

# **ANGAS SECURITIES LIMITED**

A.C.N. 091 942 728

Half year report for the half-year ended 31 December 2010

# Financial report for the half-year ended 31 December 2010

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## Directors' report

The directors of Angas Securities Limited submit herewith the financial report for the half-year ended 31 December 2010. 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 Kimley John Lyons

Mr Paul Stephen McCarthy

### Review of operations

The operating profit after income tax and before dividends for the period amounted to \$1,017,505 (6 months December 2009 operating profit of \$1,160,303). This was a slight decrease over the previous half year reflecting an increase in Administration expenses for the six months ending 31 December 2010 and expenses relating to the acquisition of Hindmarsh Precinct Developments Pty Ltd as trustee for the Lot 101 Developments Unit Trust.

During the period, Angas Securities Limited have introduced secured loans into a facility with Advance Investment Finance No 2 Pty Ltd. The total loans which can be introduced by Angas Securities Limited under this agreement is \$25 million.

During the period, Angas Securities Limited has become the Responsible Entity for the Angas Prime Income Fund (formerly Prime Monthly Income Trust). This followed variation of the Australian Financial Services Licence (approved by ASIC)

### Auditor's independence declaration

The auditor's independence declaration is included on page 2 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, 16 March 2011

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

16 March 2011

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 2010, 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



J M Burton  
Partner  
Chartered Accountants

## 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 statement of financial position as at 31 December 2010, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed 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 5 to 14.

### *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 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 2010 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 report.

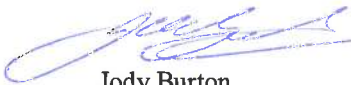
## *Conclusion*

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 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 2010 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*.



DELOITTE TOUCHE TOHMATSU



Jody Burton

Partner

Chartered Accountants

Adelaide, 16 March 2011

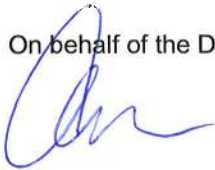
## **Directors' declaration**

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 2011

## Condensed consolidated statement of comprehensive income for the half-year ended 31 December 2010

	Consolidated	
	Half-year ended 31 December 2010 \$	Half-year ended 31 December 2009 \$
Interest revenue	10,082,478	7,515,955
Interest expense	(8,133,387)	(6,250,041)
<b>Net interest revenue</b>	<b>1,949,091</b>	<b>1,265,914</b>
Non interest revenue	3,217,993	2,530,788
Profit on sale of property	1,069,331	1,435,556
Marketing expenses	(236,559)	(183,639)
Occupancy expenses	(198,081)	(201,580)
Administration expenses	(3,734,231)	(2,889,472)
Lending waivers	(154,598)	(6,181)
Other expenses	(372,102)	(285,582)
<b>Profit before tax</b>	<b>1,540,844</b>	<b>1,665,804</b>
Income tax expense	(523,339)	(505,501)
<b>Profit for the period</b>	<b>1,017,505</b>	<b>1,160,303</b>
Other comprehensive income		-
<b>Total comprehensive income for the period</b>	<b>1,017,505</b>	<b>1,160,303</b>
Attributable to:		
Equity holders of the parent	1,024,959	1,160,759
Non-controlling interests	(7,454)	(456)
	<b>1,017,505</b>	<b>1,160,303</b>
<b>Earnings per share:</b>		
Basic (cents per share)	127.12	145.56
Diluted (cents per share)	127.12	145.56

Notes to the condensed consolidated financial statements are included on pages 10 to 14.

## Condensed consolidated statement of financial position as at 31 December 2010

	Consolidated	
	31 December 2010 \$	30 June 2010 \$
<b>Assets</b>		
Cash and cash equivalents	18,575,161	11,981,999
Trade and other receivables	15,967,820	18,607,225
Other assets	3,901,767	55,687
Loans	149,374,737	128,204,379
Current tax assets	146,122	-
Deferred tax assets	517,826	1,041,168
Other financial assets	7,438,414	9,170,386
Property, plant and equipment	574,760	521,246
Investment property	22,921,307	21,839,074
Other intangible assets	59,157	73,505
Goodwill	592,184	592,184
<b>Total assets</b>	<b>220,069,255</b>	<b>192,086,853</b>
<b>Liabilities</b>		
Trade and other payables	2,793,044	2,750,498
Interest bearing liabilities	208,208,277	179,984,505
Current tax liabilities	-	770,930
Provisions	177,644	185,091
Unearned Income	319,235	231,582
<b>Total liabilities</b>	<b>211,498,200</b>	<b>183,922,606</b>
<b>Net assets</b>	<b>8,571,055</b>	<b>8,164,247</b>
<b>Equity</b>		
Issued capital	898,476	799,898
Retained earnings	7,252,122	7,227,163
Equity attributable to equity holders of the parent	8,150,598	8,027,061
Non-controlling interests	420,457	137,186
<b>Total equity</b>	<b>8,571,055</b>	<b>8,164,247</b>

Notes to the condensed consolidated financial statements are included on pages 10 to 14.

## Condensed consolidated statement of change in equity for the half-year ended 31 December 2010

	Issued Capital \$	Retained earnings \$	Non-controlling interest \$	Total \$
<b>Balance at 1 July 2009</b>	697,351	5,487,390	130,777	6,315,518
Profit/(loss) for the period	-	1,160,759	(456)	1,160,303
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	1,160,759	(456)	1,160,303
Payment of dividends	-	(600,000)	-	(600,000)
Issue of capital	72,481	-	-	72,481
Installment partly paid shares	18,071	-	-	18,071
<b>Balance at 31 December 2009</b>	<b>787,903</b>	<b>6,048,149</b>	<b>130,321</b>	<b>6,966,373</b>
<b>Balance at 1 July 2010</b>	<b>799,898</b>	<b>7,227,163</b>	<b>137,186</b>	<b>8,164,247</b>
Profit/(loss) for the period	-	1,024,959	(7,454)	1,017,505
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	1,024,959	(7,454)	1,017,505
Payment of dividends	-	(1,000,000)	-	(1,000,000)
Issue of capital	68,589	-	-	68,589
Installment partly paid shares	29,989	-	-	29,989
Controlling interest arising on the acquisition of Hindmarsh Precinct Developments	-	-	290,725	290,725
<b>Balance at 31 December 2010</b>	<b>898,476</b>	<b>7,252,122</b>	<b>420,457</b>	<b>8,571,055</b>

Notes to the condensed consolidated financial statements are included on pages 10 to 14.

## Condensed consolidated statement of cash flow for the half-year ended 31 December 2010

	Consolidated	
	Half-year ended 31 December 2010 \$	Half-year ended 31 December 2009 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	3,287,661	3,361,268
Payments to suppliers and employees	(3,802,685)	(3,756,426)
Payment of property investment distribution	-	(1,335)
Interest received	8,885,340	8,710,258
Interest paid	(7,759,346)	(6,409,463)
Income tax received	-	148,825
Income tax paid	(917,052)	-
Net cash provided by/(used in) operating activities	(306,082)	2,053,127
<b>Cash flows from investing activities</b>		
Proceeds from repayment of mortgage loans	15,717,454	31,046,377
Payment for mortgage loans	(32,512,921)	(40,010,943)
Proceeds from property, plant and equipment	30,684	1,562
Payment for property, plant and equipment	(155,426)	(44,927)
Proceeds from sale of property investments	1,786,922	-
Payment for investments	(1,207,898)	(7,500,000)
Payment for investment property	(1,699,575)	(62,384)
Net cash used in investing activities	(18,040,760)	(16,570,315)
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	3,700,000
Repayment of borrowings	(99,143)	(96,543)
Proceeds for issue of equity securities	98,578	90,552
Proceeds from issues of debt securities	33,811,569	27,841,483
Repayment of debt securities	(7,871,000)	(8,555,219)
Dividends paid		
- member of the parent entity	(1,000,000)	(600,000)
Net cash provided by financing activities	24,940,004	22,380,273
<b>Net increase/(decrease) in cash and cash equivalents</b>	6,593,162	7,863,085
<b>Cash and cash equivalents at the beginning of the period</b>	11,981,999	16,920,672
<b>Cash and cash equivalents at the end of the period</b>	18,575,161	24,783,757

Notes to the condensed consolidated financial statements are included on pages 10 to 14.

## 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 financial 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 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 company's 2010 annual financial report for the financial year ended 30 June 2010, 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 reporting period.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the Group include:

- Amendments to AASB 5, 8, 101, 107, 118, 136 and 139 as a consequence of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*.

AASB2009-5 Introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognized assets in the statement of cash flows and the classification of leases of land and buildings.

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and have no affect on the amounts reported for the current or prior periods.

### 2. Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports and components of the Group 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 Group's Board of Directors for the purposes of assessing the performance of the Group specifically focuses on the Groups' core financial products. The Group's reportable segments under AASB 8 are therefore as follows:

- Commercial Investments
- Retail Lending
- Property Investments

## 2. Segment information (cont'd)

The Commercial Investments reportable segment involves the supply of commercial mortgages and the investment in properties held for resale funded by Debentures issued to the public. The Retail Lending reportable segment includes the supply of retail mortgages funded by third parties (either by Finance & Systems Technology Pty Ltd, GE Money or Advance Investment Finance No 2 Pty Ltd), while the third reportable segment is Property Investments which includes all activities relating to investments made in properties solely for investment purposes (all properties are commercial tenanted and receive monthly rental income).

Information regarding these segments is presented below. Amounts reported for the prior period have been restated to conform to the requirements of AASB 8. The accounting policies of the new reportable segments are the same as the Group's accounting policies.

	Revenue		Segment Profit/(Loss)	
	Half-year ended		Half-year ended	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
	\$	\$	\$	\$
Commercial Investments	13,307,566	10,699,713	1,665,252	1,829,471
Retail Lending	315,915	151,989	43,216	(138,907)
Property Investments	774,533	724,653	(167,624)	(24,760)
	14,398,014	11,576,355	1,540,844	1,655,804
Profit before tax			1,540,844	1,665,804
Income tax expense			(523,339)	505,501
Consolidated segment revenue and profit for the period	14,398,014	11,576,355	1,017,505	1,160,303

Segment profit represents the profit earned by each segment without allocation of central administration costs, director's salaries, and income tax expenses to the Commercial Investment segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Intersegment revenues has not been eliminated in the above table, revenue and profit has been disclosed in the same manner the chief operating decision maker would receive it. Intersegment revenues include \$28,213 (2009: \$4,180) interest paid by Commercial Investments to Property Investments on Debentures issued by Commercial Investments.

The following is an analysis of the Group's assets by reportable operating segment:

	31 Dec 2010	30 Jun 2010
	\$	\$
Commercial Investments	192,335,680	168,269,233
Retail Lending	1,232,101	1,227,622
Property Investments	26,501,474	22,589,998
Total segment assets	220,069,255	192,086,853
Unallocated assets	-	-
Total assets	220,069,255	192,086,853

### 3. Issuance and repurchase of equity securities

During the half-year reporting period, the company issued 3,243 shares for \$68,589.45 in accordance with the Board's authority to issue up to 1.5% of the current shareholding each year. The offer was made to Executive Director Paul McCarthy. Paul McCarthy elected to have the shares issued in the name of Barri Nominees Pty Ltd ATF Dragon Capital Trust.

In addition, a further pay down of partly paid shares was made on 5 July 2010 by Barri Nominees Pty Ltd ATF Dragon Capital Trust of \$29,988.60 triggered by a Dividend payment. As a result of these two transactions, the closing equity balance at the half-year totaled \$898,476.22 which was made up of 800,421 shares.

### 4. Contingent liabilities and contingent assets

During the period Angas Securities Limited has introduced secured loans into a facility with Advance Investment Finance No 2 Pty Ltd and which are not recognized on the statement of financial position. Under the terms of the facility Angas Securities Limited assumes risk of default of the loans. As at reporting date secured loans of \$2,999,750 have been made and Angas Securities Limited considers the likelihood of default to be remote and as such has not recognised a provision.

Angas Securities Limited is involved in legal proceedings brought in the Supreme Court of Western Australia by Sizer Builders Pty Ltd (in liquidation). The claim against Angas is for failing to lend funds. The directors believe, based on legal advice, that the action can be successfully defended and therefore no losses will be incurred.

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

### 5. Dividends

	Half-year ended 31 December 2010		Half-year ended 31 December 2009	
	Cents per share	Total \$	Cents per share	Total \$
<b>Recognised amounts</b>				
<b>Fully paid ordinary shares</b>				
Final dividend franked to 30%	125.44	1,000,000	-	-
Interim dividend franked to 30%	-	-	75.59	600,000
		<u>1,000,000</u>		<u>600,000</u>

### 6. Acquisition of subsidiary

On 14 December 2010, the Group acquired a 70% interest in Hindmarsh Precinct Developments Pty Ltd as trustee for The Lot 101 Development Unit Trust ("Hindmarsh Precinct Development"). Hindmarsh Precinct Developments is engaged in Property Investment and was acquired with the objective of strengthening the Group's investment portfolio.

#### Consideration transferred

Cash

\$
740,082
<u>740,082</u>

## 6. Acquisition of subsidiary (cont'd)

### Assets acquired and liabilities assumed at the date of acquisition

#### Assets

Cash & cash equivalents

Trade receivables (i)

Prepaid land lease – Lot 101 Adam Street

Hindmarsh (ii)

#### Liabilities

Trade & other payables

Related party payable – Vidale Developments

Pty Ltd

Commercial Bill – BankSA

\$
212
30,050
3,800,000
(191,180)
(200,000)
(2,470,000)
969,082

(i) Trade receivables acquired of \$30,050 relate entirely to GST receivable.

(ii) The land acquired is leased from the Commonwealth for 99 years. The lease will expire on 12 February 2106.

### Non-controlling interests

The non-controlling interest (30%) in Hindmarsh Precinct Development recognized at the acquisition date was measured by reference to the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets.

### Goodwill arising on acquisition

Consideration transferred

Plus: non-controlling interest (at fair value)

Less: fair value of identifiable net assets  
acquired

Goodwill arising on acquisition

\$
740,082
290,725
(969,082)
61,725

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

### Net cash outflow arising on acquisition

Consideration paid in cash

Less: cash and cash equivalent balances  
acquired

\$
740,082
(212)
739,870

### Impact of acquisition on the results of the Group

Included in the profit for the interim period is a loss of \$81,274 attributed to Hindmarsh Precinct Developments. Revenue for the period includes nil in respect of Hindmarsh Precinct Developments.

## 7. Subsequent events

On 8 March 2011, the Federal Court of Australia delivered judgment in favor of Angas Securities Limited against Valcorp Australia Pty Ltd for the preparation of a property valuation which the court held to be in contravention of s52 of the Trade Practices Act 1974 (Cth) and s56 of the Fair Trading Act 1987 (SA). Angas Securities Limited will be entitled to loss of opportunity damages and interest.

## **8. Significant items**

Angas Securities Limited has acquired a partial interest in three properties, as tenant in common with the vendor, with an agreement entered into to sell such interest back to the vendor for an agreed amount at a future date. Where the amount to be settled at a future date is agreed and the conditions with regard to the Company's revenue recognition policy are satisfied, a sale of the property and the corresponding profit is recognized. For the half-year period ended 31 December 2010, profit on sale of associated with these interest of \$1,069,311 was recognized (31 December 2009; \$1,435,556). Total receivables balance of \$11,234,919 remains outstanding at 31 December across the three properties.

## **9. Disclosure of additional information**

Angas Securities Limited (the company) is a public company incorporated in Australia and operating in Adelaide. Debentures issued by Angas Securities Limited are listed on the National Stock Exchange (NSX).

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

**Principal Registered Office**

Level 14, 26 Flinders Street  
ADELAIDE SA 5000  
TEL: (08) 8414 3363

**Principal Place of Business**

Level 14, 26 Flinders Street  
ADELAIDE SA 5000  
TEL: (08) 8410 4343

The entity's principal activity is financial services.