



# MOMENTUM DEBENTURES



# Five Prospectus

# Prospectus Five

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## CORPORATE DIRECTORY

### DIRECTORS

Brett John Gilbert  
MANAGING DIRECTOR AND CHAIRMAN

Paul Caspar Bollen  
EXECUTIVE DIRECTOR

Donald Sydney McRae  
EXECUTIVE DIRECTOR/SECRETARY

Michael John Pauling  
EXECUTIVE DIRECTOR

### REGISTERED OFFICE

Suite 3, 27 Grant Street  
Port Macquarie NSW 2444

### PRINCIPAL PLACE OF BUSINESS

Suite 3, 27 Grant Street  
Port Macquarie NSW 2444

### CONTACT DETAILS

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E: [mortgages@momentuminvest.com.au](mailto:mortgages@momentuminvest.com.au)  
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### LAWYERS

STACKS THE LAW FIRM  
Suite 2, 27 Grant Street  
Port Macquarie NSW 2444

P: 61+2+65 83 8366  
F: 61+2+65 84 1756  
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## IMPORTANT NOTICE

This prospectus is an important document and should be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult your stockbroker, accountant, lawyer, or independent financial adviser.

This prospectus is dated 11 September 2007 and is issued by Momentum Mortgages Limited ("Momentum") and lodged with the Australian Securities and Investments Commission (ASIC) on 11 September 2007. This prospectus replaces the document dated 4 September 2007. Neither ASIC nor its officers take any responsibility as to the contents of this prospectus.

No debentures may be issued pursuant to this prospectus later than 13 months after the date of issue of this prospectus.

This prospectus relates to an offer of debentures in Momentum and contains details of how to apply for these debentures. It is accompanied by an application form that applicants must complete to apply for debentures offered under this prospectus.

If you obtained a copy of this prospectus from the Internet, you should ensure that the complete application form and the electronic prospectus are received by you. The offer made in this prospectus is available for residents of Australia only. It has been prepared having regard only to Australian Law.

***Some words in this prospectus have defined meanings as follows.***

**Momentum** Momentum Mortgages Limited  
ACN 103 596 210 AFSL No 246942 is  
a company established to issue debentures.  
Money raised is primarily for the purpose of  
investing in registered first mortgages.

**Confirmation** The confirmation of transaction statement  
that is issued by Momentum after the issue  
of a debenture or in relation to any other  
transaction, if so required by the  
Corporations Act 2001.

**Trustee** Permanent Nominees (Aust) Limited  
ACN 000 154 441 of 35 Clarence Street,  
Sydney NSW 2000.

Permanent Nominees (Aust) Limited is a member of the Trust group of companies of which Trust Company of Australia Limited is the parent company, which was formed as a consequence of the merger effective 6 December 2002, between the Trust Company of Australia Limited and Permanent Trustee Company Limited.

Issue Date: 11 September 2007

Expiry Date: 3 October 2008

## DEAR INVESTOR

I am pleased to present our fifth prospectus to you for your consideration.

Momentum is a dynamic financial services group which commenced operations in early 2003 and we now have over 2000 satisfied customers and over \$100,000,000 in funds and assets under management.

Our fourth year of operations has seen our funds under management grow by over 25% and at the date of this prospectus we have issued debentures in excess of \$52,000,000.

Like all investments, an investment in Momentum debentures carries certain risks. I would urge you to read this document carefully (particularly sections 5 and 6) to ensure that you fully understand the risks associated with an investment in Momentum's debentures and the steps that we take to minimise those risks.

We have continued to maintain a secure portfolio of Mortgage Investments and we have not suffered any losses of capital to date. We recorded a before tax profit of just over \$1,200,000 for the year ending 30 June 2007. We have achieved this through a "hands on" approach from our Directors who personally inspect every property prior to the advancement of funds and actively manage our loan portfolio.

We are confident of another year of profitability which we look forward to sharing with our valued investors.

Yours Faithfully,



Brett Gilbert

MANAGING DIRECTOR



# Section 1:

## SUMMARY DETAILS OF OFFER

Offer opens                11 September 2007

Offer closes              3 October 2008

### Key Terms of Debenture Issue

Minimum Investment    \$5,000 with subsequent multiples of \$1,000

Debenture Term        12 months or 24 hour on call (subject to availability), as specified on the application form. The term and the maturity date of each debenture are specified on the Confirmation and the debenture certificate.

Interest Rate            The current interest rates and the availability of 24 hour on call debentures may be obtained by:  
telephoning Momentum on **1300 551 733**  
or visiting Momentum's website at [www.momentuminvest.com.au](http://www.momentuminvest.com.au)

The interest rate applying on issue of a debenture is specified on the Confirmation and the debenture certificate.

Interest Payment        Monthly in arrears paid directly to your bank account or on maturity.

For further details see section 2 - Summary Terms of Debenture Issue on page 5.

### How to Invest

Application for debentures can only be made by completing the application form distributed with this prospectus and which is current at the time of the application.

For further details see section 11 - Guide to Application Form on page 26.



# Section 2:

## SUMMARY OF TERMS OF DEBENTURE ISSUE

### Minimum and Maximum Capital Raising

There is no minimum or maximum limit on the amount that may be raised by Momentum under this prospectus. However, it is anticipated that the total face value of all debentures issued under this prospectus will not exceed \$100,000,000.

### Securities to be Issued

Debentures

### Minimum Investment

\$5,000

### Subsequent Multiples

\$1,000

### Interest Rate

The current interest rate can be obtained by telephoning Momentum on **1300 551 733** or visiting Momentum's website at [www.momentuminvest.com.au](http://www.momentuminvest.com.au). The interest rate applying on issue of a debenture is specified on the Confirmation and the debenture certificate.

You should confirm the currency of any interest rate BEFORE completing the application form.

### Payment of Debenture Interest

Monthly in arrears or on maturity.

### Debenture Term

12 months or, subject to availability, 24 hours on call, as selected on the application form. The availability of 24 hour on call debentures can be obtained by telephoning Momentum on 1300 551 733.

### Liquidity

Momentum will seek to maintain a minimum liquidity level that should enable it to fund redemptions at all times. The liquidity level will be maintained by keeping liquid assets in the form of bank deposits with one or more of the major banks. Under the debenture trust deed, Momentum is required to maintain minimum liquid assets of at least 5% of the debentures on issue.

In addition to the minimum requirement under the trust deed, Momentum will manage its liquidity by estimating its cash needs for the next 3 months and ensuring that it has on hand cash or cash equivalents sufficient to meet its projected cash needs over the next 3 months. Momentum will take into account its policy and experience on redemptions and rollovers and the quantum of 24 hour on call debentures in estimating its cash flows. Momentum will review its forecast cash flows on at least a monthly basis.

### Security

The repayment of all debentures and accrued interest is secured by the charge, which is a first ranking charge in favour of the trustee over the whole of the assets and undertakings of Momentum. The assets that are subject to the charge include the mortgages and other securities held by Momentum.

### Early Redemption

Momentum may redeem debentures early by giving not less than 30 days prior written notice.

Debenture holders who invest on 24 hours on call may redeem debentures without penalty on request. Funds will be deposited into your account on the next business day after notice of your request for redemption is received by Momentum.

Debenture holders who invest for 12 months may redeem debentures before the end of the debenture term only in certain circumstances.

However, the debenture holder will be subject to a 2% early withdrawal fee (based on the amount withdrawn) where the debenture holder's request for early redemption is accepted. For further details see section 4.13 - Early Redemption by Debenture Holders on page 10.



# Section 3:

## SUMMARY OF INVESTMENT INFORMATION

### Types of Loan

The proceeds of this issue will be invested by Momentum in a range of quality Australian registered first mortgages or otherwise held in the form of liquid assets. Loans will be provided to borrowers primarily for business or investment purposes. The current mix of mortgage investments is set out in section 4.1 on page 7.

### Security for Loan

Any loan must be secured by a registered first mortgage over real property, being either freehold or leasehold property, in Australia. Additional security also may be taken by Momentum.

### Amount of Loan

A maximum single loan amount will not exceed the greater of \$10,000,000 or 10% of the aggregate of the face value of all debentures on issue at the date of the loan.

### Mortgage Maximum Lending Ratios (LVR)

The maximum loan to valuation ratio (LVR) of any mortgage is 70% of the value of the security property provided by the borrower in respect of which Momentum has a registered first mortgage.

Where the loan relates to property development the funds are provided to the developer in stages. Further details of Momentum's development funding policies are set out in section 5.5 on page 12.

### Valuation

No loan will be made without a valuation of the security property that was given not more than 3 months before the date of the loan. The valuation must be from a registered valuer or the valuer general. Where appropriate, a report from a quantity surveyor, architect or land and building surveyor or engineer may also be required. Momentum's valuation policy is set out in section 5.3 on page 11.

### Mortgage Term

The standard term of a loan is 1 year but Momentum may lend for a term up to 3 years.

### Mortgage Interest Rates

All loans are on a fixed interest rate basis. The rate of interest will vary from loan to loan and generally in accordance with movements in the official interest rates.

### Other Investments

Any proceeds of this issue that are available to Momentum that are not at any time invested in mortgages, will be invested in other investments authorised under the debenture trust deed. These include various forms of liquid assets such as cash, bank deposits, bills of exchange, promissory notes, negotiable instruments and deposits with cash management trusts.

### Custody of Security Documents

All title documents to the security property and, subject to the rights of the holders of prior securities, other securities provided by the borrower, will be held by Momentum until the loan principal and all interest on the loan is fully repaid.



# Section 4:

## DETAILS OF THE ISSUE

### 4.1 The Company

Momentum Mortgages Limited ACN 103 596 210 is the issuer of the debentures. Momentum was registered in New South Wales on 4 February 2003 and is an unlisted public company and the holder of Australian Financial Services Licence number 246942. As at 30 August 2007 Momentum has issued debentures totalling \$53,382,962.

Momentum has been established for the sole purpose of accepting applications for debentures on the terms and conditions as set out in this prospectus and investing the moneys received in mortgages that are described in section 3 - Summary of Investment Information on page 6.

The debentures will be issued in accordance with the provisions of the debenture trust deed that Momentum has entered with Permanent Nominees (Aust) Limited, as the Trustee.

The obligations of Momentum under the debenture trust deed, including its obligation to repay the principal of the debentures and interest, is secured by the charge, which is a fixed and floating charge over all of its assets and undertakings, including the mortgages in which Momentum invests.

A summary of the debenture trust deed and the charge appear in section 7 - *Material Documents* on page 17.

As at 30 June 2007 Momentum's net tangible assets were \$1,571,441 or 2.88% of total tangible assets, meaning that Momentum could issue debentures up to approximately \$75,000,000 without breaching its net tangible asset requirement under the debenture trust deed. Momentum proposes to continue building its balance sheet to ensure that it always meets its net tangible asset requirement and is in a position to continue to grow in accordance with market demand for its debentures.

Under the debenture trust deed, Momentum must maintain:

- minimum liquid assets of at least 5% of the debentures on issue; and
- a minimum net tangible assets of at least 2% of total tangible assets

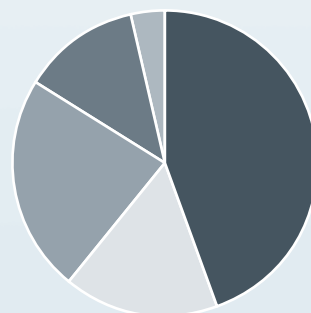
A summary of Momentum's audited financial position as at 30 June 2007 is set out at section 8 on page 20.

Detailed on this and the the following pages are a snapshot of the composition of Momentum's loan portfolio as at 30 June 2007. The mix of the loans will vary from time to time due to the constant repayment of loans and the reinvestment of

money in new loans. Therefore the current mix is only an indication of the future mix.

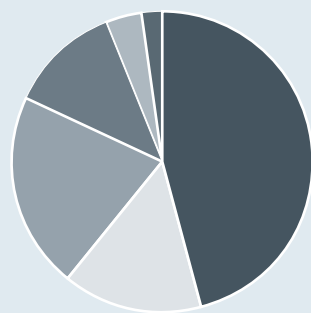
- number of loans 15
- average loan size \$3,012,539.40
- largest loan \$9,500,000 (17.5% of all assets)
- Loans secured by registered first mortgage - 100%
- Loans to related parties - nil
- Number of loans with capitalised interest - 13

### EXPOSURE BY REGION



- Sydney **44.5%**
- Newcastle/Central Coast **16.6%**
- North Coast NSW **22.8%**
- Queensland **12.6%**
- Other **3.5%**

### PROPERTY SECTOR EXPOSURE



- Construction - Residential **46%**
- Construction - Commercial **15%**
- Construction - Retirement **21%**
- Construction - Mixed Residential/Commercial **12%**
- Residential Land **4%**
- Rural **2%**



## Section 4

### DETAILS OF THE ISSUE CONTINUED

#### SNAPSHOT OF CURRENT INVESTMENT PORTFOLIO

	LOAN TYPE	LOCATION	LOAN BALANCE	% OF ASSETS	INTEREST RATE	LVR	MATURITY (MONTHS)	ARREARS
1	Construction - Retirement	Nth Coast NSW	\$9,500,000	17.4%	12.00%	70%	3	nil
2	Construction - Residential	Sydney	\$5,574,787	10.2%	11.50%	70%	7	nil
3	Construction - Commercial	Sydney	\$5,389,682	9.9%	11.50%	70%	5	nil
4	Construction - Residential	Nth Coast Qld	\$4,400,498	8.1%	11.75%	70%	12	nil
5	Construction - Residential	Newcastle	\$3,903,470	7.1%	12.00%	70%	9	nil
6	Construction - Residential	Sydney	\$3,013,719	5.5%	12.00%	70%	10	nil
7	Construction - Mixed	Sydney	\$2,991,258	5.5%	12.00%	70%	3	nil
8	Construction - Mixed	Newcastle	\$2,424,916	4.4%	11.50%	70%	5	nil
9	Construction - Residential	Sydney	\$1,848,376	3.4%	12.00%	70%	5	nil
10	Construction - Commercial	Sydney	\$1,301,008	2.4%	12.00%	70%	6	nil
11	Residential land	SE Qld	\$1,285,798	2.4%	11.75%	56%	5	nil
12	Construction - Residential	Central Coast	\$1,162,093	2.1%	12.00%	70%	12	nil
13	Rural	Orange NSW	\$1,007,803	1.8%	12.00%	65%	8	nil
14	Construction - Residential	Nth Coast NSW	\$ 822,683	1.5%	11.50%	60%	11	nil
15	Residential land	Orange NSW	\$ 562,000	1.0%	12.00%	60%	5	nil

Loan number 1 in the above table was due for repayment on 3 September and as at 11 September has not been repaid. Momentum expects the loan and all interest to be repaid in full within 30 to 60 days. The property was valued at \$14,000,000 in July 2007.

Momentum is holding newly completed waterfront property at Lemon Tree Passage for sale. This property was acquired by way of foreclosure on a loan advance to a builder/developer who became insolvent after the project was completed but before the loan from Momentum was repaid. Momentum suffered a loss of \$24,000 in un-recovered interest on this loan. The property was valued by an independent valuer in March 2007 at \$1,110,000. Momentum intends to sell this property.

Momentum will provide investors with ongoing disclosure in relation to its loan portfolio on at least a quarterly basis. A copy of the most recent quarterly snapshot of Momentum's loan portfolio can be obtained by telephoning Momentum on 1300 551 733 or visiting Momentum's website at [www.momentuminvest.com.au](http://www.momentuminvest.com.au)

#### 4.2 Minimum & Maximum Subscription

There is no minimum or maximum number of debentures that Momentum may issue or amount that Momentum may raise either during or after the date of this prospectus. However, the directors of Momentum anticipate that at no time during the term of this prospectus will be the aggregate face value of all of the debentures on issue at any particular time exceed \$100,000,000.

#### 4.3 Application for a Debenture

Application for investment in debentures must be made on the application form accompanying or distributed with this prospectus. Instructions as to how debentures are to be applied for are set out in section 11 - Guide to Application Form on page 26.

#### 4.3 Application for a debenture

Applications for 24 hour on call debentures will be restricted by Momentum to enable it to manage its liquidity and as such these debentures may not always be available. The availability of 24 hour on call debentures can be obtained by telephoning Momentum on 1300 551 733.

Momentum reserves the right at any time during the offer period not to accept any application that has been received, in its absolute discretion.

#### 4.4 Minimum Applications

The minimum investment is \$5,000 and thereafter in whole multiples of \$1,000. Where an investor has elected to reinvest any interest payments received, there is no minimum application amount.

#### 4.5 Issue Debentures

Momentum will issue debentures as applications are received and accepted and will issue:

- a confirmation in the form required by the Corporations Act 2001 as soon as is reasonably practicable after the issue.
- a debenture certificate for the debentures issued within 28 days after the debentures are issued.

The debenture certificate is an acknowledgement of Momentum's indebtedness to the investor for the amount invested, and is in the form of a confirmation of transaction document.

## Section 4

### DETAILS OF THE ISSUE CONTINUED

#### 4.6 Transfers

Debentures may not be transferred without Momentum's prior written consent, which may be given or withheld in Momentum's absolute discretion. If Momentum consents to a transfer, the transfer must be registered by Momentum in its register of debenture holders.

Momentum will not accept a transfer other than for the full amount of the debentures held by the debenture holder.

#### 4.7 Ranking

All issued debentures rank equally in priority of security, and in proportion to the aggregate of their face value if not repaid in full as required under the debenture trust deed.

#### 4.8 Calculation of Interest

Interest payable by Momentum to a debenture holder will accrue from the date of the issue of the debenture, which is the date of acceptance of the application. Until the date of repayment of the debenture, interest will be calculated according to the rate applicable to the issued debenture, as stated in the application form. Calculations are on a simple interest basis.

#### 4.9 Payment of Interest

Unless otherwise agreed to be payable on maturity payments of interest due on each debenture will be made by the first day of each month (or on the next business day if that last day is not a business day) in respect of the immediately preceding month.

#### 4.10 Interest Rates

The current interest rate may be obtained by:

- telephoning Momentum on **1300 551 733** or
- visiting Momentum's website at **[www.momentuminvest.com.au](http://www.momentuminvest.com.au)**. The rate of interest that applies to any issue of debentures during the term of this prospectus will vary from time to time.

The interest rate is fixed for the term of the debenture once an application has been accepted. Investors are advised to confirm the current available interest rates by contacting Momentum. Momentum reserves the right during the currency of this prospectus to increase or decrease all or any of the rates of interest or to vary available repayment periods before an application is accepted. Any variation of interest rates or available repayment periods will apply only to debentures issued in respect of applications accepted on or after the date of variation.

Where Momentum receives an incorrectly completed application form for debentures which:

- does not specify an interest rate, an investment amount or a debenture term; or
- specifies an interest rate which is not the current available interest rate for deposits of the investment amount and debenture term specified in the application form (unless the interest rate is higher than the current available interest rate and Momentum elects to issue the debentures at that higher interest rate), Momentum will either:
  - refund the application money to the applicant; or
  - give the applicant a notice that informs the applicant of the error and their right to withdraw their application and be repaid the application money if they notify Momentum in writing within 1 month after being notified by Momentum of the error; or
  - issue debentures at the current available interest rate and give the applicant a notice that informs the applicant of the error and their right to withdraw their application and be repaid the application money if they notify Momentum in writing within 1 month of being notified by Momentum of the error.

#### 4.11 Repayment of Debentures and Rollovers

Each debenture must be redeemed by Momentum at the end of the investment term. On redemption the face value of each debenture issued by Momentum must be paid to the debenture holder.

Momentum will notify each investor of a forthcoming repayment date not less than 30 days before that date arrives. Momentum will ensure that each investor has a copy of its current prospectus and any ongoing disclosure statements issued by Momentum and will provide each investor with a copy of its most recent quarterly snapshot of its loan portfolio.

Momentum will repay to each investor the amount of each debenture on the repayment date for the debenture, if the investor requests in writing before that date that the amount payable on redemption not be reinvested. If no request for repayment on the repayment date has been received at least 3 business days before the repayment date, the invested amount will be rolled over for an equivalent repayment term but at the interest rate that is stated in the then current application form as being applicable for that term as at the expired repayment date.

## Section 4

### DETAILS OF THE ISSUE CONTINUED

#### 4.12 Early Redemption of Debentures by Momentum

Momentum may redeem, at any time prior to the repayment date, some or all of the debentures on issue. It may exercise this right by giving at least 10 days' prior notice in writing of its intention to do so to debenture holders whose debentures are to be redeemed. If Momentum wishes to redeem some of the debentures on issue, it must only do so on a pro rata basis among debenture holders holding debentures of the same term of investment and interest rate.

Redemption will be effected by repayment of the face value of each debenture that is subject to early redemption together with accrued interest up to the day immediately preceding the date of redemption. If debentures are redeemed early by Momentum, the amount payable on redemption must be paid on the date of redemption. If the debenture holder wishes to reinvest the redemption payment, it must do so by lodging with Momentum an application form that is current as at the time of reinvestment. However, Momentum has no obligation to accept such a reinvestment application.

#### 4.13 Early Redemption by Debenture Holders

- **24 hours on call Option** Investors who are seeking a high rate of return on their funds but want the added ability to withdraw their funds on demand can choose this investment option when available. Funds will be deposited into your nominated account on the next business day after Momentum receives your written request for redemption, with no early redemption fee payable. Redemption will be effected by repayment of the face value of each debenture that is subject to early redemption. Accrued interest up to the day immediately preceding the date of redemption will be paid on the first day of the month following the date of redemption.
- **12 Month Investment Option** Investors who choose this option will receive a higher rate of return than the 24 hours on call investors, however Momentum is under no obligation to redeem the debentures of a debenture holder before the maturity date. If a debenture holder requests early redemption, Momentum may, in its absolute discretion, comply with that debenture holder's request. In exercising its discretion, Momentum will take into account, and give due consideration to, factors such as hardship or death and whether

Momentum considers such redemption would prejudice other debenture holders. Momentum may treat a request for early redemption as applying to all of the debentures of the debenture holder, which were issued on the same date as those that it is requested to redeem.

If Momentum agrees to an investor's request, Momentum will deduct from the amount payable to the investor an early withdrawal fee of 2% of the amount withdrawn. For example, if an investor was to withdraw \$10,000 the early withdrawal fee would be \$200.

Any requests for early redemption must be in writing, state the reason for the request and be lodged directly with Momentum.

#### 4.14 Security for Debenture Holders

Pursuant to the debenture trust deed, Momentum has charged all of its assets and undertakings in favour of the Trustee to secure the performance by it of its obligations to the debenture holders including, in particular, the punctual repayment of all money due to debenture holders. This charge is a first ranking security. There are no securities or other liabilities ranking in priority to or equally with this charge.

The principal assets of Momentum secured by the charge are the mortgages held by Momentum for loans made and the unused debenture funds. These funds may be invested in various forms of short term liquid investments, such as cash, bank deposits, bills of exchange, promissory notes, negotiable instruments and deposits with cash management trusts.

Momentum may not invest any moneys received from investors in assets other than mortgages or the above type of authorised investments. Momentum may only invest in other investments if the Trustee agrees.

The directors of Momentum consider that the non-mortgage assets that are subject to the charge are reasonably likely to be sufficient to meet the liability of Momentum to pay all money due to debenture holders at any given time. See section 8 - Momentum's Financial Information on page 21 for further details.

#### 4.15 Additional Applications

If you are a current debenture holder, you may wish to invest in further debentures.

To do this you will need to complete an additional application form under this prospectus. To ensure you have up to date information about the offer when making an additional investment, Momentum will ensure you receive a copy each time a new, replacement or supplementary prospectus is issued. You should keep your copy of the current prospectus, as well as any reports that Momentum provides to you, so that you may refer to these when deciding to make a further investment in a debenture.

#### 4.16 Stock Exchange Listing

There is no current intention to list the debentures offered by this prospectus on any stock exchange.

# Section 5:

## INVESTMENT & RISK MANAGEMENT POLICY

### 5.1 Investment Policy

Momentum provides borrowers with loan funds, which are predominantly for a business or investment purpose. Momentum derives income primarily from investment in mortgages. In order to maintain liquidity, it may be necessary to retain cash or invest in interest bearing deposits, bank bills and other short term liquid investments in which it is authorised to invest under the debenture trust deed.

The investment strategy of Momentum is primarily to lend money to borrowers on the security of mortgages over property. It is envisaged that the majority of loan funds will be advanced by way of first mortgage over real estate in New South Wales and Queensland. Where deemed appropriate by Momentum, it may also take additional security over other real estate, plant and equipment, stock and goodwill. Momentum may also seek personal guarantees from the borrower or some third party. Additional security is not included in the determination of the LVR and is generally only taken to improve the overall attractiveness of the loan to Momentum. A valuation is not obtained in relation to additional security provided by the borrower. The current mix of mortgage investments is set out in section 4.1 on page 7.

### 5.2 Related Party Loan Policy

It is Momentum's policy not to lend any funds to any related party. This includes the directors, their families or any company or entity associated with the directors or their families. Momentum has no related party loans and will not advance any funds to related parties during the currency of this prospectus.

### 5.3 Valuation of Mortgaged Property

One of the most important aspects of the loan assessment procedures of Momentum is the valuation of the relevant first mortgage security. For this reason Momentum instructs registered valuers to determine the value of that security. These valuers must be independent of Momentum. All valuers must have professional indemnity insurance. It is the market value of the security, as determined by the valuer, which is used as the basis for determining the LVR.

Momentum has established a panel of registered valuers to undertake its valuations and will ensure that no one valuer conducts more than 1/3 of the number of Momentum's valuations. Valuations must be less than 3 months old at the time of loan approval.

For property development loans the property is valued on an "as is" basis and on an "on completion basis".

Momentum also endeavours to obtain a "forced sale" or "mortgage" valuation. This valuation provides a good indication as to the likely sale price if Momentum had to sell the security quickly, usually without an extensive marketing campaign. For this reason the "forced sale" value is usually significantly lower than the "market" value and is considered by valuers to be speculative.

However, some valuers are not prepared to give a "forced sale" value and as such it is not included in the LVR calculation. This figure is, however, considered in the overall assessment of the loan.

The valuer general is, for valuation purposes, considered by Momentum to be an independent valuer.



### INVESTMENT & RISK MANAGEMENT POLICY CONTINUED

#### 5.4 Loan Assessment Criteria

It is Momentum's policy to restrict lending to an LVR of 70%. This policy is designed to protect investors on the basis that if a borrower were to fall behind in its interest payments, or is not in a position to repay its loan, there should be sufficient value in the security property to ensure that the principal and interest is fully repaid from the sale of the property by Momentum in exercising its powers of sale under the registered mortgage over the security property.

Momentum will consider a whole range of factors prior to advancing funds to borrowers.

Those factors will include:

- the amount of the loan
- the value of the security offered
- the LVR
- the purpose of the loan
- the location of the security property
- the current and proposed use of the security property
- the capacity for the loan to be repaid out of the value of the security property
- the present assets and liabilities and income and expenditure of the borrower
- the value of additional security available, including plant and equipment, stock and goodwill
- the level of insurance protection
- for commercial property, the present income stream of the commercial business conducted from the property.

Although Momentum will consider a borrower's income in approving a loan, given Momentum's low LVR requirements, the directors consider there should always be sufficient equity to dispense with the need to require proof of interest serviceability. As a result, Momentum will not usually require proof of income or an accountant's certificate as to the ability of the borrower to meet its interest payments in terms of amount or time. Nor will it investigate whether the borrower's income claims are sustainable. Accordingly, investors should be aware that Momentum may lend in circumstances where the borrower has not proved that it can pay the interest repayments and on the due dates.

To date there have been no capital losses on any of the loans made by Momentum.

#### 5.5 Development Funding

Where a loan application is for development funding Momentum will take into account additional considerations.

These may include:

- the current value of the property
- the cost of construction
- the value of the completed development
- the track record of the developer
- the risks that the directors consider may be associated with the development
- the location of the development

The funding of property developments is undertaken in stages. Initially Momentum will lend a maximum of 70% of the "as is" value. Further funds are then progressively drawn down as the development progresses. After payment of all progress payments and interest the loan cannot exceed 70% of the "on completion" value.

All progress payments in respect of development funding are required to be certified to Momentum by an independent quantity surveyor, civil engineer or a registered valuer with construction expertise. This ensures that funds are only provided to the borrower where there has been satisfactory progress of the development and only to the extent of the actual costs incurred by the borrower.

Momentum's directors have extensive property development experience which allows it to actively manage its construction loan portfolio. Momentum's directors undertake regular inspections of the progress of the developments and meet with borrowers, project managers and builders.



## Section 5

### INVESTMENT & RISK MANAGEMENT POLICY CONTINUED

#### 5.6 Loan Servicing

In many cases borrowers make their interest payments from their own resources. However, providing the loan amount does not breach Momentum's LVR requirements, Momentum will usually include all or part of the interest amount in the loan amount. This is known as "capitalised" interest and the interest payments are added to the loan balance on a monthly basis.

#### 5.7 Arrears Policy

Interest payable by the borrower is either paid monthly in arrears or monthly in advance. It is the normal practice of Momentum to charge borrowers interest in advance.

Momentum has full discretion as to the terms and conditions of each mortgage. It is proposed to allow each borrower a period of 3 days grace, after the due date for payment, in which to make its interest payment. After the expiration of the grace period, Momentum is entitled to charge interest at the default rate stated in the mortgage document. Momentum has the discretion as to when to charge the default rate and in some cases, usually after it is satisfied with the reasons given by the borrower for late payment, it may elect not to charge the default rate.

#### 5.8 Enforcement of Mortgages

Momentum also has the discretion as to when to take enforcement proceedings. This occurs in circumstances where Momentum does not believe that the borrower will honour its obligations under the mortgage.

However, as a general rule the mortgage enforcement policy of Momentum is that it will:

- monitor all due dates for payments and list any overdue payments
- follow up overdue payments with borrowers in the first instance by telephone, letter, facsimile or email
- issue notices if payments remain in arrears for more than 2 weeks. In most cases solicitors will be instructed to prepare and issue the appropriate notices
- institute legal proceedings for possession of the security property if the borrowers fail to comply with notices served
- sell the security property once a possession order has been obtained

#### 5.9 Anticipated Investment Mix

It is anticipated that Momentum will continue to advance funds primarily in respect of security over real estate in New South Wales and Queensland. However Momentum will also consider making loans secured by first registered mortgage over property in Victoria and the ACT.

Momentum will have exposure to the residential, commercial, industrial, rural, construction and development property sectors. The current investment mix is set out in section 4.1 on page 7 but is indicative only and will change as further investments are made throughout the term of this prospectus.

Momentum will update investors on at least a quarterly basis of changes in its investment mix. A copy of the most recent quarterly snapshot of Momentums loan portfolio can be obtained by telephoning Momentum on 1300 551 733 or visiting our website at [www.momentuminvest.com.au](http://www.momentuminvest.com.au)





# Section 6:

## INVESTMENT RISK

### 6.1 Factors to consider in choosing to invest in the Debentures

When making your decision as to whether to make an investment in the debentures offered under this prospectus you should consider:

- how long you will be investing
- the level of return you are seeking
- the level of risk with which you are comfortable
- the tax implications of your investment

You should seek professional advice to help you determine the best allocation of your assets to achieve your personal investment goals. You must appreciate that an investment in debentures only provides to you income on your invested amount. A debenture does not carry any growth on the capital you invest.

Prospective investors should be aware that there are risks associated with investing in the debentures issued by Momentum. An investment should be made only after you have undertaken sufficient enquiries, or obtained advice, to form your own opinion of the suitability of this style of investment in your portfolio.

There are a number of risks of which potential investors must be aware before contemplating an investment in Momentum. Some of these risks are associated with the market and investments generally and others are particular to the investments that Momentum will make with your application moneys. There are also risks associated with Momentum itself and individual investors may also face investment risks particular to them. Among the risks are the following:

#### General Economic and Market Conditions

Investment values generally may fluctuate as a result of a variety of causes that are beyond the control of any company.

These include:

- inflation rates
- interest rates
- domestic and global economic growth rates and conditions
- economic cycles
- movements in the Australian dollar or other currencies
- movements in commodity prices
- market sentiment

- political events
- changes in legislation
- taxation
- employment and consumer demands

#### Investment related factors

Although Momentum will select the mortgages and other authorised investments in accordance with its investment strategy, investors need to be aware that investments, including mortgages, may fail to maintain value because of a number of factors.

These include:

- incorrect mortgage or other investment selection
- Momentum's inability to invest in suitable mortgages within a reasonable time after the issue of debentures
- the early repayment of loans by borrowers
- a fall in mortgage interest rates after debentures have been issued
- a decline in the value of properties over which Momentum holds mortgages
- the repayment of a debenture issued by Momentum being always subject to the risk that the repayment of the debentures is dependent upon the financial position of Momentum
- the experiencing of tenancy problems, destruction of the property, industrial relations difficulties, financial or liquidity problems by the borrower
- unforeseen or uncontrollable changes in the management operations or performance of the borrower that may result in an inability to service the interest payments.

#### Construction Risk

Momentum lends primarily to property developers. Loans to developers carry additional risks including the following:

- cost over runs
- delays
- builder insolvency

If problems of this nature are encountered it may mean that the borrower has insufficient funds to complete the project and / or Momentum may be required to complete the project on the borrowers behalf.

## Section 6

### INVESTMENT RISK CONTINUED

#### Limited Diversification

Momentum invests predominantly in mortgages that provide a steady income return rather than investing across a fully diversified portfolio. Although this may result in regular returns to debenture holders, it also exposes the investor to increased risk by reason of a lack of diversification.

At the date of this prospectus Momentum has invested in 15 registered first mortgages. The largest loan represents approximately 17.5% of Momentum's assets. The average loan size and largest loan are set out in section 4 on pages 7 and 8. This concentration of lending means that losses on only a small number of Momentum's loans could result in Momentum being unable to repay debenture holders.

#### Liquidity risk

Momentum must pay interest on its debentures and repay its debentures on maturity unless an investor wishes to reinvest with Momentum. The ability of Momentum to meet these commitments depends on Momentum having sufficient cash resources at a particular time to satisfy these obligations. Momentum may not be able to pay interest or repay principal on its debentures if there has been a higher than expected level of defaults on loans or if Momentum incurs a loss. Momentum is dependant on receiving new funding, including reinvested debentures, to ensure it has sufficient cash to meet the repayment of its debentures and interest

#### Borrower risk

There are various reasons why a borrower may prefer to seek a loan advance from Momentum as opposed to from a larger institutional financier such as a bank or credit union.

Generally, some of the typical reasons include the ability of Momentum to review and approve loans in a shorter time frame than traditional lenders, Momentum's ability to provide loan advances up to a 70% LVR compared with lower lending limits imposed by traditional lenders, Momentum's willingness to advance funds without pre sales, and Momentum applying less stringent lending criteria.

Therefore the risk of default associated with providing finance to these borrowers may, in some cases, be higher than those accepted by traditional lenders.

#### Investor risk

Risks faced by investors in Momentum include, but are not limited to, the following:

- Momentum is not protected by a statutory compensation scheme
- Momentum's activities are controlled by its shareholders and the directors appointed by them. Debenture holders have no vote at a general meeting of the Company. As such it is anticipated that the control of Momentum may vest with a small group of people. Accordingly, investment decisions and strategies of Momentum, within the permitted authorised investments it may make, may be pursued with which the majority of debenture holders may not agree.

#### Individual Investor Factors

Certain prospective investors may be subject to laws, rules and regulations that may regulate their taking debentures in Momentum or their engaging directly, or indirectly through an investment in Momentum, in investment strategies of Momentum from time to time.

Each type of entity may be subject to different laws, rules and regulations, and the prospective investors should consult with their own advisers as to the advisability and tax consequences of an investment in the debentures.

#### Credit Rating

Momentum's debentures are not currently rated by an external credit rating agency. This means there has been no external assessment of the risk that you may not get some or all of your money back.

In the event that Momentum obtains a credit or investment rating during the currency of this prospectus a copy will be provided to all debenture holders.



## Section 6

### INVESTMENT RISK CONTINUED

#### 6.2 Minimising Risk

Despite the inherent risks of investing in mortgages and Momentum, Momentum seeks to reduce those risks to debenture holders by:

- selecting only mortgages that satisfy the lending guidelines of Momentum
- pooling mortgages and therefore providing risk diversification
- maintaining a mortgage program the average lending rates of which are comfortably in excess of borrowing rates
- applying proven and prudent mortgage selection criteria
- having every security property valued by an independent registered valuer (including the valuer general)
- Personal inspection of every proposed security property by a director of Momentum
- requiring building insurance (replacement cost) to be provided by certificate of currency from an approved insurer noting Momentum's interest as lender on each policy
- lending to a maximum LVR of 70%
- only lending to any one borrower or on any one loan to a maximum of the greater of \$10,000,000 or 10% of the total face value of the debentures on issue

The directors have extensive finance and property expertise acquired over a lengthy period of practice in the areas of commercial law, property, building and construction law, property development, corporate governance and accountancy. Further details of the directors are set out in section 9 - Directors' Profiles on page 23.

This experience allows Momentum to actively manage its construction loan portfolio. Momentum's directors undertake regular inspections of the progress of the developments and meet with borrowers, project managers and builders.

Additionally, the terms of the debenture trust deed place restrictions on how Momentum operates its business and limits the investments it may make to those that are authorised under that deed.

# Section 7:

## MATERIAL DOCUMENTS

### 7.1 Debenture Trust Deed

Momentum and the Trustee have entered into a debenture trust deed dated 6 June 2003.

This debenture trust deed sets out rights of holders of debentures issued under this prospectus. A copy of the debenture trust deed is available for inspection at Momentum's offices. The contact details of Momentum are set out in the Corporate Directory on page 2.

Material aspects of the debenture trust deed not otherwise dealt with in this prospectus are summarised below. All parts of the debenture trust deed must be read in the context of the debenture trust deed as a whole.

### 7.2 Issue of Debentures

Momentum may determine the conditions of issue for any debentures from time to time and may change those conditions at any time for future applications. These conditions may include the repayment period, the interest rate and the minimum face value of the debentures to be applied for or held by a debenture holder.

Momentum only recognises the debenture holder whose details are recorded in Momentum's register as the owner of the debenture. Debenture holders may inspect and receive a copy of the register of debenture holders as required by the Corporations Act 2001.

### 7.3 Investment of Debenture Funds

The debenture trust deed limits the use of the investors' funds. The only authorised investments as at the date of this prospectus are:

- Mortgages
- deposits in Australian authorised deposit taking institutions, such as banks
- deposits at call or for a term or a loan to any other financial institution
- bills of exchange, promissory notes or commercial bills issued by a financial institution

- interests in registered managed investments scheme, such as a cash management trust
- any other investment determined by Momentum with the consent of the Trustee.

Before permitting a loan to be made, and in addition to Momentum's obligations under the debenture trust deed, Momentum undertakes to obtain a certificate from Momentum's solicitor which includes a statement to the effect that Momentum will receive a good first mortgagee's title to the relevant security property following registration of the security documents.

### 7.4 Momentum Promises

Momentum promises that it will:

- carry on and conduct its business in a proper and efficient manner
- keep proper records of all its dealings
- provide certain information to the Trustee on demand, and periodically monthly, quarterly, six monthly and annually
- comply with its obligations under, the debenture trust deed and the Corporations Act 2001, as well as any other relevant laws and the conditions of issue of the debentures
- convene a meeting of debenture holders to consider the financial statements of Momentum if so required by debenture holders holding not less than 10% of the value of the debentures issued
- promptly give notice to the Trustee as soon as Momentum becomes aware of any event of default under the debenture trust deed
- comply with or put the Trustee into a position to comply with the obligations imposed in respect of stamp duty
- monitor and prepare reports on the progress of all construction works undertaken by borrowers on at least a monthly basis.

## Section 7

### MATERIAL DOCUMENTS CONTINUED

#### 7.5 Trustee's Powers and Discretions

The *Corporations Act 2001* and the debenture trust deed require the Trustee to perform certain duties. Subject to the requirements of the *Corporations Act 2001* and the debenture trust deed, the Trustee has discretion on whether and how to exercise the Trustee's powers. In particular;

- the Trustee is generally not liable for any loss resulting from any action by the Trustee or any decision of the Trustee not to act unless the loss is directly caused or contributed by the negligence, fraud or wilful default of the Trustee in respect of its obligations under the debenture trust deed.
- the Trustee may delegate any of its duties or powers
- the Trustee may, in the interest of debenture holders, waive any breach of the debenture trust deed by Momentum
- the Trustee may prevent Momentum issuing further debentures if it considers that the issue would result in the assets of Momentum that are or should be available, becoming insufficient to pay amounts of principal and interest when these amounts become due.

#### 7.6 Change of Trustee

The Trustee ceases to be the trustee for debenture holders if it ceases to be qualified to do so under the *Corporations Act 2001*, it is removed by Momentum or by special resolution of debenture holders under the debenture trust deed, or it retires by giving not less than 60 business days notice to Momentum. In certain circumstances, Momentum is authorised to appoint a new trustee and does not require the approval of debenture holders.

#### 7.7 Enforcement of Security

Debenture holders may only enforce the obligations of Momentum in connection with the Debentures through the Trustee and in accordance with the provisions of the debenture trust deed.

Following the occurrence of an event of default, the Trustee may require Momentum to pay to it all money owing to debenture holders by Momentum. The Trustee may also take action to enforce the charge given by Momentum in accordance with the debenture trust deed either itself or by the appointment of a receiver.

Events of default will occur if, among other events:

- Momentum fails to pay any money within 14 days after the day on which the payment becomes due and payable
- Momentum enters into an arrangement with its creditors or any class of them or becomes an externally administered body corporate under the *Corporations Act 2001*
- Momentum defaults in the performance of any obligation under the debenture trust deed and where reasonably capable of remedy that default is not remedied within 30 days after Momentum has received notice from the Trustee to do so
- The charge is, or becomes, for any reason legally unenforceable
- Momentum becomes subject to a winding up order.



### MATERIAL DOCUMENTS CONTINUED

#### 7.8 Alteration of the Debenture Trust Deed

Under the debenture trust deed, the Trustee may concur with Momentum in making any alteration, modification or addition to the debenture trust deed on any of the following bases:

- in the opinion of the Trustee it is made to correct a manifest error or is of a formal, technical or administrative nature only, it is required to comply with any law or amendment to the Corporations Act 2001 or it is not prejudicial to the interests of the debenture holders
- the alteration, modification or addition is approved by extraordinary resolution of the debenture holders in accordance with the debenture trust deed
- Momentum serves on all debenture holders, prior to any amendment, the terms of the proposed amendment and an offer to debenture holders to redeem their debentures, if the amendment is made, by payment in cash in accordance with the debenture trust deed
- the proposed amendment takes effect prior to the redemption of any debentures issued under the debenture trust deed, debenture holders have been granted additional security to compensate for any derogation of their rights upon making such amendment to the debenture trust deed, a directors' certificate is provided to that effect to the Trustee and the amendment is approved by an extraordinary resolution of debenture holders in accordance with the debenture trust deed
- the proposed amendment takes effect only after the redemption of all debentures issued on the terms of the debenture trust deed prior to the date of operation of such amendment, and all debentures then outstanding as at the date the proposed amendment comes into force have been issued on the terms of the debenture trust deed as amended
- in the opinion of the Trustee it is made only in respect of debentures to be issued after the amendment is made and the amendment does not materially prejudice the rights of existing debenture holders

#### 7.9 Meetings of Debenture Holders

Meetings of debenture holders may be convened and held by the Trustee or Momentum at such a place, date and time as notified by the Trustee or Momentum.

Momentum or the Trustee must convene a meeting of debenture holders to consider the financial statements of Momentum and to give directions to the Trustee concerning the exercise of the Trustee's powers if requested by debenture holders holding not less than 10% of the aggregate of the face value of all of the debentures then on issue.

Debenture holders may also meet for the purpose of approving any proposed amendment to the debenture trust deed.

At meetings of debenture holders, each debenture holder or proxy has 1 vote on a show of hands or, on a poll, 1 vote for each debenture held by that person.

Not less than 21 days notice must be given of any meeting unless the holders of 95% of the value of all debentures on issue agree to shorter notice.

#### 7.10 Trustee's Remuneration

The Trustee is entitled to receive an annual fee for its services as Trustee as agreed from time to time with Momentum. The annual fee will vary depending on the amount of debentures issued by Momentum. As at the date of this prospectus, the annual fee agreed between the Trustee and Momentum is \$20,000 if less than \$20 million worth of debentures have been issued by Momentum. This annual fee will increase to:

- if more than \$20 million worth of debentures have been issued, \$20,000 plus \$150 per million or part thereof of debentures over \$20 million; and
- if more than \$50 million worth of debentures have been issued, \$25,000 plus \$125 per million or part thereof of debentures issued over \$50 million

Momentum must also pay to the Trustee all costs and expenses incurred by the Trustee in connection with the Trustee carrying out its duties or powers, a breach of the debenture trust deed by Moment, the convening and holding of any meeting of debenture holders and any other costs necessarily incurred by the Trustee in carrying out its duties and obligations under the debenture trust deed.

## Section 7

### MATERIAL DOCUMENTS CONTINUED

#### 7.11 Charge

In accordance with the debenture trust deed Momentum has granted a charge over all of its assets and undertaking in favour of the Trustee. The charge was granted on 6 June 2003 and has been lodged for registration with ASIC.

A copy of the charge is available for inspection at Momentum's office. The contact details of Momentum are set out in the Corporate Directory on page 2.

Material aspects of the charge not otherwise dealt with in this prospectus are summarised below. All parts of the charge must be read in the context of the charge as a whole.

#### 7.12 Enforcement of charge

At any time after an event of default has occurred, the Trustee may appoint a person or persons to be a receiver or receiver and manager of the security property.

The Trustee or receiver each has the following powers in relation to Momentum:

- to take possession of, access, make use of, collect and give valid receipts for the security property and its rents, profits and other income
- to exercise Momentum's rights in connection with the security property
- to carry on and manage Momentum's business
- to do any matter or thing that a natural person may do and which are not prohibited by law or the constitution of Momentum

In addition to the Trustee's powers and remedies under the charge, the Trustee has all the powers and remedies conferred on a mortgagee or charge by statute, law or equity.

#### 7.13 Consequences of Enforcement

After the charge has become enforceable, the Trustee has all the powers of a mortgagee given by law as well as the powers set out in the debenture trust deed including the powers to:

- sell any of Momentum's assets
- carry on the business of Momentum
- exercise any of the rights of Momentum in respect of any of its assets
- invest any funds in any authorised investment under the debenture trust deed pending payment out in accordance with the debenture trust deed
- borrow and raise money on the security of Momentum's assets
- appoint a receiver or agent to exercise any of the Trustee's powers and to determine the remuneration of that receiver or agent

Subject to the rights of any person whose claim to payment is preferred by law, the Trustee or any receiver must apply any money received as a consequence of enforcement of the charge or the debenture trust deed in the following order:

- first, in payment of all costs and expenses incurred by the Trustee (including disbursements) in exercise of its powers under the debenture trust deed, including the receiver's remuneration and expenses
- second, in payment of the Trustee's remuneration for acting as trustee
- third, in payment to debenture holders of interest accrued but unpaid
- fourth, in payment to debenture holders of the face value of debentures
- fifth, any balance to Momentum

#### 7.14 Indemnity

The Trustee and any receiver, agent or other person appointed by it under the charge are entitled to be indemnified out of the assets that are mortgaged or charged pursuant to the charge, by Momentum for any liabilities or expenses incurred by them in connection with the debenture trust deed. These amounts as well as any fees or expenses payable to the Trustee will be paid in priority to amounts to be paid to debenture holders.

# Section 8:

## MOMENTUM'S FINANCIAL INFORMATION

The financial position of Momentum is detailed in the Company's Financial Report for 30 June 2007, which is extracted and shown below. A copy of the Financial Report has

been lodged with the Australian Securities and Investments Commission and a copy may be obtained free of charge from Momentum.

### MOMENTUM MORTGAGES LIMITED ACN 103 596 210 Condensed balance sheet as at 30 June 2007

ASSETS	2007 \$	2006 \$
Cash & liquid assets	7,830,385	14,843,364
Receivables	475,445	67,205
Deferred tax assets	3,135	2,310
Loans & advances receivable	45,188,098	25,578,597
Plant & equipment	3,195	10,533
Property held for sale	1,110,000	
<b>TOTAL ASSETS</b>	<b>54,610,258</b>	<b>40,502,009</b>
LIABILITIES		
Income in advance	213,652	115,203
Payables	1,172,169	714,067
Debentures/Short term borrowings	51,449,523	38,945,209
Current tax liabilities	203,473	NIL
<b>TOTAL LIABILITIES</b>	<b>53,038,817</b>	<b>39,774,479</b>
<b>NET ASSETS</b>	<b>1,571,441</b>	<b>727,530</b>
EQUITY		
Contributed equity	490,200	490,200
Retained profits	1,081,241	237,330
<b>TOTAL EQUITY</b>	<b>1,571,441</b>	<b>727,530</b>



## Section 8

### MOMENTUMS FINANCIAL INFORMATION CONTINUED

#### MOMENTUM MORTGAGES LIMITED

ACN 103 596 210

#### Condensed Income Statement for the twelve months ended 30 June 2007

PROFIT/(LOSS)	YEAR ENDED 30 JUNE 2007 \$	YEAR ENDED 30 JUNE 2006 \$
Profit from ordinary activities before income tax expense	1,201,172	106,397
Income tax expense	(357,261)	(31,815)
Net profit	843,911	74,582

### INDEPENDENT AUDIT REPORT

#### To the Members of Momentum Mortgages Limited

We have audited the condensed financial report of Momentum Mortgages Limited for the period 1 July 2006 to 30 June 2007 in accordance with Australian Auditing Standards.

In our opinion the information reported in the condensed financial report is consistent with the financial report from which it was derived and upon which we expressed an unqualified opinion to the members of Momentum Mortgages Limited dated 3rd August 2007. For a better understanding of the scope of our audit, this report should be read in conjunction with our audit report.



Peter McLean

Partner  
LAWLER PARTNERS  
CHARTERED ACCOUNTANTS

#### Momentum's Prospects

Momentum has continued to grow and growth and operating revenue have been in line with the directors' expectations. To date there have been no capital losses on any of the loans made by Momentum. The directors expect Momentum to trade profitably in the coming year and to meet all payments of principal and interest as and when they fall due.

# Section 9:

## DIRECTORS' PROFILES

The Directors of the Momentum have extensive experience in the property, finance and mortgage investment sector.

### **Brett John Gilbert (Managing Director)**

Brett Gilbert graduated from Sydney University with degrees in Economics and Law. He has 13 years experience as a lawyer and also has extensive experience in residential and commercial property development, Brett is also a licensed Real Estate Agent and has been managing director of Momentum since inception.

### **Paul Caspar Bollen**

Paul Bollen has over 23 years experience in private practice in property and commercial law. For the last 17 years he has specialised in property development, particularly in broad acre and residential subdivision, high rise projects and retirement villages. He has been a director of Momentum since inception.

### **Donald Sydney McRae**

Donald McRae is a chartered accountant who graduated from Charles Sturt University with a Bachelor of Business majoring in Accountancy. He also has a diploma of Financial Planning from Deacon University, Melbourne Victoria. Don was involved in public accountancy practice for over 24 years including 15 years as a partner or director of his own practice. He has experience in cash flow management, tax planning, business valuations and wealth creation and has been a director of Momentum since inception.

### **Michael John Pauling**

Michael Pauling is a chartered accountant with a Bachelor of Business from Charles Sturt University. He has over 15 years experience in public practice accounting, including the provision of accountancy services for a large solicitors contributory mortgage scheme in New South Wales. He has extensive experience in corporate governance, strategic and investment planning and analysis and has been a director of Momentum since inception.





# Section 10:

## ADDITIONAL INFORMATION

### Directors' Interest

No director of Momentum and no firm in which a director is a partner and no expert employed by Momentum has, or within the previous 3 years, had, an interest in the promotion of Momentum or the debentures or any property proposed to be acquired by Momentum and no amount whether in cash or otherwise has within such period been paid or agreed to be paid to any such director or expert or to any firm of which the director or expert is a partner, either to induce him to become or to qualify him as a director, expert or otherwise for services rendered by him or by the firm in connection with the promotion of Momentum or the debentures.

### Disclaimer from Trustee

The Trustee has given and not withdrawn its written consent to be named as Trustee in this prospectus. The Trustee has not authorised or caused the issue of this prospectus. Neither the Trustee nor any member of the Trust Company Group makes any representations as to the truth or accuracy of the contents of this prospectus other than the parts which refer directly to the Trustee. The Trustee does not make any representation regarding or accepting any responsibility for any statements or omissions in or from any other parts of this prospectus. Other than the parts of this prospectus which refer directly to the Trustee or which refer to the provisions of the trust deed, the Trustee has relied upon the Company for the accuracy of the content of this prospectus. Neither the Trustee nor any member of the Trust Company Group make any representations as to the performance of the issue, the maintenance of capital or any particular rate of return.

### Consents

Lawler Partners consent to the inclusion in this prospectus of the statements set out in Momentum's Financial Information in section 8 - page 21. This consent has not been withdrawn before the prospectus was lodged with the ASIC.

### Electronic Prospectus

This prospectus is available in electronic form on the internet and the website.

Any person receiving this prospectus electronically may request a paper copy of the prospectus with the attached application form. During the offer period, a paper copy of the prospectus will be provided free of charge to any person who requests a copy by contacting Momentum by email at: [mortgages@momentuminvest.com.au](mailto:mortgages@momentuminvest.com.au)

The offer is available to persons receiving the electronic prospectus within Australia. Applicants using the application form attached to the electronic prospectus must be located in Australia. Application forms will not be accepted electronically.

The application form may only be distributed attached to a completed and unaltered copy of the prospectus. The application form included with this prospectus contains the declaration that the applicant has personally received the complete and unaltered prospectus prior to completing the application form. Persons who receive the electronic prospectus should ensure that they download and read the entire prospectus.

Momentum will not accept a completed application form if it has reason to believe that the applicant has not received a complete paper copy or electronic copy of the prospectus or if it has reason to believe that the application form or electronic copy of the prospectus has been altered or tampered with in anyway. While Momentum believes that it is extremely unlikely that during the period of the offer the electronic version of the prospectus will be tampered with or altered in any way, Momentum cannot give absolute assurance that this will not occur. Any investor in doubt concerning the validity or integrity of an electronic copy of the prospectus should immediately request a paper copy of the prospectus directly from Momentum.

### Documents Available for Inspection

Copies of the debenture trust deed and the charge are available to debenture holders and potential investors free of charge.

### Complaints

Contact us and tell us about your complaint. We have our own internal disputes resolution procedures in place. Any complaint can be expressed, in the first instance, to the Momentum Representative servicing your Account or alternatively, taken direct to the Momentum Complaints Manager in writing or by telephone. We will need you to provide us with comprehensive details to enable us to investigate your complaint further.

As required under Law, we belong to an approved external dispute resolution scheme and are a member of Financial Industry Complaints Service Limited (FICS) - a free consumer service for the resolution of disputes in relation to financial service providers and their clients. You are free at anytime to contact them direct with your complaint. FICS are contactable on **1300 780 808**.

## IMPORTANT PRIVACY NOTICE

When you complete the application form distributed with this prospectus and send it to Momentum, Momentum will be collecting your personal information. This information is collected for the purpose of:

- enabling Momentum to manage its affairs
- enabling Momentum to manage and administer your investment
- ensuring that your principal and interest payments are made correctly and accurately
- enabling Momentum to contact you

Momentum will only use and disclose your personal information as permitted under the terms of this prospectus, the debenture trust deed and as required by law.

You may have access to your personal information collected and held by Momentum. You may contact Momentum for access to your personal information held by contacting the Privacy Officer of Momentum at the address set out in the contact details in the Corporate Directory on page 2.

If you do not provide us with the personal information requested Momentum will not be able to accept your application.

### Issue of the prospectus

The directors consented to the issue of this prospectus and have not withdrawn that consent prior to lodgement of this prospectus with ASIC.



*Brett John Gilbert*



*Paul Caspar Bollen*



*Donald Sydney McRae*



*Michael John Pauling*

# Section 11:

## GUIDE TO APPLICATION FORM

### A. APPLICANT DETAILS

Write the full name that you wish to appear on your investment. This must be either your own name or the name of the company. You should refer below to the correct form of registrable name.

### B. CONTACT DETAILS

Please ensure you complete all your contact details including your email address.

### C. INVESTMENT DETAILS

Please choose your investment option by ticking the appropriate box for the 24 hour on call or 12 month option. Include the current interest rate for the investment, and if you are unsure of the rate telephone us on **1300 551 733** or visit our website **[www.momentuminvest.com.au](http://www.momentuminvest.com.au)** Indicate the amount, and please note that your initial investment must be a minimum of \$5,000.

### D. INVESTMENT METHOD

Please choose an option indicating the manner in which you are investing funds in Momentum Mortgages Limited.

- Cheque Attached - Please make your cheque payable to Momentum Mortgages Limited and cross it "not negotiable".

- Electronic Funds Transfer - Please deposit funds to: National Australia Bank BSB 082 798, Account No. 5543 11732. Please note will require you to notify us your date of deposit and reference number.

### E. INTEREST INSTRUCTIONS

Please choose your interest instructions. **You need to include your Financial Institution details and this section should be completed with a great deal of care.** When paying interest we rely on this information heavily and please read section 4.10 regarding the consequences of incorrect applications.

### F. TAX FILE NUMBERS

Enter your Tax File Number (TFN) or exemption category. Where applicable, please enter the TFN for each joint applicant. Collection of TFNs is authorised by Taxation Laws. Quotation of your TFN or exemption category is not compulsory and will not effect your application, however, we are required by law to deduct tax at the highest marginal rate (plus Medicare Levy), should it not be provided.

### G. SIGNATURES

You must sign the application form personally, or under company seal (if applicable) or by an attorney. Joint applications must be signed by each applicant. Joint applications will be assumed to be tenants in common unless otherwise specified.

TYPE OF INVESTOR	CORRECT FORM OF NAME	INCORRECT FORM OF NAME
<b>Individual</b> Use Given Names in full not initials	Mr. George John Jones	G J Jones
<b>Minor (under 18)</b> Use the name of the responsible adult	Mr. Michael John Jones <Michael Jones>	Michael Jones
<b>Company</b> Use company title, no abbreviations	XYZ Pty Ltd	XYZ P/L
<b>Trusts</b> Use trustee personal names and not Trust Name	Mrs Karen Jones <Karen Jones Family A/C>	Karen Jones Family Trust
<b>Deceased Estates</b> Use the executors personal name, do not use the name of the deceased	Mr Fred Jones <Estate Tim Jones A/C>	Estate of Tim Jones
<b>Partnerships</b> Use personal Partners Names Do not use name of the partnership	Mr Jack Jones and Mr George Jones <Jones & Jones A/C>	Jones & Jones
<b>Clubs/Unincorporated Bodies?</b> Business Names Use office bearer(s) personal name(s) do not use the name of the club etc.	Mr. Peter Jones <XYZ Bowling Club A/C>	XYZ Bowling Club
<b>Superannuation Funds</b> Use name of the trustee of the fund, do not use the name of the fund.	Jones Pty Ltd <Jones Super Fund A/C>	Jones Pty Ltd Superannuation Fund

# Momentum Mortgages Limited ACN 103 596 210

## APPLICATION FORM FOR DEBENTURE

This Application Form must not be handed to any person unless accompanied by the prospectus dated 11 September 2007 to which it relates. No debentures will be issued on the basis of this prospectus after its expiry date, 3 October 2008

### A. APPLICANT DETAILS

Applicant 1			
Surname	Given Name	Title (Mr/Mrs/Miss/Ms/Other)	Date of Birth
Applicant 2			
Surname	Given Name	Title (Mr/Mrs/Miss/Ms/Other)	Date of Birth
Company Name		ACN/ABN	
To be completed by applicants who are a Corporation			

### B. CONTACT DETAILS

Postal Address		
State	Postcode	Country
Home No	Work No	Mobile No
Fax No	Email	

### C. INVESTMENT DETAILS

Please insert your interest rate. The current interest rate may be obtained by telephoning Momentum on **1300 551 733** or visiting Momentum's website at **[www.momentuminvest.com.au](http://www.momentuminvest.com.au)**

TERM	INTEREST RATE (%P.A.)	AMOUNT INVESTED
24 hour on call <input type="checkbox"/>		\$
12 Months <input type="checkbox"/>		\$

### D. INVESTMENT METHOD

<input type="checkbox"/> Cheque Attached - Please write name of drawer	
<input type="checkbox"/> Electronics Funds Transfer - Please write your reference	Date of Deposit

**E. INTEREST INSTRUCTIONS** Select one option

☐ Interest is to be paid on maturity

☐ Interest is to be paid monthly in arrears to my/our Bank Account

Financial Institution

Account Name

Account No

Bank and Branch

BSB No

**F. TAX FILE NUMBERS** If you do not supply a tax file number or exemption tax will be withheld from your interest earned.

Tax File Number (Applicant 1)

or Exemption

Tax File Number (Applicant 2)

or Exemption

**G. SIGNATURES**

Signature of Applicant 1

Date:

Signature of Applicant 2

Date:

**On completion, please forward this application form with your cheque to:**  
Momentum Mortgages Limited  
PO Box 700,  
Port Macquarie NSW 2444

**Or you may deliver it to Momentum’s office at:**  
Momentum Mortgages Limited  
Suite 3, 27 Grant Street  
Port Macquarie NSW 2444

OFFICE USE ONLY				
CLIENT ID.	DEPOSIT ID.	COMMENCEMENT DATE	COMPLETION DATE	INTEREST RATE
				%

Executed by Momentum by 2 directors or a director and secretary unless the person is the sole director

Director

Director / Company Secretary

Full Name

Full Name

Processed by:

# Momentum Mortgages Limited ACN 103 596 210

## APPLICATION FORM FOR DEBENTURE

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### A. APPLICANT DETAILS

Applicant 1			
Surname	Given Name	Title (Mr/Mrs/Miss/Ms/Other)	Date of Birth
Applicant 2			
Surname	Given Name	Title (Mr/Mrs/Miss/Ms/Other)	Date of Birth
Company Name		ACN/ABN	
To be completed by applicants who are a Corporation			

### B. CONTACT DETAILS

Postal Address		
State	Postcode	Country
Home No	Work No	Mobile No
Fax No	Email	

### C. INVESTMENT DETAILS

Please insert your interest rate. The current interest rate may be obtained by telephoning Momentum on **1300 551 733** or visiting Momentum's website at **[www.momentuminvest.com.au](http://www.momentuminvest.com.au)**

TERM	INTEREST RATE (%P.A.)	AMOUNT INVESTED
24 hour on call <input type="checkbox"/>		\$
12 Months <input type="checkbox"/>		\$

### D. INVESTMENT METHOD

<input type="checkbox"/> Cheque Attached - Please write name of drawer	
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**E. INTEREST INSTRUCTIONS** Select one option

☐ Interest is to be paid on maturity

☐ Interest is to be paid monthly in arrears to my/our Bank Account

Financial Institution

Account Name

Account No

Bank and Branch

BSB No

**F. TAX FILE NUMBERS** If you do not supply a tax file number or exemption tax will be withheld from your interest earned.

Tax File Number (Applicant 1)

or Exemption

Tax File Number (Applicant 2)

or Exemption

**G. SIGNATURES**

Signature of Applicant 1

Date:

Signature of Applicant 2

Date:

**On completion, please forward this application form with your cheque to:**  
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PO Box 700,  
Port Macquarie NSW 2444

**Or you may deliver it to Momentum’s office at:**  
Momentum Mortgages Limited  
Suite 3, 27 Grant Street  
Port Macquarie NSW 2444

OFFICE USE ONLY				
CLIENT ID.	DEPOSIT ID.	COMMENCEMENT DATE	COMPLETION DATE	INTEREST RATE
				%

Executed by Momentum by 2 directors or a director and secretary unless the person is the sole director

Director

Director / Company Secretary

Full Name

Full Name

Processed by:

## WITHDRAWAL FORM

Date
Deposit ID/Certificate No:
Investment Name:
Amount to Withdraw
Date Funds are Required:
Bank Account for Funds to be deposited to: Bank BSB Account Account Name

I/We hereby request a withdrawal of funds from our investment.

Signed

**Please post to;**

Momentum Mortgages Limited  
PO Box 700,  
Port Macquarie NSW 2444

Or please fax to:

**02 65 84 9645**





### **Momentum Mortgages**

Suite 3, 27 Grant Street  
Port Macquarie NSW 2444

P: 61+2+65 800 100

F: 61+2+65 84 9645

[mortgages@momentuminvest.com.au](mailto:mortgages@momentuminvest.com.au)

[www.momentuminvest.com.au](http://www.momentuminvest.com.au)

The logo consists of a dark blue circle with a white swoosh on the right side. The word "momentum" is written in white, lowercase letters across the middle of the circle.

**momentum**



### **Momentum Mortgages**

Suite 3, 27 Grant Street  
Port Macquarie NSW 2444

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[mortgages@momentuminvest.com.au](mailto:mortgages@momentuminvest.com.au)

**[www.momentuminvest.com.au](http://www.momentuminvest.com.au)**

# Momentum Debentures



**Supplementary Prospectus**

**Momentum Mortgages Limited**

ACN 103 596 210 AFSL 246942

Dear Investor,

From 1 March 2008 the Australian Securities and Investments Commission (ASIC) requires companies which issue Debentures which are unlisted to make disclosure on certain "Benchmarks" as set out in ASIC's Regulatory Guide 69.

The purpose of this Supplementary Prospectus is to provide disclosure in accordance with these benchmarks. In future this disclosure will be incorporated into the body of Momentum's Prospectus.

This Supplementary Prospectus is dated 29 February 2008. It is supplementary to the Prospectus issued by Momentum Mortgages Limited (Momentum) dated 11 September 2007 and should be read together with that Prospectus. A copy of this Supplementary Prospectus has been lodged with ASIC. Neither ASIC nor its officers take any responsibility as to the contents of this Supplementary Prospectus. No Debentures will be issued pursuant to this Supplementary Prospectus later than 3 October 2008.

Applications for investment can only proceed by completing the application form attached to the Prospectus, which incorporates this Supplementary Prospectus. These are important documents and should be read in their entirety. If you do not understand the contents or are in doubt as to the course you should take you should consult your stockbroker, accountant, lawyer or independent financial adviser.

Momentum Debentures are not bank deposits and carry risks including the loss of capital invested. Momentum Debentures have not been rated by a recognised credit rating agency.

Signed on behalf of the Directors of Momentum Mortgages Limited, all of whom consent to the issue of this Supplementary Prospectus.

Brett Gilbert

**Managing Director**

## **Benchmark 1 – Equity Capital**

### **ASIC Reg Guide 69:**

*All issuers should use the following equity capital benchmarks:*

- (a) where more than a minor part of the issuer's activities is property development or lending funds directly or indirectly for property development – the issuer should maintain a minimum of 20% equity;*
- (b) in all other cases, the issuer should maintain a minimum of 8% equity; and*
- (c) the equity issuers equity ratio should be calculated as follows:*

*Equity Capital*

*Total Debt + Equity Capital*

### **Momentum:**

Momentum does not comply with this benchmark. Momentum's loans are advanced primarily for property development and as such this benchmark requires Momentum to maintain a minimum of 20% equity. As at 30 June 2007 Momentum's equity capital was \$1,571,441 or 2.88% (see page 7 of the Prospectus). As at 31 January 2008 Momentum's unaudited equity capital was \$1,883,069 or 3.33%.

The Debenture Trust Deed requires Momentum to maintain equity capital of at least 2%. Momentum's equity capital is in excess of the requirements of the Debenture Trust Deed.

All of Momentum's loans are secured by registered first mortgages with a maximum loan to valuation ratio of 70%. As such each loan has a buffer of at least 30%. In light of this Momentum does not believe that its lending policies and business model require the level of equity capital set by this benchmark.

## **Benchmark 2 – Liquidity**

### **ASIC Reg Guide 69:**

*All issuers should:*

- (a) have cash flow estimates for the next 3 months; and*
- (b) ensure that at all times they have on hand cash or cash equivalents sufficient to meet their projected cash needs over the next 3 months*

*Issuers should also disclose their policy on balancing the maturity of their assets and the maturity of their liabilities.*

### **Momentum:**

Momentum complies with this Benchmark. Momentum's liquidity management policy

is set out on page 5 of the Prospectus. In addition to the requirements of this benchmark, Momentum is required by the Debenture Trust Deed to maintain liquid assets of at least 5% of the value of Debentures on issue. Momentum's minimum cash requirement is therefore approximately \$2,500,000. Momentum's actual cash balances as at 31 December 2007 are set out in section 1.2 of Appendix "A" to this Supplementary Prospectus, which is updated on at least a quarterly basis.

In addition, Momentum manages its liquidity risk by matching the maturity of its loans and Debentures. The standard loan term and Debenture term are both 12 months. Momentum's also takes into account its redemption and rollover history in managing its liquidity. At present approximately 85% of Momentum's Debenture holders re invest their funds for a further 12 month term on maturity. Momentum's Debentures on issue has remained constant at between \$50,000,000 and \$52,000,000 during the last 12 months.

### **Benchmark 3 – Rollovers**

#### **ASIC Reg Guide 69:**

*All issuers should clearly disclose their approach to rollovers including whether the "default" is that debenture investments with them are automatically rolled-over.*

#### **Momentum:**

Momentum complies with this benchmark. Momentum's policy on repayment of Debentures and rollovers is set out at 4.11 on page 9 of the Prospectus.

Momentum will notify each investor of a forthcoming repayment date not less than 30 days before that date arrives. Momentum will ensure that each investor has a copy of its current prospectus and any ongoing disclosure statements issued by Momentum and will provide each investor with a copy of its most recent quarterly snapshot of its loan portfolio.

Momentum will repay to each investor the amount of each debenture on the repayment date for the debenture, if the investor requests in writing before that date that the amount payable on redemption not be reinvested. If no request for repayment on the repayment date has been received at least 3 business days before the repayment date, the invested amount will be rolled over for an equivalent repayment term but at the interest rate that is stated in the then current application form as being applicable for that term as at the expired repayment date.

### **Benchmark 4 – Credit Ratings**

#### **ASIC Reg Guide 69:**

*All issuers should :-*

- (a) have their debentures rated for risk (ie. the risk that the principal and interest will not be repaid at the end of a relevant period);*
- (b) use a recognised credit rating agency for this purpose;*

- (c) *state the rating in their prospectus, who it is from and briefly explain the rating (ie. what it says about the risk of the investors not getting their money back);*
- (d) *take reasonable steps to ensure that the rating remains current; and*
- (e) *if the debentures are not rated as to credit risk – state in the issuer's prospectus they are not rated and the reasons for this.*

**Momentum:**

Momentum does not have a credit rating from a recognised credit rating agency. Momentum has at this stage chosen not to have its Debentures rated for credit risk having regard to the cost of obtaining such a rating and the complexity of the ratings methodology adopted by the credit rating agencies. Momentum's business is to lend funds secured by registered first mortgages and the risk attached to these activities and the manner in which these risks are managed by Momentum is clearly set out in the prospectus.

**Benchmark 5 – Loan Portfolio**

**ASIC Reg Guide 69:**

*Issuers who on-lend funds should disclose the current nature of their loan portfolio, including:*

- (a) *how many loans they have and the value of those loans;*
- (b) *by number and value, loans they have by class of activity and geographic region;*
- (c) *by number and value, what proportion of loans are in default or arrears;*
- (d) *by number and value, what proportion of total loan monies are lent on a "secured" basis and the nature of the security; and*
- (e) *by number and value what proportion of the total loan monies they have lent to their largest borrower and 10 largest borrowers.*

**Momentum:**

Momentum is compliant with this benchmark. Momentum provides full disclosure on its loan portfolio and all of its individual loans in Section 4 of the Prospectus on pages 7 and 8. Furthermore, the table on page 8 is updated at least quarterly and published on Momentum's website and a copy is provided to each investor. Details of the portfolio as at 31 December 2007 are set out in Appendix "A" to this supplementary prospectus.

**Benchmark 6 – Related Party Transactions**

**ASIC Reg Guide 69:**

*Issuers who on lend funds should disclose their approach to related party transactions, including:-*

- (a) *how many loans they have to related parties and the value of those loans; and*
- (b) *what assessment and approval process they follow with related party loans( eg: are they*

*subject to the approval of the trustee).*

*The issuer should disclose also any policy it has regarding related party lending.*

## **Momentum:**

Momentum complies with this benchmark and its policy is set out in Section 5.2 of the Prospectus on page 11. Momentum does not lend any money to related parties.

## **Benchmark 7 – Valuations**

### **ASIC Reg Guide 69:**

*Where the issuer is involved in or lends money for property related activities, they should take the following approach to valuations:-*

- (a) properties (ie. real estate) should be valued on an "as is" basis and (for property development) on an "as if complete" basis;*
- (b) issuers should have a clear policy on how often they obtain valuations including how recent a valuation has to be when they make a new loan;*
- (c) issuers should establish a panel of valuers and ensure that no one valuer conducts more than one third of the issuers valuation work; and*
- (d) appointment of the valuers should be with the trustee's consent.*

*Issuers should also include information about the valuation of a particular property in the issuer's prospectus where:-*

- (a) the property accounts for more than 5% of the total value of the property assets of the issuer; or*
- (b) the loan secured against the property accounts for 5% or more of the total value of the insurer's loan book.*

## **Momentum:**

Momentum does not comply with this benchmark as it does not comply with (d) above but intends to comply from 1 March 2008.

Momentum complies with all other aspects of this benchmark.

Momentum's Valuation Policy is set out in Section 5.3 of the Prospectus on page 11. Individual valuations on all of Momentum's loans are set out in Section 1.1 of Appendix "A" to this Supplementary Prospectus.

Momentum has established a panel of registered valuers to undertake its valuations and will ensure that no one valuer conducts more than 1/3 of the number of Momentum's valuations. Valuations must be less than 3 months old at the time of loan approval.

For property development loans the property is valued on an "as is" basis and on an "on completion basis".

Momentum also endeavours to obtain a "forced sale" or "mortgage" valuation. This valuation provides a good indication as to the likely sale price if Momentum had to



sell the security quickly, usually without an extensive marketing campaign. For this reason the "forced sale" value is usually significantly lower than the "market" value and is considered by valuers to be speculative.

However, some valuers are not prepared to give a "forced sale" value and as such it is not included in the LVR calculation. This figure is, however, considered in the overall assessment of the loan.

The valuer general is, for valuation purposes, considered by Momentum to be an independent valuer.

In relation to obtaining the Trustee's consent to the appointment of valuers, the Debenture Trust Deed does not require such consent and as such the appointment of Momentum's existing panel of valuers has not involved the Trustee. From 1 March 2008 appointment to Momentum's valuation panel will only be with the consent of the Trustee. The Trustee has not consented to the appointment of a valuer at this stage.

### **Benchmark 8 – Lending Principles – Loan to Valuation Ratios**

#### **ASIC Reg Guide 69:**

*Where an issuer on-lends money in relation to property-related activities, it should maintain the following loan-to-valuation ratios:*

- (a) where the loan relates to property development – 70% on the basis of the latest "as if complete" valuation; and*
- (b) in all other cases – 80% on the basis of the latest market valuation.*

*Where the loan relates to property development by a second person (even if related to the issuer), issuers should ensure that funds raised by the issue of debentures are only provided to the developer in stages, based on external evidence of the progress of the development.*

#### **Momentum:**

Momentum complies with this benchmark. Pursuant to the Debenture Trust Deed Momentum's maximum LVR is 70%. Momentum's policy on the funding of property development is set out in Section 5.5 of the Prospectus on page 12.

The funding of property developments is undertaken in stages. Initially Momentum will lend a maximum of 70% of the "as is" value. Further funds are then progressively drawn down as the development progresses. After payment of all progress payments and interest the loan cannot exceed 70% of the "on completion" value.

All progress payments in respect of development funding are required to be certified to Momentum by an independent quantity surveyor, civil engineer or a registered valuer with construction expertise. This ensures that funds are only provided to the borrower where there has been satisfactory progress of the development and only to the extent of the actual costs incurred by the borrower.

Momentum's directors have extensive property development experience which allows it to actively manage its construction loan portfolio. Momentum's directors undertake regular inspections of the progress of the developments and meet with borrowers, project managers and builders.

Individual loan to valuation ratio's are set out in Appendix "A" to this Supplementary Prospectus.

**Appendix "A"****Momentum Mortgages Limited Investment Portfolio as at 31 December 2007 (unaudited)****1.1 Loans**

	<u>loan type</u>	<u>location</u>	<u>loan balance</u>	<u>% of assets</u>	<u>interest rate</u>	<u>value on completion</u>	<u>LVR</u>	<u>maturity</u>	<u>arrears</u>	<u>valuer</u>
1	construction - residential	sydney	\$ 7,885,152	14.1%	11.75%	\$14,000,000	70%	4 mths	nil	Woodbury Bell
2	construction - residential	sydney	\$ 7,089,643	12.7%	12.00%	\$11,900,000	70%	4 mths	nil	Handley Partners
3	construction - residential	newcastle	\$ 6,124,036	10.9%	12.00%	\$ 8,805,000	70%	3 mths	nil	Duponts
4	construction - mixed	newcastle	\$ 5,190,649	9.3%	11.75%	\$11,660,000	70%	4 mths	nil	Duponts
5	construction - residential	nth coast qld	\$ 5,023,794	9.0%	11.75%	\$14,000,000	50%	6 mths	nil	Woodbury Bell
6	construction - residential land	se qld	\$ 3,625,597	6.5%	12.00%	\$ 8,615,500	70%	19 mths	nil	PRP
7	construction - mixed	sydney	\$ 3,573,252	6.4%	12.00%	\$ 5,055,000	70%	due 15.12.07	3mths	CBRE
8	industrial - vacant land	orange nsw	\$ 3,000,000	5.4%	12.00%	\$ 5,700,000	53%	5.5	nil	Saunders & Staniforth
9	construction - commercial	sydney	\$ 1,962,174	3.5%	12.00%	\$ 3,000,000	70%	due 21.12.07	nil	Handley Partners
10	construction - residential	nth coast nsw	\$ 1,519,802	2.7%	11.50%	\$ 4,325,000	60%	5	nil	Jeff Rogers
11	construction - residential	central coast	\$ 1,476,491	2.6%	12.00%	\$ 3,400,000	70%	6	nil	Aust. Real Estate
12	rural	orange nsw	\$ 1,070,446	1.9%	12.00%	\$ 1,670,000	65%	2.5	nil	Regional & Rural
13	residential land	se qld	\$ 622,913	1.1%	11.75%	\$ 1,740,500	35%	due 5.12.07	nil	CBRE
14	residential land	orange nsw	\$ 562,000	1.0%	12.00%	\$ 940,000	60%	due 9.12.07	nil	Regional & Rural

<b>total value of loans</b>	\$ 48,725,948	87%
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**1.2 Other Assets**

cash deposits	\$ 6,204,357	11%
property held for sale	\$ 1,110,000	2%

<b>total assets</b>	\$ 56,040,305
---------------------	---------------

**1.3 Analysis of Loan Portfolio**

number of loans	14
average loan size	\$ 3,480,425
largest loan	\$ 7,885,152      14%
loans secured by registered 1st mortgage	100%
loans to related parties	nil

**1.4 Exposure By Region**

Sydney	42%
Newcastle/Central Coast NSW	26%
North Coast NSW	3%
Queensland	19%
Orange NSW	10%

**1.5 Exposure By Sector**

Construction - residential	60%
Construction - commercial	4%
Construction - mixed residential/commercial	18%
Construction - residential land	7%
Completed residential land	2%
Rural	2%
Industrial	6%