

ANGLESEY SECURED INVESTMENTS LIMITED

REPORT TO THE TRUSTEE – QUARTER ENDED 30 September 2019

Pursuant to the provisions of the Corporations Act and the Debenture Trust Deed dated 12 December 2006, we herewith provide our report for the quarter ended **(30 September 2019)** in relation to Anglesey Secured Investments Limited.

Report pursuant to Section 283BF of the Corporations Act

- a) The Borrower confirms that the Borrower had no events during the quarter that would have caused it to not comply with the terms of the debentures or the provisions of the Trust Deed or Chapter 2L of the Corporations Act. Details of any historic breach are explained in the continuous disclosure statement at the company's website www.angleseyinvest.com

[Sec 283BF4(4)(a)].

The Trustee provided a Notice of Default on 22nd Oct 2019 identifying a number of areas of non-compliance with the terms of the Trust Deed. Breach notices have been lodged with ASIC and the company is rectifying these non-compliance items.

- b) The Borrower confirms that the Borrower has had no events during the quarter that have caused or could cause one or more of the following:
- (i) any amount deposited or lent under the debentures to become immediately payable;
 - (ii) the debentures to become immediately enforceable;
 - (iii) any other right or remedy under the terms of the debenture or provisions of the Trust Deed to become immediately enforceable. *[Sec 283BF(4)(b)]*
- c) The Borrower confirms that the Borrower has not had any circumstances that have occurred during the quarter that materially prejudice:
- (i) the Borrower, any of its subsidiaries, or any of the guarantors; or
 - (ii) any security or charge included in or created by the debentures or the Trust Deed. *[Sec283BF(4)(c)]*
- d) The Borrower confirms that the Borrower, its subsidiaries and guarantors have not had any substantial change in the nature of their business during the quarter. *[Sec 283BF(4)(d)]*
- e) The Borrower confirms that the Borrower remains focused on its principal activities of issuing debentures to the public and lending money secured by mortgages over real estate, as permitted by the above trust deed.
- f) The Borrower confirms that none of the following has happened to the Borrower during the quarter:
- (i) the appointment of a guarantor;
 - (ii) the cessation of liability of a guarantor body for the payment of the whole or part of the money for which it was liable under the guarantee;
 - (iii) a change in name of a guarantor. *[Sec 283BF(4)(e)]*

- g) The Borrower confirms that the Borrower has not created a new charge during the quarter. *[Sec 283BE, Clause 10.2]*
- h) The Borrower confirms that the Borrower has no amounts outstanding on any advances at the end of the quarter from a charge created where:
- (i) the total amount to be advanced on the security of the charge is indeterminate; and
 - (ii) the advances are merged in a current account with bankers, trade creditors or anyone else. *[Sec 283BF(4)(f) and Sec 283BE]*
- i) The Borrower confirms that the Borrower has not experienced any matters that may materially prejudice any security or the interest of debenture holders. *[Sec 283BF(4)(g)]*
- j) The Borrower confirms that during the June quarter an amount has been deposited with or lent to a related body corporate. A Deed of Financial Commitment was entered into creating an arrangement by which NBF I irrevocably agreed to provide an amount of \$437,231 to ASI which can be deemed to be a related party transaction under the Trust Deed and Prospectus. *[Sec 283BF(5)(a)]*.
- k) The Borrower confirms that the total amount of money owing to the Borrower at the end of the above quarter in respect of the deposits or loans to related body corporate is \$437,231. A Deed of Financial Commitment was entered into creating an arrangement by which NBF I irrevocably agreed to provide an amount of \$437,231 to ASI which can be deemed to be a related party transaction and a breach under the Trust Deed and Prospectus. *[Sec 283BF(5)(b)]*.
- l) The Borrower confirms that there is a Financial Commitment of \$437,231.00 from NBF I Holdings Pty Ltd as a receivable to be paid by 31st March 2020. A Deed of Financial Commitment was entered into creating an arrangement by which NBF I irrevocably agreed to provide an amount of \$437,231 to ASI which can be deemed to be a related party transaction and a breach under the Trust Deed and Prospectus.
- m) The Borrower confirms that the Borrower has not assumed any liability for a related body corporate during the quarter. If a liability is assumed for the quarter, please provide details of the extent of the liability during the quarter and the extent of the liability at the end of the quarter. *[Sec 283BF(6)]*
- n) The Borrower confirms that the Borrower has issued the following securities:

	<i>This Quarter</i>	<i>Growth</i>	<i>Total</i>	<i>Total</i>
	\$	%	\$	%
Value of Securities issued (net)	\$42,914	-0.67%	\$6,326,948	100
Value of Securities maturing within 12 months			\$903,253	15%
Value of Securities maturing beyond 12 months			\$5,423,695	85%

[Clause 9.5(a)]

- o) The Borrower confirms that the Borrower continues to meet the minimum requirements of the Borrowing Limitations. *[Clause 8.1, 8.4 & 9.6(b)(i)]*
- p) The Borrower confirms that the Trust Deed:
- i) covenants;
 - ii) representations; and
 - iii) warranties
- are in full force and effect. www.angleseyinvest.com.
- q) The Borrower confirms that the Borrower has lent all monies within the permitted lending policies determined under the Security and Risk Assessment Section in the prospectus with the exception of the financial commitment noted in l) above. A Deed of Financial Commitment was entered into creating an arrangement by which NBFi irrevocably agreed to provide an amount of \$437,231 to ASI which can be deemed to be a related party transaction and a breach under the Trust Deed and Prospectus. *[Prospectus, Section 7.7]*
- r) The Borrower confirms that the Borrower has provided to the Trustee, a copy of all:
- i) reports; accounts;
 - ii) notices; and
 - iii) circulars
- sent by the Borrower or any Directors to its members, debenture holders or ASIC at the same time that it has sent the same. *[Clause 6.8(i)]*
- One breach occurred during this reporting period which was reported to ASIC by the Trustee in relation of the late lodgement of the June quarterly report. A compliance breach was actioned in house with said copy not forwarded to the Trustee. A copy of the breach notice has subsequently been forwarded.
- One breach occurred after this reporting period which was reported to ASIC in relation of the non-compliance regarding insurance. A copy of the breach notice was not forwarded to the Trustee. A copy has subsequently been forwarded.
- s) The Borrower confirms that the Borrower has complied at all times with the requirements of Chapter 6CA (dealing with continuous disclosure) of the Corporations Act 2001.
- t) The Borrower confirms that the Borrower has not exceeded the LVR of any loan as published in the current Prospectus or, if not published, in the abovementioned Debenture Trust Deed.
- u) The Borrower confirms that the Borrower has provided to the Trustee a Six-Monthly Report of the Auditor within the specified timeframe. This item remains outstanding at the date of this report, and is noted in the continuous disclosure section on the company's website *[Clause 9.4]*
- v) The Borrower confirms that the Borrower has made all interest and principal payments to debenture holders when they fell due. *[Clause 9.5(a)]*

- w) The Borrower confirms that the Borrower and its subsidiaries incurred a capital loss, trading as a group *[Clause 9.6(b)(vii)]*. In the three months to 30 September 2019, a trading loss of \$78,506 was incurred. An excess liquidity position harmed the net interest margin. The company had capital equity of \$215,106 to safeguard against potential losses at 30 September 2019. This was primarily due to the write down of certain assets as per the signed off audited financial records. The Borrower confirms that the Borrower or any Guarantor has not incurred any contingent liabilities. **Not Applicable**

If contingent liabilities have been incurred:

- The amount in \$Nil
 - A liability of \$Nil has matured or likely to mature within the succeeding twelve (12) months which will materially affect the Borrower and any Guarantor in its or their ability to repay stock *[Clause 9.6(b)(viii)]*
- x) The Borrower confirms that there has been no change in liabilities and no circumstances have arisen, which render adherence to the existing method of valuation of assets or liabilities, misleading or inappropriate *[Clause 9.06 (b)(ix)]*.
- y) The Borrower confirms that in the opinion of the Directors the Current Assets of the Borrower and its subsidiaries appear in the relevant books at values which are realisable in the ordinary course of business. *[Clause 9.6(b)(x)]*
- z) The Borrower confirms that the Directors are not aware of any material changes in the laws of any place which might affect the enforceability of Guarantees and Charges given to or in favour of the Trustee. *[Clause 9.6(b)(xi)]*
- aa) The Borrower confirms that the Borrower has maintained such insurance with a reputable insurer as would be affected by a prudent company engaged in a similar business and has at all times ensured the premiums and other sums have been paid when they fall due *[Clause 9.7]*

Post 30th September 2019 it came to the borrower's attention that the required PI insurance had lapsed. The company has since obtained appropriate Insurance.

- bb) The Borrower confirms that the Borrower has ensured that the funds have been invested in accordance of Clause 11 *[Clause 11]*. with the exception of the financial commitment noted in l) above. A Deed of Financial Commitment was entered into creating an arrangement by which NBF1 irrevocably agreed to provide an amount of \$437,231 to ASI which can be deemed to be a related party transaction and a breach under the Trust Deed and Prospectus.
- cc) The Borrower confirms that it has not entered into any joint first mortgages without first notifying the Trustee *[Clause 11.3]*
- dd) The Borrower confirms that it has had no Events of Enforcement and Default *[Clause 12]*
- ee) The Borrower confirms that it complied with each condition of its Australian Financial Services Licence during the quarter except for the below breach.

Post 30th September 2019 it came to the borrower's attention that the required PI insurance had lapsed. The company has since obtained appropriate Insurance.

In relation to Section 912B of the Corps Act, Anglesey has lodged a form FS08 Notification with ASIC regarding insurance. This form FS08 informed ASIC of a significant breach in the licensee's obligations. Anglesey became aware on the 4th October 2019 that PI insurance had lapsed and not been renewed as at 28th February 2019. Accordingly, as soon as we became aware of this breach we sought and received immediate insurance cover.

- f) The Borrower confirms that it has an adequate Anti-Money Laundering (AML) Program in place and that it has acted in accordance with this and the AML/CTF Act 2016 during the quarter.

ASIC Regulatory Guide 69: Debentures – improving disclosure for retail investors

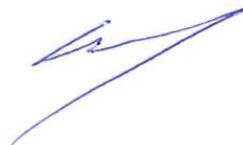
- a) The Borrower confirms that it has made all necessary disclosures against the benchmarks in its disclosure documents and all disclosures remain true and correct.
- b) The Borrower confirms that it continues to meet all benchmarks that the Borrower has stated in disclosure documents that it meets. Refer to Annexure A.
- c) The Borrower confirms that where the Borrower has disclosed that it does not meet the benchmarks on an "if not, why not" basis, the disclosure the Borrower has made continues to be correct and accurate in all material respects and is not misleading.
- d) The Borrower confirms that hereunder the "promises" (as referred to, for instance, in RG69.118) it has made in disclosure documents it has issues and confirms that it has complied with each of the promises it has made in those disclosure documents:
- The disclosure document of the borrower does not make "promises". The disclosure document dated 19 September 2019 makes the factual statements and remains unchanged as at the date of this declaration except as detailed in "Annexure A". Annexure "A" provides disclosure as to whether or not the Borrower has met each of the benchmarks outlines in ASIC Regulatory Guide 69: Debentures – improving disclosure for retail investors. Annexure "B" provides disclosure to the investment portfolio

On the basis of the above, the directors declare that they are of the view that the financial position and performance of the Borrower is such that the property of the Borrower (and of each guarantor, if relevant) that is or should be available will be sufficient to repay the amount of each Debenture when it becomes due and payable.

This declaration has been made in accordance with a resolution of directors on the 16th October 2019.



**Director Peter D Wright
(Signature)**



**Director Geoffrey J Wensley
(Signature)**

Annexure “A”

ASIC Regulatory Guide 69: Debentures – improving disclosure for retail investors.

Disclosure against Benchmarks

Please disclose whether the Borrower met each of the benchmarks outlined in ASIC’s Regulatory Guide 69: Debentures – improving disclosure for retail investors during the quarter. Where the Borrower did not meet a benchmark during the quarter, please explain why that is. Note that these quarterly figures used in this report are unaudited.

1. Benchmark One – Capital Equity

The Company does not comply as at 30 September 2019, when the capital equity was 3.27% (from the companies own unaudited records). An excess liquidity position harmed the net interest margin. Steps being taken to address the low levels of capital in the Company. The company is accessing various avenues to secure capital resources to ensure the borrower has sufficient capital to grow the fund. Notwithstanding the company believes it has sufficient equity to safeguard investor’s funds with a conservative LVR on the loan portfolio of 39.37% and a strong liquidity position (see below)

Capital equity is expressed as a financial percentage by dividing the equity capital of the company by the total debt of the company plus equity capital.

The capital equity required is 8% where development loans represent only a minor part (< 10% of investor funds) of the company activities, otherwise 20% capital equity is required. As at 30 September 2019 the Company had no development loans.

2. Benchmark Two – Liquidity

The Company complied at 30 September 2019, when the company liquidity was 20.07%. Liquidity is the amount of cash or receivables that the company possesses to ensure that it can readily meet any withdrawal of Secured Note funds or the mortgage operations of the company. As at 30 September 2019 the company held liquidity of \$1,321,391 which represented 20.88% of Notes on issue (this figure will vary over time). The company maintains a minimum of 12% liquidity and in the event that the company’s liquidity nears 12%, the company will stop lending in order to increase its liquidity level. Alternatively, the company will seek unsecured loans from its shareholders to ensure that sufficient liquidity is maintained. The experience of the company has been that 12% liquidity is sufficient to cover the ongoing cash needs without relying on any increase in the level of Notes on issue.

The company reviews cash flows on a three-monthly basis and monitors its financial resources (new Note holders, loan payments and loan advances) on a day-to-day basis to ensure compliance with its minimum liquidity policy of 12%.

At 30 September 2019 the company experienced 85% rollover of maturing Notes for the preceding 3 months. The average monthly rollover of maturing notes for the previous 3 months ending 30 September 2019 was 85%. If the company experienced 20% decrease in retention of rollovers it would have sufficient cash levels to meet the projected cash needs.

Because the company has no “at call” as opposed to fixed term funds, cash flow projections are less vulnerable to unexpected fluctuations.

3. Benchmark Three – Rollovers

The company complies with this benchmark as per the Prospectus No.10, dated the 19 September 2019 as indicated below.

ASIC's benchmark is that Note issuers disclose their approach to rollovers, including whether the 'default' is that Secured Note investments with them are automatically rolled – over upon maturity. The company's policy is that approximately 30 days prior to the maturity date of a 'Fixed Term' investment the company will notify the Secured Note holder in writing, of the rates and terms available upon which funds may be reinvested for a further period. This pre-maturity letter will also state that the company's current prospectus document, together with any related ongoing disclosure documents, will be available from the company's website www.angleseyinvest.com and that investors who do not have access to the website, may request a hard copy of these documents free of charge by directly contacting the company's registered office.

4. Benchmark Four- Debt maturity

The company complies with this benchmark in Prospectus No.10, dated 19 September 2019 and also at 30 September 2019 as indicated below.

ASIC requires that all issuers should disclose:

- (a) an analysis of the maturity profile of interest-bearing liabilities (including notes on issue) by term and value; and
- (b) the interest rates or average interest rates applicable to their debts.

This benchmark assists investors to understand how the business is funded in terms of the nature, timing and costs of the issuer's debt obligations. At 30 September 2019, the total value of Notes on issue was \$6,326,948 with an average interest rate of 4.995% and a maturity analysis of:

Term	Amount	Number	Percentage
Due before 01/11/2019	\$148,603	2	2.3%
Due between 02/11/19 & 01/01/20	\$754,650	8	12%
Due between 02/01/20 & 31/05/2024	\$5,423,693	35	85.7%
Total	\$6,326,948	45	100

The company reserves the right to redeem early, any Secured Notes by giving 30 days' notice to the holder and redemption may be with or without a premium.

5. Benchmark Five – Loan portfolio

As at 30 September 2019 the Company complied with Prospectus No. 10 dated 19 September 2019.

ASIC require that Secured Notes issuers who on-lend funds, should disclose the current nature of their loan portfolio and their policies in relation to these matters.

Our loan portfolio at 30 September 2019 includes:

- a) The company has 20 loans totalling \$4,557,590.00.
- b) Our mortgage documents provide for our loans to be called up at 30 days' notice. With the exception of one loan term for 5 years, all loans have been written with renewable maturity dates of one year.
- c) The average interest rate charged on loans at 30 September 2019 was 9.13 % and ranged from 7% to 10.04%.
- d) The number and value of the loans held by class of activity and geographic region:

MORTGAGE LOANS BY PURPOSE AS AT 30 September 2019

Loan Purpose	Loan Amounts	No. of loans	Percentage
Rural	\$2,214,840	7	48.6%
Commercial	\$2,342,750	13	51.4%
Development			
Total	\$4,557,590	20	100%

Security Location	Loan Amounts	No. of Loans	Percentage
NSW	\$3,775,153	17	82.83%
Q LD	\$0	0	0.0%
VIC	\$782,437	3	17.17%
Total	\$4,557.590	20	100.00%

(e) As at 30 September 2019 there were 4 loans in arrears by more than 30 days. The total sum of loans more than 30 days in arrears was \$775,486 including arrears interest of \$60,686. Repayment arrangements are in place for these loans, and they are anticipated to return within the original approved limits shortly.

(f) All loans totalling \$4,557,590.00 are secured over real property and water licenses and additional personal property security are taken to ensure that the risk of recovering funds is minimised, where it has a higher exposure to single loans that represent such high proportions of the loan book.

(g) The 10 largest loans total \$3,481,089 which represents 76 % of total loans by dollar value and 50% of loans by number.

(h) No loans are subject of legal proceedings for cost recovery.

6. Benchmark Six – Related party transactions

The company does not comply on 30 September 2019, as per Prospectus No. 10, dated 19 September 2019.

ASICs benchmark is that Secured Notes issuers who on lend funds should disclose their approach to related party transactions including how many loans they have made to related parties and the value of those loans, and what assessment and approval process they follow with related party loans.

A Deed of Financial Commitment was entered into creating an arrangement by which NBFi irrevocably agreed to provide an amount of \$437,231 to ASI which can be deemed to be a related party transaction and a breach under the Trust Deed and Prospectus.

7. Benchmark Seven – Valuations

The company complies with this benchmark as per Prospectus No. 10, dated 19 September 2019.

The ASIC 's benchmark is that Secured Notes issuers who lend monies for property related transactions, should take the following approach to valuations:

- (a) Properties (i.e. real estate) should be valued on an 'as is' basis;
- (b) Development properties should be revalued at least every 12 months unless the funds are retained by the issuer and only released in stages to cover project completion costs;
- (c) 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;
- (d) Issuers should establish a panel of valuers and ensure that no one valuer conducts more than one 3rd of the issuer's valuation work; and
- (e) Appointment of valuers should be with the Trustees consent.

Issuers should also include information about the valuation of a particular property in the issuers Prospectus where:

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

The company has 6 loans at 30 September 2019 that account for 5% or more of the total value of its mortgage asset and these loans collectively total \$2,746,622. These loans have been valued by 6 different valuers. These valuations were by summation and direct comparison conducted by independent and qualified valuers on the companies' panel of valuers.

Loan amount	% of Loan Book	Property Value	Date of Valuation
\$346,480	7.6	\$535,000	October 2014
\$516,404	11.3	\$2,500,000	May 2017
\$504,738	10.5	\$5,000,000	December 2017
\$301,540	6.6	\$729,000	January 2010
\$691,607	15.1	\$990,000	March 18
\$385,852	8.4	\$485,000	July 2016

The company reserves the right to obtain on any future dates an up to date valuation of the property or properties offered as security at the borrower's expense.

8. Benchmark Eight – Lending principles – loan-to-valuation ratios

At 30 September 2019, the company continues to comply with Benchmark 8, as per Prospectus No. 10, dated 19 September 2019.

ASIC's benchmark is that Notes issuers who on lend funds in relation to property related activities, should maintain the following loan valuation's;

- (a) Properties (i.e. real estate) should be valued on an 'as is' and (for development property) 'as if complete' basis;
- (b) Development property should be revalued at least every 12 months unless the funds are retained by the issuer and only released in stages to cover project completion costs.
- (c) 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.

The average loan to value ratio for the company loan book at 30 September 2019 was 39.37% LVR which reflects a conservative lending policy as issuers approach to loan to value ratio is an indicator on how conservative or aggressive its lending practices are.

Annexure “B”

Investment Portfolio of Anglesey Secured Investments Limited

Quarter ending 30 September 2019

1. The unaudited Balance Sheet of the Company is as follows: -

Assets	Current Quarter	%	Previous Quarter (amended as per Audited Financials)	%
Cash and deposits at call	\$884,160		\$898,665	
Financial Commitment from NBFH Holdings Pty Ltd	\$437,231		\$437,231	
Other Auth. Invest				
- Bank Term Deposits				
Accrued Interest	\$42,768		\$18,676	
Non-Current Assets				
Real Property	\$627,359		\$627,359	
Secured lending (excluding Prop. Dev.)	\$4,557,590		\$4,686,861	
Property Dev lending *	nil		nil	
Lenders risk reserve				
Other assets	\$35,273		\$34,648	
Total Assets	\$6,584,381	100	\$6,703,440	100
Liabilities				
<i>Debenture note holders</i>	\$6,326,948		\$6,369,862	
<i>Accrued Interest Liabilities</i>	\$11,741		\$9,392	
<i>Other liabilities</i>	\$30,586		\$30,574	
Total Liabilities	\$6,369,275	100	\$6,409,828	100
Net Assets	\$215,106		\$293,612	
Equity				
<i>Contributed equity</i>	\$1,021,000		\$1,021,000	
<i>Accumulated profits/losses</i>	(\$805,894)		(\$727,388)	
Total Equity	\$215,106		\$293,612	

*limited to 10% of monies deposited [Clause 11.2(a) (ii)]

2. The Lending portfolio as at this quarter end is as follows: -

Number of loans	20
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Average loan size	\$227,879
Number of loans that comprise more than 10% of the Principal Moneys to any one party or associated party.	3
Value of loans that comprise more than 10% of the Principal Moneys to any one party or associated party.	\$1,712,750
Longest term to loan maturity	5 years (all loans 30 days' notice)
Average term to loan maturity	At call 30 days <1 year
Average interest rate charged to Borrowers	9.130%
<i>Average loan to value ratio</i>	39.37 %
<i>Average Rate of Return</i>	2.937 %

3. Total Loan Portfolio by Security Type as at this quarter end is as follows: -

<i>Security Type</i>	No.	\$	%
Rural	7	\$2,214,840	48.6 %
Commercial	13	\$2,342,750	51.4 %
Total	20	\$4,557,590	100%

4. Total Loan Portfolio/Secured Property by State/Territory as at this quarter end is as follows: -

<i>State / Territory</i>	Loan Portfolio			Secured Property	
	No.	\$	%	\$	%
NSW	17	\$3,775,153	82.83%	\$9,214,432	78.13 %
QLD	0	\$0	0.0 %	\$0	0 %
VIC	3	\$782,437	17.17 %	\$2,579,746	21.87 %
Total	20	\$4,557,590	100 %	\$11,794,178	100 %

5. Level of Arrears for the Loan Portfolio (provide details of loans in arrears)

Loan No.	Loan Balance \$	No. of days in arrears > 30 days	Amount of Arrears due on 30/09/19	Value of Security \$	Current Valuation Date	LVR %
6	\$301,539	216	\$21,318	\$729,000	Jan 2010	41.2%
273	\$171,282	109	\$17,410	\$1,040,000	July 2017	16.4%
265	\$168,248	2111	\$14,437	\$304,500	March 2016	55.2%
299	\$134,417	94	\$7,530	\$500,000	Dec 2017	26.8%

Legal proceedings have commenced for Loans #6, #265 & #299 whilst loan #273 is a deceased estate. Full recovery is expected on all loans.

6. Financial Ratios

Ratio	This Quarter End	Previous Quarter End
Working capital	0.93	0.95
Debt to Equity Ratio	29.61	18.70
Interest cover (Interest revenue over interest expense)	1.39	1.31
The amount Total Tangible Assets exceeds Total External Liabilities (Clause 8)	\$215,106	\$293,612
The amount Total Tangible Assets exceeds Total External Liabilities as a percent. (Clause 8)	4%	5.73%
The amount Total External Liabilities are below Total Tangible Assets as a percent (Clause 11 Trust Deed)	96%	94.27%
Total Equity divided by Total Liabilities plus Total Equity, Ratio (RG 69)	4%	5.42%