

ANGLESEY SECURED INVESTMENTS LIMITED
REPORT TO THE TRUSTEE – QUARTER ENDED 31 March 2017

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 2017)** 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.

[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 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:

	<i>This Quarter</i>	<i>Growth</i>	<i>Total</i>	<i>Total</i>
	\$	%	\$	%
Value of Securities issued (net)	\$708,100	13.3 %	\$5,314,977	100.00
Value of Securities maturing within 12 months			\$4,391,593	82.6 %
Value of Securities maturing beyond 12 months			\$923,384	17.4%

[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;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)]*

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@asiccapital.com.au.

[Clause 11]

- 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.

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:

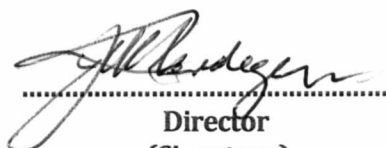
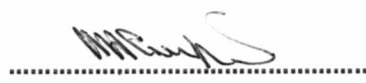
The disclosure document of the borrower does not make "promises". The disclosure document dated 20 April 2016 makes factual statements and remains unchanged as at the date of this declaration except as detailed in "Annexure A".

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 10th of April 2017.


.....
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 comply as at 31 March 2017, when the capital equity was 11.31 % (from the companies own unaudited records). The increased capital equity resulted from issue of further redeemable preference shares in the company as a result of a restructure process.

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 2017, when the company was the 35.6 % 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 2017 the company held liquidity of \$1,893,307 which represented 35.6% 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 2017 the company experienced the 100 % rollover of maturing Notes for the preceding 3 months. The average monthly rollover of maturing notes for the 3 months ending 31 December 2016 was 100%. 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.7, dated the 20 April 2016 and at 31 March 2007 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.7, dated 20 April 2016 and also at 31 March 2000 700 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 2017, the total number of Notes on issue was \$5,314,977 with mean interest rate of 5.1 % and a maturity analysis of:

Term	Amount	Number	Percent
Due before 02/07/17	\$2,033,736	12	38.3
Due between 03/07/17&02/04/18	\$2,357,857	19	44.4
Due after the 03/04/22	\$923,384	12	17.3
Total	\$5,314,977	43	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 2017 the Company complied with Prospectus No. 7 dated 20 April 2016

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 2017 includes:

- a) The company has 19 loans totalling \$3,068,747
- 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 2017 was 9.9 % 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 2016

Loan Purpose	Loan amounts	No. of loans	Percentage
Rural	\$1,693,962	12	55.2 %
Commercial	\$1,374,785	7	44.8 %
Development			
Total	\$3,068,747	19	100%

Security Location	Loan Amounts	No. of Loans	Percentage
NSW	\$2,122,445	15	69.2 %
Q LD	\$62,406	1	5.3 %
VIC	\$883,896	3	25.5 %
Total	\$3,068,747	19	100%

(e) As at 31 March 2017 there was one loan in arrears. The total sum of loans more than 30 days in arrears was \$304,500 plus arrears interest of \$11,986.22.

(f) All loans totalling \$3,068,747 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 \$2,380,380 which represents 77.6 % of total loans by dollar value and 52.6% 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 \$349,318 (11.4 %) and \$342,000 (11.1 %) and \$315,496 (10.3 %). The 1st 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 2nd loan holds security over 1 commercial property in Central West New South Wales valued at \$200,000 and also a residential property on the New South Wales south coast valued at \$285,000, and collectively representing an LVR of 69.3%. The 3rd loan is secured over 3 commercial properties in central Western New South Wales, collectively valued at \$515,000, representing 61.3% LVR.

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

6. Benchmark Six – Related party transactions

The company continues to comply on 31 March 2017, as per Prospectus No. 7, dated 20 April 2016. 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 2017 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. 7, dated 20 April 2016.

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 8 loans at 31 March 2017 that account for 5% or more of the total value of its property assets and these loans collectively total \$2,141,558. The company has sworn valuations of a total of \$4,197,000 for security for these 8 loans as valued by 8 different valuers. These valuations were by summation and direct comparison conducted by independent and qualified valuers on 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
\$203,916	6.3	\$415,000	11 October 2012
\$349,318	10.9	\$535,000	October 2014
\$282,912	8.8	\$662,000	January 2014
\$190,000	6.2	\$490,000	28 December 2012
\$315,496	9.8	\$515,000	29 October 2015
\$206,250	6.5	\$560,000	5 November 2015
\$251,666	7.4	\$435,000	23 January 2017
\$342,000	10.6%	\$485,000	15 March 2015

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

At 31 March 2017, the company continues to comply with benchmark 8, as per Prospectus No. 7, dated 20 April 2016.

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 2017 was 46.9 % 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 2017

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

Assets	Current Quarter	%	Previous Quarter	%
Cash and deposits at call	\$1,495,802		\$660,783	
Other Authorised Investments	\$375,000			
- Bank Term Deposits				
Accrued Interest	\$56,751		\$52,107	
Non-Current Assets				
Real Property	\$1,000,023		\$998,957	
Secured lending (excluding Prop. Dev.)	\$3,068,747		\$3,170,770	
Property Development lending *				
Lenders risk reserve				
Other assets	\$6,450		\$6,450	
<i>Total Assets</i>	\$6,002,773	100	\$4,889,067	
Liabilities				
<i>Debenture note holders</i>	\$5,314,977		\$4,606,877	
<i>Accrued Interest Liabilities</i>	\$9,754		\$10,468	
<i>Other liabilities</i>	(\$2.78)		(\$2.78)	
<i>Total Liabilities</i>	\$5,324,729	100	\$4,617,343	
<i>Net Assets</i>	\$678,044		\$271,724	
Equity				
<i>Contributed equity</i>	\$691,000		\$691,000	
<i>Accumulated profits/losses</i>	(\$12,956)		(419,276)	
<i>Total Equity</i>	\$678,044		\$271,724	

*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	19
Average loan size	\$161,513
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	9.9 %
<i>Average loan to value ratio</i>	46.9 %
<i>Average Rate of Return</i>	1.13 %

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

<i>Security Type</i>	No.	\$	%
Rural	12	\$4,068,170	62.2 %
Commercial	7	\$2,475,000	37.8 %
Total	19	\$6,543,170	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	14	\$2,122,445	69.2%	\$4,553,032	69.6 %
QLD	1	\$62,406	2.0 %	\$727,154	11%
VIC	3	\$883,896	28.8 %	\$1,262,984	19.4 %
Total	19	3,068,747	100	6,543,170	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 31/03/17	Value of Security \$	Current Valuation Date	LVR %
265	\$315,496.22	150	\$11,986.22	\$515,000	29/10/2015	61.2 %

This loan is secured by 3 commercial premises in regional Central Western New South Wales. The borrower has one property on the market and has been offered \$210,000, and if accepted, will allow significant debt reduction and interest commitments into the future. This property was previously valued at \$195,000.

6. Financial Ratios

Ratio	This Quarter End	Previous Quarter End
Working capital (%)	112.73%	105.9 %
Debt to Equity Ratio (%)	785.31%	1699 %
Interest cover (Interest revenue over interest expense) %	131%	123.6 %
The amount Total Tangible Assets exceeds Total External Liabilities (Clause 8)	\$621,294	\$271,724
The amount Total Tangible Assets exceeds Total External Liabilities as a percent. (Clause 8)	11.7%	5.9%
The amount Total External Liabilities are below Total Tangible Assets as a percent (Clause 11 Trust Deed)	89.6%	
Total Equity divided by Total Liabilities plus Total Equity, Ratio (RG 69)	11.3%	

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Debt to Equity Ratio (%)	785.31%	1699 %
Interest cover (Interest revenue over interest expense) %	131%	123.6 %
The amount Total Tangible Assets exceeds Total External Liabilities (Clause 8)	\$621,294	\$271,724
The amount Total Tangible Assets exceeds Total External Liabilities as a percent. (Clause 8)	11.7%	5.9%
The amount Total External Liabilities are below Total Tangible Assets as a percent (Clause 11 Trust Deed)	89.6%	
Total Equity divided by Total Liabilities plus Total Equity, Ratio (RG 69)	11.3%	