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ANGAS SECURITIES

INVESTOR NEWS

SEPTEMBER 2010

ANGAS SECURITIES BENEFITS FROM IMPROVED TRADING CONDITIONS

Generally improved trading conditions across the Australian economy have seen Angas Securities post a strong increase in profit for FY10 (Financial Year ended 30th June 2010) over the trading profit for the preceding comparable period FY09 (Financial Year ended 30th June 2009). Deloitte Touche Tohmatsu has completed its full audit of the Angas Securities Financial Statements which were signed by the directors on 16th September 2010. The Financial Statements have been presented to the Trustee, filed at ASIC and have been posted in full on the Angas Securities website. An extract of information from the Financial Statements will be included in Prospectus No. 12 which is proposed to be issued later this year.

There were several highlights in the financial performance of Angas Securities. Pre tax profit was $3,451,956 compared to FY09 pre tax profit of $2,023,316 on total revenues of $25,318,273 ($20,940,040). Total assets increased to $177,496,855 ($138,653,811) reflecting solid growth in debenture investments, shareholder equity and retained earnings. Goodwill represents only a small component of the Angas Securities Balance Sheet and this was written down from $645,484 to $592,184. Angas Securities continues to invest in its core business with up-grading of the Gold Coast office in FY10 and the Perth office this Financial Year (see next item).

Matthew Hower, Managing Director said that Angas Securities enjoys tremendous support from its investors, staff and business introducers. The overview of the Australian Mortgage Market on pages 2 & 3 of this edition of Investor News describes the overall outlook as well as the opportunity available for Angas Securities.

ANGAS SECURITIES IS ON THE MOVE

The Gold Coast office had a major move earlier this year. After several years at Marine Parade, Southport in the heart of the Gold Coast's commercial centre, it was decided to move several kilometres south to the heart of Gold Coast's population base. The brand new Angas Securities office has been open for business at a new shop front for ease of access for our investors at 1 Arbour Avenue, Robina in a smart, tree lined precinct nearby to Robina City Centre. Feel free to call in to visit Maria Wyllie (pictured).

The Perth office has moved too but just around the corner to 448 Roberts Road, Subiaco. The Angas Securities team have settled into the smartly appointed premises located in the modern Subiaco precinct near Subi Central and the Subiaco Railway Station. Linley Vogel will be on hand as ever to greet investors – basking in her new surroundings and resplendent in the new Angas Securities corporate attire. The telephone number and other contact details will remain unchanged.

Maria Wyllie
Investor Relations Officer

TAX DISCOUNT TO BE POSTPONED

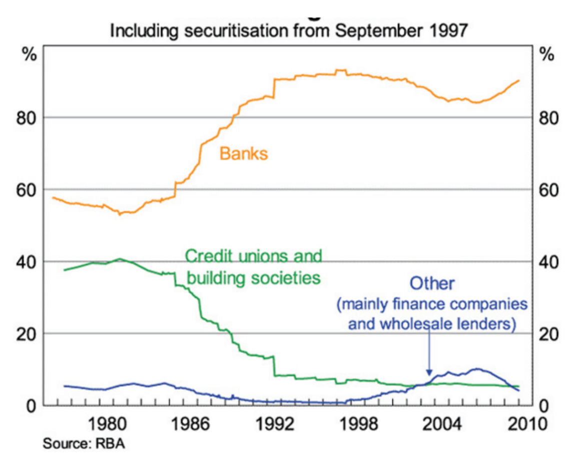
The planned discount of 50 per cent on the first $1,000 of interest earned on debentures, bonds and deposits looks destined to be postponed. The May edition of Investor News stated that the discount would take effect from 1 July 2011 "subject to the legislation being passed". It appears that commencement will be put off for one year to help fund additional government spending in regional Australia. The deferral until 1 July 2012 flows from the agreement made with two independent members of the House of Representatives to enable the ALP to form a minority government. The reform is quite timid in any event as it will not be available to companies and self managed superannuation funds. It falls well short of the proposal designed to encourage broad based national savings in the Henry Committee's review of Australia's Taxation System.

MORTGAGE LENDING IN AUSTRALIA

Mortgage lending is the largest asset class in Australia worth almost $4 trillion and accounting for around 60% of household assets in Australia. The market continues to grow at 8% per annum despite the contraction in bank lending and capital markets as a source of funding throughout and following the recent financial crisis. Lenders which survived the crisis are enjoying favourable conditions. The sector of the market in which Angas operates (being short term, first mortgage secured lending) is particularly favourable. Heightened demand is evidenced daily due to the reduced number of active participants in the market. Also banks have tightened lending criteria across the board due to funding constraints and conditions and thus Angas is able to write profitable business whilst maintaining conservative lending criteria. Angas is strongly positioned with an experienced and capable board and management team to take advantage of these conditions.

HISTORY OF THE AUSTRALIAN MORTGAGE MARKET

Financial deregulation began in Australia in the 1970s accelerating sharply in the 1980s. Prior to deregulation, the Australian banking system was subject to a wide-range of controls around interest rates that could be charged, reserve and liquidity ratio requirements and loan quality directives. As a result of regulation, much of mortgage market lending was done by credit unions and building societies. Finance companies often provided top up funding to bank mortgages but were not a particularly large share of the overall market. The impact of deregulation on the market has been significant, affecting the quantity of credit provided as well as pricing and structure. As can be seen in the chart right, following deregulation, the competitiveness with which banks could provide lending significantly increased the volume of mortgages provided. The reduction in credit union lending and building society lending and the increase in bank lending also reflects the fact that a number of building societies and credit unions converted to banks during the early 1980s and 1990s.



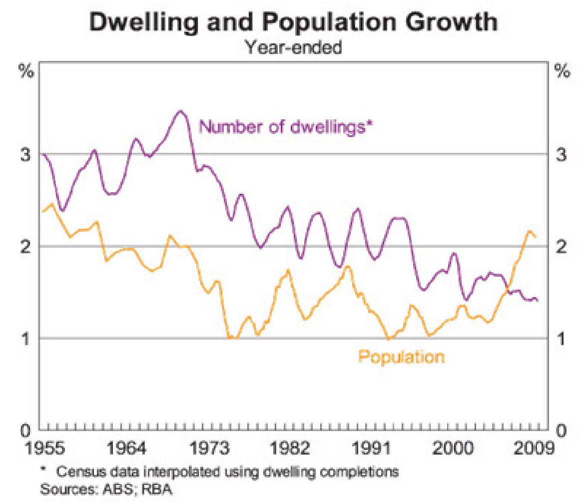
AS A RESULT OF DEREGULATION, THE INTEREST RATE CEILING ON LARGE HOUSING LOANS WAS REMOVED AND IN 1986, THE INTEREST RATE CEILING ON ALL NEW HOUSING LOANS, (13.5% AT THE TIME), WAS REMOVED.

THE EFFECT OF THE FINANCIAL CRISIS

The financial crisis has had a material effect on pricing and structure in the Australian mortgage market.

- Securitisation as a form of funding has been significantly impacted since the middle of 2007 and is only now starting to recover at a slow rate. This has predominantly impacted non bank financiers whose market share has fallen from circa 13% in mid 2007 to about 2% in 2009.
- There has been consolidation within the sector. Several of the larger wholesale lenders were acquired by the major banks (CBA bought into Aussie and Aussie bought into Wizard; Westpac bought RAMS distribution business, NAB bought Challengers mortgage business). The major banks combined market share rose from 60% to over 80% over this period.
- This crisis had a material effect on the funding costs of all providers in the mortgage market and continues to today. In response to the rise in funding costs, institutions have raised their mortgage rates relative to the cash rate.
- There has been a general tightening in lending standards most notably around LVR's, increased interest rate buffers, increased genuine saving requirements and low doc and non-conforming loans have become much harder to obtain. There has also been a decrease in new investor loans and a decline in the share of interest-only loans. This has all been despite the strong performance of mortgages in Australia.

Notwithstanding the impacts of the financial crisis, a number of opportunities exist for non bank financiers.



MAJOR BANKS HAVE HAD TO INCREASE THEIR LENDING RATES IN ORDER TO RECOUP INCREASED FUNDING COSTS ENABLING SMALLER PARTICIPANTS TO BECOME INCREASINGLY MORE COMPETITIVE (I.E. THOSE THAT HAVE ACCESS TO FUNDING).

DEMAND FOR CREDIT - POPULATION GROWTH CONTINUES TO EXCEED DWELLING GROWTH, INTEREST RATES REMAIN LOW AND UNEMPLOYMENT HAS NOT RISEN AS MUCH AS EARLIER FEARED.

BANKS REMAIN UNDER SIGNIFICANT FUNDING PRESSURE AS SECURITISATION MARKETS OPEN BUT ONLY SLOWLY AND OFFSHORE MARKETS AS A SOURCE OF FUNDING REMAIN CONSTRAINED.

MARKET OUTLOOK FOR ANGAS SECURITIES

Angas Securities is operating in an environment with greatly reduced competition. The business has emerged through the financial crisis in a strong position demonstrating its depth of experience and expertise in managing its operations through difficult trading conditions. Where a number of previous participants relaxed underwriting criteria in times where abundant funding was available, Angas Securities "stuck to its guns" and continued to originate business in accordance with its strict criteria. Angas Securities has and continues to price for risk, has minimal exposure to construction lending, does not provide related party loans and provides conservative lending ratios with a primary emphasis on quality security. The sector in which Angas Securities operates is profitable and an opportunity exists to gain market share.

To date, Angas Securities has conducted the majority of its lending activities within the markets that it has a presence (being South Australia, Western Australia and Queensland). There has been solid growth in demand for property finance over the last 12 months that fall within the underwriting criteria that required. This demand has exceeded the traditional capacity of Angas to fund loans and a significant volume of profitable business is currently being turned away. Growth in loan origination can be realised through current excess demand in South Australia and Western Australia and also through increasing the footprint of Angas into Queensland and Victoria.

(Data and information in this section of Investor News has been taken from Reserve Bank of Australia publications and statistics and the Australian Bureau of Statistics. Specific reports referenced include: "Recent Developments in the Housing Market and its Financing" (18 May 2010); "Whither Securitisation?" (18 November 2009); "The State of the Mortgage Market" (30 March 2010)

DEBENTURE RATE

8.0% p.a. fixed for 1 year

THE FIXED INTEREST SPECIALIST

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