

SEWELLS FINANCE LIMITED (the Borrower)

REPORT TO THE TRUSTEE – QUARTER ENDED 30 June 2010

Pursuant to the provisions of the Corporations Act and the Debenture Trust Deed dated 18 February 2000, we herewith provide our report for the quarter ended 30 June 2010 in relation to Sewells Finance Limited.

Report pursuant to Section 283BF of the Corporations Act.

- a) The Borrower confirms that there has been no 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 quarter.

[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 offering Debenture Investment and Mortgage Loans as permitted under 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:

(Company A)	A.C.N. (number)	\$
(Company B)	A.C.N. (number)	\$
(Company C)	A.C.N. (number)	\$

[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:

(Company A)	A.C.N. (number)	\$
(Company B)	A.C.N. (number)	\$
(Company C)	A.C.N. (number)	\$

[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 \$	Total \$
Value of Securities issued	\$27,003	\$77,573,100
Value of Securities maturing within 12 months		\$71,300,512
Value of Securities maturing beyond 12 months		\$6,272,588

[Clause 9.06(a)]

- n) The Borrower confirms that the Trust Deed:
- i) covenants;
 - ii) representations; and
 - iii) warranties
- are in full force and effect and have been complied with.
[Trust Deed]
- o) 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 6.08(i)]
- 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 7.1]
- q) 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 and no circumstances arose during the quarter that required the Borrower to issue a supplementary prospectus, replacement prospectus or issue a continuous disclosure notice.
- r) The Borrower confirms that the Borrower continues to meet the minimum requirements of the Borrowing Limitations.
[Clause 8.01, 8.04 & 9.07(b)(i)]
- 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 9.05]
- u) The Borrower confirms that the Borrower has made all interest and principal payments to debenture holders when they fell due.
[Clause 9.06(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 9.07(b)(vii)]

w) The Borrower confirms that the Borrower or any Guarantor has not incurred any contingent liabilities.

If contingent liabilities have been incurred:

- The amount is \$
- A liability of \$ 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 9.07(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. **[If there are any changes provide particulars.]**

[Clause 9.07(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 9.07(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 9.07(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 9.08]

bb) The Borrower confirms that the Borrower has ensured that the funds have been invested in accordance of Clause 11 and that there have been no breaches of restrictions or limitations contained therein.

[Clause 11]

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

[Clause 11.03]

dd) The Borrower confirms that the Borrower 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.

- 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:
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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

21st day of July 2010

.....
Director
(Signature)

.....
Director
(Signature) **STUART LESTER HOLBERRY**

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.

1. Benchmark One – Equity capital

The Company did not meet this benchmark during the quarter for the same reasons as explained on pages six and seven of its Prospectus dated 29 February 2008.

2. Benchmark Two – Liquidity

The Company complied with this benchmark during the quarter.

3. Benchmark Three – Rollovers

The Company complied with this benchmark during the quarter.

4. Benchmark Four – Credit ratings

The Company did not meet this benchmark during the quarter for the same reasons as explained on page eight of its Prospectus dated 29 February 2008.

5. Benchmark Five – Loan portfolio

The Company complied with this benchmark during the quarter.

6. Benchmark Six – Related party transactions

The Company complied with this benchmark during the quarter.

7. Benchmark Seven – Valuations

The Company did not meet this benchmark during the quarter for the same reasons as explained on page ten of its Prospectus dated 29 February 2008

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

The Company complied with this benchmark during the quarter

Annexure "B"

**Investment Portfolio of
Sewells Finance Limited**

Quarter Ended 30 June 2010

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

Assets	Current Quarter 000's	%	Previous Quarter 000's	%
Cash and deposits at call	4,973	6.12	3,664	4.54
Other Authorised Investments	9,764	12.01	13,822	17.13
Real Property #	1,352	1.66	1,352	1.68
Secured Lending (excluding Prop. Dev.)	62,998	77.51	59,279	73.47
Property Development lending	1,935	2.38	2,306	2.86
Intangible assets	0	0.00	0	0.00
Other	259	0.32	261	0.32
Total Assets	81,281	100.00	80,684	100.00
Liabilities				
Debenture noteholders	77,573	99.15	77,546	99.19
Other liabilities	662	0.85	630	0.81
Total Liabilities	78,235	100.00	78,176	100.00
Net Assets	3,046		2,508	
Equity				
Contributed Equity	741	24.33	741	29.55
Accumulated profits/losses	2,305	75.67	1,767	70.45
Total Equity	3,046	100.00	2,508	100.00

limited to 10% of monies deposited

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

Number of loans	368
Average loan size 000's	\$176
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	2 years
Average term to loan maturity	10 months
Average interest rate charged to Borrowers	9.37%
Average loan to value ratio	48.50%
Average Rate of Return	2.834%

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

Security Type *	No.	\$ 000's	%
Residential	146	24,804	38.20
Commercial	48	8,899	13.70
Development	6	1,935	2.98
Rural	168	29,295	45.12
Total	368	64,933	100.00

* Please add other types as required

4. Total secured property by State/Territory as at this quarter end is as follows:-

State/Territory	Loan Portfolio			Secured Property	
	No.	\$ 000's	%	\$ 000's	%
NSW		0	0.00		
QLD	1	5,463	8.41	12,800	42.68
VIC	365	59,057	90.95	113,559	52.01
WA		0	0.00		
SA		0	0.00		
TAS	2	413	0.64	775	53.29
ACT		0	0.00		
NT		0	0.00		
Total	368	64,933	100.00	127,134	51.07%

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

Loan No	Loan Balance \$	No. of days in arrears > 30 days	Value of Security \$	Amount of Arrears in excess of \$1,000	LVR %
1	\$243,801	122	\$357,500	\$8,214	68
2	\$532,416	30	\$760,000	\$6,800	70
3	\$232,084	30	\$360,000	\$3,070	64
4	\$2,886,822	30	\$4,840,000	\$52,751	60

6. Financial Ratios

Ratio	This Quarter End	Previous Quarter End
Working Capital %	111.94%	112.47%
Debt to Equity %	2568.48%	3116.90%
Interest cover (Interest revenue over interest expense) %	141.54%	139.15%
The amount Total Tangible Assets exceeds Total External Liabilities (Clause 8)	\$3,045,962	\$2,508,131
The amount Total Tangible Assets exceeds Total External Liabilities as a % (Clause 8)	3.75%	3.11%