

## PRODUCT DISCLOSURE STATEMENT ANGAS PRIME INCOME FUND

ARSN 091 887 400 | DATED 10 DECEMBER 2015

**YOU MUST TAKE RESPONSIBILITY FOR YOUR OWN INVESTMENT DECISIONS. YOU SHOULD CONSIDER OBTAINING INDEPENDENT ADVICE BEFORE MAKING ANY INVESTMENT OR FINANCIAL DECISIONS.**

This Product Disclosure Statement (“PDS”) is issued by Angas Securities Limited ACN 091 942 728 (“Angas”) as the Responsible Entity of Angas Prime Income Fund ARSN 091 887 400 (“APIF”). The PDS was not lodged with ASIC and is not required to be lodged with ASIC. However, in accordance with section 1015D of the Corporations Act, ASIC has been notified that this PDS is in use. A number of words and terms used in the PDS have defined meanings. These appear in the Glossary on page 30 of this PDS. Investments will only be accepted on the Application Form attached to this PDS.

Angas is an unlisted Public Company. It is not authorised under the Banking Act 1959 and the depositor protection provisions of that Act will not cover any investment in APIF. ASIC and its officers take no responsibility as to the contents of this PDS. The Australian Prudential Regulation Authority does not supervise Angas. Investments in APIF are not bank deposits. The PDS contains disclosure made against the benchmarks and disclosure principles in ASIC’s Regulatory Guide 45 that are aimed to improve disclosure to retail investors in mortgage schemes by helping them better understand whether these investments are suitable for them.

Information in this PDS, including disclosure against ASIC’s eight benchmarks and disclosure principles, may change over time. Where the changes are not considered materially adverse to investors, Angas will make the updated information available on our website at [www.angassecurities.com](http://www.angassecurities.com). Angas will also provide a quarterly update on the website on the performance of the Fund and an update on the eight ASIC benchmarks at least half-yearly.

An investment in APIF is issued by Angas. This investment is an agreement between the Investor and Angas governed by the terms and conditions which are contained in the PDS and the Constitution of APIF (“the Terms”). It is important that Investors and potential investors read the Terms in full as these set out the rights of an Investor and the obligations in relation to the investment. All investments have inherent risks, including a reduction in the capital value of the amount invested, a less than expected return on funds invested or a delay in payment. For this reason, neither Angas nor its Directors guarantees the repayment of capital invested, the payment of income or the investment performance of APIF.

The information in this PDS is general information only. It has been prepared without taking into account individual investment objectives, financial situation or particular needs (including financial and taxation issues). Before deciding to invest in APIF, potential investors should read the entire PDS and should consider the risk factors that could affect the financial performance of APIF including the risk of loss of principal. Investors should carefully consider these factors in light of personal circumstances (including financial and taxation issues). Investors should seek professional advice from an accountant, lawyer or licensed financial product adviser before deciding whether to invest.

Angas does not give financial product advice nor is it licensed to do so. No person is authorised to give any information or to make any representation in connection with the investment described in this PDS which is not contained in this PDS. Any information or representation not so contained may not be relied on as having been authorised by Angas in connection with the investment.

Perks Audit Pty Ltd (“Perks”) as auditor of the Fund and Accru + Harris Orchard as auditor of the Compliance Plan have not been involved in the preparation of this PDS. Neither has authorised or caused the issue of this PDS, and takes no responsibility for the contents of this PDS, withdrawn their consent to be named in this PDS in the form and context in which the name of each appears. The offer contained in this PDS is made to Australian residents only. No action has been taken to register or qualify the investment, or otherwise to permit a public offering of the investment, in any jurisdiction outside Australia. The distribution of this PDS in jurisdictions outside Australia may be restricted by law and persons who come into possession of this PDS should seek advice on and observe any such restrictions.

The PDS is available in electronic form at [www.angassecurities.com](http://www.angassecurities.com). Investors using the Application Form attached to the electronic version of this PDS must be located within Australia. Investors who receive an electronic version of this PDS should ensure they download and read the entire PDS. Investors who received a copy of this PDS in electronic form may obtain a paper copy of the PDS (free of charge) by telephoning 1800 010 800.

In accordance with ASIC Regulatory Guide 198, Angas advises that it will fulfil its continuous disclosure requirements by way of website disclosure which complies with ASIC’s good practice guidance. Investors may access material information regarding APIF from the Angas website at [www.angassecurities.com](http://www.angassecurities.com). Angas reserves the right to change this PDS. Notice will be given before or as soon as practicable after the change takes place. In any event, notice of change will comply with the Corporations Act.

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### INVESTMENT OBJECTIVE AND STRATEGY

APIF provides Investors with a Target Rate of return from a pool of loans secured by registered first mortgages. Investors' money is pooled together and invested collectively. Each Investor has a proportionate share in the entire mortgage portfolio rather than a specific interest in any particular mortgage. APIF does not warrant to deliver a fixed rate of return. APIF has a Target Rate. The ability to achieve this Target Rate is enhanced through the use of a Dedicated Reserve Account (see page 5). This means that APIF does not have to rely solely on borrower performance in order to meet its distributions to Investors each month. Angas aims to provide Investors with income in line with the Target Rate by investing in a wide range of commercial loans secured by registered first mortgages primarily comprising residential and development land with broad geographic diversification across Australia. Almost all of the assets of the Fund will be invested in mortgages to enable APIF to maximise returns to Investors. There is no pre-determined liquidity reserve but a small amount of cash will be held by APIF to meet cash requirements. Refer to the section below entitled "Cash Management".

### MINIMUM INVESTMENT AMOUNT

\$10,000.00 and multiples of \$1,000 thereafter.

### ADDITIONAL INVESTMENTS

A minimum additional investment amount of \$1,000 (and in multiples of \$1,000 thereafter) applies. Any additional funds will be added to the existing investment up to ninety (90) days from the maturity date of the initial investment.

### INVESTMENT TERM AND WITHDRAWAL

An Investor's initial investment will mature twelve (12) months from the end of the month in which it was lodged. For example, an investment lodged on 7 April 2015 will mature on 30 April 2016. Each investor has a right to make a withdrawal request at the end of each twelve (12) month period. An investment will be automatically rolled over into a further twelve (12) month investment unless prior notice is given to Angas by the Investor in the manner prescribed in this PDS at page 26. Example: An investment which is lodged on 20 March 2015 will have a right to withdraw on 31 March 2016. If it is not withdrawn, the investment will not be available to be withdrawn for a further twelve (12) months being 31 March 2017. Further information on withdrawals is set-out on page 26.

The APIF Constitution permits Angas to allow an early withdrawal in cases of financial hardship if the liquidity of the Fund permits. Any decision to permit early withdrawal will be at the absolute discretion of Angas and an early withdrawal fee set by Angas will apply. The fee will be not less than 1.5% of the amount that is withdrawn and will be set on a case-by-case basis.

### INVESTMENT ROLLOVER

An investment will be automatically rolled over into a further twelve (12) month term investment at the maturity of the existing investment unless prior written notice is provided to Angas. Please refer to "Withdrawal of Investment" on page 26 for further information about withdrawing your investment. For example, an investment maturing on 30 November 2015 will be automatically rolled into a new investment maturing on 30 November 2016. The rolled investment will be at the prevailing Target Rate and set under the same distribution option as the maturing investment.

### INCOME DISTRIBUTIONS

Income is paid to Investors monthly by direct credit to the Investor's nominated bank account made by the fourteenth (14th) day of each month. Income distributions are not guaranteed. Please refer to page 27 of this PDS.

### CASH MANAGEMENT

Angas aims to retain appropriate cash in order to meet the needs of reasonably foreseeable withdrawal requests whilst balancing the objective of maximising returns. Maintaining sufficient available cash is subject to short term fluctuations that are an inevitable consequence of the timing of inflows to and outflows from the Fund. Should Angas receive withdrawal requests during a given month that exceed the

available cash to satisfy all requests, withdrawal requests will be satisfied proportionately in accordance with the following formula:

$$\text{Cash available on hand} \times \frac{\text{Amount of withdrawal requested}}{\text{Total of all withdrawals requested in that month}}$$

Withdrawing Investors will be notified whenever a liquidity shortfall arises. Investors who receive a proportionate withdrawal amount, pursuant to the above formula, will have the balance of their outstanding investment paid in the following month(s), subject to liquidity of the Fund. All withdrawal requests received in one month will be met in full prior to Angas satisfying requests received in subsequent months. Priority is attributed by Angas to investments according to the month in which the investments are due to be available for withdrawal (irrespective of when instructions for such withdrawal are provided to Angas).

#### DEDICATED RESERVE ACCOUNT

Angas will maintain a Dedicated Reserve Account in order to support distributions and meet capital losses on individual assets that APIF may incur from time to time. Any funds in the Dedicated Reserve Account as at 30 June of each year will be distributed to Angas. Angas will also operate a provisioning policy in respect of potential losses on any individual assets. This is intended to permit an equitable distribution of capital losses amongst APIF Investors. Accordingly, withdrawal of investments will be adjusted, if required, to reflect the allocated adjustment of any provision balances existing at the time of withdrawal. Investments in APIF are not capital guaranteed. Investors may lose some or all of their capital. Intending investors are urged to consider the key risks associated with APIF before investing (refer to pages 18 to 20 'Risk Management').

#### INVESTMENT RETURN

The rate of return on investments is not fixed but there is a Target Rate of return. Intending investors can contact Angas or visit the Angas website to obtain details of the Target Rate of return set by Angas which may vary from time to time. The Target Rate may fluctuate during the term of the investment. Any change to the Target Rate will be reflected immediately in distributions made to all Investors. This change may be an increase or a decrease. The Angas directors will review the Target Rate at its Board meetings held in February, May, August and November each year and will either vary or affirm the Target Rate for the respective quarters commencing 1st April, 1st July, 1st October and 1st January thereafter. Angas will notify Investors in writing of any changes to the Target Rate. If the Target Rate is affirmed then no notification will be given. Refer to page 26 for further information.

#### FUND RISKS

All investments carry risk including the potential for loss of income or capital, a less than expected rate of return or a delay in payment. An investment in APIF is subject to these and other specific risks. Angas will employ a range of investment and risk management strategies to identify, evaluate and manage APIF's risks, consistent with the objectives of APIF. A summary of APIF's significant risks and how they are managed is set out under "Risk Management" at pages 18 - 20.

#### NATURE OF INVESTOR'S INTERESTS IN THE FUND

Investors share in the income generated from the Fund in proportion to their investment. The Fund is unitised, meaning an Investor is issued with units in the Fund with a face value of \$1.00 per unit. Each Investor's interest in the Fund is a fractional and beneficial interest in the whole of the Fund. It is not an interest in any particular part of the Fund or in any specific asset of the Fund.

The value of interests in the Fund may vary as the market value of the assets of the Fund rises and falls. However, due to the nature of the Fund's investments, in ordinary circumstances the value of interests in the Fund will not generally fluctuate. Therefore, in the normal course of events Angas expects the capital proceeds upon withdrawal to be equal to \$1.00 for each dollar invested in the Fund. However, there is no guarantee of the return of capital or income in the Fund.

The initial investment is unavailable for withdrawal until the last day of the month, which is one year from the date of the initial investment. Under normal circumstances, the investment will then be available to Investors. This means that during that period, Investors do not have access to their investment (including any further amounts that the Investor adds to the investment during its term, which is compounded and treated as part of the initial investment). If an Investor does not withdraw, then the funds will rollover for a further one (1) year term.

ASIC issues Regulatory Guides which are intended to improve disclosure of information to retail investors to better enable them to understand and assess the risk, rewards and suitability of mortgage investment schemes. Angas adopts these guidelines in this PDS as part of its compliance and disclosure regime for best industry practice.

ASIC has set out eight benchmarks and invites unlisted mortgage scheme issuers to identify whether they satisfy each benchmark, and if not, why not.

HERE ANGAS PROVIDES A SUMMARY OF THE ASIC BENCHMARKS AND EXPLAINS HOW ANGAS DEALS WITH EACH.

| BENCHMARK                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | STATEMENT                                                                                                    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| <b>BENCHMARK 1: LIQUIDITY</b><br>The Responsible Entity has the cash flow estimates for the Fund that: <ol style="list-style-type: none"> <li>demonstrate the Fund's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months;</li> <li>are updated at least every three months and reflect any material changes; and</li> <li>are approved by the Directors of the Responsible Entity at least every three months.</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | This benchmark is met.                                                                                       |
| <b>BENCHMARK 2: FUND BORROWING</b><br>The Responsible Entity does not have current borrowings and does not intend to borrow on behalf of the Fund.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | The Responsible Entity does not have current borrowings and does not intend to borrow on behalf of the Fund. |
| <b>BENCHMARK 3: LOAN PORTFOLIO AND DIVERSIFICATION</b><br>The features of the loan portfolio are: <ol style="list-style-type: none"> <li>the Fund holds a portfolio of assets diversified by the size, borrower, class of borrower activity and geographic region;</li> <li>the Fund has no single asset in the loan portfolio that exceeds 5% of the total Fund assets;</li> <li>the Fund has no single borrower who exceeds 5% of the Fund assets; and</li> <li>all loans made by the Fund are secured by first mortgages over real property (including registered leasehold title).</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | This benchmark is not met.                                                                                   |
| <b>BENCHMARK 4: RELATED PARTY TRANSACTIONS</b><br>The Responsible Entity does not lend to related parties of the Responsible Entity or to the Fund's investment manager.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | This benchmark is met.                                                                                       |
| <b>BENCHMARK 5: VALUATION POLICY</b><br>In relation to valuations for the Fund's mortgage assets and their Security Property, the Board of the Responsible Entity requires: <ol style="list-style-type: none"> <li>a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located;</li> <li>a valuer to be independent</li> <li>procedures to be followed for dealing with any conflict of interest;</li> <li>the rotation and diversity of valuers;</li> <li>in relation to Security Property for a loan, an independent valuation to be obtained:                             <ol style="list-style-type: none"> <li>before the issue of a loan and on renewal:                                     <ol style="list-style-type: none"> <li>for development property, on both an 'as is' and 'as if complete' basis; and</li> <li>for all other property, on an 'as is' basis; and</li> </ol> </li> <li>within two months after the Directors form a view that there is likelihood that a decrease in the value of Security Property may have caused a material breach of a loan covenant.</li> </ol> </li> </ol> | This benchmark is met.                                                                                       |
| <b>BENCHMARK 6: LENDING PRINCIPLES - LOAN-TO-VALUATION RATIO</b><br>If the Fund directly holds mortgage assets: <ol style="list-style-type: none"> <li>where the loan relates to a property development - funds are provided to the Borrower in stages based on independent evidence of the progress of the development;;</li> <li>where the loan relates to property development - the fund does not lend more than 70% on the basis of the latest 'as if complete' valuation of property over which security is provided; and</li> <li>in all other cases - the Fund does not lend more than 80% on the basis of the latest market valuation of property over which security is provided.</li> </ol>                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | This benchmark is met.                                                                                       |
| <b>BENCHMARK 7: DISTRIBUTION PRACTICES</b><br>The Responsible Entity will not pay current distributions from Fund borrowings.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | This benchmark is met.                                                                                       |
| <b>BENCHMARK 8: WITHDRAWAL ARRANGEMENTS</b><br><b>For liquid funds</b> <ol style="list-style-type: none"> <li>the maximum period allowed for in the Constitution for the payment of withdrawal requests is 90 days or less;</li> <li>the Responsible Entity will pay withdrawal requests within the period allowed for in the Constitution, and;</li> <li>the Responsible Entity only permits Investors to withdraw at any time on request if at least 80% (by value) of the Fund property is:                             <ol style="list-style-type: none"> <li>money in an account or on deposit with a bank and is available for withdrawal immediately, or otherwise on expiry of a fixed term not exceeding 90 days, during the normal business hours of the bank; or</li> <li>assets that the Responsible Entity can reasonably expect to realise for market value within 10 Business Days.</li> </ol> </li> </ol>                                                                                                                                                                                                                                                     | This benchmark is not met.                                                                                   |

**EXPLANATION 'IF NOT, WHY NOT' OR REFERENCE**

As of 30 November 2015, APIF had 442 distinct investors and \$23,364,000.00 of funds under management. The Dedicated Reserve Account had a balance of \$312,032.00.

Cash flow forecasts to June 2016 have been completed showing APIF is profitable and has positive cash flow to meet its financial obligations as they fall due.

Angas has no borrowings on behalf of APIF, and APIF specifically has no borrowings, and will not borrow to fund distributions or withdrawal requests.

APIF will hold a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region. Until the Fund's assets total \$50 million there will be no limitation as the size of any single loan transaction nor the aggregate exposure of APIF to parties related to the same borrower. Thereafter, no single loan investment will exceed 10% of the assets of the Fund. Likewise, thereafter APIF may make more than one loan advance to the same borrower or to parties related to a borrower but the aggregate exposure may not exceed 10% of the assets of the Fund. Construction loans will not exceed 5% of the assets of the Fund at any time.

APIF satisfies this benchmark on the basis that, per the Compliance Plan, Angas must comply with section 601FG of the Corporations Act regarding the acquisition of interests in the Fund. Acquisition of interests in the Fund by Angas or its Directors, officers and employees must be made on an identical basis to that of all Investors regarding consideration, terms and conditions of issuance. Angas has a policy on related party transactions, including arrangements to manage conflicts of interest. The Directors monitor these arrangements at the monthly Board meeting in order to identify, mitigate and manage any associated risk. APIF will not lend to related parties of Angas or APIF.

The Compliance Committee is responsible for reviewing the appointment of a valuer to the Angas valuer panel. Relevant considerations include: current registration with the valuers' professional body; current adequate insurance; appropriate knowledge, experience and academic qualifications. Licensed valuers value each property in accordance with valuation industry standards. Security Properties are valued on an "as is" basis; and if they are to be developed include an estimated "cost to complete" and "upon completion" valuation. Valuations must be less than 90 days old at approval, and less than 150 days old at settlement. No panel valuer will perform more than three consecutive valuations on a property which is held as security for a loan made by APIF other than in the case of development loans such as land division or construction as these often require progress inspections and valuation updates. The Angas valuation policy is set-out on page 9.

Angas determines and regularly reviews the LVR policy for mortgage securities in the Fund. The Constitution permits lending to a maximum LVR of 80% (but Angas's policy is to lend to a maximum LVR of 70%). Different types of Security Properties will attract different LVR levels. A valuation for construction and development loans will set out the current valuation of the Security Property on an "as is" basis, the cost to complete the project, and a valuation based on "as if complete". For these loans, Angas will retain sufficient funds to pay the costs to complete the project, Angas will not release any funds until certified by the valuer or quantity surveyor that works to be completed have been completed satisfactorily and there is affirmation of costs required to complete the project.

Distributions will be paid from income of APIF and from the proceeds held by Angas in a Dedicated Reserve Account if available. The major factors that would have the most material impact on target distributions of income are: default loans and credit losses as a consequence of Borrowers failing to pay interest and principal when due.

Investor funds are automatically rolled over for a new term of twelve (12) months unless an Investor provides Angas with the required written notice to withdraw prior to the end of the month, which is one year from when the initial investment was made. Where APIF ceases to be liquid under the Corporations Act, Investors may only withdraw their investments subject to a withdrawal offer made by Angas. There is no obligation on Angas to make withdrawal offers. In accordance with its Constitution, APIF has up to 12 months to satisfy a withdrawal request. In normal circumstances, money can be withdrawn at completion of each twelve (12) month period. As APIF is a mortgage fund whereby most of its assets will be invested in mortgage loans or mortgage backed securities, Angas does not reasonably expect to be able to realise the entire loan portfolio for market value within 10 Business Days.

ASIC issues Regulatory Guides which are intended to improve disclosure of information to retail investors to better enable them to understand and assess the risk, rewards and suitability of mortgage investment schemes.

ANGAS ADDRESSES EIGHT DISCLOSURE PRINCIPLES IDENTIFIED BY ASIC.

## **DISCLOSURE PRINCIPLE 1 – LIQUIDITY**

Liquidity is the measure of cash and cash equivalent assets as a proportion of the Fund's total assets. A measure of the Fund's liquidity is an indicator of the Fund's ability to meet its short-term commitments as and when they fall due. Generally, a higher proportion of cash and cash equivalents means better liquidity and better ability for the Fund to meet its short term commitments.

## **DISCLOSURE PRINCIPLE 2 – FUND BORROWING**

ASIC's fund borrowing disclosure principle requires disclosure of the Fund's borrowing arrangements and the risks associated with borrowing by the Fund. The Fund does not borrow, has no arrangements in place to borrow and has no hedge contracts in place. The risk of secured debt liabilities ranking ahead of APIF Investors does not apply nor is APIF under pressure to liquidate assets at below carrying value in order to satisfy the requirements of an external lender.

## **DISCLOSURE PRINCIPLE 3 – PORTFOLIO DIVERSIFICATION**

Portfolio diversification mitigates concentration of risk in a mortgage loan portfolio. The risk of the Fund incurring significant loss from default by any one borrower or class of borrowers is reduced through diversification of mortgage loans in terms of borrower, industry classification, loan size and location. An outline of how APIF manages its mortgage loan portfolio appears at pages 14 to 17 (inclusive) of this PDS. The policy of Angas on diversification of assets is to ensure that the adverse impact of a default arising from one loan investment or class of investments will not have an unduly detrimental effect on the entire investment portfolio of the Fund. APIF will hold a well balanced portfolio of loans together with some cash. The lending policy of Angas includes some restrictions on what Real Property may be accepted as security. These restrictions are set out under the "Parameters" at page 15 of this PDS. APIF may co-invest in loans on a pari-passu basis. APIF may only acquire existing Angas loans if the criteria set out at page 15 of this PDS are met. All loans in the APIF mortgage portfolio must be secured by a registered first mortgage over Real Property. There is no requirement for the Security Property to be income producing and for most loans this will not be the case.

## **DISCLOSURE PRINCIPLE 4 - RELATED PARTY TRANSACTIONS**

ASIC's related party disclosure principle requires Angas to make disclosure relating to loans and other transactions entered into between APIF and Angas or any parties related to Angas including, but not limited to, its Directors.

Angas has a policy for managing conflicts of interest and related party transactions which ensures that all transactions entered into by Angas are identified and assessed for any conflicts of interest. This policy also ensures that all related party transactions are reasonable, and are conducted in the normal course of business on an arm's length basis, under commercial terms and conditions. As such Investor approval is not sought for these transactions. Angas has an independent Compliance Committee, whose role includes, amongst other things, monitoring compliance with its conflict of interest and related party transactions policy.

Directors of Angas may provide services to APIF at arm's length on commercial terms. From time to time, related parties may invest in APIF. Any such transactions are conducted on terms that are no more favourable than would apply to a non-related party. The risk with related party transactions is that the related party, for example a borrower or service provider, has not been assessed with the same rigour and independence that an external party would be assessed against and the party does not perform as expected which may adversely affect the Fund.



**DISCLOSURE PRINCIPLE 5 – VALUATION POLICY**

ASIC requires disclosure of information relating to the Fund’s property valuation policies. Robust and objective valuation policies are required to ensure that the Fund’s financial position is correctly stated in this PDS and in any ongoing disclosure. Security Properties are valued by an independent registered valuer who is a member of the APIF panel of valuers. It is the responsibility of Angas as Responsible Entity of the Fund to select the relevant valuer for the job type and value from the panel of valuers. Valuations from non-panel valuers may be accepted but must be specifically approved by the Credit Committee (e.g. instructions may be given to a valuer local to the area in which the Security Property is located, thus utilising the valuers local knowledge and expertise).

Every valuer must be registered with the Australian Property Institute and the Valuer’s professional indemnity policy is to be received, ensuring sufficient cover is held. The completed valuation report is to include a warranty stating that the report complies with all relevant industry standards and codes. Properties must have a formal valuation dated no more than three (3) months prior to credit consideration. The standard practice of APIF is to not obtain up-to-date valuations during loan terms where the loan is performing and there is no known deterioration in circumstances specific to that Secured Property.

Any further lending made to existing borrowers on existing security must be supported by a valuation which is not more than three (3) months old. APIF may at its discretion accept valuations outside of this time frame, subject to consideration of factors including:

- current loan-to-valuation ratio;
- the nature of the security;
- the size of the loan; and
- there being no material change to the Security Property.

As part of the valuation report the valuer must certify that it:

- has no interest (financial or otherwise) in the property being valued, or with the borrower;
- is independent to the loan transaction; and
- must confirm that the valuation has been prepared for mortgage lending purposes.

Further information about APIF’s valuation policy is set out at pages 14 - 17 of this PDS.

**DISCLOSURE PRINCIPLE 6 – LOAN TO VALUATION RATIOS**

Angas determines and regularly reviews the LVR policy for mortgage securities in APIF. The Constitution permits lending to a maximum of 80% (but Angas’s policy is to lend to a maximum LVR of 70%). Different types of security properties will attract different LVR levels. A valuation for construction and development loans will set out the current valuation of the Security Property on an “as is” basis, the cost to complete the project, and a valuation based on “as if complete”. For these loans, APIF will retain sufficient funds to pay the costs to complete the project, APIF will not release any funds until certified by the valuer or quantity surveyor that works to be completed have been completed satisfactorily and there is formal confirmation of all costs required to complete the project.

**DISCLOSURE PRINCIPLE 7 – DISTRIBUTIONS**

ASIC requires information to be disclosed to Investors as to how APIF will fund the payment of distributions and any risks associated with these distribution practices. All distributions will be sourced from the income earned by the Fund each month. APIF can supplement this income with funds drawn from the Dedicated Reserve Account in order to meet a Target Rate but APIF will not borrow to pay distributions. Distribution income is payable monthly in arrears based on the number of units held by the Investor in the Fund. Subject to materiality, the Fund does not retain any excess returns earned by the Fund as all distributable income is distributed each month. Every distribution is net of payments to the Dedicated Reserve Account (only if there is a surplus) and net of management fees payable to Angas.

### DISCLOSURE PRINCIPLE 8 – WITHDRAWAL ARRANGEMENTS

ASIC's disclosure principles require disclosure to Investors about realistic timeframes for Investors to withdraw from the Fund as well as an assessment of the risks that withdrawals from the Fund could be frozen under the Corporations Act. An investment in the Fund is treated as a liquid investment under the Corporations Act.

When APIF is liquid, the initial investment and each subsequent contribution is fixed for twelve (12) months from the end of the month in which the initial investment was made. For more information on how to withdraw funds, please refer to page 26 of this PDS. Normally the unit price payable on withdrawal will be \$1.00 per unit. However, if APIF suffers a loss of capital in its loan portfolio, there may be a reduction in value of the assets of APIF on which the withdrawal is based. This may result in a reduced unit price payable to the Investors whose withdrawal is being made at that time.

There is a risk that withdrawal proceeds will not be paid within a reasonable period after the initial investment term. Angas will aim to satisfy withdrawal requests as soon as practicable. However, under the Constitution, Angas has up to twelve (12) months to satisfy withdrawal requests and does not have a legal obligation to satisfy any withdrawal requests within a shorter period. Angas may also delay or refuse withdrawal requests where it is in the best interests of Investors as a whole to do so. Where APIF ceases to be liquid under the Corporations Act, Investors may only withdraw their investments subject to a withdrawal offer.

In managing withdrawal requests, Angas will balance the maturity of APIF assets with the maturity of the liabilities in the short-term by managing the cash and cash equivalent assets within agreed guidelines as detailed in Benchmark 1 on page 6. APIF currently holds sufficient assets that are readily realisable to meet forecast future withdrawal requests. Angas undertakes cash flow forecasting on a monthly basis to actively manage APIF's liquidity. As part of this process, Angas will determine the need for mortgage sales or other liquidity management techniques to meet projected withdrawal requests. Please refer to Benchmark 1 for further information about the risks and assumptions made in the cash flow forecasts.

There are a number of risks associated with investing in APIF. Liquidity risk is the key risk that can impact an Investor's ability to withdraw. Mortgage loans are relatively illiquid when compared to some other asset classes and delays can occur in converting these investments into cash. Angas actively manages liquidity risk by holding a percentage of total assets of APIF in liquid investments.

**WHO ARE WE?**

Angas Securities Limited is an unlisted public company established to offer finance solutions to borrowers and debentures and Mortgage Investments to investors. As at the date of this PDS Angas had total funds and assets under management in excess of \$200M.

Angas holds AFSL numbered 232 479, issued by ASIC, to act as the Responsible Entity of the Fund for the purposes of the Corporations Act.

**AFSL**

As an AFSL holder, it is a legislative requirement that Angas meet certain reporting and financial requirements including the following:

- Is always liquid and holds sufficient funds to meet cash flow requirements;
- Maintains a minimum level of Surplus Liquid Funds ('SLF');
- Maintains a minimum level of Net Tangible Assets ('NTA');
- Maintains total assets in excess of total liabilities.

These and other compliance requirements are reported to Board monthly and the independent Compliance Committee quarterly in accordance with Angas' AFSL Base Level Requirements and as amended by ASIC through the issue of Class Orders from time to time.

Please refer to the Disclosure Update for November 2015 on page 29.

**CONSTITUTION**

The Constitution is the primary document governing the relationship between Investors and Angas as the Responsible Entity. The Constitution contains extensive provisions about the legal obligations of the parties and the rights and powers of each. The Constitution can be amended by Angas where the change does not adversely affect the rights of Investors. Otherwise, a special resolution must be passed by Investors at a properly called meeting.

The Constitution deals with a number of important issues, including:

- the powers of the Responsible Entity;
- liability of Investors;
- retirement and removal of the Responsible Entity;
- the manner in which the Constitution may be varied;
- complaints handling procedures;
- holding meetings of Investors and how such meetings are to be conducted;
- rights of Investors to receive income and capital from the Fund; and
- the fees payable and the expenses for which the Responsible Entity is entitled to be reimbursed.

**THE COMPLIANCE PLAN**

Angas has prepared a Compliance Plan for APIF which has been lodged with ASIC. The Compliance Plan outlines the principles and procedures Angas will follow to ensure it complies with its AFSL, the Corporations Act, the Fund Constitution, and ASIC regulations.

The Compliance Plan deals with a wide range of issues including, but not limited to:

- the establishment of a Compliance Committee
- the appointment of an Auditor for the Fund to audit the Fund on behalf of Members
- the appointment of an Auditor for the Compliance Plan
- having a documented dispute resolution process in place, including being a member of an external dispute resolution.

### THE COMPLIANCE COMMITTEE

Angas has appointed a Compliance Committee comprising a minimum of three (3) members with a majority of members being independent of the Responsible Entity in accordance with section 601JB of the Corporations Act. The Compliance Committee's role is to monitor the performance of Angas to ensure that Investor funds are managed in accordance with the Compliance Plan, this PDS, and any subsequent PDS or disclosure document, the law and the Constitution of APIF.

### WHAT IS THE ROLE OF ANGAS?

The role of Angas is to issue units in the Fund and make investments in cash instruments and registered first mortgages. The responsibilities, powers and duties of Angas are set out in the Constitution and the Compliance Plan of APIF. Both documents have been lodged with ASIC, and copies can be obtained upon payment of a fee either from ASIC or by calling Angas on 1800 010 800.

### UP-TO-DATE INFORMATION

Angas aims to provide Investors with the latest information about APIF so that Investors can monitor their investments. To obtain the latest information about APIF, Investors can:

- Telephone Angas Toll Free on 1800 010 800
- Visit Angas at [www.angassecurities.com](http://www.angassecurities.com)
- Visit Angas at any one of the offices set out in this PDS

To the extent that any change in information is not materially adverse to Investors, then Investors may enquire by telephone or view information on the Angas website. To the extent that any change in information is materially adverse to Investors, then there will be notification given direct to each Investor.

### CONFLICT OF INTEREST MANAGEMENT

Pursuant to the Compliance Plan, Angas must comply with section 601FG of the Corporations Act regarding the acquisition of interests in APIF. Acquisition of interests in APIF by Angas or its Directors, officers and employees must be made on an identical basis to that of all Investors regarding consideration, terms and conditions of issuance. Angas has a policy on related party transactions, including arrangements to manage conflicts of interest. The Directors monitor these arrangements at the monthly Board meeting in order to identify, mitigate and manage any associated risk. APIF will not lend to related parties of Angas.

## CASH FLOW PROJECTION

Under the Australian Financial Services Licence (Licence No: 232479) issued by ASIC on 12 November 2003, Angas must meet the cash needs requirement and has chosen to comply with Option 1 - "the reasonable estimate projection plus cash buffer". ASIC Class Order 13/760 imposes revised minimum standards for Responsible Entities to have available adequate financial resources to provide the financial services covered by their Australian Financial Services Licence effective from 1 November 2012. To comply, Angas must:-

- Prepare a projection of its cash flow over at least the next 12 months based on its reasonable estimate of what is likely to happen over this period;
- Update the projection of the cash flows when those cash flows cease to cover the next 12 months or there is a material change or Angas has reason to suspect that an updated projection would show that it was not meeting its forward commitments;
- Document the calculations and assumptions on which the projection is based and describe in writing why the assumptions relied upon are the appropriate assumptions;
- Have the projection of the cash flows approved at least quarterly by the Angas Directors as satisfying the requirements of this subsection;
- Demonstrate that Angas will have access to sufficient financial resources to meet its liabilities that are expected to be payable over the period to which the projection relates, including any additional liabilities that Angas projects will be incurred during that period;
- Demonstrate that Angas will hold at all times during the period to which the projection relates in cash or cash equivalents, being an amount equal to or greater than the amount the licensee is required to hold in cash or cash equivalents (under paragraph (8)(a) being 50% of the amount of the net tangible assets required under paragraph (4)) and liquid assets that is at least 100% of the required NTA.

Angas selects loan assets in which to invest APIF funds in accordance with the following criteria and parameters.

## CAPACITY

APIF is primarily an asset based lender and seeks to ensure that the valuation of the property (performed by an independent, qualified and registered valuer) provides sufficient capacity to support the loan. Many of the loans that APIF settles will be advanced to self-employed Borrowers. Depending on the circumstances, Angas may obtain a combination of an independent credit check, a letter from the Borrower's accountant confirming the Borrower's income, BAS or trading statements, prior conduct on other loans, rental statements, leases, or an income declaration from the Borrower. The Borrower's loan repayment history and net asset position are relevant but not determinative.

## DIVERSIFICATION

To optimise performance in a range of market conditions, the APIF mortgage portfolio is diversified at a number of levels, including:

- number of loans;
- size of loans;
- loan sector (eg residential, commercial, etc); and
- geographic location.

## SECURITY

In all cases, Angas obtains a registered first mortgage over Real Property in Australia to support every loan settled by APIF. These mortgages must be first mortgages. Angas will never accept a second mortgage as prime security. In addition to the registered mortgage, Angas may obtain additional collateral, such as personal guarantees, general security agreements (company charges) and director guarantees. Where required, a current property insurance policy adequately covering any improvements on the Security Property is provided with Angas noted as an "interested party".

Borrowers who take out secured loans from APIF are often those who do not deal with traditional lenders such as banks or who may not meet the lending criteria of such lenders. Business proprietors, self employed or investors in property that does not generate income are amongst the class of typical borrowers from APIF.

Some of the features of the commercial property lending business conducted by APIF are:

- as an asset based lender, APIF places primary reliance on the first mortgage security that is held. APIF can and will realise such security to obtain recovery of loan advances. This is managed by Angas, as Responsible Entity, acting as mortgagee exercising power of sale or by the appointment of Receivers and Managers;
- loans are typically advanced for shorter periods than traditional lenders and initial loan terms are generally for one (1) year and never for longer than three (3) years;
- the nature of Borrowers who obtain loans from Angas and the short terms for which loans are advanced may lead to loan defaults at a higher rate than those of traditional lenders.

The assessment of mortgage loan applications by Angas involves consideration of the Real Property that Angas will take as prime security together with any collateral security and an assessment of the credit worthiness of the Borrower and any other transacting parties to the loan. Angas obtains current valuations, credit reference reports, undertakes general reference checking, reviews financial statements and assesses the impact of any other borrowings. The analysis is undertaken to determine the likelihood of recovering the loan advance that is to be made. The outcome of such analysis will determine whether or not Angas will make a loan at all, the amount of any such loan in terms of the maximum LVR, the length of the loan term and the necessary credit support such as collateral security. Associated with this analysis is a process of identity verification undertaken by Angas in accordance with statutory requirements.

Another important risk mitigant of Angas commercial lending operations is for loan terms to generally coincide with investment terms. This is important for maintaining liquidity. Loans will generally not exceed one year for the initial term but may be extended from time to time subject to formal approval by Angas.

**RE-FINANCING OF EXISTING ANGAS LOANS**

APIF will only re-finance in its own right any Angas loans if certain strict conditions are met. First, the existing Angas loan must have no history of arrears or default. Secondly, there must be no known deterioration of the Security Property or the Borrower. Thirdly, approval for the APIF investment must be signed off by the Head of Compliance or Compliance Officer and reported to the Compliance Committee. This will ensure that APIF is not used to fund non-performing loans from the Angas loan portfolio.

It is important for Investors to understand the investment process that Angas undertakes in respect of identifying and assessing a loan for APIF. The table below outlines the investment process for APIF. This Section also sets out the Investment Philosophy and loan approval process to which each loan is subjected.

| PARAMETER                          | COMMENT                                                                                                                                                    |
|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Type of Loan                       | All loans must be secured by a first mortgage over property in Australia.                                                                                  |
| Loan to Value Ratio (LVR)          | 70% maximum when advanced.                                                                                                                                 |
| Registered First Mortgage Security | All loans will be secured by way of registered first mortgage.                                                                                             |
| Minimum Size of Loan               | \$250,000.00                                                                                                                                               |
| Target Loan Term                   | 1-3 years                                                                                                                                                  |
| Geography                          | May be located in any geographic region of Australia.                                                                                                      |
| Asset Type                         | May be any type of property, including office, retail, industrial, residential, land, construction or developments. Land zoned rural will not be accepted. |

**INVESTMENT PHILOSOPHY**

Angas believes that attractive and competitive income returns from registered first mortgage loans secured over property can be generated by:

- ensuring the loans are properly documented and appropriately secured;
- managing the inherent risks of any form of lending so that:
  - the properties securing the loans have broad market appeal and are not specialised in nature;
  - the Borrower's financial and operating capacity, capability and character have been considered and found to be acceptable;
  - loan repayment and recovery strategies have been considered and found to be acceptable; and
- ensuring that lending rates and loan conditions have been structured to provide an appropriate risk versus reward profile for APIF.

## LOAN APPROVAL

The Credit Committee is a committee of Angas which is responsible for the overall investment governance of APIF and which closely monitors risks that affect the loans from the initial application until repayment. The members of the Credit Committee are skilled credit professionals with experience in credit management, property investment, property development, construction, commercial property finance, asset management and loan recovery.

Specifically the Credit Committee is responsible for the overall credit risk and investment strategy of APIF including:

- recommending and approving investments;
- managing delegated lending authorities in relation to approving loans;
- monitoring loan positions and individual loan performance;
- monitoring loan covenants and ensuring Borrowers compliance with specific loan conditions;
- developing and reviewing the credit policies and procedures;
- monitoring implementation of credit policies and procedures; and
- setting risk limits, benchmarks and ranges.

## ONGOING ASSET MANAGEMENT

Angas is responsible for the active and ongoing management of each loan. Specifically, each loan is monitored to determine whether loan conditions are being satisfied and to instigate remedial action where necessary.

Angas discloses all defaults in its reports circulated to the Board and the Compliance Committee. Where an interest payment is not made by the Borrower on or before the due date, the Borrower is contacted by Angas within three (3) days of the due date and immediate payment is sought. Depending on the Borrower's response to the payment request Angas may issue a default notice. Upon the issue of a default notice (whether immediately, or upon the continued failure of the Borrower to satisfy the relevant payment) recovery action will be taken.

While a loan is in default:

- enforcement proceedings may commence in accordance with the following process:
- the mortgagee may become a 'mortgagee in possession' or appoint a suitably qualified administrator;
- a new valuation may be procured in respect of the underlying security;
- the underlying security may be placed on the market for sale or, depending on the nature of the security and where it is deemed to be in the best interests of Investors, appointing parties to complete the development or construction of the property, prior to such sale process commencing;
- subsequently, the mortgagee may bring legal action against the Borrower and/or guarantors in an attempt to recover any shortfall.



## VALUATION PANEL

The Compliance Committee is responsible for reviewing the appointment of a valuer to the Angas valuer panel. Relevant considerations include: current registration with the valuers' professional body; current adequate insurance; appropriate knowledge, experience and academic qualifications. Licensed valuers value each property in accordance with valuation industry standards. Security Properties are valued on an "as is" basis; and if they are to be developed include an estimated "cost to complete" and "upon completion" valuation. Valuations must be less than 90 days old at the date that the loan is approved, and less than 150 days old at settlement. No panel valuer will perform more than three consecutive valuations on a property which is held as security for a loan made by APIF other than in the case of Development Loans such as land division or construction as these often require progress inspections and valuation updates.

## LOAN TO VALUATION RATIO

Angas determines and regularly reviews the LVR policy for mortgage securities in APIF. The Constitution permits lending to a maximum of 80% (but Angas's policy is to lend to a maximum LVR of 70%). Different types of security properties will attract different LVR levels. A valuation for construction and development loans will set out the current valuation of the Security Property on an "as is" basis, the cost to complete the project, and a valuation based on "as if complete". For these loans, APIF will retain sufficient funds to pay the costs to complete the project, APIF will not release any funds until certified by the valuer or quantity surveyor that works to be completed have been completed satisfactorily and there is formal confirmation of all costs required to complete the project.

## GENERAL

Like any investment, APIF has an element of risk. Before making an investment in APIF an Investor should consider his or her:

- specific risk assessment by investing in APIF
- other investments compared with the risks of APIF
- personal risk tolerance
- personal investment objectives and expected return and outcome from this investment.

The ASIC Benchmarks are a helpful resource, but it is also important to note that not all risk can be foreseen. It is not possible for Angas to protect the value of an investment from all risks. Angas recommends that Investors obtain independent advice to properly understand all of the risks of investing in APIF.

## INVESTMENTS IN APIF ARE NOT CAPITAL GUARANTEED

Angas applies a security based lending approach to mortgage securities as an investment. Angas assumes that the Security Property for the mortgage investments can be sold to repay the loans in full together with the repayment of accrued interest. This is the premise of the Security Property valuation, credit assessment and setting of LVR parameters. Risk generally increases as the LVR rises. The LVR is lowered to reflect any perceived higher risk following a review of the valuation report.

There is pooling of mortgage investments. APIF is comprised of cash and all individual mortgage investments in the portfolio. In a pooled fund the manager selects a range of securities and sets the loan to valuation ratio for each security without any input from an Investor. A loss arising from any mortgage security is shared by all Investors.

The Angas Board of Directors determines the tolerance for risk of APIF, after taking into account the strategic objectives of the Fund and other factors including Investor expectations and its own risk management policies. Angas is responsible for ensuring material risks facing APIF have been identified and that appropriate and adequate control monitoring and reporting mechanisms are in place. Angas is required to analyse the loan risk in the context of lending expectations and risk tolerance. Angas and its Directors do not guarantee the performance of the Fund.

## MORTGAGE SECURITY RISK

Angas obtains credit history checks and Security Property assessment and valuation. However, as APIF is primarily an asset based lender, it bases its primary loan criteria on LVR, rather than serviceability. The Security Property to be taken is independently valued for suitability and market value. The Credit Committee must approve the Security Property as being acceptable for a mortgage investment. Mortgage documents are prepared and reviewed by a dedicated legal team experienced in mortgage finance, verification and validation requirements and will attend to settlement of the mortgage. Angas subjectively considers each Security Property and Borrower for risk of default and may impose loan conditions to reflect risks specific to the security to reduce risk of default or loss. The Borrower is required to keep any improved Security Property insured at all times with the interest of APIF recorded on the policy. Angas takes out insurance when the Borrower fails to provide its own insurance. Angas does not require Lenders Mortgage Insurance on loans made through APIF.

## LIQUIDITY RISK

The primary objective of APIF is to invest in Real Property mortgages. By their nature, such investments can be illiquid. Such illiquidity may impact on the ability of APIF to pay withdrawal requests within the twelve (12) month terms. Reasons for illiquidity include loans being extended beyond the loan term due to unforeseen circumstances, delays in re-financing loans through another lender. Recovery proceedings may be required if a loan is not performing or Angas may consider that it is in the best interest of Investors to permit a Borrower additional time to repay the loan.

## DOCUMENTATION RISK

A deficiency in loan or security documentation could, in certain circumstances, adversely affect both the return on and recovery of a loan advance. Angas mitigates this risk by obtaining a certification from an Angas panel solicitor confirming that all documentation is in order prior to any funds being advanced to a Borrower.

**VALUATION RISK**

All Security Property is valued by a panel valuer under instructions from Angas. A panel valuer has to qualify with necessary experience, be a member of a professional valuer body or association, and have professional indemnity insurance. The market valuation is required to be conservative and valuers are required to comply with specific written guidelines relating to valuation and independence. Valuations will generally provide two or three valuation methods. For building developments a quantity surveyor is engaged to certify payments and update costs to complete as the project proceeds.

Valuers instructed by Angas are not agents of Angas. They act in their own right independent of Angas. Accordingly, Angas cannot be held responsible for any errors or omissions or negligence in the conduct of valuers nor for any loss that might result.

**MARKET RISK**

APIF comprises mortgage investments and some cash. It is predominantly made up of loans secured by Real Property. Market risk is therefore confined predominately to factors that affect the property market. Property market risk is the risk that the whole property market declines in line with various trends in the Australian or overseas markets due to various factors, such as oversupply of real estate, interest rate movements, economic conditions or market sentiment. Property market risk is inherent in the real estate securing APIF's assets. All markets experience periods of volatility involving price fluctuations of varying magnitudes. A general downturn in the property market can potentially cause a reduction in the value of Real Property held as security for a mortgage.

The ability to fully recover the amount owing under a mortgage (where a Borrower defaults) may be affected by a fall in property values. APIF will lose money if the Borrower defaults and the Security Property sells for less than the outstanding loan amount (plus costs of the sale and interest) and the Borrower (and any guarantor) cannot then repay the remaining debt. Angas maintains a capital provisioning policy by means of a Dedicated Reserve Account in order to mitigate against the risk of such losses.

The return on cash investment in the Fund is directly affected by changes to the official cash rate, determined by the Reserve Bank of Australia, having regard to a number of factors. These may include Australian and overseas interest rates, market liquidity, exchange rates, monetary policy and other economic, social and political factors.

**BORROWER RISK**

A Borrower may fail to meet payment obligations or otherwise meet the terms of the loan or has other financial difficulties. This could be for a number of reasons, including:

- an inability to pay interest as a result of reduced rental income in respect of the Security Property;
- an inability to pay interest as a result of reduced income (generally);
- an environmental or demographic issue impacting on the ability of the Security Property to generate income; or
- where the applicable interest rate is variable, an increase in the underlying interest rate causes the Borrower to be unable to meet the increased interest repayments.

This could adversely affect the income attributable to a loan and the principal recoverability. This risk is managed by Angas setting a conservative lending policy and LVR, due diligence, legal enquiries, credit checks and evaluation of the Borrower and the Security Property. Angas does not guarantee the performance of APIF or the repayment of capital invested. This means an Investor could lose some or all of their investment if APIF was wound up.

**DEVELOPMENT LOAN RISK**

There is a risk with development loans that the project may not be completed or may be delayed materially. Amongst other things, this may be due to inclement weather, industrial or other disputes, council, planning, engineering, design, environmental or heritage issues. Market dynamics may change by the time the project is completed. Valuations can only be conducted on an "as if complete" basis. Valuations may subsequently change due to market factors. Rising costs of construction inputs, such as labour and materials, may affect the cost required to complete a project. There is a risk that APIF will be unable to meet the cashflow requirements to fund the property development drawdowns. The experience, expertise and project management skill of the developer may affect the completion and ultimate sale of the project.

## **CAPITAL RISK**

The risk to capital is primarily determined by the ability of Borrowers to repay mortgage loans. Factors outside the control of Angas such as economic cycles, property market conditions, government policy, inflation and general business confidence can affect property values. This can inadvertently cause the emergence of a situation whereby a Security Property is required to be sold to repay a loan, and the loan may not be fully repaid. If the sale fails to realise sufficient funds to satisfy the loan balance, any capitalised interest, fees, costs and prior ranking liabilities then the Fund will sustain a shortfall. A Dedicated Reserve Account will be maintained by Angas to off-set any such shortfalls but there remains the risk that accumulated losses will exceed the resources of this account. Angas aims to set aside in this account an amount equivalent to three per cent (3%) of the APIF loan portfolio.

## **REDEMPTION PRICE RISK**

The Constitution sets out the formula for determining the withdrawal price of an investment in APIF. The value of \$1.00 per unit may be adjusted for any movement in net asset value (excluding accrued but undistributed income) from the investment date to the withdrawal date. Ordinarily, upon withdrawal an Investor will receive all net income earned plus the original \$1.00 per unit. However, there is a risk that if APIF suffers a capital loss (such as from a loan default) then the value of the Fund's assets may be insufficient to repay all amounts owing to Investors. In that event, an Investor may not receive the full value of the amount invested at \$1.00 per unit.

## **INCOME RISK**

Income risk arises primarily from a failure of the Borrower to make agreed interest payments each month. The credit management program, which includes collections and interest payment monitoring, is designed to reduce this risk. The Borrower pays interest at the higher rate for late payments. Any form of lending has an element of risk to the lender. The Angas Credit Committee assesses non performing loans and implements appropriate and measured responses to suit the situation. Borrowers with significant equity in their security are expected to speedily resolve default. Angas utilises external service providers to implement collection procedures and realise on the Security Property.

Failure of the Borrower to pay interest on time can be a risk to the income of Investors. Angas may at its discretion mitigate this risk through contributing to the payment of income distributions to Investors. If a Borrower defaults in the payment of interest under a mortgage, Angas may elect to continue to pay income distributions to Investors from its own resources. If it does so, then Angas is entitled to retain any additional or default interest paid by the Borrower. Angas does not guarantee APIF so there is an income risk to Investors should Angas elect not to provide any income contribution (which is at the discretion of Angas) or should the Dedicated Reserve Fund be exhausted.

APIF may capitalise interest payments on loans, by including the interest payable on the loan in the original loan amount. This is often referred to as 'pre-paid interest'. The interest is therefore not funded out of the Borrower's ongoing cashflow. This arrangement is more common with construction and Development Loans, where the loan and interest are to be repaid out of the proceeds from the sale of the property. Therefore, there is a risk that the return that the Borrower achieves out of the sale of the property may not be sufficient to repay the total loan, which includes both principal and interest. APIF may also capitalise interest where a loan falls into arrears. This means that the total amount owed by the Borrower increases as the Borrower fails to make the required payments under the loan. Capitalisation of interest cannot occur beyond the maximum permitted LVR of 70%.

## **OPERATIONAL RISK**

Investment management risk exists in all managed investments. Angas may fail to anticipate market movements, or fail to manage the investment risks appropriately, or fail to properly execute the investment strategy of APIF. Furthermore, death or departure of key Angas personnel is an inherent operational risk.

Angas has credit, investment and finance divisions who use its mortgage management system to monitor all mortgage securities, review security values, monitor the securities for insurance compliance, process collection and distribution of payments, provide maturity notices to Borrowers and Investors. Changes to government policies, regulations and taxation laws may negatively impact on the operations of Angas. Angas cannot predict future policy changes but monitors updates from ASIC and participates in industry forums to anticipate and keep ahead of possible regulatory changes. GST may be payable on the sale of Fund property by Angas as mortgagee in possession in certain circumstances and this will reduce the return available to APIF.

Please also refer to the Disclosure Statement November 2015 on page 29.

**CONSUMER ADVISORY WARNING**

The Warning shown below is required by law. It is intended to alert Investors to the importance of value for money, the corresponding effect of fees and costs, and the impact of these over time. The example given below is not intended to represent an investment in APIF as offered in this PDS. This section also outlines the fees and other costs associated with investing in APIF.

**DID YOU KNOW?**

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

**TO FIND OUT MORE**

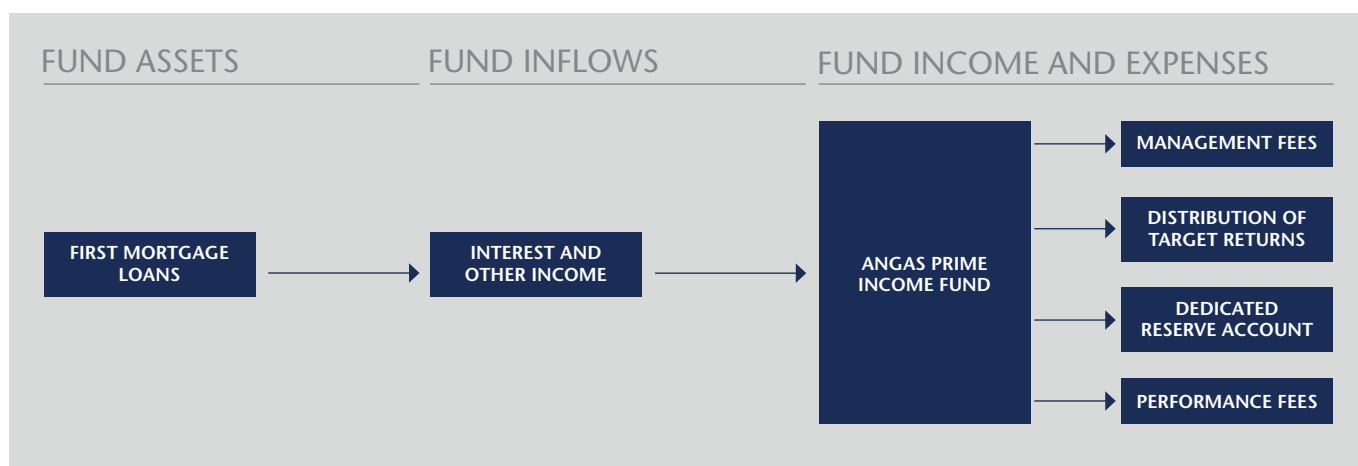
If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed investment fee calculator to help you check out different fee options.

**FEES PAYABLE FROM FUND ASSETS**

The tables on pages 22 and 23 show fees and other costs that may be charged. These fees and costs may be deducted from the returns on an investment in accordance with the Constitution. Investors should read all the information about fees and costs because it is important to understand their impact on an investment. All fees and other costs disclosed in this PDS are subject to change by Angas, which will give Investors not less than 30 days' notice in advance of any such changes. Any notification given by Angas shall include advice of the date proposed for implementation of the revised fee or the introduction of a new fee. Any applicable government or statutory charges will be passed on by Angas to Investors.

APIF will lend money to Borrowers who will pay interest payments on these loans in line with the mortgage terms and conditions. Income earned from the Fund's investments is applied first to meet the management fees and then to pay distributions to Investors. Subject to Investors receiving distributions equal to the Target Rate, payment will be made to the Dedicated Reserve Account for provisioning. APIF will aim to hold a percentage of the APIF loan portfolio within the Dedicated Reserve Account as determined by the Angas board from time to time. Any amount over and above this requirement will be paid to Angas as a Performance Fee. Refer to chart following.

### FEES PAYABLE BY INVESTORS (CONTINUED)



Regardless of the performance of APIF, the maximum amount which Investors can receive is their Target Rate. The Target Rates are not guaranteed and nor are they cumulative. Amounts received by APIF in excess of the Management Fee, Target Rate payable to Investors and the minimum amount required to be held in the Dedicated Reserve Account for interest and capital provisioning are retained and paid as a performance fee to Angas. Target Rates are determined by Angas, which will make an assessment of the returns expected from the Fund's assets and will set the Target Rate from time to time based on this assessment.

The Target Rate can be obtained by contacting Angas or visiting [www.angassecurities.com](http://www.angassecurities.com). The manner in which the Target Rate is set and changes are communicated are set out at page 5 of this PDS under "Investment Return".

### ADDITIONAL FINANCIAL ADVISER FEES

The fees described in the table above are fees charged by Angas for managing APIF. However, if there is a financial adviser involved, an Investor can instruct Angas to pay certain fees to the financial adviser for the financial advice provided. These fees will be deducted from the Investor's Investment Amount in APIF. The fees payable to a financial adviser can be in the form of an initial adviser fee, an ongoing adviser service fee or a combination of the two. By completing the Application Form attached to this PDS, an Investor can instruct Angas to deduct these fees from his or her account and pay them to the financial adviser. The financial adviser should provide either a Financial Services Guide or a Statement of Advice which will detail their remuneration and other benefits. If an Investor wishes to change or cancel the ongoing adviser fee, this instruction must be given to Angas in writing. These fees will be in addition to the introduction fees that Angas pays to an Investor's financial adviser. The additional adviser fees are deducted from an Investor's account. The introduction fees that Angas pays to an Investor's adviser are paid out of the fees that Angas receives from APIF.

### PLATFORM INVESTORS - ADDITIONAL PLATFORM FEES

For Investors accessing APIF through a Platform, additional fees and costs may apply. These fees and costs are stated in the offer document provided to Investors by the Platform Operator.

### OPERATING EXPENSES

The Constitution of APIF allows for ongoing operating expenses (such as compliance, custodial services, accounting, registry, audit, taxation advice, offer documents and advertising) to be paid directly from APIF. Angas will pay such amounts from its management fees.

## FEES WHEN YOUR MONEY MOVES IN AND OUT OF THE FUND

| HOW & WHEN PAID                                                                                                                                                         | AMOUNT                                                                  | HOW & WHEN PAID                                                                                                                                                           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Establishment Fee</b><br>For an Investor to set up an initial investment in the Fund                                                                                 | Nil                                                                     | Not Applicable                                                                                                                                                            |
| <b>Contribution Fee</b><br>On each amount contributed by an Investor to their investment                                                                                | Nil                                                                     | Not Applicable                                                                                                                                                            |
| <b>Management Fee</b>                                                                                                                                                   | 2.2% of the total loan portfolio of the Fund                            | Calculated on a daily basis paid to Angas at the end of each month from the income of APIF. This fee includes all operating expenses of APIF.                             |
| <b>Withdrawal Fee</b><br>On each amount an Investor takes from their investment (other than early withdrawal)                                                           | Nil                                                                     | Not Applicable                                                                                                                                                            |
| <b>Performance Fee</b>                                                                                                                                                  | Excess income of the Fund (if any)                                      | Payable from the income of APIF at the end of each month after distribution to Investors of Target Rate and subject to maintenance of level of Dedicated Reserve Account. |
| <b>Early Withdrawal Fee</b><br>When an Investor elects to withdraw funds invested in the Fund prior to the expiry of the investment term (subject to approval by Angas) | Not less than 1.5% of the amount withdrawn (with a minimum of \$150.00) | Deducted from the principal withdrawn at the time of early withdrawal                                                                                                     |
| <b>Transfer Fees</b><br>When an investor requests transfer of an investment to another person or entity                                                                 | \$200.00                                                                | Payable when the transfer request is made                                                                                                                                 |
| <b>Dishonour Fees</b><br>For each dishonoured, cancelled or stopped cheque received from you                                                                            | \$15.00                                                                 |                                                                                                                                                                           |
| <b>Bank Account Processing Fee</b><br>For each capital withdrawal by cheque or account redirection request (except for deceased estates)                                | \$15.00                                                                 |                                                                                                                                                                           |
| For each capital withdrawal to an overseas bank account                                                                                                                 | \$30.00 plus currency exchange charges                                  |                                                                                                                                                                           |
| For each request to arrange prompt clearance of cheque deposits made by you or real time transfer of funds to your account                                              | \$30.00                                                                 |                                                                                                                                                                           |
| <b>Document Issuance Fee</b><br>Request for a replacement Statement                                                                                                     | \$15.00 per document                                                    |                                                                                                                                                                           |

NB: All fees are inclusive of the net effect of GST.

### FEES AND COMMISSIONS PAYABLE TO THIRD PARTIES

The fees due for work commissioned by Angas in preparing and settling a mortgage, such as valuers and legal service providers, are paid for by the Borrower at the cost charged by the service provider, and have no impact on Investor returns. Angas may choose to pay authorised intermediaries' commissions for referring Borrowers to APIF. These commissions are paid at the sole discretion of Angas from the loan establishment fees or Angas' own resources and have no impact on Investor returns. Borrowers may nominate to pay additional interest on their mortgage to cover trailing commissions to their finance broker or advisor. This will be negotiated between the Borrower and its adviser and be added to the mortgage interest rate paid by the Borrower and collected and paid by Angas for the term of the loan. The nominated trailing commission has no impact on Investor returns.

Investors may nominate to pay a portion of their income distribution from their investment to their financial planner or investment advisor. This is negotiated between the Investor and his or her adviser and be deducted from the distribution due to the Investor and paid by Angas for the term of the investment. NOTE: This nomination does not represent the Investor appointing another person or entity (including his or her Financial Adviser) with legal capacity to contract as their authorized representative to operate their investments.

### FEES PAYABLE BY BORROWERS

Angas receives fees and charges from Borrowers for providing lending services which are not operating expenses and do not fall within the management fee. These fees associated with lending services are paid by Borrowers to Angas. They have no impact on Investors or returns generated from APIF, and may be shared with the introducers of the loans. The Borrowers' fees include:

- Loan Establishment Fees and Administration Fees which are negotiable depending on the complexity and competitiveness of the loan. This fee covers the cost of servicing the loan sourcing network, data collection, loan application, loan assessment and the approval process, instructing valuers, and instructing solicitors to provide documentation, settle the loan and register the mortgage. These fees may also be used to meet general administration costs such as salaries, insurance, rent, telephone and advertising costs incurred by Angas.
- Loan Extension Fees when a loan matures and is continued for another term, which may also include an increase in the amount borrowed. Fees are calculated on the loan amount borrowed. This fee covers the cost of reviewing the loan file, the payment record of the Borrower and may include updating information held such as the valuation, credit checks, statement of position and serviceability. It will also cover the cost of any documentation required to renew/extend the loan.
- Early Repayment and Exit Fees can be charged for a loan repaid in full prior to the contracted term. This will vary from loan to loan.

Each Borrower is responsible for paying the costs incurred in connection with the Borrower's loan. Examples of these costs include: collection fees, legal fees, receiver/manager fees and expenses, statutory fees such as stamp duty, registration fees and court filing fees, expert fees and expenses. Although the Fund must pay the cost initially, the Fund is entitled to recover it from the Borrower. The initial payment of these costs is not included in the Fund's management costs as they are costs that an Investor would incur if the Investor invested directly in the loan. If any of these costs are not recovered from the Borrower, there will be a credit loss on that loan for the amount not recovered. Angas will apply any available money held in the Dedicated Reserve Account towards the loss.

## EXAMPLE

BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR

The following table gives an example of how the fees and costs in APIF can affect your investment over a 1 year period. You should use this table to compare the Fund with other managed investment products.

| Example              | Fee  | Balance of \$50,000 with a contribution of \$5,000 during year                                                                                                                                                                                                               |
|----------------------|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Contribution Fees    | 0%   | You will not be charged a Contribution Fee.                                                                                                                                                                                                                                  |
| Plus Management Fees | 2.2% | For every \$50,000 held in APIF, an Investor will be charged \$1,100.00 each year from income generated. If you had an investment of \$50,000 at the beginning of the year and you invest an additional \$5,000 in six months, you would be charged \$1,210.00 for the year. |
| Equals Cost of       |      |                                                                                                                                                                                                                                                                              |

#### IMPORTANT NOTE:

1. If you are permitted to leave APIF early, you may also be charged an Early Withdrawal Fee of up to 1.50% of your total fund balance, that is, \$750 for every \$50,000 you withdraw. A minimum Early Withdrawal Fee of \$150 applies.
2. The Management Fees referred to in this Example are subject to income being generated by APIF to meet the fees. Investors are not liable to meet the fees if the APIF income is insufficient.



**UNIT PRICING**

Unit prices are calculated by dividing the value of APIF's net assets by the number of units on offer and adjusting for any transactional and operational costs. APIF pays distributions to investors as described in this PDS and in doing so aims to maintain a constant unit price of \$1.00. It is possible that the unit price may fall below \$1.00 per unit due to credit losses in the loan portfolio (or the provision for them). APIF has a documented unit pricing policy which contains information about how Angas exercises any discretions when pricing units. Angas acts in accordance with this policy and keeps records of any exercise of such discretions which are outside the scope of the policy, or are inconsistent with the policy.

**AML ACT**

Angas is a reporting entity pursuant to the AML Act and as such must meet the identification and verification requirements set by AUSTRAC. This includes the identification of Investors and Borrowers and adopting certain risk protocols to prevent money laundering or terrorism financing activities affecting APIF and its Investors. The performance of that requirement is reviewed annually by the Compliance Auditor.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Angas has adopted Australian equivalents to International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board from 1 January 2005.

**DOCUMENTS AVAILABLE FOR INSPECTION**

The following APIF documents are available for inspection free of charge at the registered office of Angas between 9am and 5pm on week days: Constitution, Compliance Plan, AFS Licence, Consents to the issue of this PDS.

Copies of these documents can be provided by Angas on request at a cost of \$20 per document except for the Constitution which is available at the fee prescribed by the Corporations Act.

**PRIVACY ACT**

In order to make an Investment in APIF, Investors are required to provide Angas with personal information. Angas collects and uses personal information about Investors to process applications and manage the investment, collate statistical information for internal research purposes, to assist Investors with any queries and to take measures to detect or prevent fraud and other illegal activity.

Angas has a duty to keep such information confidential, except in certain limited circumstances (for example where the law requires Angas to disclose such information). Angas may also disclose personal information to third parties such as auditors, lawyers, accountants and other professional advisers, information technology support providers or regulatory bodies. Where an Investor has used a financial adviser who recommends investment in the Fund, the details of that investment may be provided to that financial adviser.

Angas aims to ensure that the personal information of all Investors is accurate, complete and up-to-date. If an Investor provides Angas with incomplete or inaccurate information, it may not be able to provide that Investor with the products or services requested. From time to time, Angas may wish to advise Investors about other financial services and products that may suit their needs. However, if an Investor does not want Angas to use their information for such marketing purposes he or she should advise Angas accordingly.

If an Investor has any concerns about the completeness or accuracy of the information held by Angas about him or her or would like to request access to his or her own personal information, the Investor can contact Angas on 1800 010 800.

The Angas Privacy Policy is available on our website or Investors can contact Angas on 1800 010 800 and request to have a copy provided directly.

**TAXATION**

Angas recommends Investors obtain their own advice regarding tax and social security laws which are both complex and subject to change. Angas notes that the acquiring, holding and disposing of interests in managed investment schemes can have taxation and social security implications for Investors. APIF is not liable for income tax as all income is distributed to Investors. Australian resident Investors will need to include in their taxable income for the year any taxable income distributed to them by APIF. This remains the case where distributions are not actually received in that financial year. For non-residents of Australia, Angas will deduct the appropriate withholding tax.

GST is not payable on the issue, withdrawal or transfer of interests in APIF as these are input-taxed financial supplies for GST purposes. Investors do not need to be registered for GST to invest in APIF. Fees and expenses in respect of the management of the Fund are subject to GST. In certain circumstances the Fund may be entitled to reduced input tax credits of 75% or 55% of GST paid which effectively reduces the GST payable from 10% to 2.5% or 4.5% respectively.

Investors may choose to provide Angas with their tax file number (TFN), TFN exemption or ABN (if applicable) by completing the TFN or ABN notification section of the Application Form accompanying this PDS. It is not compulsory for Investors to quote their TFN, exemption or ABN, but if not quoted, Angas is required to deduct tax from any distributions calculated at the maximum personal rate, plus Medicare levy, together with any other applicable government charges. Angas is authorised to collect TFN, exemption or ABN by law and may only use it for the purposes permitted by law.

### WITHDRAWAL OF INVESTMENT

An Investor does not have the right to withdraw an investment during the term of the investment. This means that during the term, there is no access to principal (including any amounts added to the initial investment during its term). Investments may only be redeemed on their maturity date and subject to Angas receiving written and signed instructions from the Investor a minimum of seven (7) days prior to the maturity date of the investment. Angas will notify Investors in writing prior to the maturity date of the pending maturity of their investments. In the event that a request to redeem the investment is not received in the manner described above, the investment will be rolled over for a further twelve (12) months at the prevailing Target Rate and under the same distribution option initially selected by the Investor.

Factors that may impact the ability of an Investors to redeem funds at maturity are detailed on:

Pages 4 and 5 - Cash Management

Pages 6 and 7 - Benchmark 8 - Withdrawal Arrangements

Page 10 - Disclosure Principal 8 - Withdrawal Arrangements

Page 20 - Redemption Price Risk

Death of an Investor does not trigger automatic withdrawal of an investment in APIF. Proceeds of the investment will be paid to the estate of the deceased Investor at maturity, subject to Angas being provided with requisite documentation and standard withdrawal conditions being satisfied.

### EARLY WITHDRAWAL OF INVESTMENT

Angas is under no obligation to allow the early withdrawal of funds. Angas will, however, consider a request for early withdrawal under extraordinary circumstances or, in the case of financial hardship by the Investor, if the liquidity of APIF permits and taking into consideration detriment caused for other Investors in the fund. Any decision to permit early withdrawal will be at the absolute discretion of Angas and will attract a fee not less than 1.5% of the amount withdrawn. Angas has a formal Hardship Redemption Request Policy that is available upon request.

### INVESTMENT RETURN

The rate of return on investments is not fixed. Rather, the investment return is subject to a Target Rate of return. The Target Rate is paid in the form of income distributions and is the maximum rate of return that APIF aims to provide to investors each month. Intending investors can contact Angas or visit our website at [www.angassecurities.com](http://www.angassecurities.com) to obtain the current Target Rate.

The Target Rate may vary from time to time during the term of the investment and is reviewed by the Angas directors quarterly at its meetings held in February, May, August and November each year. Any change to the Target Rate is advised to investors in writing and reflected immediately in distributions paid. APIF anticipates meeting the Target Rate however there is no guarantee that the rate will be achieved. Factors that may impact the ability of APIF to pay the target rate are detailed on:

Page 9 - Disclosure Principal 7 - Distributions

Page 20 - Income Risk

In the event that the Target rate is not achieved within a distribution period, any shortfall will not be paid from future distributions. Angas minimises this risk of a distribution shortfall by maintaining a Dedicated Reserve Account and adequately managing the income risk. Refer to "Dedicated Reserve Account" section on page 5 of this PDS and "Income Risk" as detailed on page 20 of this PDS for more information.

## ADDITIONAL INVESTMENTS

Investors can add to their investments in APIF by posting or delivering a cheque to any Angas office or by electronic funds transfer. A minimum additional investment amount of \$1,000 (and in multiples of \$1,000 thereafter) applies. Any additional funds will be added to the existing investment up to 90 days from the maturity date of the initial investment. The additional funds invested in APIF will attract the same Target Rate as the existing investment to which the funds are added. Angas has the right at its absolute discretion to refuse any additional funds contributed by an Investor. In the event of such refusal, Angas shall refund the money to the Investor without addition or deduction.

No cooling-off rights apply to additional investments (refer to page 28, "Cooling Off Period").

## RIGHTS AND LIABILITIES

The rights of the Investor are set out in this PDS, the Constitution, the Corporations Act, and other relevant laws. Each Investor has a beneficial interest in the assets of APIF. The rights of the Investor can be varied by changes to the Constitution, the Corporations Act and any related laws. An Investor, by investing in the Fund, agrees to indemnify Angas against any losses they may suffer from their investment in Angas. The Constitution provides that Angas may claim indemnity from APIF. Angas is not entitled to be indemnified by APIF unless it acts in good faith and without fraud or negligence. The extent of the indemnity is limited to the value of APIF assets.

## INCOME DISTRIBUTIONS

Income distributions are paid monthly in arrears within fourteen (14) days of the end of the preceding month to Investors' nominated bank, building society or credit union account. Investors must provide details of their nominated account at the point of initial lodgement.

Distributions will not be paid by cheque. If APIF is unable to credit distributions to a nominated account due to closure of that account or like event, APIF will hold the distributions in a suspense account pending appropriate instructions from the investors of an alternative account. APIF requires five (5) business days' notice, in writing, in order to effect a change to an Investor's nominated account details.

## INVESTOR STATEMENTS

Angas will issue an annual statement at no cost to Investors. This will note all interest paid, principal invested, withdrawal or bank account fees charged (if any) and the return to the Investor. This document, which will incorporate an Annual Taxation Statement, will be provided by Angas to all Investors free of charge within one month of the end of the financial year. Details of interest earned by each Investor is required by law to be provided by Angas to the Australian Taxation Office.

## FINANCIAL REPORTS

An Annual Financial Report is prepared each year by Angas for APIF. This is subject to audit by the Financial Auditor of the Fund. As a disclosing entity, APIF is subject to regular reporting and disclosure obligations. Copies of APIF documents which are lodged by Angas at ASIC may be inspected at or obtained from ASIC. The audited Financial Report of APIF as at 30 June each year will be available within 90 days of the end of each financial year. Investors who wish to receive a copy of this Financial Report should contact Angas on 1800 010 800. Alternatively, it will be available from the Angas website.

## INVESTING THROUGH INVESTMENT PLATFORMS

Angas proposes to permit investments to be made through an investment platform (which are also known as IDPS or "wraps"). Angas authorises the use of this PDS as disclosure to Investors who wish to access APIF in this manner. However, Investors via an investment platform should complete the Application Form provided by the investor platform. Investors via such a platform do not become individual Investors in their own right. It is the investment platform that holds the rights as an Investor. An investment made through a platform may be subject to different conditions from those outlined in this PDS (such as procedures for making investments and withdrawals, cooling-off periods outlined in this PDS do not apply, cut off times for transacting, timing for distributions, additional fees and costs and investor reporting).

### COMPLAINTS

The Constitution provides a mechanism for Investors to make any complaints known to Angas. Complaints should be made to:

Angas Complaints Officer, GPO Box 2948, Adelaide SA 5001  
Phone: 1800 010 800 Fax: (08) 8410 4355 Email: [contact@angassecurities.com](mailto:contact@angassecurities.com)

The Complaints Officer has a maximum of forty-five (45) days from the date of the complaint first being received by Angas in which to satisfactorily resolve the complaint. If the response to the complaint by Angas is not satisfactory, Investors may refer the matter to the independent complaints resolution service Credit Ombudsman Service Ltd.

Credit and Investments Ombudsman, PO Box A252, Sydney South NSW 1235  
Phone: 1800 138 422 Fax: (02) 9273 8440 Website: [www.cio.org.au](http://www.cio.org.au)

All complaints will be recorded in the Complaints Register maintained by Angas and will be acknowledged in writing. Angas is committed to fair and prompt dealings of all complaints. All suggestions from Investors for service improvements are welcomed.

### ELIGIBLE INVESTORS

An intending investor must be 18 years or over to invest in the Fund. An adult can make an investment on behalf of a minor by completing the Application Form in the name of the adult to be held in trust for the specified minor.

The offer of investing in the Fund is available to persons receiving an up-to-date copy (electronic or otherwise) of this PDS within Australia.

### COOLING OFF PERIOD

Subject to the Corporations Act, an Investor can exercise cooling off rights in relations to the initial investment. Cooling off rights do not apply to investments that are rolled or to additional investments (refer to page 27) upon expiry of the initial investment period.

If after investing in APIF the Investor changes his or her mind and wishes to exercise cooling-off rights under the Corporations Act, the Investor may do so by contacting Angas within fourteen (14) days from the earlier of:

- the time of receipt of written confirmation of APIF investment; and
- five (5) days after the day APIF investment was issued.

The amount refunded will be adjusted to take account of any related banking facility fees and any reasonable administrations expenses (not exceeding \$100.00). An Investor who cools off is not entitled to income. If a distribution has occurred between acceptance of the application and receipt of the cooling-off period notification, the Investor must repay the distribution to Angas.

If an Investor wishes to cancel the investment during the cooling-off period, the Investor should inform Angas in writing of the intention to exercise this right before the end of the cooling-off period (and before exercising any rights or powers in respect of the investment in the Fund).

### TERMINATION OF THE FUND

The Fund terminates on the earlier of:

- the date specified by Angas as the Responsible Entity as the date of termination of APIF; or
- if there are changes in the market such that Angas believes APIF will be unable to achieve its investment objectives; or
- the date that the Fund terminates in accordance with any other provision of the Constitution or the law.

The net proceeds of realisation of APIF's assets (after making allowance for all actual and anticipated liabilities and meeting the expenses of the termination) must be distributed to Investors in proportion to the investment of each Investor on the termination date.

**THE PURPOSE OF THIS DISCLOSURE IS TO PROVIDE INVESTORS IN APIF WITH UPDATED INFORMATION ON ANGAS' DEBENTURE RUN-OFF PROPOSAL AND THE CURRENT FINANCIAL POSITION OF ANGAS.**

**ANGAS SECURITIES LIMITED DEBENTURE RUN-OFF PROPOSAL**

Angas Securities Limited (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 Proposal). The Run-off Proposal was approved by debenture holders and is anticipated to have all debenture investments repaid in full by the end of 2016. Throughout the Run-Off Proposal (and following it being finalized) Angas will continue to operate its core business as a fund manager. By approving the Run-off Proposal, debenture holders resolved for Angas' business to remain under the control of the Angas board and management.

**The Run-off Proposal does not directly affect investors in APIF and does not involve the realisation of the assets of APIF as those assets are the property of APIF investors and remain legally and operationally separate from the assets of Angas.**

If currently unforeseen circumstances occur and the Run-off Proposal fails to be implemented in the manner approved by the debenture holders, Angas will go through a process to review the Run-off Proposal and consider alternative next steps that may be taken. That process would likely involve a number of stakeholders including the Loans Realisation Committee<sup>1</sup>, debenture holders, the Federal Court and trustee in respect of the debentures (Trust Company). In such circumstances, potential outcomes may include amendments to the Run-Off Proposal, a further application to the Federal Court, the appointment of an external administrator to Angas or some other action. APIF investors should be aware that, if this were to occur, Angas and investors will need to assess the impact, if any, on the continued management of APIF by Angas and may at that time need to consider taking action in relation to APIF which, by way of example only, may include appointment of a new responsible entity, a fund restructure or other action.

**Angas is currently implementing the Run-Off Proposal in the manner approved by the debenture holders and, based on current information, does not consider that the Run-Off Proposal will have any effect on APIF or on the ability of Angas to continue to manage APIF.**

**FINANCIAL POSITION**

On 1 October 2015, Angas lodged with ASIC a copy of its annual report for the financial year ended 30 June 2015. That annual report included an unqualified audit opinion from Deloitte Touche Tohmatsu (Deloitte) that the financial report of Angas:

- (a) is in accordance with the *Corporations Act 2001*;
- (b) gives a true and fair view of the financial position of Angas as at 30 June 2015 and of its performance for the year ended on that date;
- (c) complies with Australian Accounting Standards and the *Corporations Regulations 2001* and with International Financial Reporting Standards.

Deloitte observed that Angas and its consolidated entities incurred a loss of \$15,030,738 and had negative operating cash flows of \$5,423,626 for the year ended 30 June 2015 and as of that date had a net asset deficiency of \$5,495,825. Deloitte noted that these conditions indicated the existence of a material uncertainty that may cast significant doubt about ability of Angas to continue as a going concern and therefore may be unable to realise its assets and discharge its liabilities in the normal course of business.

The net deficiency of assets constituted a breach of a condition of Angas' Australian Financial Services Licence (AFSL). This breach was reported by both Angas and Deloitte to ASIC. The breach was remedied by Angas on 29 October 2015 and from that date, Angas has had positive net assets.

**ANGAS' REQUIRED LEVEL OF 'NET TANGIBLE ASSETS' AS HOLDER OF AN AFSL**

As a holder of an AFSL, 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 Proposal 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 which were implemented in the 30 June 2015 accounts. The NTA position of Angas will continue to change during the implementation of the Run-Off Proposal.

As the Run-Off Proposal impacts on its NTA position (in line with forecasts), Angas may temporarily breach the minimum NTA requirement that applies to Angas as the holder of an AFSL. Angas was in breach of the NTA requirement as at 30 June 2015. This breach was reported to ASIC and has since been remedied.

**It is the view of Angas that its breach of NTA requirements was temporary and will have no impact on the ability of Angas to operate APIF and does not give rise to a risk of loss or damage to investors in APIF.**

Angas is in a state of transition as it moves towards solely becoming a Funds Manager. During that transitional period, the revenue streams, gross asset and net asset position of Angas will continue to change. Following implementation of the Run-Off Proposal, Angas expects its gross revenues and NTA position to be stable and reflective of Angas' core business as a fund manager.

<sup>1</sup> The Loans Realisation Committee is a committee appointed by the Federal Court to oversee the debenture funded asset realisation programme under the control of Angas. The committee is comprised of Angas independent director Clive Guthrie, John Powell (an independent person appointed by the Federal Court) and Christopher Green of Trust Company.

**ABN**

Means Australian Business Number

**ACPT**

Means Angas Commercial Property Trust

**AFSL**

Means Australian Financial Services Licence. This Licence is granted by ASIC and permits the holders to provide financial services.

**AML ACT**

Means the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth).

**ANGAS**

Means Angas Securities Limited ACN 091 942 728.

**APIF**

Means Angas Prime Income Fund ARSN 091 887 400.

**APPLICATION FORM**

Means the six page form appearing in this PDS.

**ARSN**

Means Australian Registered Scheme Number and is the number allocated by ASIC.

**ASIC**

Means the Australian Securities and Investments Commission or any regulatory body which replaces it or performs its functions.

**AUSTRAC**

Means the Australian Transaction Reports and Analysis Centre or any regulatory body which replaces it or performs its functions.

**BORROWER**

Means any person who Angas approves to borrow funds from APIF.

**COMPLIANCE COMMITTEE**

Means the body established by Angas under the Corporations Act to ensure that APIF carries on business in accordance with the Compliance Plan.

**COMPLIANCE PLAN**

Means the document which outlines the principles and procedures that Angas will invoke to ensure that APIF complies with the Corporations Act.

**CONSTITUTION**

Means the Constitution of Angas Prime Income Fund dated 10 December 2012 as varied from time to time.

**CREDIT COMMITTEE**

Means an internal Angas group comprising at least two Executive Directors (one of whom must be the Head of Credit) and at least one staff member (including but not limited to the Head of Lending).

**CORPORATIONS ACT**

Means the Corporations Act 2001 (Cth).

**DEDICATED RESERVE ACCOUNT**

Means money specifically set aside by Angas to meet losses arising from shortfalls of loan principal and interest which Angas cannot recover from a Borrower or the realisation of Security Property.

**DEVELOPMENT LOAN**

Means a loan that meets the following criteria: the purpose of the loan is “land development”, total funding does not exceed 70% of the “on completion” value of the project and there is to be a program of progressive drawdowns that are made as the development proceeds. As opposed to a “construction loan”, which is a loan that meets the following criteria: the purpose of the loan is “construction” of either new buildings or additions/alterations, there is to be a program of progressive drawdowns to be made as the development proceeds, total funding does not exceed 70% of the “as is” value of the unimproved property plus 100% of construction costs and provided that the sum of costs does not exceed 70% of the “on completion” value of the project.

**DIRECTOR**

Means a Director of Angas.

**FUND**

Means the Angas Prime Income Fund ARSN 091 887 400.

**IDPS**

Means Investor Directed Portfolio Service.

**INVESTOR**

Means any person who has applied for an interest in APIF.

**LVR**

Means Loan to Valuation Ratio calculated by the loan amount divided by the Security Property valuation and expressed as a percentage.

**MEMBER**

Means a person registered on the Register in respect of the Fund; and Investor has the same meaning.

**PDS**

Means Product Disclosure Statement.

**PRIVACY ACT**

Means the Privacy Act 1988 (Cth).

**REAL PROPERTY**

Means land (including tenements and hereditaments corporeal and incorporeal and every estate and interest whether vested or contingent freehold or leasehold and whether at law or in equity) wheresoever situated within Australia. Without limitation, this includes any equity of redemption, fixtures to land and any property to be used in association with any land or fixtures that Angas may from time to time consider to be calculated to enhance the value of or render profitable any land or fixtures.

**RESPONSIBLE ENTITY**

Means Angas or any subsequent Responsible Entity of the Fund from time to time.

**SECURITY PROPERTY**

Means Real Property mortgaged as security for a loan made by APIF.

**TARGET RATE**

The Target Rate is set at the time an investment is made. Angas sets the Target Rate having regard to the expected performance of the Fund over the next twelve (12) months. Regardless of the performance of the Fund, an Investor can never receive more than the Target Rate set when the investment is initially made.

**TERMS**

Means the terms and conditions of the investment which have been agreed between Angas and the Investor as recorded in this PDS and the Constitution.

**TFN**

Means Tax File Number.



## **OFFICES**

### **ADELAIDE**

Level 14, 26 Flinders Street, ADELAIDE SA 5000  
GPO Box 2948, ADELAIDE SA 5001  
Phone: 08 8410 4343  
Fax: 08 8410 4355

### **SYDNEY**

Level 10, 19-31 Pitt Street, SYDNEY NSW 2000  
Royal Exchange, PO Box R1835, SYDNEY NSW 2001  
Phone: 02 9259 0777  
Fax: 02 9259 0788

### **PERTH**

Suite 12, 448 Roberts Road, SUBIACO WA 6008  
PO Box 1602, SUBIACO WA 6904  
Phone: 08 9380 4983  
Fax: 08 9380 4480

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### **FUND AUDITOR**

PERKS AUDIT PTY LTD  
180 Greenhill Road, PARKSIDE SA 5063  
Phone: 08 8273 9300  
Fax: 08 8274 1466

### **COMPLIANCE AUDITOR**

ACCRU + HARRIS ORCHARD  
172 Fullarton Road, DULWICH SA 5065  
Phone: 08 8431 1488  
Fax: 08 8431 1441

### **MANAGED INVESTMENT SCHEME**

Angas Prime Income Fund  
ARSN 091 887 400

### **RESPONSIBLE ENTITY & CUSTODIAN**

Angas Securities Limited  
ABN 50 091 942 728  
AFSL 232 479

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**INVESTOR SERVICE LINE 1800 010 800**  
**WWW.ANGASSECURITIES.COM**



**INDIVIDUALS****Provide given names in full, not initials:**

Correct Michael John Smith  
 Incorrect M J Smith; Mick Smith

**Requirements:**

Signature of Investor  
 Identification of Investor  
 TFN of Investor

APPLICANTS MAY  
 BE ONE OR MORE  
 INDIVIDUALS,  
 PARTNERSHIPS,  
 COMPANIES,  
 AND TRUSTS OR  
 SUPERANNUATION  
 FUNDS.

**JOINT INVESTORS****Provide given names in full, not initials:**

Correct Michael John Smith and Sara Jane Smith  
 Incorrect M J Smith and S J Smith

**Requirements:**

Signature of both Investors  
 Identification of both Investors  
 TFN of both Investors

**Other notes:**

- Agree to hold the interests as joint tenants
- Agree all liability shall be both joint and several
- State whether one or both signatures are required for written withdrawal requests and applications

**PARTNERSHIPS****Provide the Partners' personal names in full, not the partnership:**

Correct Michael John Smith and Robert Jones  
 Incorrect Smith & Jones

**Requirements:**

Signature of both Partners  
 Identification of both Partners  
 TFN of the Partnership

**Other notes:**

- Agree all liability shall be both joint and several
- Acknowledge you are a partner in the partnership and are investing on behalf of the partnership
- Acknowledge you have the authority to bind the partnership
- State whether one or both signatures are required for written withdrawal requests and applications

**COMPANIES****Provide the full Company name, not abbreviations:**

Correct MNO Pty Ltd  
 Incorrect MNO; MNO Co, MNO P/L

**Requirements:**

Signature of two Directors, or Director and Company Secretary, or Sole Director  
 Copy of Certificate of Incorporation  
 ASIC company search to be performed by Angas  
 TFN of the Company

**Other notes:**

- Acknowledge you are the officer(s) of the company
- Acknowledge you have the authority to bind the company
- State whether one or more signatures are required for written withdrawal requests and applications

## TRUSTEES & SUPERANNUATION FUNDS

**Provide the full name of Trustee(s) or Corporate Trustee, and of the Superannuation Fund or Trust, no abbreviations:**

Correct Michael John Smith as trustee for Smith Superannuation Fund; MNO Pty Ltd as trustee for Smith Superannuation Fund

Incorrect MJ Smith ATF Smith Super Fund; MNO ATF Smith Super Fund

### Requirements:

Signature of the Trustee(s), or signature of two Directors, or Director and Company Secretary, or Sole Director for a corporate trustee

Copy of Trust Deed

Identification of individual Trustees

ASIC company search to be performed by Angas for corporate Trustees

TFN of the Superannuation Fund or Trust

### Other notes:

- Acknowledge that investing in APIF is an authorised investment of the trust
- If joint trustees or company state whether one or more signatures are required for written withdrawal requests and additional applications

## POWER OF ATTORNEY

**Provide given names in full of Investor and Attorney, not initials:**

Correct Michael John Smith as power of attorney for Betty Mary Smith

Incorrect B M Smith

### Requirements:

Signature of Attorney

Certified copy of Power of Attorney

Identification of Investor and Attorney

TFN of Investor

## COMMUNICATION

All communications from Angas will be sent to the nominated address on the Application Form. For joint applicants only one address is required, unless otherwise stipulated. Business telephone, facsimile, home and mobile telephone, and e-mail address details to be provided for all applicants.

## INVESTMENT MONIES

Funds for investment must be provided to Angas with the lodgement of the Application Form.

Investments can be made by:

- Bank Cheque made payable to Angas Prime Income Fund and crossed "not negotiable"
- Direct deposit to APIF

Further investments can be made at any time thereafter provided that a new Application Form is completed but may be refused by Angas at its absolute discretion.

## INVESTOR BANK DETAILS

For investment monies to be returned to you through a withdrawal and for income distributions to be paid, you need to provide the Bank and Branch, BSB and account number, and the full name of a bank account Angas can direct deposit to by electronic funds transfer.

## DECLARATION

By completing and lodging an Application Form the Investor:

- declares to have read and understood this PDS
- acknowledged and agreed to be bound by the provisions of the Constitution and the Terms of the offer set out in this PDS to the extent required by law

## LODGE MENT

All Application Forms are to be lodged with Angas.

- In person at any office of Angas
- By mail to any office of Angas

# ANGAS PRIME INCOME FUND

ANGAS SECURITIES LIMITED | ACN 091 942 728 | AFSL 232 479 | ARSN 091 887 400

## INVESTMENT AMOUNT

INVESTMENT: \$ \_\_\_\_\_

### APPOINTMENT OF FINANCIAL ADVISER

Information may be disclosed to your adviser or adviser dealer group, their service provider and any joint holder of your investment.

Please tick this box if you wish your Financial Adviser to have access to your investment account.

### ROLE OF FINANCIAL ADVISER

I/We request that my/our Financial Adviser, as nominated, receive access to my/our financial records in relation to my/our Fund investment and consistent with the terms and conditions, agree that my/our Financial Adviser has the same powers as I/We do to make further investments in or withdrawals from the Fund. I/We hereby release, discharge and agree to indemnify Angas and the Investment Manager from and against all actions, proceedings, accounts, claims and demands however arising out of acting upon the instructions of my/our Financial Adviser or the release of this information to my/our Financial Adviser as nominated in this Application Form.

## TRUST OR SUPERANNUATION FUND

NAME

TFN

ABN

ADDRESS

## COMPANY IN THEIR OWN RIGHT AND/OR AS A TRUSTEE FOR THE ABOVE

NAME

TFN

ABN

ADDRESS

PHONE

EMAIL

## INDIVIDUALS IN THEIR OWN RIGHT AND/OR AS A TRUSTEE OR DIRECTOR/SECRETARY FOR THE ABOVE

1  Single  Joint  Partnership  Trustee  Director/Secretary

NAME

TFN

ABN

ADDRESS

DOB

MOBILE

PHONE

EMAIL

## ANGAS PRIME INCOME FUND

ANGAS SECURITIES LIMITED | ACN 091 942 728 | AFSL 232 479 | ARSN 091 887 400

### INDIVIDUALS IN THEIR OWN RIGHT AND/OR AS A TRUSTEE OR DIRECTOR/SECRETARY FOR THE ABOVE

2  Single  Joint  Partnership  Trustee  Director/Secretary

NAME

TFN

ABN

ADDRESS

DOB

MOBILE

PHONE

EMAIL

3  Single  Joint  Partnership  Trustee  Director/Secretary

NAME

TFN

ABN

ADDRESS

DOB

MOBILE

PHONE

EMAIL

### CONTACT DETAILS

ALL COMMUNICATIONS TO BE SENT TO:

ADDRESS

PHONE

EMAIL

NAME

FAX

### BANK ACCOUNT DETAILS

ALL INCOME DISTRIBUTIONS AND WITHDRAWALS TO BE DEPOSITED TO:

NAME

BANK

BRANCH

BSB

ACCOUNT NUMBER

## ANGAS PRIME INCOME FUND

ANGAS SECURITIES LIMITED | ACN 091 942 728 | AFSL 232 479 | ARSN 091 887 400

### FINANCIAL ADVISER DETAILS TO BE COMPLETED BY YOUR FINANCIAL ADVISER OPTIONAL

NAME

TFN

ADDRESS

SUBURB

STATE

POSTCODE

EMAIL

DEALER GROUP

PHONE

ABN

AFSL

STAMP

### FINANCIAL ADVISER REMUNERATION

**Upfront Payment** This fee will be deducted from the Investors initial investment and paid to the Financial Adviser detailed above

Pay to Adviser                      % of investment amount \_\_\_\_\_ max 1.1% p.a. incl. GST

#### Trail Payment

Rebate to investor

Pay to Adviser                      % of investment amount \_\_\_\_\_ max 1.1% p.a. incl. GST

### IDENTITY VERIFICATION DECLARATION

In accordance with the Financial Services Council/Financial Planning Association Industry Guidance Note 24, I confirm that customer identification has taken place under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) ('Act') and that I will provide Angas with access to the records as required, or that the industry agreed 'Customer Identification Form' confirming compliance is attached. I also agree to forward these documents to Angas if I ever become unable to retain the documents. I understand and agree that Angas is authorised to conduct random audits of these records in accordance with its obligations under the Act.

ADVISER SIGNATURE

DATE

## ANGAS PRIME INCOME FUND

ANGAS SECURITIES LIMITED | ACN 091 942 728 | AFSL 232 479 | ARSN 091 887 400

### SIGNATURE DETAILS

**THIS APPLICATION FORM MUST BE READ IN CONJUNCTION WITH THE PRODUCT DISCLOSURE STATEMENT ISSUED BY ANGAS SECURITIES LIMITED ACN 091 942 728 UNDER AFSL NO 232 479 FOR THE ANGAS PRIME INCOME FUND ARSN 091 887 400 AND MUST NOT BE ISSUED TO ANY PERSON UNLESS THAT PERSON HAS FIRST RECEIVED A COPY OF THE PRODUCT DISCLOSURE STATEMENT.**

I/we hereby apply for registration in the Angas Prime Income Fund, and in doing so acknowledge, agree and understand that:

- I/we declare that the details given in this form are true and correct.
- I/we have legal authority to invest in accordance with this Application.
- I/we agree to be bound by the terms of the Fund's Constitution.
- I/we acknowledge that we have received and read a copy of the Product Disclosure Statement and agree to its terms.
- I/we acknowledge that Angas Securities Limited may accept or reject any applications.
- I/we acknowledge that Angas Securities Limited does not guarantee the performance of the Fund or the repayment of capital or any particular rate of return or any distribution.
- I/we understand that Angas Securities Limited cannot provide me/us with advice and that if I/we require advice I/we should consult a licensed financial adviser.
- I/we understand and acknowledge that Angas Securities Limited is authorised to collect Tax File Numbers (TFN) by law, and whilst I am not required to provide my TFN, I do not, or do not provide exemption details, Angas Securities Limited is required to withhold tax from income distributions at the highest marginal tax rate plus the medicare levy.
- I/we understand that Angas Securities Limited may disclose my/our information (or parts of it) to government agencies that may lawfully request information from time-to-time, or in other circumstances where required by law to do so.
- I/we understand that Angas Securities Limited may disclose my/our information (or parts of it) to its service providers to enable the printing, distribution and administration of documentation related to services.
- I/we understand that Angas Securities Limited may use my/our information on occasions, to inform me/us about other services or products offered.
- I/we hereby acknowledge that neither Angas nor its Authorised Representatives has provided me/us with any financial product advice, made any representation or given any guarantee as to the Fund performance or the maintenance of capital.
- I/we acknowledge that there shall be no entitlement for income to be earned on our investment until all necessary information has been supplied to Angas Securities Limited.

### SIGNATURES REQUIRED FOR INVESTMENT APPLICATIONS AND WITHDRAWALS

Single       Joint - one to sign       Joint - both to sign       Other

|   |           |                |
|---|-----------|----------------|
| 1 | _____     | ____/____/____ |
|   | SIGNATURE | DATE           |
| 2 | _____     | ____/____/____ |
|   | SIGNATURE | DATE           |
| 3 | _____     | ____/____/____ |
|   | SIGNATURE | DATE           |

**NOTE:** If signing under a Power of Attorney, you must provide the appropriate identification and a certified copy of the Power of Attorney including the appropriate signatures, and are verifying that at the time of signing you have not received notice of revocation of that power.

## ANGAS PRIME INCOME FUND

ANGAS SECURITIES LIMITED | ACN 091 942 728 | AFSL 232 479 | ARSN 091 887 400

### IDENTIFICATION DETAILS

**IN ACCORDANCE WITH THE AML ACT, PRIOR TO ACCEPTING AN APPLICATION FORM, ANGAS IS REQUIRED TO OBTAIN THE FOLLOWING IDENTIFICATION AND VERIFICATION INFORMATION FOR INVESTORS. NO INCOME WILL BE PAYABLE ON AN INVESTMENT UNTIL THE DATE THAT ALL NECESSARY INFORMATION HAS BEEN PROVIDED.**

#### TRUST OR SUPERANNUATION FUND

- A certified copy of the Trust Deed (including any variations)
- Identification of the Trustees, either as individuals or Company per below

#### COMPANY IN ITS OWN RIGHT AND/OR AS A TRUSTEE FOR ABOVE

- A certified copy of the Certificate of Registration
- Identification of the Directors as individuals per below
- A company search conducted on the ASIC database (performed by Angas Securities)

#### INDIVIDUALS IN THEIR OWN RIGHT OR AS A TRUSTEE OR DIRECTOR/SECRETARY FOR ABOVE

- A certified copy of a current Drivers Licence OR Passport issued in Australia or overseas that contains a photograph and signature

**If unable to provide a certified copy of a Drivers Licence or Passport, then both one Part A document and one Part B document are required.**

#### PART A

- A certified copy of a Birth Certificate issued by an Australian State or Territory or an overseas government, the United Nations or an agency of the United Nations
- OR
- A certified copy of an Australian Citizen Certificate or a citizen certificate issued by a foreign government
- OR
- A certified copy of a Centrelink Pension Card or Health Card

#### PART B

- A notice that was issued by the Commonwealth or an Australian State or Territory within the preceeding 12 months that contains the name of the individual and current address, and records the provision of financial benefits to the individual (eg a Centrelink letter confirming entitlement to assistance payments)
- OR
- A notice that was issued by a local government or utilities provider within the preceeding 3 months that contains the name of the individual and current address, and records the provision of services by that body to the individual and/or to their address (eg an electricity bill or rates notice)
- OR
- For a person under the age of 18, a notice that was issued by a school principal within the preceeding 3 months that contains the name of the individual and current address, and records the period of time that the individual attended the school

### OFFICE USE ONLY

\_\_\_\_ / \_\_\_\_ / \_\_\_\_  
DATE FUNDS RECEIVED

CHEQUE

EFT

\_\_\_\_ / \_\_\_\_ / \_\_\_\_  
FIRST WITHDRAWAL DATE

DISTRIBUTIONS MONTHLY

IDENTITY CHECK COMPLETED:

YES

NOT REQUIRED (EXISTING INVESTOR)

\_\_\_\_\_  
INVESTOR NUMBER

\_\_\_\_\_  
INVESTMENT NUMBER

## ANGAS PRIME INCOME FUND

ANGAS SECURITIES LIMITED | ACN 091 942 728 | AFSL 232 479 | ARSN 091 887 400

### CERTIFICATION OF DOCUMENTS

#### THE CERTIFYING OFFICER MUST BE:

- Currently employed in one of the professional or occupational groups listed below;
- Contactable by telephone during normal working hours.

#### THE CERTIFYING OFFICER MUST:

- Write on the copy "this is a true copy of the original documents sighted by me";
- Sign and print their name;
- Provide an address and a contact telephone number;
- State their profession or occupation group (as below);
- Write on the copy the date certified; and
- Affix the official stamp or seal of the certifier's organisation on the copy.

#### IN ADDITION, IF THE CERTIFYING OFFICER IS A JUSTICE OF THE PEACE, THE CERTIFYING OFFICER MUST:

- List registration number and state/territory of registration.

#### WHO CAN CERTIFY DOCUMENTS WITHIN AUSTRALIA?

- Accountant - member of the recognised professional accounting body or a registered tax agent
- Manager of a bank or credit union, other than managers of bank travel centres
- Manager of an Australian bank overseas
- Barrister, solicitor or patent attorney
- A police officer
- Postal manager
- Principal of an Australian secondary college, high school or primary school
- A justice of the peace with a registration number
- A dentist
- A veterinary practitioner
- A pharmacist
- A registered medical practitioner
- A notary public
- A minister of religion authorised to celebrate marriages (not a civil servant)
- A finance company officer with two or more continuous years of service with one or more financial companies
- An officer with, or an authorised representative of, a holder of an Australian financial services licence, having two or more continuous years of service with one or more licensees.

#### WHO CAN CERTIFY DOCUMENTS OUTSIDE AUSTRALIA?

- An authorised officer of an Australian overseas diplomatic mission
- An authorised officer of an Australian education centre
- A private representative of a university
- A university or college registrar
- A school headmaster or other recognised examining authority



## TAX RESIDENCY/ OVERSEAS APPLICANTS

PLEASE COMPLETE THE FOLLOWING INFORMATION FOR EACH INVESTOR.

## INVESTOR 1

Name

Are you a tax resident of another country?

 Yes No

If yes, please provide:

Country

TIN

*(Tax Identification Number or equivalent)*

## INVESTOR 2

Name

Are you a tax resident of another country?

 Yes No

If yes, please provide:

Country

TIN

*(Tax Identification Number or equivalent)*

Angas Securities is required to collect this information under the *Tax Laws Amendment (Implementation of the Common Reporting Standard) Act 2016 (CRS)*. This information will be disclosed to the Australian Taxation Office which may disclose this information to the tax authority of the relevant jurisdiction. Penalties may apply if you fail to provide the information or provide false information. Angas Securities will not disclose this information overseas. Our Privacy Policy contains information about how you may access your personal information held by Angas, and seek any correction. Angas Securities' Privacy Policy also contains information about how you may complain about a breach of the Australian Privacy Principles and how we will deal with such a complaint. You may contact us on 1800 010 800.

This information is of a general nature only. Please consult your tax advisor should you wish to understand the implications of CRS to your particular circumstances

## ANGAS PRIME INCOME FUND (APIF) SUPPLEMENTARY PRODUCT DISCLOSURE STATEMENT (SPDS) ISSUED BY ANGAS SECURITIES LIMITED ACN 091 942 728 AFSL No 232 479

This SPDS replaces the Supplementary Product Disclosure Statements issued 21 November 2016 and 7 December 2017 and must be read together with the Angas Prime Income Fund Product Disclosure Statement dated 10 December 2015 (the PDS) and the other disclosure documents which are incorporated by reference.

The purpose of this disclosure is to provide investors in APIF with updated information on Angas' debenture run-off proposal, a proposed funds management business restructure and the current Net Tangible Assets (NTA) position of Angas.

### ANGAS SECURITIES LIMITED DEBENTURE RUN-OFF PROPOSAL

Angas Securities Limited (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 Proposal**). The Run-Off Proposal was approved by debenture holders and is anticipated to have all debenture investments redeemed by 30 June 2019. Throughout the Run-Off Proposal (and following it being finalised) Angas intends to continue to operate its core business as a fund manager. By approving the Run-Off Proposal, debenture holders resolved for Angas' business to remain under the control of the Angas board and management.

**Other than as set out under the heading "Restructure of Funds Management Business" below, the Run-Off Proposal does not directly affect investors in APIF and does not involve the realisation of the assets of APIF as those assets are the property of APIF investors and remain legally and operationally separate from the assets of Angas.**

If currently unforeseen circumstances occur and the Run-Off Proposal fails to be implemented in the manner approved by the debenture holders, Angas will go through a process to review the Run-Off Proposal and consider alternative next steps that may be taken. That process would likely involve a number of parties including the Loans Realisation Committee,<sup>1</sup> debenture holders, the Federal Court and trustee in respect of the debentures. In such circumstances, potential outcomes may include amendments to the Run-Off Proposal, a further application to the Federal Court, the appointment of an external administrator to Angas or some other action. APIF investors should be aware that, if this were to occur, Angas and investors will need to assess the impact, if any, on the continued management of APIF by Angas and may at that time need to consider taking action in relation to APIF which, by way of example only, may include appointment of a new responsible entity, a fund restructure or other action.

**Angas is currently implementing the Run-Off Proposal in the manner approved by the debenture holders and, based on current information, does not consider that the Run-Off Proposal will have any effect on APIF or on the ability of Angas to continue to manage APIF.**

### RESTRUCTURE OF FUNDS MANAGEMENT BUSINESS

As part of the Run-Off Proposal, Angas announced that it intended to implement a restructure of Angas' fund management business (**Restructure**). The Restructure primarily involves Angas retiring as responsible entity of ACMF and being replaced by its wholly owned subsidiary, Angas Mortgage Management Limited ACN 615 541 378 (**AMML**).

Angas is in the process of taking steps to implement the Restructure. Importantly, the Restructure is subject to various consents being granted, including consents from the Australian Securities and Investments Commission (**ASIC**). Angas has sought those consents from ASIC, which is in the process of assessing Angas' applications. There is no guarantee that ASIC will provide the requested consents. If those consents are not provided, Angas will be unable to complete the intended Restructure.

If the consents are provided, Angas will at that time write to investors to provide further information on the proposed Restructure. Investors may have the opportunity at that time to vote in relation to the proposed change of responsible entity of APIF (if sufficient number of investors so request).

### ANGAS' REQUIRED LEVEL OF 'NET TANGIBLE ASSETS' AS HOLDER OF AN AUSTRALIAN FINANCIAL SERVICES LICENCE

As the holder of an Australian financial services licence (**AFSL**), Angas is subject to certain financial requirements, including a requirement that it hold a minimum level of NTA. A consequence of the Run-Off Proposal is that Angas has experienced

<sup>1</sup> The Loans Realisation Committee is a committee appointed by the Federal Court to oversee the debenture funded asset realisation programme under the control of Angas. The committee is comprised of Angas Independent director Clive Guthrie, John Powell (an independent person appointed by the Federal Court) and Christopher Green of Trust Company.

fluctuations from time-to-time in its NTA position, in part because of revaluation of its assets agreed with its auditors (including those implemented in the 30 June 2017 accounts). The NTA position of Angas will continue to change during the implementation of the Run-Off Proposal.

As the Run-Off Proposal impacts on its NTA position (in line with forecasts), Angas may temporarily breach the minimum NTA requirement that applies to Angas as the holder of an AFSL. On 30 November 2017, Angas issued its Financial Statements for the financial year ended 30 June 2017. Angas' Financial Statements disclosed a breach of the NTA requirement.

On 1 September 2017, the Federal Court of Australia approved a variation to the terms of the Run-Off Proposal. As a result, the revised estimates of the cash flows relating to the Debenture Liability triggered the need to use a particular Australian Accounting Standard for valuing such liabilities. This standard is AASB 139 "Financial Instruments: Recognition and Measurement", in which paragraph AG8 of that standard was applied. The effect of using this standard resulted in restating the balance of the Debenture Liability which rectified Angas' non-compliance with the NTA requirement effective 1 September 2017.

Angas is in a state of transition as it moves towards becoming a Funds Manager. During that transitional period, the revenue streams, gross asset and net asset position of Angas will continue to change. Following full implementation of the Run-Off Proposal, Angas expects its gross revenues and NTA position to be stable and reflective of Angas' core business as a fund manager.

Dated 18 December 2017



ANGAS

