

Your guide to product disclosure statements

A Product Disclosure Statement (PDS) provides you with essential information to help you decide whether to invest in a financial product. It uses clear language to explain the product and replaces older forms of financial product disclosure information such as investment statements and prospectuses.

Why is a PDS important?

A PDS describes how a product works and provides you with information about the organisation that is offering it. Importantly, it will give you an understanding of the risks and returns and any fees and charges. You must be given the PDS before you invest in the financial product.

Start with the key information summary

Every PDS has a key information summary at the front of the document. This summarises the most significant points about the product and guides you on where in the document to go to read more.

What's included in a key information summary for each type of financial product is set out in law, so you can easily compare similar financial products.

Key information summaries will include:

- 1. What the financial product is**
- 2. Information about the organisation offering the financial product**
- 3. The key terms of the investment**
- 4. The key risks affecting the investment**

Other key information will depend on the type of investment being considered. For example:

- The key information summary for a **fund** will also tell you what your money will be invested in.
- The key information summary for a **bond** will also tell you whether you can get your money out of the investment early and whether the investment has been given a credit rating.

An example key information summary for a bond is provided at the end of this guide.

The content and size of a PDS will vary depending on the type of financial product

• Shares	A PDS will be no longer than 60 pages, or 30 000 words. It will enable you to assess the underlying business, including the current value of the assets, growth prospects, and how the money raised will be used.
• Bonds	A PDS will be no longer than 30 pages, or 15 000 words. It will explain who the issuer is, the reasons they are trying to raise money from you, and enable you to assess the likelihood they will pay you the money they are promising to pay.
• Managed funds	A PDS will be no longer than 12 pages, or 6000 words. It will enable you to understand the scheme's investment aims (including the balance between risk and return) and fees.
• Derivatives	A PDS will be no longer than 30 pages, or 15 000 words. It will enable you to assess what the derivative does and the risks it poses.

Investments that are not financial products do not require a PDS. For example, if you are buying a house the seller won't need to give you a PDS. Some simple investments, such as bank term deposits don't require a PDS either.

More information is available online

More detailed information about offers is available online at a new government website called 'Disclose' www.business.govt.nz/disclose. Look for the issuer name, or offer or scheme number in the PDS – this is the quickest way to find additional information about an offer on the Disclose website.

Information on Disclose will include things such as financial statements, further information about the company such as constitutional documents and description of key contracts and, where relevant, how the provider manages the investment (their Statement of Investment Performance and Objectives). Providers must keep this information up-to-date whilst they continue to offer the financial products, so you can check online for the latest product details.

If you are purchasing financial products from someone other than the original issuer, for example buying shares that are already listed on the NZX, the PDS and Disclose information may be out of date. Information updates for companies listed on the NZX are published on the NZX website: <https://www.nzx.com/>

Ask questions and make sure you understand the product before you invest

If you are not sure, seek financial advice from an Authorised Financial Adviser (AFA). Ask whether the financial product you are considering is right for you. Our website has information on how to choose an adviser and the questions you should ask.

For more information on different ways to invest and different types of investment see the consumer section of our website, www.fma.govt.nz.

The FMA issues guidance to help providers prepare quality Product Disclosure Statements but does not check every one. If you believe a provider has failed to provide a clear explanation of their product in the PDS please let us know. You can contact us via our website at www.fma.govt.nz.

Example Key Information Summary for a Bond

Key Information Summary

What is this?

This is an offer of unsubordinated, unsecured, securities issued by ABC Energy Limited (ABC). You give ABC money, and in return ABC promises to pay you interest and repay the money at the end of the term. If ABC runs into financial trouble, you might lose some or all of the money you invest.

1. What the financial product is

About ABC

ABC was established in 1999 and listed on the New Zealand Exchange in 2015. ABC is a diversified energy company. ABC generates electricity from a portfolio of electricity generation assets. This electricity is either traded on the wholesale market or sold to one of ABC's 200,000 business and residential customers.

2. Information about the organisation

Purpose of this Offer

The proceeds of the offer will be used to fund the repayment of a Capital Note redeem in May 2015. This offer forms part of ABC's capital management strategy.

3. Key terms

Key terms of the offer

ISSUER	ABC Energy Limited
DESCRIPTION OF BONDS	The Bonds are unsubordinated, unsecured, fixed rate debt obligations of ABC
MATURITY	The Bonds will mature on 15 May 2022.
OFFER AMOUNT	Up to \$125 million, plus all participation under the Exchange Offer
ISSUE PRICE	\$1.00 per Bond
STRUCTURE OF OFFER AND WHO CAN APPLY	The Offer consists of two parts: <ul style="list-style-type: none"> General Offer, open to institutional investors and members of the public who are resident in New Zealand Exchange Offer, open to holders of the ABC Capital Note who are resident in New Zealand
INTEREST RATE	The Bonds will pay a fixed rate of interest until the maturity date. The interest rate will be determined by ABC (and announced through NZX) following a bookbuild conducted by the joint lead managers on or before the opening date.
INTEREST PAYMENTS	Interest will be paid quarterly in arrears in equal amounts on 15 May, 15 August, 15 November and 15 February in each year (or if that day is not a business day, the next business day) until and including the maturity date. The first interest payment date will be 15 May 2015.
OFFER OPENING AND CLOSING DATES	The opening date for the General and the Exchange Offer is Wednesday 25 March 2015. The intended closing date for: <ul style="list-style-type: none"> The General Offer is Friday, 10 April 2015

No guarantee

ABC is solely responsible for making repayments with respect of the Bonds. ABC is not guaranteed by any other member of the issuing group or any other person.

How you can get your money out early

Bondholders have no right to require ABC to redeem their Bonds prior to the Maturity Date, except following an event of default. ABC intends to quote these Bonds on the NZX Debt Market. This means you may be able to sell them on the NZX Debt Market before the end of their term if there are interested buyers. If you sell your Bonds, the price you get will vary depending on factors such as the financial condition of ABC and movements in the market interest rates. You may receive less than the full amount that you paid for them.

How Bonds rank for repayment

The Bonds are unsubordinated, unsecured fixed rate debt obligations of ABC. This means in a liquidation of ABC, your rights and claims as a Bondholder:

- Will rank **after** all creditors preferred by law (e.g. Inland Revenue in respect of certain unpaid tax);
- Will rank **equally** with other Bondholders and equally among the rights and claims of holders of equal ranking obligations (including the lenders of ABC's bank debt and all other unsecured, including trade, creditors); and
- Will rank **ahead** of holders of subordinated debt and ahead of holders of ABC shares.

More information on how the Bonds rank for repayment can be found in section 6 of this PDS (Key features of Bonds).

No security

The obligations of ABC with respect to the Bonds are not secured in any way against any asset of ABC.

Where can you find ABC's financial information?

The financial position and performance of ABC are essential to an assessment of ABC's ability to meet its obligations under the Bonds. You should also read section 7 of this PDS (Financial information).

4. Key risks

Key risks affecting this investment

Investments in debt securities have risks. A key risk is that ABC does not meet its commitments to repay you or pay you interest (credit risk). Section 8 of this PDS (Risks of investing) discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you.

The interest rate for these Bonds should also be considered as a risk. The interest rate returns are demanded by investors from their investments. You need to decide whether the interest rate is suitable for you.

ABC considers that the most significant risk factors are:

The key information summary for a bond continues up to 3 pages, or 1500 words.