

ANGLESEY SECURED INVESTMENTS LIMITED

REPORT TO THE TRUSTEE – QUARTER ENDED 31 March 2016

(This report is based on unaudited figures)

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 (31 March 2016) in relation to Anglesey Secured Investments Limited.

Report pursuant to Section 283BF of the Corporations Act

a) The Borrower confirms that the one failure by the Borrower or any guarantor to comply with the terms of the debentures or the provisions of the Trust Deed or Chapter 2L of the Corporations Act during the December 2014 quarter with a breach of clause 11.2 of the trust deed was immediately corrected. Details of this breach are explained in the continuous disclosure statement at the company's website www.asi@asicapital.com.au .
[Sec 283BF(4)(a)]

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.

[Sec 283BF(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 quarter the following amounts have been deposited with or lent to a related body corporate: **Not Applicable.**

[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 are as follows: **Not Applicable.**

[Sec 283BF(5)(b)]

l) 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)]

m) The Borrower confirms that the Borrower has issued the following securities:

| | This Quarter \$ | Growth % | Total \$ | Total % |
|---|----------------------------|---------------------|---------------------|--------------------|
| Value of Securities issued (net) | \$622,914 | 13.24% | \$4,691,943 | 100.00 |
| Value of Securities maturing within 12 months | | | \$2,559,746 | 54.5% |
| Value of Securities maturing beyond 12 months | | | \$2,132,197 | 45.5% |

[Clause 9.5(a)]

n) 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)]

o) The Borrower confirms that the Trust Deed:

- i) covenants;
- ii) representations; and
- iii) warranties

are in full force and effect but there **was a breach** in December 2014, of Clause 11.2 which was immediately corrected. Details of this breach are explained in a continuous disclosure statement at the company website, www.asi@asicapital.com.au.

p) 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.

[Prospectus, Section 7.7]

q) The Borrower confirms that the Borrower has provided to the Trustee, a copy of all:

- i) reports;
- ii) accounts;
- iii) notices; and
- iv) 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)]

r) 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 where, on one circumstance during the December 2014 quarter it was required by the Borrower to issue a continuous disclosure notice.

s) 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.

t) The Borrower confirms that the Borrower has provided to the Trustee a Six Monthly Report of the Auditor within the specified timeframe.

[Clause 9.4]

u) The Borrower confirms that the Borrower has made all interest and principal payments to debenture holders when they fell due.

[Clause 9.5(a)]

v) The Borrower confirms that the Borrower and its subsidiaries have not sustained any material trading or capital loss, trading as a group.

[Clause 9.6(b)(vii)]

w) 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 is \$Nil
- A liability of \$Nil has matured, or is 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 any accounting method or methods of valuation or assets or 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 effected 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]

bb) The Borrower confirms that the Borrower has ensured that the funds have been invested in accordance of Clause 11. However in December quarter 2014 **there was a breach** of restrictions or limitations contained therein. This breach involved investment in real property for an amount exceeding 10% of the value of principal monies. **The breach was rectified** on completing the transaction where the company **immediately** became exempt from the restrictions of clause 11.2 by complying with capital adequacy requirements. Details of this breach can be found in the disclosure statement at the company website www.asi@asicapital.com.au. [Clause 11]

cc) The Borrower confirms that it has not entered into any joint first mortgages without first notifying the Trustec.

[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.

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

ff) The Borrower confirms that it has made all necessary disclosures against the benchmarks in its disclosure documents and all disclosures remain true and correct.

gg) 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.

hh) 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.

ii) The Borrower confirms that hereunder details the "promises" (as referred to, for instance, in RG69.118) it has made in disclosure documents it has issued 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 12 March 2015 makes 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 outlined in ASIC Regulatory Guide 69: Debentures – improving disclosure for retail investors.

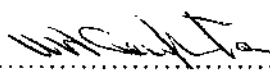
Annexure “B” provides disclosure of the investment portfolio.

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 29th of March 2016.



Director
(Signature)



Director
(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 31 March 2016, when the capital equity was 6.88% (from the companies own unaudited records). The declining capital equity resulted from a significant increase in deposits and higher expenses, some of which were associated with real property owned by the company, which will result in appreciated asset values. However, the directors believe that the equity capital of greater than 8% will be restored during the next quarter with realisation of real property asset.

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.

2. Benchmark Two – Liquidity

The Company complies as at 31 March 2016, when the company was the 23.34% liquid. 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 under the mortgage operations of the company. As at 31 March 2016 the company held liquidity of \$1,094,816 which represented 23.34% of Notes (this figure will vary over time). The company maintains a minimum of 10% liquidity and in the event that the company’s liquidity nears 10% of the company will stop lending in order to increase its liquidity level. The experience of the company has been that 10% 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-month lead 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 10%.

At 31 March 2016 the company experienced the 70.8 % rollover of maturing Notes for the preceding 3 months. The average monthly rollover of maturing notes for the 3 months ending 31 December 2015 was 92.87%. 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.6, dated the 12 March 2015 and at 31 March 2016 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.asicapital.com.au 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.6, dated 12 March 2015 and also at 31 March 2016 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 31 March 2016 the total number of Notes on issue was \$4,691,943 with mean interest rate of 5.26% and a maturity analysis of:

| Term | Amount | Number | Percent |
|--------------------------------|-------------|--------|---------|
| Due before 01/07/16 | \$775,949 | 17 | 16.5 |
| Due between 02/10/16&01/04/17 | \$1,783,797 | 17 | 38.0 |
| Due between 02/04/17& 01/04/20 | \$2,132,197 | 14 | 45.5 |
| Total | \$4,691,943 | 48 | 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 31 March 2016 the Company complied with Prospectus No. 6 dated 12 March 2015. 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 31 March 2016 includes:

- a) The company has 18 loans totalling \$3,206,849.
- 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 31 March 2016 was 10.28% and ranged from 8% to 18%.
- d) The number and value of the loans held by class of activity and geographic region:

MORTGAGE LOANS BY PURPOSE AS AT 31 December 2015

| Loan Purpose | Loan Amounts | No. of loans | Percentage |
|--------------|--------------------|--------------|-------------|
| Rural | \$2,483,934 | 13 | 77.46 % |
| Commercial | \$620,221 | 4 | 19.34 % |
| Development | \$102,694 | 1 | 3.20 % |
| Total | \$3,206,849 | 18 | 100% |

| Security Location | Loan Amounts | No. of Loans | Percentage |
|-------------------|--------------|--------------|------------|
| NSW | \$2,432,920 | 14 | 75.9% |
| Q LD | \$57,331 | 1 | 1.8% |
| VIC | \$716,598 | 3 | 22.3% |
| Total | \$3,206,849 | 18 | 100% |

(e) As at 31 March 2016 there was one loan in arrears (including the 1 loan referred to in (h) below). The total sum of loans more than 30 days in arrears was \$200,860.

(f) All loans totalling \$3,206,849 are secured by a registered mortgage 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 \$2,683,009 which represents 84% of total loans by dollar value and 55.6% of loans by number.

The company has three borrowers with loans that represent more than 10% of its loan book and all these loans hold security over real property. They are \$410,000 (12.79 %) and \$356,374 (10.8%) and \$387,795 (12.4%). The 1st loan is secured against rural property in central western New South Wales with additional water licence security where the landed security assets were valued at \$900,000 on 16 August 2011 which represents an LVR of 45.5% without including water licence security value. These clients have an impeccable interest payment record. The 2nd loan is secured by 2 rural properties in South-Eastern Victoria where one property was valued at \$235,000 on 10 October 2014 and the other property valued at \$300,000 on 17 September 2010, collectively representing an LVR of 64.6%. The 3rd loan holds security over property in Central West New South Wales valued at \$2,300,000. All loans have excellent conduct histories.

(h) One loan is subject of legal proceedings. The principal amount of this loan is \$200,860 and represents 6.3% of the total loans by value and 3.95% of total company assets. This loan holds security of a hotel with real property valued on 5 August 2015 for \$200,000 and contracts are exchanging for \$265,000 plus GST. The directors of the company do not believe that any loss will result from recovering the loan amount but has made \$30,000 provision as a doubtful debt.

6. Benchmark Six – Related party transactions

The company continues to comply on 31 March 2016, as per Prospectus No. 6, dated 12 March 2015.

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.

The company has not made any loans to related parties as of 31 March 2016 which is consistent with its current policy of not lending to related parties.

7. Benchmark Seven – Valuations

The company complies with this benchmark as per Prospectus No. 6, dated 12 March 2015. 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 issuers 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 9 loans at 31 March 2016 that account for 5% or more of the total value of its property assets and these loans collectively total \$2,542,664. The company has sworn valuations of a total of \$6,812,000 for security for these 9 loans as valued by 9 different valuers. These valuations were by summation and direct comparison. Sandhurst trustees limited have consented to the appointment of independent and qualified valuers to the ASI Capital panel of valuers.

Valuations for loans greater than 5% of total value of property assets of the company

| Loan amount | % of Loan Book | Property Value | Date of Valuation |
|-------------|----------------|----------------------|-------------------|
| \$387,795 | 12.1 | \$2,300,000 | 20 October 2015 |
| \$410,000 | 12.7 | \$900,000* | October 2011 |
| \$346,374 | 10.7 | \$535,000 | October 2014 |
| \$269,678 | 8.4 | \$662,000 | January 2014 |
| \$191,267 | 6.0 | \$490,000 | June 2012 |
| \$200,860 | 6.3 | \$200,000 (contract) | 5/08/2015 (sale) |
| \$206,250 | 6.4 | \$560,000 | November 2015 |
| \$226,930 | 7.1 | \$650,000 | August 2015 |
| \$303,510 | 9.4 | \$515,000 | October 2015 |

*Additional security of water licenses.

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

At 31 March 2016, the company continues to comply with benchmark 8, as per Prospectus No. 6, dated 12 March 2015.

ASICs 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 31 March 2016 was 38.7 % 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 31 March 2016

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

| Assets | Current Quarter | % | Previous Quarter | % |
|--|--------------------|------------|---------------------|---|
| Cash and deposits at call | \$1,094,816 | | 1,015,951 | |
| Other Authorised Investments | | | | |
| - Bank Term Deposits | | | | |
| Accrued Interest | \$49,835 | | \$47,045 | |
| Non-Current Assets | | | | |
| Real Property | \$724,364 | | 705,000 | |
| Secured lending (excluding Prop. Dev.) | \$3,103,927 | | \$2,789,092 | |
| Property Development lending * | \$102,923 | | \$285,026 | |
| Lenders risk reserve | (\$40,000) | | (\$30,000) | |
| Other assets | \$6,583 | | \$13,107 | |
| Total Assets | \$5,042,448 | 100 | \$4,825,221 | |
| Liabilities | | | | |
| Debenture note holders | \$4,691,943 | | \$4,452,685 | |
| Accrued Interest Liabilities | \$12,847 | | \$14,020 | |
| Other liabilities | (\$2.78) | | (\$2.78) | |
| Total Liabilities | \$4,704,787 | 100 | \$4,466,702 | |
| Net Assets | \$337,661 | | \$358,518 | |
| Equity | | | | |
| Contributed equity | 691,000 | | 691,000 | |
| Accumulated profits/losses | (353,339) | | (332,482) | |
| Total Equity | \$337,661 | | \$358,518 | |

*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 | 18 |
| Average loan size | \$178,158 |
| Number of loans that comprise more than 10% of the Principal Moneys to any one party or associated party. | 0 |
| Value of loans that comprise more than 10% of the Principal Moneys to any one party or associated party. | 0 |
| 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 | 10.3% |
| Average loan to value ratio | 38.7 % |
| Average Rate of Return | 2.2 % |

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

| Security Type | No. | \$ | % |
|---------------|-----------|--------------------|-------------|
| Rural | 13 | \$2,483,934 | 77.46% |
| Commercial | 4 | \$620,221 | 19.34% |
| Development | 1 | \$102,694 | 3.2% |
| Total | 18 | \$3,206,849 | 100% |

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

| State / Territory | Loan Portfolio | | | Secured Property | |
|-------------------|----------------|--------------------|------------|--------------------|------------|
| | No. | \$ | % | \$ | % |
| NSW | 15 | \$2,432,920 | 75.9% | \$6,153,224 | 79.4% |
| QLD | 1 | \$57,331 | 1.8% | \$727,154 | 2.6% |
| VIC | 3 | \$716,598 | 22.3% | \$1,397,000 | 18.0% |
| WA | | | | | |
| SA | | | | | |
| TAS | | | | | |
| ACT | | | | | |
| NT | | | | | |
| Total | 18 | \$3,206,849 | 100 | \$8,277,398 | 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 14/4/16 | Value of Security \$ | Current Valuation Date | LVR % |
|----------|-----------------|----------------------------------|----------------------------------|----------------------|------------------------|--------|
| 66 | \$200,860 | 499 | \$47,518 | \$200,000 | 5/8/15 | 100.43 |

Loan 66. This loan is secured by a Hotel and contents. Without warning the borrower placed the company into voluntary administration and liquidators were appointed.

We are exchanging contracts for the purchase price of \$265,000 plus GST and will progress to settlement of the property. A total provision of 40,000 as a doubtful debt has been made after the June 2015 audit. However, the directors do not believe that any loss will occur. This loan is now a non-performing loan as interest is not being charged. If any loss occur, legal recovery action will be taken.

6. Financial Ratios

| Ratio | This Quarter End | Previous Quarter End |
|--|------------------|----------------------|
| Working capital (%) | 107.2% | 108.02% |
| Debt to Equity Ratio (%) | 1393% | 1246% |
| Interest cover (Interest revenue over interest expense) % | 118.3% | 118.9% |
| The amount Total Tangible Assets exceeds Total External Liabilities (Clause 8) | \$337,661 | \$311,473 |
| The amount Total Tangible Assets exceeds Total External Liabilities as a percent. (Clause 8) | 7.2% | 7.0% |