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Continuous disclosure document

Benchmarks – ASIC Regulatory Guide 69

This document provides updated information in respect of the benchmarks contained in Section 1 of the Company's Prospectus No. 22 Dated 26 November 2021

Issued 25 May 2022

1. BENCHMARK INFORMATION

ASIC Regulatory Guide 69 Debentures and notes: Improving disclosure for retail investors (RG69) sets out eight benchmarks that debenture issuers need to address in a prospectus. The benchmarks are designed to assist investors to better understand the rewards and risks of investing with a debenture issuer. Debenture issuers are required to disclose if the benchmarks are satisfied and if not, then why not.

Commentary is set out below in regard to the eight benchmarks and the Company's performance in regard to them.

BENCHMARK 1 – EQUITY CAPITAL

Paid-up capital or equity is the money invested by the owners of the issuer (plus any profits retained by the issuer). It provides a 'buffer' to the issuer in the event of financial difficulties. If an issuer has less equity capital invested in the business, there might be no safety margin to tide things over if the business runs into financial difficulties. It could also mean that the issuer has less incentive to operate the business prudently and responsibly because less of its own money is at risk.

All issuers should maintain a minimum equity ratio, calculated as total equity/(total liabilities + total equity), of 8% where only a minor part (e.g. 10%) of its activity (e.g. as a proportion of notes on issue) is property development or lending funds directly or indirectly for property development.

The Company satisfies this benchmark.

Loans for property development represented $15,570,195 or 6.95% of Notes on issue as at 31 March 2022.

As at 31 March 2022 the equity ratio was 13.67% and comparative ratios are as follows:-

31 Mar 2022	30 Jun 2021	31 Mar 2021	30 Jun 2020
13.67%	12.98%	13.34%	13.60%

BENCHMARK 2 – LIQUIDITY

Liquidity is an important measure of the short-term financial health of an issuer or business. If the issuer has insufficient cash or liquid assets, it might be unable to meet its short-term obligations (e.g. to run the business properly, pay interest, or pay investors their money back at the end of the term).

All issuers should have cash flow estimates for the next three months and ensure that at all times that they have on hand cash or cash equivalents sufficient to meet their projected needs over the next three months.

The Company satisfies this benchmark. The Company prepares three monthly and twelve monthly cash flow projections as part of its overall liquidity strategy.

The Company has at all times on hand cash or cash equivalents sufficient to meet its projected cash needs over the next three months.

There is a mismatch between the maturity profiles of the Company's assets and the maturity profiles of the Company's liabilities. The risk in such a mismatch is that the Company may not have adequate liquidity to meet its obligations as they fall due - principally, the need to meet the right of Noteholders to redeem their funds as required. The Company's Liquidity Risk Management Policy establishes practices to manage this mismatch under a range of market conditions. A summary of this policy is set out in Section 5.4.

Incoming cash flows come largely from borrower repayments and these are estimated from the maturity profile of the Company's loan portfolio.

Outgoing cash flows for maturing Notes are determined by the terms of the Notes and take into account an allowance for redemptions based on the twelve month historical rolling average of Note redemptions. The historical rolling average of Note redemptions is used to forecast cash outflows in the preparation of the monthly cash flow estimates. During the six month period from October 2021 to March 2022, the rollover rate for Notes was 87%. Rollover rates for the years ended 30 June 2021 and 30 June 2020 were 90% and 85% respectively.

The Company models liquidity scenarios over a rolling 12 month timeframe including stress testing of rollover rates of Noteholders. The objective of this modelling is to determine the Company's capacity for asset growth whilst meeting all repayment obligations over the next 12 months. The stress testing includes scenarios significantly more severe than any conditions that have prevailed since the establishment of the business more than 50 years ago. If the percentage of Notes (including those that are held on 'at call' basis) that were rolled over or retained during the next three months were 20% less than the percentage that were rolled over from October 2021 to March 2022, the Company would still have cash on hand or cash equivalents sufficient to meet projected cash needs.

1. BENCHMARK INFORMATION (CONTINUED)

BENCHMARK 3 – ROLLOVERS

All issuers should clearly disclose their approach to rollovers including what process is followed at the end of the investment term and how they inform those rolling over or making further investments of any current prospectus and continuous disclosure announcements.

The Company satisfies this benchmark. On the maturity date, Noteholders may choose to have their Notes repaid or rolled over. The Company contacts all Noteholders by phone, letter or email approximately 14 days prior to the end of the Note term, setting out options and seeking instructions.

If a Noteholder does not provide redemption instructions by the maturity date, the Notes are automatically rolled over for the same term as the maturing investment at the then prevailing interest rate for that term.

The Company updates its website, www.westlawn.com.au with current disclosure documents including any new prospectus. These disclosure documents are also available at any of the Company's offices.

BENCHMARK 4 – DEBT MATURITY

All issuers should disclose an analysis of the maturity profile of interest bearing liabilities including any notes on issue by term and value and the interest rates, or average interest rates, applicable to their debts.

The Company satisfies this benchmark. An analysis of the required information as at 31 March 2022 is listed below.

Average interest rate	At call $	0 to 3 months $	3 to 12 months $	1 to 5 years $	Total $
1.82%	21,919,095	73,918,022	94,789,150	33,380,926	224,007,193

BENCHMARK 5 – LOAN PORTFOLIO

If an issuer's loan portfolio is heavily concentrated in a small number of loans, or loans to a small number of borrowers, there is a higher risk that a single negative event affecting one loan will put the overall portfolio (and investors' money) at risk.

Issuers who directly on-lend funds or indirectly on-lend funds through a Related Party should disclose the current nature of their (or Related Parties) loan portfolio.

The Company satisfies this benchmark by disclosing the following details which are relevant to the loan book as at 31 March 2022. Loan funds are lent to a wide variety of business and consumer customers through a network of offices in New South Wales.

The Company takes security for loans in accordance with its Lending Policy and Procedures Manual which is summarised in Section 5.3. A summary of the security types taken are listed below. The Company lends to a large number of customers in varying industries. By doing so, the Company has reduced its exposure to the credit risk associated with particular customers and industries.

Number and value of loans

Loans by amount ($)	201,978,126
Number of loans	5,995

Maturity profile of loan portfolio & average interest rates

Average interest rate	0 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
7.07%	34,460,829	49,531,770	117,817,649	167,878	201,978,126

1. BENCHMARK INFORMATION (CONTINUED)

Number and value of loans by class of activity

	Business	Consumer	Total
Loans by amount ($)	194,715,319	7,262,807	201,978,126
Loans by number	5,754	241	5,995

Number and value of loans by geographic region

	No.	% of loan portfolio	$
New South Wales	3,290	50.21	101,420,086
Queensland	1,537	28.04	56,640,750
Victoria	765	12.00	24,247,171
Western Australia	217	4.90	9,898,137
South Australia	135	3.62	7,305,897
Tasmania	18	0.45	909,366
ACT	14	0.43	861,809
Northern Territory	19	0.34	694,910
TOTAL	**5,995**	**100.00**	**201,978,126**

Analysis of loans more than 30 days in arrears

	Number of loans in arrears	% of loan portfolio	Arrears of principal & interest loan repayments Amount ($) (Note 1)	% of loan portfolio	($) Value of loans in arrears (Note 2)	% of loan portfolio
Not in arrears (but impaired)	22	0.37	0	0.00	26,169	0.01
More than 30 Days in arrears	162	2.70	51,659	0.03	935,980	0.46
More than 60 Days in arrears	90	1.50	54,092	0.03	710,521	0.35
More than 90 Days in arrears	245	4.09	716,999	0.35	2,072,657	1.03
TOTAL	**519**	**8.66**	**822,750**	**0.41**	**3,745,327**	**1.85**

Note 1 – These amounts represent the arrears portion of each loan that is in arrears.

Note 2 – These amounts represent the full amount owing for each loan that is in arrears (ie; it includes both the arrears and non-arrears principal and interest).

A summary of the Company's policy in respect to the management of loans in arrears is set out in Section 5.3.

1. BENCHMARK INFORMATION (CONTINUED)

Further analysis of loans in arrears

	No.	Value of loans Amount ($)	% of loan portfolio
Arrears loans subject to mortgagee in possession	1	52,516	0.03
Arrears loans subject to legal proceedings	110	668,368	0.33
Arrears loans not subject to legal proceedings (and classified as non-accrual)	3	10,499	0.01
Arrears loans not subject to legal proceedings (and not classified as non-accrual)	405	3,013,944	1.48
TOTAL	**519**	**3,745,327**	**1.85**

Non-accrual loans are categorised as loans that are non-interest bearing, as the likely recovery of full principal and interest is deemed doubtful.

Expected credit losses (ECL)

As at 31 March 2022, a total ECL provision of $2,193,373 is held which comprises $1,394,510 for loans exceeding 30 days in arrears, and $798,863 for 12-months ECL on loans not in arrears.

Renegotiated loans

Renegotiated loans are those loans where principal or interest was otherwise greater than 30 days past due that have been restructured, transferred or whose terms have been renegotiated within the past six months.

As of 31 March 2022 the Company had 0 renegotiated loans.

Largest borrower

Number of loans	Amount ($)	% of loan portfolio
1	5,371,085	2.66

Aggregate total of the largest 10 borrowers

Number of loans	Amount ($)	% of loan portfolio
43	21,628,143	10.71

Security profile

Type	No.	Amount ($)	% of loan portfolio
Plant, equipment & chattels	5,426	156,384,119	77.42
Registered first mortgages – non development loans	90	25,427,020	12.59
Registered first mortgages – development loans	9	15,570,195	7.71
Insurance policies (premium funding)	389	2,761,342	1.37
Security interests over shares & assets	15	475,587	0.24
Registered second mortgages	10	1,065,302	0.53
Other	1	6,103	0.00
Unsecured	55	288,458	0.14
TOTAL	**5,995**	**201,978,126**	**100.00**

1. BENCHMARK INFORMATION (CONTINUED)

BENCHMARK 6 – RELATED PARTY TRANSACTIONS

1. Funds lent to Related Parties

The risk with Related Party transactions is that they might not be made with the same rigour and independence as transactions made on an arm's-length commercial basis. There is a greater risk of the loans defaulting and, therefore, investors' money is at greater risk if including:

- the issuer has a high number of loans to Related Parties;
- the value of those loans;
- the value of the loans as a percentage of total assets; and
- the assessment and approval process for these loans is not independent.

Issuers who on-lend funds to Related Parties should disclose their approach to Related Party transactions.

The Company satisfies this benchmark. Related Party loans account for 0.11% of the Company's total loan portfolio as at 31 March 2022. The Company makes loans to Related Parties in accordance with the terms and conditions set out in its Related Party Transactions Policy and Procedures Manual which is summarised in Section 5.3.

The total value and number of loans to Related Parties as at 31 March 2022 can be summarised as follows:-

Loan to	Ref	No. of loans	Amount ($)	% of loan portfolio	% of total assets	Original loan term or type
Andrew Hayes & Related Parties	(a)	1	47,580	0.02	0.02	48 months
James Dougherty & Related Parties	(a)	2	152,020	0.08	0.05	Line of credit
Related Parties jointly associated with Andrew Hayes, James & Mark Dougherty	(a)	1	13,944	0.01	0.01	36 months
TOTAL		**4**	**213,544**	**0.11**	**0.08**	

(a) Directors and other Related Parties
Loans to Directors and Related Parties are granted at rates of interest between 6.05% p.a. and 9.00% p.a. Interest on all of these loans is calculated and paid monthly. Security is held for 100% of these loans. Security for these loans comprises a combination of registered first mortgage, plant and equipment, as well as registered Security Interests over shares and assets.

2. Funds invested by Related Parties

Notes held by Directors and Related Parties as at 31 March 2022 are as follows:-

Notes	Amount ($)	% of Notes on issue
TOTAL	**20,124,025**	**9.14**

1. BENCHMARK INFORMATION (CONTINUED)

BENCHMARK 7 – VALUATIONS

If the issuer does not include information about valuations in the prospectus, it will be more difficult for investors to assess how risky the investment is. Keeping valuations up-to-date and shared among a panel of valuers means they are more likely to be accurate and independent.

Where the issuer is involved in or (directly or indirectly) lends money for property-related activities, it should take the following approach to obtaining and relying on valuations:

(a) properties (i.e. real estate) should be valued on an 'as is' and, for development property, on an 'as if complete' basis;

(b) development properties should be re-valued at least every 12 months unless the funds are retained by the issuer and only released in stages to cover project completion costs;

(c) an issuer should have a clear policy on how often it obtains valuations, including how recent a valuation has to be when it makes a new loan;

(d) an issuer should establish a panel of valuers and ensure that no single valuer conducts more than one-third of the total number of valuations obtained; and

(e) the appointment of valuers should be with the trustee's consent.

The Company does not satisfy this benchmark as it occasionally uses a qualified valuer not on the approved list, or in certain limited circumstances, may rely on other sources for evidence of market value. Further information is detailed below.

The Company has an approved list of panel valuers who provide valuations and this list has been approved by the Trustee. The Trustee does not accept any liability for the valuations provided by the approved valuers. Panel valuers are independent of the Company and have no interest in the subject property or any relationship with the borrower. No one individual valuer conducts more than one third of the total number of valuations obtained. The Company occasionally may be required to utilise the services of a qualified valuer outside the approved list, however only when the property is located outside the region of valuers within the list.

In certain circumstances, the Company may arrange for a property to be appraised by a real estate agent, who may not be a registered property valuer, however only in the instance where the LVR is 70% or below.

A Valuer General valuation confirmed by local council records may also be relied upon when the LVR is 80% or below. Property Contract for Sale purchase price values may be relied upon if funding is provided for purchase purposes, however only when the LVR is 50% or below

During the period of 1 April 2021 to 31 March 2022, the following number of valuations were obtained to support new mortgage lending:

Source of valuation	Number of valuations	% of total loans
Panel valuers within approved list	28	73.69
Valuer General valuations	9	23.68
Contract for sale purchase price	1	2.63
Total	**38**	**100.00**

The Company does not have any loan that is secured against property that accounts for 5% or more of the total value of the Company's loan book.

The Company makes loans for property related activities in accordance with the terms and conditions set out in its Lending Policy and Procedures Manual and Related Party Transactions Policy and Procedures Manual (refer to Section 5.3 for a summary of these policies).

Funds for property development loans are only released in stages to cover project completion costs. Funds are only provided to the developer when the construction costs are quantified by industry experts, eg; Independent Quantity Surveyors Reports.

Real property assets which are taken as security for loans are valued on an "as is" basis and for development property on an "as if complete" basis. Valuations on an "as is" basis mean the property is valued as it currently exists with regard to current market conditions. Valuations on an "as if complete" basis means the property is valued as if the proposed development has been completed with regard to current market conditions.

Independent valuations are required, for any new loans where real property is taken as security. An update of a valuation is considered during any loan review process which is dependent upon the repayment performance of the loan, level of LVR and general market conditions of property in the region of where the security is located. Valuations based on a valuers report cannot be more than one year old when a new loan is made.

1. BENCHMARK INFORMATION (CONTINUED)

BENCHMARK 8 – LENDING PRINCIPLES – LOAN TO VALUATION RATIOS

A high loan-to-valuation ratio means that the investment is more vulnerable to changing market conditions, such as a downturn in the property market. Therefore, the risk of investors losing their money could be higher.

Where an issuer (directly or indirectly) 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 complying valuation; and**

b) **in all other cases – 80% on the basis of the latest complying valuation.**

The Company satisfies this benchmark.

The Company's lending activities include property-related loans which are funded within the above lending ratios and in accordance with its Lending Policy and Procedures Manual. Further lending policy details are provided in Section 5.3.