

ANGAS PRIME INCOME FUND (“ANGAS PRIME”)

ARSN: 091 887 400

Half year report for the half-year ended 31 December 2018

Directors' report

The directors of Angas Securities Limited (ACN 091 942 728) ("Angas") the responsible entity of Angas Prime (The Fund) submit herewith the half-year financial report for the half-year ended 31 December 2018. 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

Mr Randal Paul Williams (appointed 1 March 2019)

The above named directors held office during or 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 in 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.

The Constitution authorises investments in a wide range of investments, including mortgage investments, equities, equity derivatives, money market securities, fixed interest securities, managed investment schemes, currencies, options and futures contracts.

The Fund did not have any employees during the half-year.

Review of Operations

A revised PDS was issued on 26 July 2018 providing a product where investor funds are pooled and lent out on loans secured by registered first mortgages. Mortgages will comprise of primarily residential and development land with broad geographic diversification across Australia. Return to investors is at a target rate which is to be reviewed and set quarterly.

Results

The results of the operations of the Fund are disclosed in the Statement of Comprehensive Income of these financial statements. The profit attributable to unitholders for the half-year ended 31 December 2018 was \$866,598 (31 December 2017: \$1,243,546).

The reduction in profit was due to Interest revenue decreasing for the period. This was caused by several loans in the previous period being in default, which attracted high rate interest. These loans have since been discharged. Further, the average amount lent in the previous period was higher than the current period which contributed to the lower interest revenue.

Distributions

During the half year ended 31 December 2018, the target rate for July to December 2018 was 6.5%. The target rate has been achieved and monthly distributions have been made at the given rate.

Future developments

The Board's objective over the next 12 months is to grow the investor book under the PDS in order to invest funds as outlined in the Constitution.

Options granted

No options were:

- (i) Granted over unissued units in the Trust during or since the end of the half year; or
- (ii) Granted to the Responsible Entity.

No unissued units in the Fund were under option as at the date on which this Report is made.

No units were issued in the Fund during or since the end of the half year as a result of the exercise of an option over unissued units in the Trust.

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, Natalie Gatis, and all executive officers of the Responsible Entity 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 Fund by the Responsible Entity

Fees paid to the Responsible Entity during the year include a management fee and performance fee. The management fee is calculated on a daily basis and payable to the Responsible Entity at the end of each month. A performance fee is payable from the income of the fund at the end of each month after distributions to Investors of the target rate and subject to the maintenance of a pre-determined level of the Dedicated Reserve Account.

No fees were paid to the directors of the Responsible Entity during the half year. The Responsible Entity or its associates did not hold any interests in the Fund during the half year 31 December 2018.

Interests in the Fund

The movement in units on issue in the Fund during the half year is disclosed in Note 4 to 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 Note 2 to the financial statements.

Subsequent events

Angas Securities Limited Debenture Run-Off

Angas is currently undertaking a program to exit its debenture business through an orderly realisation of its assets and repayment of amounts owed to holders of Angas debentures ("Run-Off"). The Run-Off most recently approved by debenture holders extended the redemption date for debentures to 30 June 2019. The Directors of the Angas met on 5 October 2018 and based on the information available to them on the status of all property sales, concluded that Angas would not be able to meet the payments contained in the Run-Off by 30 June 2019. The Directors then resolved to seek approval for a restructure of the remaining debenture debt (the "2019 Restructure Proposal").

The Angas Directors subsequently met with representatives of The Trust Company (Nominees) Limited ("Trustee" or "Trustco") on 30 October 2018 and 14 December 2018 to discuss the 2019 Restructure Proposal. Whilst these discussions will continue, Trustco has notified Angas and given qualified support. A formal report was made by Angas to the Federal Court on the 2019 Restructure Proposal under consideration. Orders were made by the Honourable Justice Beach on 8 November 2018 setting out a structure by which each of Angas, and Trustco are to consult in good faith with each other and with ASIC. The consultation process is ongoing. At the Federal Court hearing held 8 February 2019, the Honourable Justice Beach made Orders scheduling the preparation and disclosure of material information necessary for debenture holders to vote on the 2019 Restructure Proposal. Subject to debenture holders supporting the 2019 Restructure Proposal and it being ratified by the Federal Court, Angas will continue to realise assets of the legacy debenture business and manage the two mortgage trusts, Angas Prime and Angas Direct.

As with the current Run-Off, the 2019 Restructure Proposal does not directly affect investors in Angas Prime given the assets of Angas Prime are the property of Angas Prime investors and remain legally and operationally separate from the assets of Angas.

If the debenture holders do not support the 2019 Restructure Proposal, or if the 2019 Restructure Proposal is not ratified by the Federal Court, there is material uncertainty whether Angas will continue as a going concern. If this occurs, it is likely to result in the Company being placed into formal administration, which may impact on the continued management of Angas Prime by Angas.

Restructure of Funds Management Business

As part of the Run-Off, Angas expressed the intention to restructure Angas Prime by transferring the Responsible Entity and management to a wholly-owned subsidiary Angas Mortgage Management Limited ("AMML"). AMML was incorporated in October 2016 and ASIC has assessed the application for an Australian Financial Services Licence ("AFSL") to enable the subsidiary to replace Angas as Responsible Entity and manager of Angas Prime and Angas Direct. The application was lodged in October 2016 and during this period, no formal decision has been made by ASIC as to whether to grant or refuse the AFSL application. As a result of the 2019 Restructure Proposal, AMML has withdrawn its application from ASIC. Nothing arising from the AMML application nor its withdrawal impacts on the ability of Angas to continue to conduct its funds management business.

Angas' Required Level of Net Tangible Assets as Holder of an Australian Financial Services Licence

As the holder of an Australian Financial Services Licence, Angas is subject to certain financial requirements, including a requirement that it hold a minimum level of Net Tangible Assets ("NTA"). A consequence of the Run-Off is that Angas has experienced fluctuations from time-to-time in its NTA position, in part because of revaluation of its assets agreed with its auditors. On 31 January 2019, Angas issued its Financial Statements for the financial year ended 30 June 2018. Angas' Financial Statements disclosed a breach of the NTA requirement.

As discussed above, the Directors of Angas are seeking to restructure the debenture debt of Angas by way of the implementation of the 2019 Restructure Proposal. This will require debenture holders to vote to approve the 2019 Restructure Proposal and it being ratified by the Federal Court. The 2019 Restructure Proposal will rectify the NTA breach.

Auditor's independence declaration

The auditor's independence declaration is included on page 4 of the half-year 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



Andrew Luckhurst-Smith
Executive Chairman
Adelaide, 13 March 2019

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

In relation to our review of the interim financial report of the Angas Prime Income Fund for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) 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

13 March 2019
Adelaide

INDEPENDENT AUDIT REVIEW REPORT TO THE UNITHOLDERS OF THE ANGAS PRIME

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of the Angas Prime ("the Fund"), which comprises the statement of financial position as at 31 December 2018, 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 2018 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 Prime Income 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 2018 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

13 March 2019

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



Andrew Luckhurst-Smith
Executive Chairman
Adelaide, 13 March 2019

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**Statement of profit or loss and other comprehensive income
for the half-year ended 31 December 2018**

	Half-year ended 31 December 2018 \$	Half-year ended 31 December 2017 \$
Income		
Interest	1,064,617	1,832,743
Other Income	23,229	-
Total income	1,087,846	1,832,743
Expenses		
Auditor's remuneration	6,651	14,439
Responsible entity fees	213,772	573,683
Other expenses	825	1,075
Total expenses	221,248	589,197
Profit attributable to unitholders	866,598	1,243,546
Finance costs attributable to unitholders		
Dedicated reserve account	79,731	423,311
Distributions to unitholders	786,867	820,235
Total Finance costs attributable to unitholders	866,598	1,243,546
Net profit	-	-
Other comprehensive income	-	-
Total comprehensive income for the period	-	-

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

**Statement of financial position
as at 31 December 2018**

	31 December 2018	30 June 2018
	\$	\$
Assets		
Cash and cash equivalents	8,330,516	8,378,840
Trade and other receivables	164,263	538,247
Other Financial Assets	15,574,047	14,949,033
Total assets	24,068,826	23,866,120
Liabilities		
Trade and other payables	112,315	854,460
Other financial liabilities	179,180	18,710
Distributions payable	134,331	123,950
Total liabilities	425,826	997,120
Net assets	23,643,000	22,869,000
Unitholders' equity		
Units issued	23,643,000	22,869,000
Total unitholders' equity	23,643,000	22,869,000

Note

4

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

**Statement of changes in equity
for the half-year ended 31 December 2018**

	Equity attributable to unitholders	
	Units on issue Number	Units on issue \$
Balance at 1 July 2017	23,625,000	23,625,000
Total comprehensive income	1,243,546	1,243,546
Distributions to unitholders	(820,235)	(820,235)
Dedicated reserve account	(423,311)	(423,311)
Issue of redeemable units	2,332,000	2,332,000
Redemption of redeemable units	(1,503,000)	(1,503,000)
Balance at 31 December 2017	24,454,000	24,454,000
Balance at 1 July 2018	22,869,000	22,869,000
Total comprehensive income	866,598	866,598
Distributions to unitholders	(786,867)	(786,867)
Dedicated reserve account	(79,731)	(79,731)
Issue of redeemable units	3,537,000	3,537,000
Redemption of redeemable units	(2,763,000)	(2,763,000)
Balance at 31 December 2018	23,643,000	23,643,000

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

**Statement of cash flows
for the half-year ended 31 December 18**

	Half-year ended 31 December 2018 \$	Half-year ended 31 December 2017 \$
Cash flows from operating activities		
Interest received	1,527,573	1,073,909
Other income received	23,229	-
Payments to suppliers	(971,402)	(187,049)
Net cash generated by/(used in) operating activities	579,400	886,860
Cash flows from investing activities		
Proceeds from borrowers	15,697,840	2,926,879
Payments to borrowers	(16,322,854)	(3,990,406)
Net cash used in financing activities	(625,014)	(1,063,527)
Cash flows from financing activities		
Proceeds from unitholders	3,537,000	2,352,000
Payment for the redemption of units to unitholders	(2,763,000)	(1,503,000)
Receipt from investment	-	-
Distributions paid to unitholders	(776,710)	(814,221)
Net cash generated by/(used in) financing activities	(2,710)	34,779
Net increase/(decrease) in cash and cash equivalents	(48,324)	(141,888)
Cash and cash equivalents at the beginning of the half-year	8,378,840	1,277,077
Cash and cash equivalents at the end of the financial year	8,330,516	1,135,189

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

1. General information

Angas Prime is a unit trust and registered managed investment scheme domiciled in Australia. The unit trust was constituted on 17 April 1984 and will terminate on 16 April 2064 unless terminated earlier in accordance with the provisions of the Trust's Constitution. A deed of variation was made on 13 November 2013 to amend the constitution to note revised rights and obligations as per a new PDS issued 13 November 2013. The PDS was most recently revised and reissued on 26 July 2018. The Responsible Entity of the Fund is Angas Securities Limited (the Responsible Entity).

This half-year financial report covers the Fund as an individual entity.

2. 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 2018 annual financial report for the year ended 30 June 2018, 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.

3. Critical accounting judgments and key sources of estimation uncertainty

Critical judgments in applying the Fund's accounting policies

The following are the critical judgements that management has made in the process of applying the Fund's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

In the process of applying the Fund's accounting policies, management has made a judgement in respect of impairment of assets which has the most significant effect on the amounts recognised in the Financial Statements. The Fund assesses impairment at each reporting date by evaluating conditions specific to the Fund that may lead to the impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

4. Issued units

	31 Dec 2018 Units	30 June 2018 Units
Opening balance	22,869,000	23,625,000
Applications	3,537,000	4,502,000
Redemptions	(2,763,000)	(5,258,000)
Units issued upon reinvestment of distributions	-	-
Return of capital	-	-
Transfer of net undistributed income from the income statement	-	-
Closing balance	23,643,000	22,869,000

5. 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.

6. Subsequent events

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