian Accounting Standards–Interest Rate Benchmark Reform	1 January 2020
AASB 2019-5 Amendments to Australian Accounting Standards–Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia	1 January 2020

The potential impact of these standards/interpretations on the Group has not yet been determined. The assessment will commence in the 2020 financial year.

3. Significant accounting policies

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 the fair values 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 2019 annual financial report for the financial year ended 30 June 2019, except for the accounting policy on leases described below which has changed as a result of the adoption of AASB 16 Leases. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Leases

The Group as lessee

The consolidated group assesses whether a contract is or contains a lease, at inception of the contract. The consolidated group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the consolidated group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the consolidated group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The consolidated group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The consolidated group did not have any leases during the period.

The Group as lessor

The consolidated group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the consolidated group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. When the consolidated group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the consolidated group's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the consolidated group applies AASB15 to allocate the consideration under the contract to each component.

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 are required to make judgements, estimates and assumptions about the fair value 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:

Scheme of Arrangement

A meeting of the Debenture Holders of Angas Securities Limited was held on 30 April 2019 to vote on a Scheme of Arrangement which the Directors believed would maximise the final overall return for Debenture Holders. Details of the Scheme were set out in the Scheme Booklet which was sent to each Debenture Holder in early April 2019. The Scheme Booklet included an Independent Expert Report which set out the likely returns to Debenture Holders under the proposed Scheme compared to a receivership.

Debenture holders voted 86.39% in favour of the Scheme of Arrangement. This was ratified by the Federal Court on 17 May 2019 with the implementation date of the Scheme of Arrangement effective 3 June 2019.

The impact of the Scheme was to:

1. Cancel the Debentures, terminate the Trust Deed and the Trustee's existing charge and the Trustee will cease acting as the debenture trustee of Angas;
2. Transfer the remaining assets ("Legacy Assets") currently available to repay Debenture Holders (other than Angas Financial Services and Angas' funds management businesses, being Angas Prime and Angas Direct) to a new closed trust called the Angas Asset Management Fund (AAMF);
3. Issue Debenture Holders with 100% of the units in the Angas Asset Management Fund; and
4. Provide Debenture Holders with 70% of the ordinary capital of Angas. The existing shareholders of Angas retained 30% of the capital of Angas.

The Scheme resulted in Angas reducing its debt to $1M in respect of the restructured Redeemable preference shares (RPS), the Debenture Trustee retiring, and Angas to manage a third Managed Investment Scheme, the Angas Asset Management Fund.

Angas, as Responsible Entity of the Angas Asset Management Fund will sell the remaining Legacy Assets for the benefit of the unit holders of the Fund. Angas will not charge a management fee for completing this process. However, the Fund will be responsible for payment of direct costs associated with the Fund and realising the Legacy assets.

Immediately prior to the Scheme of Arrangement being implemented, the Legacy Assets of Angas were revalued to fair value and then transferred to AAMF. There were also several liabilities associated with the Mortgage debenture business, which were transferred to AAMF as part of the Scheme too.

The Directors determined the fair value for each Legacy Asset by adopting the mid-point values stated in the Independent Expert Report which formed part of the Scheme Booklet.

The resulting impact on the Scheme of Arrangement ("SOA") restructure to AAMF is summarised in the following table:

	$
Legacy Assets transferred from Angas to AAMF (on 3 June 2019)	
- Loans and receivables	41,342,943
- Investments	1,232,003
- Other assets	250,124
- Cash at bank	1,108,565
- Service fee receivable (i) (refer note 7)	576,129
Liabilities transferred from Angas to AAMF (on 3 June 2019)	
- Trustco liability (ii)	(3,358,473)
- Other liabilities	(106,557)
Net Assets transferred from Angas to AAMF (on 3 June 2019)	41,044,734

	Nos.
Units were issued based on 1 unit for every $1 debenture debt cancelled	94,411,975

(i) In accordance with the SOA, Angas, as Responsible Entity of AAMF, will manage the sale of the Legacy Assets, but will not charge a management fee for completing the process. However, AAMF is required to recognise a servicing fee asset at fair value. This calculation is different to the corresponding service fee liability recognised in Angas.

(ii) During the period from 1 January 2013 to 31 December 2018, the Debenture Trustee of Angas ("Trustco") incurred external advisory costs and expenses in relation to the mortgage debenture business and for various proceedings against Angas. Trustco asserted that it was entitled to be reimbursed by Angas in the amount of $4,397,280.44. Angas disputed aspects of these amounts, and eventually agreed to pay to Trustco the amount of $3,358,472.96 in full and final settlement of Trustco's claims. In accordance with the Scheme of Arrangement, Trustco holds a security interest over the assets in AAMF to secure the agreed expenses of $3,358,472.96. Until this amount is paid in full, it has been agreed that Trustco will be paid 25% of the net proceeds payable at settlement on the sale of any of the Legacy Asset

Loans

As described under Scheme of Arrangement above, Legacy Assets were transferred from Angas to AAMF at fair value. Most of these Legacy Assets comprised loans and receivables. Holding costs (eg rates and taxes, legal fees etc) relating to the underlying security associated with the loans are capitalised, with the fair value recalculated at each reporting period.

In terms of fair-valuing loans, the Board meets on a monthly basis and reviews all loans. To determine if there exists objective evidence of any movement in fair value, the Directors of Angas make significant estimates, judgments and assumptions in relation to the method, quantum and timing of cashflows in respect of the repayments 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 considered 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 realisation strategy has been developed to maximise the returns to unitholders. 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 Unitholders. 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 Unit holders.

Fair value of loans

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

In terms of assessing fair value of loans, the Board meets on a monthly basis and reviews all loans.

Where there is objective evidence of change in fair value, the Board assess the fair value 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 fair value of loans within the next financial year.

If there is objective evidence of material change in the fair value, that change is reflected in the accounts.

Fair value of Investment Properties

For investment properties, the Directors assess the fair value 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 fair value and net realisable values.

The fair value 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 a change in the fair value of these investment properties from time to time.

Holding costs (eg interest, rates and taxes, legal fees etc) relating to the properties are capitalised, with the fair value recalculated at each reporting period

The Board believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of these assets.

5. Trade and other receivables

	31 December 2019 $	30 June 2019 $
Trade Receivables	201,208	255,447
Rent receivables	70,757	62,263
Goods and services tax recoverable	32,796	2,583
	304,761	**320,293**

6. Loans

	31 December 2019 $	30 June 2019 $
Loans – at fair value	35,010,606	41,859,437
	35,010,606	**41,859,437**

7. Other assets

	31 December 2019 $	30 June 2019 $
Prepayments	576,129	576,129
Less: Amortisation of management fee	(213,775)	-
	362,354	**576,129**

In accordance with the Scheme of Arrangement, Angas, as Responsible Entity of AAMF, will manage the sale of the Legacy Assets, but will not charge a management fee for completing the process. However, AAMF is required to recognise a servicing fee asset representing the value of the notional management fee remaining.

8. Investment property

	31 December 2019 $	30 June 2019 $
Balance at beginning of year	6,627,353	-
Property transferred from Angas per Scheme of Arrangement	-	6,627,353
Capitalisation of holding costs	259,059	-
Less: rent received	(316,393)	
	6,570,019	**6,627,353**

The properties summarised above are detailed in the following table:

Consolidated

31 December 2019

Property location	Fair Value
Lot 71 Coral Cove QLD	$ 507,312
Mannum Green Shopping Centre SA	$6,062,707
TOTAL	**$6,570,019**

Fair value of the consolidated entity's investment properties

Immediately prior to the Scheme of Arrangement being implemented, the investment properties were revalued to fair value and then transferred to AAMF.

The Directors determined the fair value of the investment properties by adopting the mid-point values stated in the Independent Expert Report which formed part of the Scheme Booklet.

Details of AAMF's and the consolidated entity's investment properties and information about the fair value hierarchy as at 31 December 2019 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 31 December 2019
Investment properties				
AAMF	-	-	-	-
Consolidated Entity	-	-	$6,570,019	**$6,570,019**

9. Trade and other payables

	31 December 2019 $	30 June 2019 $
Trade payables	30,033	28,631
GST payable	2,844	9,299
Other payables and accrued expenses	118,412	184,964
	151,289	222,894
Trustco payable – secured (i)	2,645,561	3,358,473
	2,796,850	**3,581,367**

(i) In accordance with the Scheme of Arrangement, Trustco holds a security interest over the assets in AAMF to secure the agreed Debenture Trustee expenses. Until this amount is paid in full, it had been agreed that Trustco will be paid 25% of the net proceeds payable at settlement on the sale of any of the Legacy Assets. During the half-year ended 31 December 2019, AAMF paid $712,912 to Trustco.

10. Borrowings

	31 December 2019 $	30 June 2019 $
Secured – at amortised cost		
Bank loan	5,317,353	5,427,353
	5,317,353	**5,427,353**

11. Unitholders' equity

	AAMF	
	31 December 2019 Units	31 December 2019 $
Opening balance	94,411,975	41,044,734
Redemptions	(2,995,630)	(1,284,002)
Closing balance	**91,416,345**	**39,760,732**

(i) The Fund is a closed membership base, with units only issued to Angas debenture holders in accordance with the Scheme of Arrangement. The Responsible Entity can not issue any more units.

12. Related party disclosures

The Responsible Entity of AAMF is Angas Securities Limited (ACN 091 942 728).

There were no transactions during the year or amounts receivable/payable at the end of the year between the AAMF and the Responsible Entity.

The following entities related to Directors of Angas hold subsequent mortgages behind current AAMF loans:

Entity	No. of Loans	Total Value of Loans
KWS Capital Pty Ltd	1	$ 1,145,930
Cardiff Capital Pty Ltd	1	$ 2,358,504
Mortgage Funds Management Pty Ltd	1	$51,107,052
		$54,611,486

13. Contingent liabilities and contingent assets

At the date of this report, the directors of the Responsible Entity are unaware of any liabilities or assets, contingent or otherwise, that were not already disclosed elsewhere in this report.

14. Subsequent events

There were no subsequent events to report.