



ANGAS SECURITIES LIMITED ABN 50 091 942 728  
AUSTRALIAN FINANCIAL SERVICES LICENCE NO. 232 479

30 January 2019

## **ASIC's refusal of application for relief – Half Year Review 31 December 2017 - Affirmed by Administrative Appeals Tribunal**

On 28 February 2018, Angas Securities Limited ("Angas") applied to ASIC for relief under section 340 of the *Corporations Act 2001* ("the Act") to dispense with the requirements relating to the review of half year financial report for the period to 31 December 2017 ("Half Year Report"). Specifically, Angas sought relief from the requirement for its directors to have the Half Year Report externally reviewed by its auditor.

Angas submitted to ASIC that it provides a substantial amount of other reporting which Angas considers is of more relevance given the unique circumstances of the Run-Off. This reporting includes monthly update reports to the Loans Realisation Committee ("LRC") and quarterly updates to debenture holders in addition to the auditor reviewed annual financial report ("Annual Report"). ASIC refused the application and set out its substantial grounds for doing so. Angas sought a review of ASIC's refusal which proceeded to a hearing in the Administrative Appeals Tribunal earlier this month. The Angas Managing Director gave oral evidence. ASIC lodged written submissions which included reference to the views of the Chairman of the LRC and the view of the Trust Company (Nominees) Limited ("Trustco").

The Chairman of the LRC supported the application by Angas on the basis that information as to the quantum of money that debenture holders were likely to receive was contained in the reports provided monthly, the investor communications by Angas, and due to the cost.

Trustco did not support the application by Angas on grounds including:-

- Audited half-year and year financial statements are an important check and balance on Angas' financial position;
- The views of the debenture holders on the proposed change to Angas' reporting obligations have not been canvassed;
- The 30 June 2017 audited financial statements had been lodged two months late;
- The reporting to the LRC does not correspond to the level of reporting in audited financial statements, and reporting and forecasts in these reports do not generally correspond to Angas' actual performance;
- The quarterly reports to debenture holders are anecdotal and not a substitute for the bi-annual financial statement and audit process;
- The audit fees referred to in Angas' application for relief are not an excessive expense in the context of Angas' average annual gross running costs of between \$5-\$6 million; and
- Certain covenants in the Trust Deed which provided a tool to monitor performance of the debenture business have been removed as part of the Federal Court approval of the Run-Off.

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The Administrative Appeal Tribunal affirmed the decision of ASIC. Reasons were published on 23 January 2019 (<https://www.angassecurities.com/governance/nsx-announcements/>). The Tribunal sets out in its reasons the background facts, the Federal Court litigation initiated by Trustco and the Run-Off Proposal, the evidence adduced by Angas, the submissions adduced by ASIC from the LRC Chairman and Trustco, the Legislative Scheme and Case Law, ASIC's Regulatory Guide, the Contentions of Angas, the Contentions of ASIC, the expected costs and benefits of compliance and whether the costs of compliance imposed an unreasonable burden on Angas. For the detailed reasons published, the Tribunal concluded that the costs of compliance significantly outweighed the burden of doing so.

Angas is considering its position in light of this administrative decision affirming ASIC's refusal.



Andrew Luckhurst-Smith  
Executive Chairman  
ANGAS SECURITIES LTD