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ANGAS SECURITIES

INVESTOR NEWS | May 2008

FIXED INTEREST DEBENTURE STOCK

You could be earning **9.0%** p.a.
1 or 3 year terms

Interest paid Monthly or Reinvested
Rated B+/Stable/B by Standard & Poor's
Listed on the National Stock Exchange of Australia

Investments only by the application form contained in our Prospectus
which sets out an independent risk assessment of loss of capital.

This is not a bank deposit.



VISIT ANGAS SECURITIES ON THE WEB

Visit our website today. Financial Statement for Full Year FY08 are posted at
www.angassecurities.com

THE GOLDEN RULE OF INVESTMENTS - DON'T LOSE ANY MONEY

All investors strive to achieve the best possible return on their hard earned money. Successful investors know the Golden Rule of investment which is – Don't lose any money. Angas Securities appreciates this principle only too well. Our track record as a lender is that Angas Securities has never lost a single dollar on any completed loan transaction. Investors are welcome to read over Financial Statements or speak to our Investors Relations Staff to verify this claim. Angas Securities believes in disclosure and transparency. Investors can visit our website to view the independent report by Standard & Poor's which rates Angas Securities as B+/Stable/B.

Angas Securities generates fixed interest returns to debenture investors through specialising in short term property finance fully secured by first mortgages. We adhere to the Golden Rule – Don't lose money – by means of our policies, procedures and our people. Details of our lending policies and procedures are summarised in our Prospectus. These out-line conservative loan to valuation ratios, portfolio spread of quality loan assets and adequate liquidity. Angas Securities lending staff have appropriate training and experience to match their tasks and responsibilities. Sitting at the peak of the lending team is not one but two former General Managers of ANZ Bank.

Bob Morton joined Angas Securities as a director in March 2000 after a career of 35 years with ANZ Banking Group. He rose to be Chief Operating Officer of ESANDA Finance Corporation Limited and served as Acting Managing Director for a time. Upon returning to Adelaide, Bob held the dual role of General Manager SA & NT for both ANZ Bank and ESANDA Finance. This banking and finance background has served Bob well in his role with Angas Securities over the last 8 years as Chairman of The Credit Committee. This position is very "hands on" which has ideally suited Bob's temperament. To plan for Bob's succession, Angas Securities appointed another senior banker to its board last year.

Paul McCarthy was appointed as a director of Angas Securities in July 2007 following his resignation as ANZ Bank General Manager in South Australia. This role required Paul to co-ordinate and lead the activities of over 1,000 employees within the ANZ Banking Group in SA & NT both at retail and corporate banking level. Paul acted as ANZ Group CEO Representative in external interaction with the media and the wider community in which he developed and sustained a major profile in the local business community.

Paul's banking career commenced with Lloyds Bank Plc in London in 1991. He then joined ANZ Investment Bank Global Structured Finance when he moved to Australia in 1995. As Associate Director, he worked on limited recourse financing of large scale infrastructure projects. In addition to his extensive banking and corporate experience in Australia and overseas, Paul holds tertiary qualifications from universities in the UK and USA as well as a Master of Business Administration from Deakin University in Melbourne. He is an Associate of the Chartered Institute of Bankers (City of London). Paul McCarthy joined Angas Securities in a full-time executive role. This month Paul takes over from Bob Morton as Chairman of the Credit Committee.



Bob Morton



Paul McCarthy

DEBENTURE RATE

9.0% p.a. fixed for 1 or 3 years.

SECURITY FOR INVESTORS BY FIRST RANKING CHARGE

Fixed interest debentures issued by Angas Securities are secured by a first ranking charge over all of the company's assets held by Permanent Nominees (Aust) Limited as Trustee for the investors. There is a Trust Deed between the Trustee and Angas Securities which:-

- Imposes obligations as to the payment of principal and interest;
- Requires specified information, reports and information to be provided;
- Precludes the company from creating charges or other encumbrances which rank in priority to or pari passu with the debentures;
- Limits the type of investments in which the company can invest;
- Describes how the Trustee may be changed;
- Sets out how the Trust Deed can be amended;
- Specifies how meetings of investors may be held;
- Sets out the fees payable to the Trustee;
- Empowers the Trustee to take action to enforce the Trust Deed;
- Indemnifies the Trustee out of the charged assets in relation to costs and expenses incurred in the performance of its duties;
- Contains specified limitations on the liability of the Trustee;
- Sets out the voting rights of investors;

The above is a summary of some of the important information contained in the Trust Deed. Intending investors should read the Trust Deed as a whole. A copy of the Trust Deed is available for inspection at the offices of Angas Securities. The Trustee is a subsidiary of Trust Company Limited which has been providing trustee services with integrity and reliability for over 120 years.

For more information about the Trustee visit www.trust.com.au

SPECIAL OFFER UNTIL END OF FINANCIAL YEAR

Angas Securities has lifted its interest rate for 1 year debentures to 9.0%p.a effective 1 April 2008. This brings the 1 year rate into line with the 3 year rate. This is a Special Offer that will remain open until 30 June 2008. It will apply to new investments and to roll-overs. The premium rate of 0.25%p.a will be in addition to the Special Offer so that debentures rolled over between 1 April 2008 and 30 June 2008 will attract a rate of 9.25% p.a. Investors can elect to be paid interest monthly or have the interest re-invested and paid on maturity.

Angas Securities rewards investors by offering a Premium Rate of interest upon expiry of 12 month investment terms. Investors that rollover their funds upon maturity receive the PREMIUM RATE of interest which is 0.25%p.a above the prevailing rate for retail customers available at the date of maturity. The process is simple as no further paper work need be completed. The rollover at the PREMIUM RATE is confirmed by Angas Securities and a new 12 month Debenture Confirmation is issued. Premium investors can choose to receive their fixed interest monthly or the interest can be reinvested and paid on maturity.

During the period of the Special Offer until 30th June 2008, maturing investments which are rolled over will attract an Issue Rate of 9.25%p.a being the Special Rate of 9.0%p.a plus the Premium Rate of 0.25%. The return can be further enhanced by electing to reinvest interest until maturity. All debentures rolled over will be listed on National Stock Exchange providing investors with the benefit of additional liquidity.

RE-INVESTMENT OF INTEREST RATE INCREASE

As from 1st May 2008, the rate of interest paid on monthly interest which is re-invested until maturity has increased by 1.5% to 6.0%. So an investment of \$10,000 invested for 3 years at 9.0% with interest re-invested at 6.0% will produce a gross return of \$2,950.00 over that period (equivalent to 9.83%). This example excludes tax consequences and assumes no change to the ROI rate during the term of the investment.

Don't look back in Angas

Angas Securities, a mortgage-backed business started by a former Day Cutten fixed interest broker in 2000, is finding the tougher financial conditions being imposed by the big banks a terrific opportunity to grow its business.

Mathew Hower, managing director of Angas Securities, explains that the wholesale market for money has frozen up following the experience of a number of major US and European banks getting caught with worthless securities marketed to them by other financial institutions.

Nervy banker syndrome has spread to Australia where the credit squeeze is on. Big players looking for money to roll over maturing loans either can't get it, or if they can, are paying an extra 400 basis points (4 per cent) for it.

Banks can no longer securitise their mortgage books, i.e. package up the loans and sell them to other investors. As the big end of the financial system slows it spirals down the food chain.

So Australian banks are getting a lot tougher with money. Overdrafts of \$1 million are being cut to \$800,000 and short term lending such as real estate bridging finance is drying up. That's the exact space in which Angas is playing.

Under the looming cloud Mathew Hower and his chairman Andrew Luckhurst-Smith are seeing a big streak of silver lining.

Using debentures to raise money is a business model now considered a bit out of date. The Angas team has reinvigorated the model.

Hower saw an opportunity to get into the mortgage business in 1999 while he was at Cutten Pentelow (now Macquarie Private Wealth).

The firm had a first mortgage provider, Les Trowbridge, who ran the business separately but wanted to wind down. There were a number of mortgage providers around the town run by former bankers and finance men of about the same vintage who wanted out.

As a growing number of Americans can't pay their mortgages, an Adelaide mortgage provider is doing better than ever as a result. **Bill Nicholas** explains



Angas Securities managing director Matthew Hower and executive chairman Andrew Luckhurst-Smith.

Picture: Stephen Gray

At the same time the Wallis Committee had recommended a whole raft of regulatory changes for mortgage providers which thinned out the non-bank finance brigade. Hower was in the right place at the right time and, supported by his broker mates, hung up

his shingle and the results exceeded all expectations.

He got a strong team around him with Bob Morton, who ran ANZ and Esanda locally, Michael Burgess, a KPMG audit partner, and Andrew Luckhurst-Smith, the former managing partner of Ward &

Partners which became Hunt & Hunt, who was doing the legal work. Angas Securities is now the dominant supplier of non-bank mortgage finance in SA and is rapidly building market share in Melbourne, Sydney and Perth.

Angas Securities raises its working capital from debentures – a fixed interest security – from mostly mum and dad investors across the country. They have raised around \$150 million and have just gone to the market to raise \$250 million over the next year or so.

That task has been made easier since Standard & Poor has rated Angas Securities as a B+/stable/B rating. The marketability of the debenture issue has also been considerably enhanced as the debentures can be sold easily on the National Stock Exchange, the Newcastle-based small to medium companies exchange.

The \$150 million is mostly lent out on a strictly first mortgage basis with real property as security. Angas has a very conservative approach and lends no more than 70 per cent of the valuation of urban residential property and 50 per cent for rural broad acres. The average length of an Angas mortgage loan is eight months. Ten per cent of the debenture issue is invested in commercial real estate – such as the Gribble Pathology building which generated a gross profit of \$2.5 million – but there are just three on the books now.

"We like to take baby steps at any time but in this climate we're happy to slow it right down and pick and choose," said Hower. "The deals appear to be getting better and there's more of them."

He also likes to sleep well at night so he has about \$20 million in cash reserves – well above a statutory reserve level of \$6 million.

The company is predominantly owned by directors with minor equity issues to rainmakers in other capital cities, which can help break the ice, marketing wise.

IMPORTANT NOTICE

This newsletter does not contain investment advice. You should carefully consider the content of our Prospectus and seek advice from your own qualified financial adviser. This newsletter contains general information only and does not take into account your individual objectives, financial situation or needs. Debentures are not bank deposits. An independent assessment of the risk of loss has been made by Standard and Poor's.



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