SUPREME COURT OF QUEENSLAND

REGISTRY:	**Brisbane**
NUMBER:	**3508 of 2015**

IN THE MATTER OF LM INVESTMENT MANAGEMENT LIMITED (IN LIQUIDATION) (RECEIVERS APPOINTED) ACN 077 208 461

First Applicants: **JOHN RICHARD PARK AS LIQUIDATOR OF LM INVESTMENT MANAGEMENT LIMITED (IN LIQUIDATION) (RECEIVERS AND MANAGERS APPOINTED) ACN 077 208 461 THE RESPONSIBLE ENTITY OF THE LM FIRST MORTGAGE INCOME FUND ARSN 089 343 288**

AND

Second Applicant: **LM INVESTMENT MANAGEMENT LIMITED (IN LIQUIDATION) (RECEIVERS AND MANAGERS APPOINTED) ACN 077 208 461 THE RESPONSIBLE ENTITY OF THE LM FIRST MORTGAGE INCOME FUND ARSN 089 343 288**

AND

Respondent: **DAVID WHYTE AS THE PERSON APPOINTED TO SUPERVISE THE WINDING UP OF THE LM FIRST MORTGAGE INCOME FUND ARSN 089 343 288 PURSUANT TO SECTION 601NF OF THE CORPORATIONS ACT 2001**

SUPPLEMENTARY AFFIDAVIT

JOHN RICHARD PARK care of Level 20, CP1 345 Queen Street, Brisbane, Queensland, 4000, Chartered Accountant, states on oath:

1. I am the First Applicant in this proceeding. I refer to my previous affidavit filed on 7 August 2018 sworn in support of the application filed 17 July 2018 (**"my Earlier**

Signed: Taken by:

AFFIDAVIT
Filed on Behalf of the Applicants
Form 46, Version 1
Uniform Civil Procedure Rules 1999
Rule 431

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Ref: JTW: JEW: 20170799

Affidavit"). Capitalised terms in this affidavit have the same meaning as in my Earlier Affidavit. I make this affidavit to address specifically the issue of LMIM being the trustee of the various Funds.

2. Now produced and shown to me and marked "**JRP-9**" is an indexed, paginated bundle of documents to which I shall refer in this affidavit. References to numbers in **[ ]** are references to page numbers of JRP-9.

PART A – THE ASSETS/BUSINESS OF LMIM, IN ITS OWN RIGHT

Investigations into and knowledge of LMIM's Business

3. As part of my role as administrator and liquidator of LMIM, I have conducted investigations into its affairs over several years. Those investigations have involved identifying the books and records of LMIM, reviewing those books and records, speaking with the directors and employees of both LMIM and LM Administration Pty Ltd ("**LMA**"), reading the reports of the other professionals who have been appointed to various roles (such as the FMIF Receiver), obtaining information and documents from third parties and conducting searches.

4. I also engaged the services of other service lines of FTI Consulting to assist with those investigations. I have also relied on numerous staff members to carry out similar investigative tasks and then report to me about those matters.

5. Because of the length and complexity of the administration and liquidation of LMIM, it is difficult for me now to attribute any part of my knowledge about the affairs of LMIM (to which I depose below) to any particular source. The obvious exception is where (as I do below) I have relied on particular documents located within the books and records of LMIM to inform my understanding of LMIM's affairs.

Signed: Taken by:

6. The basis of my belief in the truth of the matters to which I depose in paragraphs 7 to 59 below arises from:

   (a) the accumulation of knowledge as a result of those investigations (as described above) generally;

   (b) where documents have informed that view, those documents (which are exhibited where appropriate); and

   (c) specific matters to which I have refer to in this affidavit.

7. In my 22 February Affidavit, I deposed to my assessment of LMIM's business having been that LMIM's predominant purpose was to act as responsible entity and trustee of the Funds. That remains my view, based on the general matters set out above and the specific matters detailed below.

Assets Owned by LMIM

8. At the time of my appointment, the assets of LMIM, in its own right, were:

   (a) cash at bank;

   (b) the following interests in real property:

      (i) LMIM was registered owner, as tenant in common to the extent of 57% with Lisa Darcy (a former director), of a residential property located at 20 Albatross Avenue, Mermaid Beach ("**the Albatross Avenue Property**");

      (ii) A 66.66% interest in a joint venture in respect of a real property owned by Baronsand Pty Ltd at 38 Cavill Avenue, Surfers Paradise, being the premises from the which the Funds' business was conducted ("**the Cavill Avenue Property**");

Signed: Taken by:

(c) shares in the following related entities or subsidiaries:

(i) LM Investment Management Canada Ltd (**LMIM Canada**), a Canadian company which operated an investment office in Canada;

(ii) LM Investment Management International Ltd (in liquidation), a company which appeared to operate in Hong Kong and Thailand, but which was already in liquidation as at 19 March 2013;

(iii) LM Investment Management New Zealand Ltd, which operated investment offices in New Zealand, but which had ceased trading by 19 March 2013;

(iv) LM Investment Management UK Ltd (in liquidation), a company which operated investment offices in the United Kingdom, but which was already in liquidation as at 19 March 2013; and

(v) LM FZE, a company which operated investment offices in the United Arab Emirates with funding from LMIM.

(d) loans owed to it by some of those related entities.

9. As for the shares in the various entities in paragraph 8(c) above, as best my investigations revealed, the sole purpose for those corporate entities existing was to provide an overseas registered company in each of the various jurisdictions to enable LMIM to raise funds in those jurisdictions for the purpose of the funds management business in Australia. That is, there were not separate fund management businesses in those overseas jurisdictions.

10. None of the overseas companies had any assets of any significance, with the exception of LMIM Canada, which had cash at bank in respect of liquidated assets of about $14,733.27. That sum was realised by me in the course of the liquidation.

Signed: Taken by:

11. As for the Cavill Avenue Property, the real property was owned by Baronsand Pty Ltd as trustee for the purposes of the joint venture of which LMIM was a party. The joint venture agreement was in writing. At **[1]** to **[31]** is a copy of the "Baronsand Joint Venture Agreement" ("**JVA**").

12. According to the JVA, LMIM originally had a 50% interest. The other 50% was owned by three venturers, being Bandside Pty Ltd, MJ Securities Pty Ltd and Caffe Evita Pty Ltd (each being a trustee of a separate trust). At some stage, one of these joint venture parties appeared to have transferred their interest in the joint venture to LMIM so that LMIM held a 66.667% interest as effected in the 2012 Financial Statements.

13. The joint venture was controlled by a management committee, of which LMIM could nominate one of two appointees, however the management committee could only act via the unanimous agreement of both committee members. Furthermore, by the terms of the JVA, the joint venturers appointed a manager, Law Mortgage Management Pty Ltd, in respect of all building and construction matters and DRA Property Services in respect of all leasing and day to day property management matters.

14. Accordingly, LMIM had no control or involvement in the day to day running of the joint venture or the underlying asset.

15. As for the Albatross Avenue Property, that property was a modest single storey residential bungalow on the western side of Albatross Avenue at Mermaid Beach that was rented out by the owners. It was not a place of any obvious business.

LMIM's Assets according to its financial statements

16. The financial statements for LMIM for 2012 record net assets of $6,674,945. Apart from cash and receivables, the only assets are the shares and interests in the real properties identified above. As identified below, the only income that appears to have been referable

Signed: Taken by:

to any to these three assets is rental income of $13,344.00 from the Albatross Avenue property, or approximately .1% of its total revenue.

17. Accordingly, based on the above matters and my investigations generally, LMIM did not have assets in its own right that it used to carry on any business other than the funds management business as responsible entity/trustee of the various LM fund trusts.

LMIM's AFSL AND NET TANGIBLE ASSET REQUIREMENT

18. LMIM carried on business as a provider of financial services and was required under the *Corporations Act* 2001 ("**Act**") to hold an Australian financial services licence ("**AFSL**"). A copy of LMIM's Australian Financial Services License (**AFSL**) effective as at 7 September 2012 appears at **[32]** to **[57]**.

19. It was a condition of the AFSL, by paragraph 11, that LMIM in its own right held at least $5 million in net tangible assets ("**the NTA Requirement**").

20. I have concluded that LMIM:

    (a) did not carry on any business other than as trustee or responsible entity of the various funds; and

    (b) maintained its interest in the two properties and overseas companies only in order to maintain the AFSL (and to satisfy the NTA Requirement) and otherwise run its business as responsible entity/trustee.

Income Received by LMIM

Prior to 19 March 2013

21. At **[58]** to **[111]** is a copy of LMIM's financial statements for the financial year ending 30 June 2011.

Signed: Taken by:

22. At **[112]** to **[155]** is a copy of LMIM's financial statements for the financial year ending 30 June 2012.

23. The financial statements describe the principal activities of LMIM as:

> *"LM Investment Management Limited is an Australian funds manager which operates both nationally and internationally from offices on the Gold Coast, Sydney, Hong Kong, New Zealand, United Kingdom and Dubai.*
>
> *The Company is an unlisted public company that is 100% Australian owned and managed and is registered with the Australian Securities and Investments Commission (ASIC) as a Responsible Entity and Australian Financial Services Licensee. The Company also has an authorised representative agreement with a related party, Drake Pty Ltd to collect fees and other financial benefits on its behalf. The principal activity of Drake Pty Ltd is the provision of life insurance services.*
>
> *The Group's principal activity is the provision of specialised Australian income products..."*

24. With the exception of the reference to Drake Pty Ltd, that statement accords with my experience of the activities conducted by LMIM.

25. The financial statements, at Note 3, record that:

(a) in the 2012 financial year, revenue in nature of management fees from the Funds comprised $13,581,734 out of total revenue of $13,655,402; and

(b) in the 2011 financial year, revenue in the nature of management fees from the Funds comprised $15,979,226 out of total revenue of $16,051,209.

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26. LMIM's major source of income (as to 99.46% in 2012) comprised management fees from the Funds. For the financial year ended 30 June 2012, the revenue is described in the financial statements as:

(a) Commission income of $2,129;

(b) Management fees of $13,581,734;

(c) Rental income of $13,344;

(d) Interest of $58,078; and

(e) Other income of $117.

Commission Income

27. My investigations have included reviewing the financial statements, forecast budgets and cashflow documents amongst LMIM's books and records. None of those documents separately identify the source of the line item in the financial statements described as commission income.

28. LMIM was a party to an 'Authorised Representative Agreement' dated 9 March 2004 in respect of Kelvin Fair. Mr Fair was an employee of LMA. Pursuant to that agreement Mr Fair agreed to provide certain financial services to LMIM. That agreement was terminated on 8 May 2013, shortly after my appointment as voluntary administrator. A copy of the Termination Deed by which that occurred appears at **[156]** to **[167]**.

29. The books and records of LMIM include correspondence suggesting that Drake Pty Ltd would arrange 'key man' and other types of insurance for borrowers from the Funds.

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30. It is possible that the line item in the financial statements relates to commissions paid under that arrangement, but I have been unable to confirm that possibility by reference to other documents or my investigations to date.

Rental Income

31. The line item 'rental income' relates to rent received in relation to the Albatross Avenue Property.

Other Income

32. I have been unable to identify the source of funds described in the financial statements as 'Other Income'. There was no revenue in this category in the 2011 financial year. There was $117 in 'Other Income' in the 2012 financial year.

<u>After 19 March 2013</u>

33. From the date of my and Ms Muller's appointment as administrators, LMIM did not carry on any business in its own right other than that of responsible entity and trustee of the funds. The controllership appointments which LMIM took, being adjunct and incidental to LMIM's role as responsible entity/trustee of the LM Funds. As at 12 July 2018 the total controllership income paid to LMIM was $267,978.95 this amount being, in effect, received from the Funds.

34. During the Administration Period, the only income which LMIM received which did not come from the Funds was:

    (a) rent of $2,165.11; and

    (b) interest of $23.28.

Signed: Taken by:

35. An amount of $265,539.91 was drawn in respect of the controllership fees as at 12 July 2018.

36. As is set out in more detail below, LMIM had assets to realise which lead to the receipt of monies but no revenue was generated from sources other than the Funds and the realisation of LMIM's assets in its own right during the Liquidation Period.

PART C – LMIM'S RESOURCES HAVE BEEN EXHAUSTED

Assets at 19 March 2013

37. On 19 March 2013, the assets of LMIM in its own right were as set out in the table below. The reference to 'book value' is a reference to the 2012 financial statements. The reference to "Amount ultimately realised' is a reference to the gross sums ultimately realised for those assets. The two properties and the shares were not realised during the voluntary administration, but during the subsequent liquidation.

Assets	**Book Value**	**Amount ultimately realised**
Cash at Bank	$1,059,430.00	$1,061,769.22
Cavill Avenue Property	$4,467,785.00	$660,673.10
Albatross Avenue Property	$769,500.00	$483,832.34
Loans to related parties/subsidiaries	$722,521.00	$0.00
Ownership of subsidiary shares	$544,717.00	$14,733.27
LMIM Canada	*N/A*	*$14,733.27*
LM Investment Management International Ltd	*N/A*	*$0.00*
LM Investment Management New Zealand Ltd	*N/A*	*$0.00*
LM Investment Management UK	*N/A*	*$0.00*

Signed: Taken by:

LM FZE	*N/A*	*$0.00*
Total Assets	**$7,563,953**	**$2,221,007.93**

Receipts and Payments during the Voluntary Administration

38. At **[168]** to **[169]** is a copy of a spreadsheet which shows the receipts and payments made by LMIM throughout the Administration Period. It is drawn from the same system that is used to prepare ASIC receipts and payments.

39. That spreadsheet:

(a) is divided into 'Trading' and 'Non-Trading' receipts and payments;

(b) includes 'transfers', such as between the voluntary administration and the liquidation.

40. The distinction between 'Trading' and 'Non-Trading' relates to the distinction between the funds management business of LMIM and its other activities. Given that Ms Muller and I only ever caused LMIM to 'trade' as a trustee and Responsible Manager of the Funds (as set out in paragraphs 34 to 36 above), the 'Non-trading' figures in respect of work relating to the Corporate Remuneration.

41. I have reviewed the records maintained by FTI staff in relation to the administration and liquidation of LMIM. Based on that review, LMIM's cash diminished during the Administration Period as follows:

Description	**Credit**	**Debit**	**Balance**
Opening Cash Balance	$1,061,769.22		$1,061,769.22
Corporate Receipts	$9,780.23		$1,071,549.45

Signed: Taken by:

Corporate Payments		($55,588.71)	$1,015,960.74
Trading shortfall		($988,486.98)	$27,473.76
Closing Balance			**$27,473.76**

42. The Corporate Receipts listed in that table comprised GST and other refunds and interest.

43. The Corporate Payments listed in that table comprised bank fees and legal costs that were otherwise not referable to any fund and would otherwise be priority payments under s.556(1)(a) of the Act.

44. The Trading shortfall listed in that table is the net amount of:

(a) Receipts by LMIM in its own right that are referable to the funds management business; less

(b) Expenses incurred by LMIM as operating costs of the funds management business that are priority payments under ss.443E and 556(1)(c) of the Act, including insurance payments, legal fees, consultancy fees and loans to LMA to fund operations.

Assets at 1 August 2013

45. On 1 August 2013, the assets LMIM in its own right were as set out in the table below.

Assets	Book Value	Amount ultimately realised
Cash at Bank	$27,473.76	$27,473.76
Cavill Avenue Property	$4,467,785.00	$660,673.10
Albatross Avenue Property	$769,500.00	$483,832.34

Signed: Taken by:

Loans to related parties/subsidiaries	$722,521.00	$0.00
Ownership of subsidiary shares	$544,717.00	$14,733.27
LMIM Canada	*N/A*	*$14,733.27*
LM Investment Management International Ltd	*N/A*	*$0.00*
LM Investment Management New Zealand Ltd	*N/A*	*$0.00*
LM Investment Management UK	*N/A*	*$0.00*
LM FZE	*N/A*	*$0.00*
Total Assets	**$6,531,996.70**	**$1,186,712.40**

Receipts and Payments during the Liquidation

46. At **[170]** to **[172]** is a copy of a spreadsheet which shows the receipts and payments made by LMIM throughout the Liquidation Period up to 12 July 2018. It is drawn from the same system that is used to prepare ASIC receipts and payments

47. That spreadsheet is set up in the same way as described in paragraphs 39 to 40 above.

48. I have reviewed the records maintained by FTI staff in relation to the administration and liquidation of LMIM. Based on that review, I have prepared an approximate running balance of LMIM's receipts and payments during the Liquidation Period, as follows:

Description	**Credit**	**Debit**	**Balance**
Opening Cash Balance	$27,473.76		$27,473.76
Net sale proceeds of Cavill Avenue Property on 5 April 2014	$660,673.10		$688,146.86

Signed: Taken by:

Net sale of Albatross Avenue Property on 8 October 2013	$483,832.34		$1,171,979.20
Net sale of LMIM Canada assets on 1 August 2014	$14,733.27		$1,186,712.47
Other Corporate Receipts	$1,429,317.87		$2,616,030.34
Controllership Income	$267,978.95		$2,884,009.29
Corporate Payments		($1,549,870.85)	$1,334,138.44
Trading shortfall		($904,294.22)	$429,844.22
Closing Balance			**$429,844.22**

49. The Other Corporate Receipts listed in that table comprised transfers received from deposit accounts, refunds, GST refunds and interest.

50. The Corporate Payments listed in that table comprised legal fees, bank charges, accounting fees and reimbursement costs, all being priority payments under s.556(1)(a) of the Act.

51. The Trading shortfall listed in that table is the net amount, as at 12 July 2018 of:

(a) Receipts by LMIM in its own right that are referable to the funds management business; less

(b) Expenses incurred by LMIM as operating costs of the funds management business that are priority payments under s.556 (1)(a) of the Act, including insurance payments, legal fees, consultancy fees and payments to LMA to fund operations.

Current and prospective asset position

Signed: Taken by:

52. As at 12 July 2018, the present asset and liability position of LMIM is:

(a) cash at bank of $429,844.22;

(b) current liabilities to pay outstanding legal expenses invoiced but not yet paid of $1,209,031.12;

(c) work in progress in the excess of $300,000.00 of which no more than $200,000.00 may be recoverable; and

(d) a claim for re-imbursement from the Funds of some costs and expenses, subject to Court approval.

53. As for the current liabilities to pay legal expenses, those sums relate to work carried out at the instruction of the liquidators but have not been paid. I may be able to claim some of these amounts by way of exoneration from the Funds. I say more about this at paragraph 56 below. I do not anticipate that I will recover more than approximately $400,000 of such legal costs, leaving a shortfall of at least $800,000.00.

54. That leaves a deficiency of assets over liabilities of approximately $479,186.90.

Potential indemnity claim as an asset of LMIM

55. In circumstances where LMIM has:

(a) paid costs and expenses in respect of the Funds and for which LMIM may have a right of indemnity out of the assets of some of the Funds; and

(b) future liabilities to pay costs and expenses in relation to the winding up of LMIM for which I will have a right of indemnity out of some of the Funds;

Signed: Taken by:

I intend to bring a further, perhaps a number of, applications for approval of those costs and expenses and for payment out of the Funds.

56. I am advised by Russells (in respect of which advice, I do not waive privilege) that only a portion of those claims are likely to result in amounts being received by LMIM in its own right. My current assessment is that the amount of the unrecoverable amounts will be at least $300,000.00.

57. Accordingly, the amount of the shortfall will be such that LMIM will never be in a position where it has assets available for payment of my remuneration, such that if I do not recover my remuneration from the Funds, I will be left without remuneration for the work I carry out for LMIM. Whilst to date I have been willing to carry the costs of the conduct of my appointment to LMIM together with the exposure of the associated liabilities (such as legal costs) pending and contingent upon successful court applications to authorise the payment of such remuneration and expenses from the scheme assets of the funds, this is a situation which I will need to continue to monitor and assess moving forward (i.e. whether I continue to incur costs and expenses in the liquidation on that basis (and without the associated risks) or invite any affected creditor to indemnify me under s.545(2) of the Act).

Other matters

58. I claim, by this application, remuneration as liquidator. In circumstances where that remuneration does not form part of LMIM's assets, I have excluded those potential amounts from any consideration of the assets and liabilities of LMIM.

Signed:

Taken by:

All the facts and circumstances deposed to are within my own knowledge save such as are deposed to from information only and my means of knowledge and sources of information appear on the face of this my Affidavit.

Sworn by **JOHN RICHARD PARK** on 10 August 2018 at Brisbane in the presence of:

Deponent	C. Dec S~~olicitor/ Barrister/ Justice of the Peace~~

COMMISSIONER FOR DECLARATIONS
QUEENSLAND GOVERNMENT
Reg.No.: 97523
DEPARTMENT OF JUSTICE QUEENSLAND

SUPREME COURT OF QUEENSLAND

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Respondent: **DAVID WHYTE AS THE PERSON APPOINTED TO SUPERVISE THE WINDING UP OF THE LM FIRST MORTGAGE INCOME FUND ARSN 089 343 288 PURSUANT TO SECTION 601NF OF THE CORPORATIONS ACT 2001**

CERTIFICATE OF EXHIBIT

Bound and marked exhibit "**JRP-9**" are the exhibits to the Affidavit of **JOHN RICHARD PARK** sworn 10 August 2018:

Deponent

C. Dee

~~Solicitor/Barrister/Justice of the Peace~~

COMMISSIONER FOR DECLARATIONS
QUEENSLAND GOVERNMENT
Reg.No.: 97523
DEPARTMENT OF JUSTICE QUEENSLAND

CERTIFICATE OF EXHIBIT
Filed on Behalf of the Applicant
Form 47, Version 1
Uniform Civil Procedure Rules 1999
Rule 431

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SUPREME COURT OF QUEENSLAND

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Ref: JTW: OCB: 20131259

Morbeato 14-10-99

JOINT VENTURE AGREEMENT

THIS AGREEMENT is made the 7th day of April 1999

BETWEEN : BANDSIDE PTY LTD ACN 086 913 135 atf The McMurtrie Family Trust, MJ SECURITIES PTY LTD ACN 070 668 174 atf The Park Avenue Trust, CAFFE EVITA PTY LTD ACN 077 844 225 atf The Butler Family Trust, LM INVESTMENT MANAGEMENT LIMITED ACN 077 208 461 of the First part

AND : BARONSAND PTY LTD ACN 086 817 352 a Company duly incorporated in the State of Queensland c/- PKF Worldwide, Level 5 RSL Centre, 9 Beach Road, Surfers Paradise in the said State (hereinafter called "the Trustee") of the Second Part

WHEREAS:-

A. BANDSIDE PTY LTD ACN 086 913 135 atf The McMurtrie Family Trust, MJ SECURITIES PTY LTD ACN 070 668 174 atf The Park Avenue Trust, CAFFE EVITA PTY LTD ACN 077 844 225 atf The Butler Family Trust, LM INVESTMENT MANAGEMENT LIMITED ACN 077 208 461 have agreed to embark upon a Joint Venture on the basis herein set out.

B. The parties hereto have agreed upon the terms functions duties rights and obligations hereinafter appearing for the acquisition development, leasing and disposal of the land described on the First Schedule hereto (hereinafter collectively referred to as "the said land") which it is proposed be purchased by the Trustee.

NOW THIS AGREEMENT WITNESSETH AS FOLLOWS:-

1. SCOPE OF VENTURE

1.01 BANDSIDE PTY LTD ACN 086 913 135 atf The McMurtrie Family Trust, MJ SECURITIES PTY LTD ACN 070 668 174 atf The Park Avenue Trust, CAFFE EVITA PTY LTD ACN 077 844 225 atf The Butler Family Trust, LM INVESTMENT MANAGEMENT LIMITED ACN 077 208 461 (hereinafter together called the "Joint Venturers") agree to enter into a Joint Venture to acquire develop and deal with the said land for the purposes hereinafter set out.

1.02 Subject to any decision of the Management Committee to the contrary the Joint Venturers shall develop the said land by subdividing the building erected thereon into lots pursuant to the provisions of the *Land Titles Act 1994* and refurbishing same (herein called "the Development"), lease those vacant areas contained in the said Building and manage same as a first class commercial retail and office building.

1.03 Subject to the terms hereof, the Joint Venture will continue from the date hereof until termination which shall occur upon the eventual sale of the said land and improvements in accordance with the decisions of the Management Committee or at such earlier date as the Joint Venturers agree to terminate the Joint Venture.

1.04 The said land shall be the property of the Joint Venture and each of the Joint Venturers shall only deal with its interest in the said land in accordance with the terms hereof.

1.05 The Planning and direction and overall management of the Venture and the implementation control and supervision thereof shall be vested in a Management Committee. The Management Committee shall make all decisions on policy procedures and objectives in regard to all aspects of the venture including the subdivision, refurbishment of the Building, the leasing of the Building and the terms, timings, prices for and at which the said land or improvements or any part thereof is to be offered for sale.

2.MANAGEMENT COMMITTEE

2.01 The Management Committee shall consist of members who shall comprise:-

(a) The appointee for the time being and from time to time of BANDSIDE PTY LTD ACN 086 913 135, MJ SECURITIES PTY LTD ACN 070 668 174, CAFFE EVITA PTY LTD ACN 077 844 225 which shall in the first instance be SCOTT JAMES MC MURTRIE; and

(b) The appointee for the time being and from time to time of LM INVESTMENT MANAGEMENT LIMITED ACN 077 208 461 which shall in the first instance be MICHAEL PATRICK DWYER.

2.02 The parties referred to in each of Clause 2.01 (a) and 2.01(b) have the right to remove or replace their appointee. Any such appointment removal or replacement shall be notified in writing in advance to the other members of the Management Committee.

2.03 A quorum for a meeting shall be the two (2) members and no decision of the Management Committee shall be binding unless decided on by a quorum constituted by Joint Venturers holding in aggregate one hundred per cent (100%) of the votes described in the Second Schedule hereto.

2.04 All meetings of the Management Committee shall be presided over by a chairman who shall be nominated at each meeting. The chairman shall not have a casting vote.

2.05 All questions for decision by the Management Committee shall be decided upon by a vote and shall require one hundred per cent (100%) vote of the Joint Venturers as described in the Second Schedule hereto.

2.06 Any member of the Committee may by notice in writing to the other members summons a meeting of the Committee. Any such notice shall be given seven (7) clear days at least prior to the meeting specifying the place, the day and the hour of the meeting and in the case of special business the general nature of the business.

2.07 A meeting shall, notwithstanding that it is called by notice shorter than is required, be deemed to be duly called if all members are present at such meeting and if all members present agree to waive notice.

2.08 If within half an hour of the time appointed for any meeting of the Management Committee convened in accordance with the provisions of this Deed a quorum is not present any one of the members present shall notify such other members by return paid registered letter that the meeting shall stand adjourned to a date time and place to be fixed by the members present but not later than ten (10) days from the date of the notice notifying the members not present of the adjourned meeting. Should the members present fail to fix a date time and place for the adjourned meeting then the meeting shall be adjourned to the same day in the next week at the same time and place. If at the adjourned meeting a quorum is not present within half an hour of the time appointed for the meeting the members present shall be deemed to constitute a quorum with full power to decide any question or issues as if they were a full and duly appointed and constituted Management Committee within the terms of this Agreement.

2.09 The Management Committee shall cause minutes to be made:-

(a) Of all appointments of Members;

(b) Of the names of members present at all meetings of the Management Committee;

(c) Of all proceedings at all meetings of the Management Committee;

Such minutes shall be signed by the Chairman of the Meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

3. MANAGER

3.01 Subject to the terms hereof, a Manager or Managers shall be appointed by the Joint Venturers by way of an independent management agreement to carry out the duties and functions set out in this clause and is/are appointed for the term(s) specified in such agreement(s). The first manager(s) shall be the person(s) or corporation(s) whose particulars appear in the Third Schedule hereto.

3.02 The Manager, subject to the management agreement under which the Manager is appointed, under the supervision of the Management Committee will undertake and manage the day to day running of the business of the Joint Venture including (but without limiting the generality of the foregoing) the Management of:

(a) Obtainment of approvals and permits for the Subdivision of the Building;

(b) Selecting and conferring with surveyors, engineers and architects and other consultants and contractors in relation to the Development;

(c) Leasing of the Buildings on the Development;

(d) Advertising and marketing for tenants of the said land and improvements on the most profitable basis;

(e) obtaining necessary approvals from Local Councils and/or other Statutory Bodies;

(f) Calling tenders in respect of the sale and/or construction of Buildings where necessary.

3.03 The Manager shall devote to its duties all the skill and experience and expertise which it possesses and the skill and expertise of its Directors and staff in the work required to be done to discharge its duties and the Manager will consult with the

Management Committee with respect to all major decisions including selection of the persons or companies by whom any works or services are to be done and with respect to all matters of finance. The Manager shall, without delay, give effect to any directions the Manager receives from the Management Committee.

3.04 As remuneration for its services, the Manager shall receive the sum detailed in the Fourth Schedule hereto.

3..05 It is hereby declared that the Manager has been appointed hereunder as a result of the particular services and advantages which they can offer to the Joint Venturers in the performance of their duties hereunder and accordingly the Manager shall not be entitled to sell transfer or assign its rights duties and liabilities hereunder except with the written consent of the Management Committee.

3.06 The Manager shall be responsible for keeping all proper and usual accounting records and books of account for the Joint Venture.

3.07 the Manager will supply monthly accounting reports to the Management Committee, if the Committee so requests.

3.08 The Manager shall be entitled to recover from the Joint Venturers as a debt due and owing to it the amount of any separate charge reasonably incurred by it for consulting with or employing any external accounting service in connection with the preparation of the said accounts but shall not be entitled to make a separate charge to the Joint Venturers for any work done in performance of its duties under this clause by it or any of its internal staff.

4. TERMINATION OF MANAGER'S APPOINTMENT

4.01 If at any time in the opinion of the Management Committee the Manager is failing to carry out their functions and duties hereunder diligently effectively properly and satisfactorily, the Committee on behalf of the Joint Venturers, may give the Manager written notice thereof specifying the matters or aspects about which it has complaints or is dissatisfied.

4.02 Within seven (7) days after the giving of such notice, the Manager shall furnish to the Management Committee either in writing or otherwise explanations arguments and other submissions in relation to its performance and activities and shall make such changes or improvements in the carrying out of its functions and duties hereunder as it considers appropriate and the Management Committee shall give proper consideration thereto.

4.03 If after the said period of seven (7) days the Management Committee resolves that the Manager has failed to improve or to justify its performance hereunder and is still not carrying out its functions and duties hereunder diligently, effectively, properly and satisfactorily, the Management Committee may give the Manager notice that the Manager's services and duties hereunder are terminated forthwith. Upon receipt of such notice, the Manager shall ipso facto wholly and absolutely cease to be entitled or obliged in any way or to any extent to perform or carry out any of the Manager's duties functions responsibilities or obligations as specified in clause 3 hereof.

5. APPOINTMENT OF TRUSTEE

5.01 The Joint Venturers acknowledges the Trustee is trustee for the Joint Venturers and hold pursuant to the terms hereof the said land and any other assets of the Joint Venture from time to time upon trust for the Joint Venturers in the shares herein set out.

5.02 The Joint Venturers shall take all such steps which may be necessary to procure the registration of the Trustee as registered proprietor of an estate in fee simple in the said land. The Joint Venturers shall reimburse the Trustee for all costs and out-of-pocket expenses incurred by the Trustee in the due and proper performance of its duties, functions and obligations hereunder. The Trustee shall not otherwise be entitled to receive any remuneration whatsoever for the performance of its duties and functions and obligations hereunder as Trustee for the Joint Venturers. The Trustee has no beneficial interest in the Joint Venture whatsoever.

5.03 The Trustee will apply to a financial institution or other suitable corporation or individual to provide or arrange the necessary finance to acquire the land, subdivide the land, refurbish the Building, to make interim distributions of profits in accordance with the terms hereof, and to pay legal fees, stamp duty, rates, land tax, holding charges, developments costs and other outgoings.

5.04 The Trustee will act and deal with the said Trust assets in accordance with instructions from time to time given to it by or on behalf of the Management Committee, and, without limiting the generality of the foregoing, will sign all such applications for building or other approvals, easements, leases, transfers, loan agreements, bills of mortgage and powers of Attorney and will deal with leases as instructed by or on behalf of the Management Committee.

5.05 The Trustee shall have no power to make any decision in respect of Joint Venture assets, liabilities, activities or passive operations, and shall not in any way deal with the said land or any other assets or any other part thereof except in accordance with specific instructions given by or on behalf of the management committee.

5.06 The management committee will instruct the Trustee to cause proper books of account to be kept in respect of its employment and shall cause yearly Balance Sheet and Profit and Loss Account to be prepared by accountants appointed by the Management Committee not less than once in each twelve (12) calendar months and shall upon request produce the same to the Joint Venturers for inspection.

5.07 All funds received or expended by the Trustee in carrying out his functions hereunder shall be paid into or expended from an account with a trading (within the meaning of the Banking Act (Commonwealth)) bank at a branch decided upon by the Management Committee and no cheque or other drawing on such account shall be made without the signature of a duly authorised person or persons agreed to by the Management Committee.

5.08 The Trustee will from time to time as directed by the Management Committee appoint such attorney or attorneys having such powers and authorities as the Management Committee shall from time to time in writing direct.

5.09 The Trustees shall continue to act until the termination of the Joint Venture in accordance with the provisions of clause 9 hereof or until the appointment of a Receiver in accordance with clause 10 hereof and upon the appointment of a Receiver the Trustee will, upon receiving a written request from the Receiver, sign any documents and do any acts required by the Receiver.

5.10 The Trustee will from time to time as directed by the Management Committee appoint solicitors and other professional advisors to represent and advise on behalf of the Joint Venturers.

6. PROFITS AND LOSS/FINANCE CONTRIBUTIONS

6.01 The Joint Venturers will share in the profits and be responsible for losses of the Joint Venture in the proportions disclosed in the Fifth Schedule hereto.

6.02 Profits or losses shall be determined and calculated in accordance with ordinary accounting principles.

6.03 The Joint Venturers shall provide such further financial accommodation to the Joint Venture (whether by way of further contribution to capital or by way of loans) as may be determined by the Management Committee from time to time.

6.04 A Joint Venturer shall be required to provide to the Trustee (or at the Trustee's direction) such financial accommodation referred to in clause 6.03 from time to time within seven (7) days (herein called "the Due Date") of notice of a determination by the Management Committee together with an amount equivalent to twelve (12) percent per annum, (calculated at daily balance) of the amount of the aforesaid financial accommodation due and payable in respect of each day after the Due Date in respect of which payment remains outstanding and which amount shall belong absolutely to the Joint Venturers and shall be a debt due and owing to the Joint Venturers.

6.05 Unless otherwise determined by the Management Committee a Joint Venturer who provides further financial accommodation by way of loans to the Joint Venture pursuant to clause 6.01 hereof shall be entitled to interest at a commercial rate calculated at daily balances and payable at monthly rests upon such financial accommodation so provided from time to time.

7. APPLICATION OF MONEYS

7.01 Before the sale of all the said land any moneys received by the Trustee on behalf of the Joint Venturers (including but not limited to rental income) shall be applied:-

(a) Firstly, in payment of the Manger's fee and of any expenses which may have been incurred for and incidental to the setting up and carrying out of the Joint Venture (including moneys borrowed for the purpose of the Joint Venture and interest thereon);

(b) Secondly, the balance then remaining in the aforesaid proportions to the Joint Venturers by way of distribution of profits.

8. DRAWINGS OF PROFITS

8.01 Either of the Joint Venturers may during the continuance of this Joint Venture draw such sums on account of or in anticipation of its share of the profits as may be determined by the Management Committee. If on any accounting it appears that either Joint Venturer has drawn any sum in excess of its share of profits it shall forthwith repay the same to the funds of the Joint Venture.

9. DISSOLUTION AFTER COMPLETION

9.01 After the said land has been sold and the selling price has been received the Management Committee shall carry out the following duties specified in the ensuing sub-clauses of this clause.

9.02 The Management Committee shall cause a full and complete accounting to be carried out.

9.03 If there are insufficient moneys to satisfy the Manager's fees and all debts and liabilities of the Joint Venture, the Management Committee shall determine the correct contributions to be made by the Joint Venturers (in accordance with the terms of sub-clause 6.03 hereof) and will demand immediate payment of these contributions.

9.04 Should any Joint Venturer fail to contribute its proportion of the loss in accordance with the provisions hereof then the remaining Joint Venturer may without prejudice to its respective rights against the defaulting Joint Venturer satisfy the deficiency resulting from the failure of the Joint Venture to make such contribution as aforesaid.

9.05 Then the Management Committee shall distribute the property of the Joint Venture in the following manner:-

(a) Firstly, in payment of any outstanding Manager's fees or debts and liabilities of the Joint Venture;

(b) Secondly, the residue shall be the net profit of the Joint Venture and shall be apportioned ratably between the Joint Venturers in the proportions set out in the Fifth Schedule hereof after taking into account moneys drawn in anticipation of profits.

9.06 Finally, the Management Committee shall dissolve the Joint Venture.

10. DEFAULT

10.01 In any of the following events of default (herein called "an event of default"), that is to say if:-

(a) Any Joint Venturer breaches any of the provisions hereof (including but without limitation the provision of any financial accommodation pursuant to clause 6.04 hereof); or

(b) A resolution is passed or a petition is issued for the winding up of the Trustee or any Joint Venturer; or

(c) A resolution is passed pursuant to the provisions of *The Corporations Law* to the effect that the Trustee or any Joint Venturer shall for a specified period be under the sole management of a person or persons to be called the official Manager; or

(d) A receiver or receiver and manager or administrator is appointed to the assets of or affairs of the Trustee or any Joint Venturer; or

(e) A Joint Venturer (in the case of a person) commits an act of bankruptcy (within the meaning of the Bankruptcy Act {Commonwealth)) or becomes bankrupt; or

(f) The Management Committee decides that any Joint Venturer could not or would not perform its obligations under this Agreement.

THEN any Joint Venturer shall have ninety (90) days upon the receipt of a notice in writing from any other Joint Venturer (not being in default) requesting him to remedy the same, to remedy the aforesaid default FAILING WHICH all of the Participating Interest and the Participating Shares of the Joint Venturer so in default (herein called "the Defaulting Venturer") under this Joint Venture Agreement shall be forthwith purchased by and transferred to the Joint Venturers (other than the Defaulting Venturer) in the proportion that their Participating Shares bear to each other in accordance with the following provisions:-

(i) the purchase price shall be the value agreed upon by all of the Joint Venturers in respect of the Participating Interest and the Participating Shares AND in default of agreement the value determined by a registered Valuer appointed by the Management Committee who shall act as an expert and not as an arbitrator and whose decision shall be final and which value is hereafter called ("the Sale Price");

(ii) the Sale Price shall be payable in full by bank cheque to the Defaulting Venturer (or as he shall direct) within sixty (60) days after determination of the Sale Price;

(iii) in exchange for the Sale Price the Defaulting Venturer shall execute promptly such instruments of transfer and take such other action and steps as may be necessary or appropriate to transfer its Participating Interest and Participating Shares to the other Joint Venturers;

(iv) for the purposes of further and better securing the obligations of the Defaulting Joint Venturer under clause (iii) hereof the Defaulting Joint Venturer hereby for valuable consideration irrevocably appoints jointly and severally each of the other Joint Venturers its attorney and in its name and on its behalf to carry out, to exercise, to sign, to seal and to deliver and to do all assurances, deeds, instruments, acts and things whatsoever which in the opinion of the other Joint Venturers are necessary or expedient to carry out, execute, sign, seal, deliver or do for the purposes of giving effect to the provisions in clause (iii) hereof.

10.02 Upon the sale and purchase of the Defaulting Venturer's Participating Interest and Participating Shares pursuant to the provisions of clause 10.01 hereof the following provisions shall apply:-

(a) the Defaulting Venturer shall have no further entitlement to share in profits of the Joint Venture following the date of settlement but shall share in all profit, distributions accrued up to the date of settlement;

(b) the Defaulting Venturer shall remain liable for all liabilities, debts and obligations accrued up to and including the date of forfeiture as aforesaid.

11. WITHDRAWAL/RIGHTS OF PRE-EMPTION

11.01 If any Joint Venturer wishes to withdraw from the Joint Venture (hereinafter called "the Withdrawing Party") he shall give written notice of his intention to each of the other parties which notice (hereinafter called "the Purchasing Option") shall grant and constitute an option to purchase the whole but not part of the Withdrawing

Party's Participating Interest and Participating Shares at a stated share value (hereinafter called "the Sale Price"). A Participating Interest and Participating Share shall not be sold or transferred unless and until the rights of pre-emption herein conferred shall have been exhausted.

11.02 (a) Any party wishing to exercise this option shall give notice in writing of his intention to do so to each of the other parties within sixty (60) days of the date of the Purchasing Option;

(c) Any party failing to give notice in accordance with clause 11.02(a) hereof shall be deemed to have not exercised the Purchasing Option.

11.02 If more than one Joint Venturer gives a valid notice exercising a Purchasing Option, they shall each purchase the Withdrawing Party's Participating Interest and Participating Shares in the proportion that their Participating Shares bear to each other or such other proportion as they may agree between themselves.

11.04 The Sale Price shall be determined in accordance with the following formula:-

$$\frac{B \times C}{A}$$

where:

A = the Participating Interest of the Withdrawing Party as disclosed in the Fifth Schedule.

B = the value of the assets of the Joint Venture as determined by a registered Valuer appointed by the Management Committee who shall act as an expert and not as an arbitrator and whose decision shall be final.

C = the aggregate of the Participating Interest of all Joint Venturers as disclosed in the Fifth Schedule.

11.05 In the event of the valid exercise of the Purchasing Option the party selling its Participating Interest and its Participating Shares (hereinafter called "the Vendor") shall receive from the party acquiring such interest and shares (hereinafter called "the Acquiring Party") the Sale Price or the Balance Sale Price (as the case may be) by a bank cheque within sixty (60) days of the date of notice of exercise of the option.

11.06 In exchange for such Sale Price the Vendor shall transfer to the Acquiring Party all of its right, title and interest in and to its Participating Interest and Participating Shares. The Vendor shall execute promptly such instrument of transfer and take such other action and steps as may be necessary or appropriate, or as required by the Acquiring Party, to evidence the Acquiring Party's ownership in the ratio aforesaid of the rights of the Vendor so transferred, and such Acquiring Party may enforce specific performance thereof in any court of competent jurisdiction.

11.07 In the event of the valid exercise of the Purchasing Option the Vendor hereby grants to the Acquiring Party a power of attorney exercisable after the valid exercise of the option on the following terms:-

(a) The Vendor irrevocably appoints the Acquiring Party to be its attorney and in its name and on its behalf to carry out, to exercise, to sign, to seal and to deliver and to do all assurances, deeds, instruments, acts and things whatsoever which in the opinion of the Acquiring Party are necessary or expedient for the Vendor to carry out, execute, sign, seal, deliver or do for the purpose of enabling the Acquiring Party to carry on the objects of this agreement and to give effect to the intent of clause 11.06; and

(b) Any act or thing done by the Acquiring Party on behalf of the Vendor in pursuance of the powers conferred by paragraph (a) of this clause shall bind the Vendor absolutely. The Vendor shall, at all times, indemnify and hold harmless the Acquiring Party, its directors, officers, employees and representatives from and against any and all claims, damages and liability arising out of any act or thing done, any obligation or responsibility assumed, by the Acquiring Party on behalf of the Vendor.

11.08 In the event of the whole of the share or interest of the Withdrawing Party not being sold under the preceding provisions of this clause the Withdrawing Party shall be at liberty to sell and transfer it's share or interest in the Joint Venture to any person approved by the Management Committee at the same price referred to in the Purchasing Option but for no lesser sum without first resubmitting the share or interest to the remaining Joint Venturers in accordance with Clause 11.01 and 11.02 herein.

12. DISPUTE RESOLUTION

12.01 Any dispute or difference whatsoever arising out of or in connection with this Agreement ("Dispute") shall be resolved as follows :

Reference to ADR

The parties shall first refer the Dispute to mediation by a Law Society Approved Mediator agreed by the parties, or failing agreement, appointed by the President of the Society, on the terms of the standard mediation agreement approved by the Queensland Law Society.

The reference shall commence when any party gives written notice to the other(s) specifying the Dispute and requiring its resolution under this clause.

Any information or documents obtained through or as part of the reference under this sub-clause shall not be used for any purpose other than the settlement of the Dispute under this sub-clause.

Final Resolution

If the Dispute is not resolved within twenty-one (21) days of the commencement of the reference under the preceding sub-clause either party may then, but not earlier, commence proceedings in any court of competent jurisdiction.

Venue

Any mediation under this clause shall be held at the offices of the Queensland Law Society unless the parties otherwise agree.

Contract Performance

Each party shall continue to perform this Agreement notwithstanding the existence of a Dispute or any proceedings under this clause.

13. SEVERANCE

This Agreement shall be deemed severable if any portion hereof shall be invalid, uncertain or unenforceable for any reason whatsoever such portion shall be deemed severed and ignored and the remainder shall not thereby be invalidated but shall remain in full force and effect.

14. INDEMNITIES

14.01 The Joint Venturers hereby mutually covenant and agree to contribute to any loss of the Joint Venture in the proportions set forth in the Fifth Schedule hereto and each of them hereby indemnifies and agrees to keep indemnified the others in respect of any part of any such deficiency over and above such other's said proportion thereof which such other is called upon to pay or contribute. The Joint Venturers hereby indemnify and agree to keep indemnified the Trustee in respect of any deficiency in funds required for the purpose of this Joint Venture and against any financial loss in respect of any claim upon the Trustee arising out of the Joint Venture including a claim for moneys owing pursuant to any securities executed by the Trustee in favour of any financier to the Joint Venture PROVIDED THAT the limit of each Joint Venturer's liability (expressed as a percentage of the total liability of the Trustee hereunder) shall be that as set out in the Fifth Schedule hereto.

14.02 In this clause the party or parties having the benefit of the aforesaid Guarantees is each or are all jointly and severally called "the Creditor", it is hereby agreed and declared that each of the aforesaid Guarantees is given to the Creditor on the following conditions:-

(a) The Creditor shall have the fullest liberty without affecting the Guarantee to postpone at any time and from time to time the exercise of all or any of the powers rights authorities and discretions conferred upon it or them by this Deed or by any other document in writing relating thereto or otherwise and to exercise the same at any time and in any manner and either to enforce or forbear to enforce any covenants or obligations for or relating to payment of the guaranteed moneys or any other covenants contained or implied in this Deed or in the said documents in writing or in the said Guarantee of the Joint Venturers or any other remedies available to the Creditor and the respective Guarantor shall not be released by any exercise by the Creditor of such liberty with reference to the matters aforesaid or any of them or by any time being given to the Joint Venturers with reference to the payment by the Joint Venturers at any time of all or any part of the moneys payable by the Joint Venturers hereunder or by any other thing whatsoever which under the law relating to sureties would but for this provision have the effect of so releasing the Guarantor.

(b) The Guarantee shall be a continuing Guarantee and shall not be considered as wholly or partially discharged by the payment at any time hereafter of any part of the moneys payable by the Joint Venturers hereunder or by any settlement of account intervening payment or by any other matter or thing whatsoever.

(c) The Guarantee shall not be affected by the loss of any security now or hereafter held or taken by the Creditor from the Joint Venturers or from any Guarantor or by the Creditor failing or neglecting to recover by the realisation of any such security or otherwise any of the moneys at any time owing by the Joint Venturers to the Creditor hereunder or by any laches or mistakes on the part of the Creditor.

(d) Until the Creditor shall have received payment in full of all moneys owing by the Joint Venturers hereunder the Guarantor shall not be entitled on any ground whatsoever to claim the benefit of any security for the time being held by the Creditor or either directly or indirectly to claim the benefit of any dividend or payment out of the estate of any company or person liable to the Creditor for the guaranteed moneys and in the event of any Joint Venturer (being a corporation) entering into a scheme of arrangement or going into liquidation or any Joint Venturer (being an individual) entering into a composition with creditors or committing an act of bankruptcy under the Bankruptcy Act (Commonwealth) the Guarantor shall not be entitled to prove or claim in the estate or assets of the Joint Venturers in competition with the Creditor so as to diminish any dividend or payment which but for such proof the Creditor would be entitled to receive out of such estate or assets and the receipt of any dividend or other payment by the Creditor from such estate or assets shall not prejudice the party or parties having the benefit of this Guarantee's right to recover from the Guarantor the guaranteed moneys.

(e) The Creditor may compound with or release any other Guarantor or may release any security held from any other Guarantor without affecting the liability of the respective Guarantor under his or its Guarantee.

(f) The Guarantee shall enure for the benefit of the Creditor and its or their successors transferees and assigns and shall bind the successors and assigns of the Guarantor.

(g) This Guarantee is to secure the whole of the indebtedness from time to time of the Joint Venturers to the Creditor provided that if the Guarantor's liability to the Creditor is limited the Guarantor's liability to the Creditor shall not by the virtue of this clause exceed the amount of such limit.

(h) The Creditor may from time to time amend or vary the terms of the agreement set out in this Deed without the consent of the Guarantor.

(i) This Guarantee being given for valuable consideration (and being coupled with an interest) is irrevocable and shall not be revoked by the winding up or death of the Guarantor.

(j) In order to give effect to the Guarantee the Creditor shall be at liberty to act as though the Guarantor were a principal debtor and the Guarantor waives all and any of its or his rights as surety (legal, equitable, statutory or otherwise) which may at any time be inconsistent with any of the provisions hereof.

(k) That notwithstanding the whole or part of the guaranteed moneys may be irrecoverable from any Joint Venturer by the Creditor (whether by reason of any statute, rule of law or legal limitation, disability or incapacity of or affecting these presents or by reason of any other fact or circumstance whatsoever and whether the transactions or any of them relating to such moneys have been void ab initio or have been subsequently avoided or whether or not any of the matters or facts relating thereto have been or ought to have been within the knowledge of the Creditor and may therefore be irrecoverable from the Guarantor by the Creditor) on the footing of the Guarantee then and in each such case the Guarantor hereby (to the extent aforesaid) as a separate and additional liability under this instrument indemnifies the lender in respect of such moneys (to the extent aforesaid) and as a principal debtor agrees to pay to the Creditor when demanded in writing a sum equal to the amount of such moneys (to the extent aforesaid) and the terms of the guarantee shall mutatis mutandis apply as far as possible to this indemnity.

15. NOTICES

15.01 Any notice to be given or demand to be made upon one Joint Venturer by any other shall be deemed to have been duly given or made if it be in writing and signed by the giver's solicitors or by any other person duly authorised and left at or sent though the post in a prepaid envelope addressed to the party to whom it is given at its registered office in Queensland or to its principal place of business in Australia or at the address specified in this Agreement.

15.02 Notice may also be given in any of the manners specified in Section 257 of the Property Law Act 1974 (as amended).

16. BOOKS OF ACCOUNT

16.01 All usual and proper records and books of account shall be kept and there shall be prepared a yearly balance sheet and profit and loss account for the Joint Venture. Every party hereto shall have the right to examine and inspect any books records or accounts of the Joint Venture at any reasonable time.

17. GENERAL

17.01 Except as herein provided no salary fees commission or other compensation shall be paid by the Joint Venture to either of the Joint Venturers or any of their officers or employees for any services rendered to the Joint Venture or in connection with any of its business or property.

17.02 The Bankers for the Joint Venture shall be selected by the Management Committee. All funds of the Joint Venture shall be paid into this account or into an account which shall be controlled by the Joint Venturers and no cheque or other drawing on such account shall be made without the signature of a duly authorised person or persons agreed to by the Management Committee.

17.03 The Auditors (if any) of the books of account of the Joint Venture shall be determined by the Management Committee.

17.04 The Solicitors for the Joint Venture shall be as determined by the Management Committee.

17.05 There shall be no restriction on either Joint Venturer in relation to competing with the other Joint Venturer or with the Joint Venture or in relation to use of the knowledge or other advantages gained in this Joint Venture nor shall any Joint Venturer be liable to account for the profits made or the moneys received in any other business or venture.

17.06 No Joint Venturer shall sell, transfer, assign, set over, mortgage, charge or otherwise in any way deal with all or any part of the property whether real or personal of the Joint Venture nor its right or interest in or to any of the said property not its rights and interest in the Joint Venture under this Deed without the consent in writing of the other parties hereto but which consent shall not be capriciously or unreasonably withheld.

17.07 No party hereto shall enter into any contract or any engagement under which the Joint Venture would be liable for a sum greater than ONE THOUSAND DOLLARS ($1,000.00) unless otherwise approved by the Management Committee.

18. INTERPRETATION

18.01 In this Agreement the terms hereunder shall have the following meanings:-

" BANDSIDE PTY LTD" shall be deemed to refer to BANDSIDE PTY LTD ACN 086 913 135 atf The McMurtrie Family Trust and all of the covenants and obligations herein shall bind it and its successors and assigns;

"MJ SECURITIES PTY LTD" shall be deemed to refer to MJ SECURITIES PTY LTD ACN 070 668 174 atf The Park Avenue Trust and all of the covenants and obligations herein shall bind it and its successors and assigns;

"CAFFE EVITA PTY LTD" shall be deemed to refer to CAFFE EVITA PTY LTD ACN 077 844 225 atf The Butler Family Trust and all of the covenants and obligations herein shall bind it and its successors and assigns;

"LM INVESTMENT MANAGEMENT LIMITED" shall be deemed to refer to LM INVESTMENT MANAGEMENT LIMITED ACN 077 208 461 and all of the covenants and obligations herein shall bind it and its successors and assigns;

"the Trustee" shall be deemed to refer to BARONSAND PTY LTD ACN 086 817 352 and all of the covenants and obligations herein shall bind the said BARONSAND PTY LTD ACN 086 817 352 and its successors and assigns;

"Manager" shall be deemed to refer to the person or corporation appointed under clause 3.01 and all of the covenants and obligations herein shall bind the said Manager and its successors and assigns;

"Joint Venture Property" shall be deemed to refer to the said land and any improvements including the Buildings erected or to be erected thereon together with any other property acquired from time to time by the parties for any purpose of the Joint Venture;

"Participating Interest" means with respect to each party the beneficial interest of that party in the Joint Venture and in the Joint Venture Property from time to time expressed as a percentage and also where the context permits or requires the beneficial interest of that party under the Trust;

"Participating Shares" shall be deemed to refer to the shares which each party owns or controls in the Trustee as disclosed in the Sixth Schedule hereto;

"Withdrawing Party" where more than one shall be deemed to include any of them when the context so requires;

"Acquiring Party" where more than one shall be deemed to include any of them when the context so requires;

"the Vendor" where more than one shall be deemed to include any of them when the context so requires.

18.02 Where it is importing the singular it shall include the plural and vice versa.

18.03 References to persons include companies and corporations.

18.04 Masculine words include the feminine and neuter gender.

18.05 A reference to a clause shall be a reference to a clause in this Agreement.

18.06 The section heading shall not affect the interpretation nor construction of this Agreement.

19. CONDITIONS

19.01 This Agreement shall be subject to and conditional upon the Joint Venturers procuring the shareholdings in the Trustee to be formalised as detailed in the Fifth Schedule hereto.

20. NO PARTNERSHIP

20.01 Notwithstanding any of the provisions contained herein it is expressly acknowledged and agreed to that this Agreement shall not constitute the Joint Venturers as partners for any purposes whatsoever.

21. COUNTERPARTS

21.01 This Agreement may be executed in any number of counterparts by the Joint Venturers and all counterparts shall together constitute the one Agreement.

THE FIRST SCHEDULE

Vol. Folio	County	Parish	Description	Area
Title Reference 18534035	Ward	Gilston	Lot 1 on RP 216104	888 m^2

THE SECOND SCHEDULE

Name	Votes
BANDSIDE PTY LTD ACN 086 913 135 atf The McMurtrie Family Trust	16.67%
MJ SECURITIES PTY LTD ACN 070 668 174 atf The Park Avenue Trust	16.66%
CAFFE EVITA PTY LTD ACN 077 844 225 atf The Butler Family Trust	16.66%
LM INVESTMENT PTY LTD ACN 077 208 461	50.00%

THE THIRD SCHEDULE

("the Manager")

Name	Principal Office

LAW MORTGAGE MANAGEMENT PTY LTD in respect of all building and construction matters.

DRA PROPERTY SERVICES in respect of all leasing and day to day management matters.

THE FIFTH SCHEDULE

Name	Proportion
BANDSIDE PTY LTD ACN 086 913 135 atf The McMurtrie Family Trust	16.67%
MJ SECURITIES PTY LTD ACN 070 668 174 atf The Park Avenue Trust	16.66%
CAFFE EVITA PTY LTD ACN 077 844 225 atf The Butler Family Trust	16.66%
LM INVESTMENT PTY LTD ACN 077 208 461	50.00%

THE SIXTH SCHEDULE

Name	Proportion
BANDSIDE PTY LTD ACN 086 913 135 atf The McMurtrie Family Trust	16.67%
MJ SECURITIES PTY LTD ACN 070 668 174 atf The Park Avenue Trust	16.66%
CAFFE EVITA PTY LTD ACN 077 844 225 atf The Butler Family Trust	16.66%
LM INVESTMENT PTY LTD ACN 077 208 461	50.00%

<u>IN WITNESS WHEREOF</u> these presents have been executed by the parties hereto on the dates hereinafter set out.

THE COMMON SEAL of **BANDSIDE PTY LTD ACN 086 913 135** was hereunto affixed in accordance with the Articles of Association of the Company and in the presence of:]

<u>A Witness</u>

THE COMMON SEAL of **MJ SECURITIES PTY LTD ACN 070 668 174** was hereunto affixed in accordance with the Articles of Association of the Company and in the presence of:]

Common Seal
M.J. Securities Pty. Ltd.
A.C.N. 070 668 174
Common Seal

<u>A Witness</u>

THE COMMON SEAL of **CAFFE EVITA PTY LTD ACN 077 844 225** was hereunto affixed in accordance with the Articles of Association of the Company and in the presence of:]

<u>A Witness</u>

THE COMMON SEAL of **LM INVESTMENT ~~PTY~~ LTD ACN 077 208 461** was hereunto affixed in accordance with the Articles of Association of the Company and in the presence of:]

<u>A Witness</u>

DATED 7 April 1999

BETWEEN:

BANDSIDE PTY LTD ACN 086 913 135 atf The McMurtrie Family Trust, MJ SECURITIES PTY LTD ACN 070 668 174 atf The Park Avenue Trust, CAFFE EVITA PTY LTD ACN 077 844 225 atf The Butler Family Trust, LM INVESTMENT PTY LTD ACN 077 208 461

of the First Part

AND:

BARONSAND PTY LTD ACN 086 817 352

of the Second Part

JOINT VENTURE AGREEMENT

QUINN & COMPANY
Solicitors
4/64 Thomas Drive
CHEVRON ISLAND QLD 4217
PO BOX 6344
GOLD COAST MAIL CENTRE QLD 4217
Tel: 5538 0999
Fax: 5538 1553
JWQ:dt:25205
JOINT VENTURE TRUSTEE BARONSAND

Australian Financial Services Licence

LM INVESTMENT MANAGEMENT LIMITED

ABN: 68 077 208 461

Licence No: 220281

was licensed as an Australian Financial Services Licensee pursuant to section 913B of the Corporations Act 2001. The conditions of the licence are hereby varied from the date hereunder. The licensee shall continue to be licensed as an Australian Financial Services Licensee subject to the conditions and restrictions which are prescribed, and to the conditions contained in this licence and attached schedules.

Effective 7 September 2012

Authorisation

1. This licence authorises the licensee to carry on a financial services business to:
   (a) provide financial product advice for the following classes of financial products:
      (i) life products limited to:
         (A) life risk insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds; and
      (ii) superannuation;
   (b) deal in a financial product by:
      (i) issuing, applying for, acquiring, varying or disposing of a financial product in respect of the following classes of financial products:
         (A) interests in managed investment schemes limited to:
            (1) own managed investment scheme only; and
      (ii) applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of the following classes of products:
         (A) deposit and payment products including:
            (1) basic deposit products;
            (2) deposit products other than basic deposit products; and
            (3) non-cash payment products;
         (B) derivatives;
         (C) foreign exchange contracts;
         (D) life products limited to:
            (1) life risk insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds;
         (E) interests in managed investment schemes including:
            (1) investor directed portfolio services;
         (F) securities; and
         (G) superannuation;
   (c) operate the following kinds of registered managed investment schemes (including the holding of any incidental property) in its capacity as responsible entity:
      (i) "Lm Australian Structured Products Fund" scheme (ARSN: 149 875 669),
         (A) a scheme which only holds the following types of property:
            (1) derivatives; and
            (2) financial assets; and
      (ii) schemes which only hold the following types of property:
         (A) direct real property;
         (B) financial assets; and
         (C) mortgages; and
   (d) provide the following custodial or depository services:
      (i) operate custodial or depository services other than investor directed portfolio services;

to retail and wholesale clients.

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Key Person Requirements

2. If any of the following officer(s) or key person(s) cease to be officers of the licensee or to perform duties on behalf of the licensee with respect to its financial services business:
   (a) **Peter Charles DRAKE;**
   (b) **Eghard VAN DER HOVEN;**
   (c) **Simon Jeremy TICKNER;**
   (d) **Michael William SKEGGS; and**
   (e) **Wendy Gaye LIST;**

   the licensee must notify ASIC in writing within 5 business days of the following matters:
   (f) the date the officer or key person ceased to be an officer of the licensee or to perform duties on behalf of the licensee with respect to its financial services business; and
   (g) the name, address, date of commencement, educational qualifications and experience of any replacement officer or key person the licensee has appointed to perform duties on behalf of the licensee with respect to its financial services business; and
   (h) if the licensee does not have a replacement officer or key person, detailed reasons as to why the licensee has not nominated a replacement; and
   (i) a detailed description of how the licensee will continue to comply with the Act and the conditions of this licence following the officer or key person(s) identified above, or any replacement of such person, ceasing to be an officer of the licensee or to perform duties on behalf of the licensee with respect to its financial services business.

Compliance Measures to Ensure Compliance with Law and Licence

3. The licensee must establish and maintain compliance measures that ensure, as far as is reasonably practicable, that the licensee complies with the provisions of the financial services laws.

Training Requirements for Representatives

4. The licensee must for any natural person who provides financial product advice to retail clients on behalf of the licensee (including the licensee if he or she is a natural person):
   (a) identify the tasks and functions that person performs on behalf of the licensee; and
   (b) determine the appropriate knowledge and skills requirements required to competently perform those tasks and functions; and
   (c) implement procedures for continuing training.

5. The licensee must ensure that any natural person who provides financial product advice to retail clients on behalf of the licensee (including the licensee if he or she is a natural person):
   (a) has completed training courses at an appropriate level that are or have been approved by ASIC in writing that are relevant to those functions and tasks; or

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(b) has been individually assessed as competent by an assessor that is or has been approved by ASIC in writing; or

(c) in respect of financial product advice on basic deposit products and facilities for making non-cash payments that are related to a basic deposit product, has completed training courses that are or have been assessed by the licensee as meeting the appropriate level that are relevant to those functions and tasks.

6. Condition 5 does not apply in relation to:

(a) a natural person who is a customer service representative and who provides financial product advice:

(i) derived from a script approved by a natural person who complies with paragraphs 5(a), (b) and (c) ("qualified person"); or

(ii) under the direct supervision of a qualified person present at the same location; or

(b) a natural person who is a para-planner or trainee adviser and who provides financial product advice under the direct supervision of a qualified person who is, in addition to the licensee, responsible for:

(i) ensuring that any financial product advice that is provided by the para-planner or trainee adviser for which a Statement of Advice must be given, is reflected in a Statement of Advice that has been reviewed by the qualified person before the Statement of Advice is given, to ensure that the Statement of Advice would comply with all of the requirements of the Act; and

(ii) managing and leading any verbal explanation of the financial product advice to the client,

where the licensee has established procedures to ensure that the natural person does not provide financial product advice to retail clients on behalf of the licensee, other than in the manner specified in this paragraph, and the licensee monitors whether or not those procedures are effective.

7. Condition 5 does not apply in relation to financial product advice:

(a) given to retail clients in advertising to which section 1018A of the Act applies, provided that:

(i) this licence authorises the provision of financial product advice; and

(ii) a responsible officer of the licensee approves such advertising before its publication or dissemination to retail clients; or

(b) for which there is an exemption under the Act from the obligation to hold a licence; or

(c) given to retail clients in respect of a margin lending facility before 1 July 2011.

Notification to Current or Former Representative's Clients

8. Where, under Division 8 of Part 7.6 of the Act:

(a) ASIC makes a banning order against a current or former representative of the licensee; or

(b) the Court makes an order disqualifying a current or former representative of the licensee;

the licensee must, if directed in writing by ASIC, take all reasonable steps to provide the following information in writing to each retail client to whom the representative had provided personal advice within the 3 years prior to the date of the banning order or disqualification order:

(c) the name of the representative; and

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(d) any authorised representative number allocated to the representative by ASIC; and

(e) the terms of the banning or disqualification order; and

(f) contact details of the licensee for dealing with enquiries and complaints regarding the banning or disqualification or the conduct of the representative as a representative of the licensee.

Financial Requirements for Market Participants and Clearing Participants

9. Where the licensee is a market participant in a licensed market, or a clearing participant in a licensed CS facility, conditions 10 to 20 (inclusive) do not apply to the licensee.

Base Level Financial Requirements

10. The licensee must:

(a) be able to pay all its debts as and when they become due and payable; and

(b) either:

(i) have total assets that exceed total liabilities as shown in the licensee's most recent balance sheet lodged with ASIC and have no reason to suspect that the licensee's total assets would currently not exceed its total liabilities; or

(ii) have adjusted assets that exceed adjusted liabilities calculated at the balance date shown in the licensee's most recent balance sheet lodged with ASIC and have no reason to suspect that the licensee's adjusted assets would currently not exceed its adjusted liabilities; and

(c) meet the cash needs requirement by complying with one of the following five options:

(i) Option 1 (reasonable estimate projection plus cash buffer)—refer to definition of "Option 1" under this licence; or

(ii) Option 2 (contingency based projection)—refer to definition of "Option 2" under this licence; or

(iii) Option 3 (financial commitment by an Australian ADI or comparable foreign institution)—a requirement that an Australian ADI or a foreign deposit-taking institution approved in writing by ASIC as an eligible provider gives the licensee an enforceable and unqualified commitment to pay on demand from time to time an unlimited amount to the licensee, or the amount for which the licensee is liable to its creditors at the time of the demand to the licensee's creditors or a trustee for the licensee's creditors, that the licensee reasonably expects will apply for at least three months, taking into account all commercial contingencies for which the licensee should reasonably plan; or

(iv) Option 4 (expectation of support from an Australian ADI or comparable foreign institution)—a requirement that the licensee:

(A) is a subsidiary of an Australian ADI or a corporation approved by ASIC in writing for the purpose of this condition; and

(B) reasonably expects that (based on access to cash from its related bodies corporate) it will have adequate resources (when needed) to meet its liabilities for at least the next three months (including any additional liabilities that the licensee might incur during that period), taking into account all adverse commercial contingencies for which the licensee should reasonably plan; and

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(C) ensures that a responsible officer of the licensee has documented that the officer has the reasonable expectation for at least the following three month period together with the reasons for forming the expectation, the contingencies for which the licensee considers it is reasonable to plan, the assumptions made concerning the contingencies and the basis for selecting those assumptions; or

(v) Option 5 (parent entity prepares cash flow projections on a consolidated basis)—a requirement that the licensee ensures that:

(A) the cash flows of the licensee and each of its related bodies corporate, other than any body regulated by APRA ("licensee group"), are managed on a consolidated basis; and

(B) there is a body corporate within the licensee group of which all members of the licensee group are subsidiaries that is not a body regulated by APRA ("parent entity"); and

(C) the parent entity complies with Option 1 or Option 2 as if it were the licensee, cash flows of any member of the licensee group were cash flows of the licensee and any cash held by a member of the licensee group, other than as trustee or as trustee of a relevant trust, were so held by the licensee; and

(D) a report by the parent entity's auditor that is a registered company auditor is given to ASIC with the licensee's annual audit report under condition 21 of this licence, in relation to each financial year of the licensee and for any other period that ASIC requests, by a date that ASIC requests, with respect to compliance by the parent entity with Option 1 or Option 2 as they would apply in accordance with subparagraph (C), reflecting the report that would be required from the auditor of a licensee, for that period purporting to comply with Option 1 or Option 2; and

(E) either of the following applies:

Alternative A—the parent entity has provided an enforceable and unqualified commitment to pay on demand from time to time an unlimited amount to the licensee or to meet the licensee's liabilities which the licensee reasonably expects will apply for at least the next three months taking into account all adverse commercial contingencies for which the licensee should reasonably plan; or

Alternative B—the licensee reasonably expects that (based on access to cash from members of the licensee group), it will have adequate resources to meet its liabilities (including any additional liabilities that the licensee might incur while the commitment applies) for at least the next three months taking into account all adverse commercial contingencies for which the licensee should reasonably plan and a responsible officer of the licensee has documented that the officer has the reasonable expectation in respect of at least the following three months together with the reasons for forming the expectation, the contingencies for which the licensee considers it is reasonable to plan, the assumptions made concerning the contingencies and the basis for selecting those assumptions; and

(F) the licensee has no reason to believe that the parent entity has not complied with the requirement at subparagraph (C) or has failed to comply in a material respect with its obligations under Chapter 2M of the Act or, if the parent entity is not a company, under any other laws (whether law in Australia or not) relating to financial reporting that apply to it.

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For 5 years after the end of the last financial year that includes a part of the period to which any document prepared for subparagraph (c)(iv)(C) or Alternative B in subparagraph (c)(v)(E) relates, the licensee must keep the document and give it to ASIC if ASIC requests.

Financial Requirements for Managed Investments, Custody Services and Margin Lending Facilities

11. The licensee must hold at least $5 million net tangible assets ("NTA"), unless for each registered scheme operated by the licensee at least one of the following is satisfied:
    (a) all the scheme property and other assets of the scheme(s) not held by members are held by a custodian appointed by the licensee, that has $5 million NTA or is an eligible custodian; or
    (b) all the scheme property and other assets of the scheme(s) not held by members are special custody assets or the Tier $500,000 class assets held by the licensee or a custodian appointed by the licensee (or a sub-custodian appointed by that custodian), where the person holding the scheme property or other assets is:
        (i) the licensee and the licensee has $500,000 NTA; or
        (ii) the custodian or sub-custodian and the custodian has $500,000 NTA or is an eligible custodian; or
    (c) the only scheme property and other assets of the scheme(s) that are not held under paragraph (a) or (b) of this condition are special custody assets, each of which is held by:
        (i) the licensee; or
        (ii) an eligible custodian; or
        (iii) a custodian that has the same level of NTA as the licensee is required to have under the remainder of this condition; or
        (iv) the members of the scheme;

    Where paragraph (a), (b) or (c) of this condition is satisfied, the licensee must hold NTA of 0.5% of the value of:
    (d) assets (including mortgages held by members of a mortgage scheme and managed as part of the scheme); plus
    (e) any other scheme property not counted in calculating the value of assets;

    of the registered scheme(s) operated by the licensee with a minimum NTA requirement of $50,000 and a maximum NTA requirement of $5 million.

12. The custodian need not have the required NTA under paragraph 11(c)(iii) of this licence if the only assets it holds for the scheme are those contained in paragraphs (a), (c) or (g) of the definition of "special custody assets" under this licence, or if the audited trust account is a regulated trust account, described in paragraph (d) of the definition of "special custody assets" under this licence.

13. The licensee must have at least $5 million NTA where the licensee provides a custodial or depository service that:
    (a) has custody of client assets other than incidentally to another financial service provided by the licensee or a related body corporate; or
    (b) holds IDPS property or other assets of an IDPS.

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Financial Requirements for Foreign Exchange Dealers

14. Where:

(a) the licensee carries on a business of entering, as principal, into foreign exchange contracts that are financial products in Australia; and

(b) a counterparty to a foreign exchange contract that the licensee enters into as principal in Australia covered by this licence is a person who is not:

(i) an authorised deposit-taking institution within the meaning of the Banking Act 1959; or

(ii) a person that is required under their AFS licence to have $10 million of tier one capital,

the licensee must either:

(c) have $10 million of tier one capital, as defined in the Australian Prudential Regulation Authority's ("APRA") Prudential Standards and Guidance Notes for Authorised Deposit-Taking Institutions as in force at the date of this licence; or

(d) have adjusted surplus liquid funds ("ASLF") of the sum of:

(i) $50,000; plus

(ii) 5% of adjusted liabilities between $1 million and $100 million; plus

(iii) 0.5% of adjusted liabilities for any amount of adjusted liabilities exceeding $100 million,

up to a maximum ASLF of $100 million.

Financial Requirements for Holding Client Money or Property

15. If at any time the licensee:

(a) is required to hold money in a separate account under Division 2 of Part 7.8 of the Act; or

(b) holds money or other property on trust for a client or is required to do so under Regulation 7.8.07(2) of the Corporations Regulations or otherwise; or

(c) has the power to dispose of a client's property under power of attorney or otherwise;

the licensee must ensure that the licensee has at least $50,000 in surplus liquid funds ("SLF") unless the total value of the money and property for all clients is less than $100,000 excluding:

(d) money that has satisfied a client's liability on an insurance contract where the licensee is acting under a binder or section 985B of the Act applies, or property acquired by investment of that money; or

(e) the value of property where the licensee merely holds a document of title, and the client has legal title to the property.

Financial Requirements for Licensee Transacting with Clients

16. If the licensee incurs actual or contingent liabilities of the relevant kind by entering into a transaction with a client(s) in the course of providing a financial service to the client(s), the licensee must have adjusted surplus liquid funds ("ASLF") of the sum of:

(a) $50,000; plus

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(b) 5% of adjusted liabilities between $1 million and $100 million; plus

(c) 0.5% of adjusted liabilities for any amount of adjusted liabilities exceeding $100 million,

up to a maximum ASLF of $100 million.

This condition does not apply to the licensee if:

(d) the total of:

- (i) the current liabilities that would be included in the calculation of the licensee's adjusted liabilities; and
- (ii) the contingent liabilities that if crystallised would be a current liability and be included in the calculation of the licensee's adjusted liabilities,

is less than $100,000; or

(e) the licensee has no:

- (i) liabilities to clients that would be included in calculating its adjusted liabilities; or
- (ii) contingent liabilities to clients which if crystallised would be included in calculating its adjusted liabilities,

other than under debentures the licensee issued under Chapter 2L of the Act.

For the purpose of paragraphs (d) and (e), the licensee may disregard a liability or a contingent liability that:

(f) is a contingent liability that is neither a derivative nor a liability from underwriting securities or managed investment products; or

(g) the licensee reasonably estimates has a probability of less than 5% of becoming an actual liability; or

(h) is covered by money or property that the licensee holds in a separate account under Part 7.8 of the Act or on trust for clients; or

(i) is adequately secured as defined in paragraph (a) or (b) of the definition of "adequately secured" under this licence; or

(j) is a liability incurred by entering into a transaction on a licensed market that is to be settled using a clearing and settlement facility, the operation of which is authorised by an Australian CS facility licence; or

(k) is under a foreign exchange contract and the licensee is required to have $10 million of tier one capital under another condition of this licence because the licensee has entered a foreign exchange contract as principal; or

(l) is under a derivative where:

- (i) the licensee does not make a market in derivatives; and
- (ii) the licensee entered into the dealing for the purposes of managing a financial risk; and
- (iii) either the licensee's dealings in derivatives are not a significant part of its business or of the business of it and its related bodies corporate taken together; and
- (iv) the licensee did not enter into the dealing on the instructions of another person; or

(m) is under a foreign exchange contract where the licensee:

- (i) does not make a market in foreign exchange contracts; and
- (ii) entered into the contract for the purposes of enabling a payment in one of the currencies under the foreign exchange contract; and
- (iii) did not enter into the foreign exchange contract on the instruction of another person; or

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(n) occurs in circumstances where a licensee agrees to provide credit to another person under a margin lending facility and the credit remains undrawn or a portion of the credit remains undrawn.

In this condition, a reference to a client includes a person who acquires or disposes of financial products in a transaction that the licensee entered into at a price the licensee stated in the course of making a market.

Reporting Triggers and Requirements for Financial Requirement Conditions of this Licence

17. The licensee must ensure the reporting requirements under conditions 18 and 19 of this licence are met where either paragraph (a) or paragraph (b) applies:
    (a) the trigger points described in paragraphs (i) and (ii) below occur:
        (i) the licensee has adjusted liabilities of more than $1 million and less than or equal to $100 million; and
        (ii) the licensee has an ASLF of less than 5.5% of adjusted liabilities; or
    (b) the trigger points described in paragraphs (i), (ii) and (iii) below occur:
        (i) the licensee has adjusted liabilities of more than $100 million; and
        (ii) the licensee does not have $100 million ASLF; and
        (iii) the licensee has an ASLF that is less than $500,000 above the minimum ASLF required under condition 16 of this licence.

18. Where the licensee's ASLF is below the trigger points, the licensee must not enter into any transactions with clients that could give rise to further liabilities, contingent liabilities or other financial obligations until the licensee's board or other governing body has certified in writing that, having conducted reasonable enquiry into its financial position, there is no reason to believe that the licensee will fail to comply with its obligations under section 912A of the Act.

19. Where the licensee's board or other governing body has made the certification required under condition 18, the licensee must ensure that the licensee's board or other governing body certifies in writing at least monthly that, having conducted reasonable enquiry into its financial position, there is no reason to believe that the licensee will fail to comply with its obligations under section 912A of the Act until the licensee's ASLF continuously exceeds the trigger point for a period exceeding one month.

20. The licensee must keep each certification issued by the licensee's board or other governing body under conditions 18 and 19 of this licence for at least 5 years from the date of such certification. The licensee must provide ASIC with a copy of each certification within 3 business days of the date of each certification.

Audit Opinion on Financial Requirements

21. The licensee must lodge with ASIC an opinion by a registered company auditor ("the audit opinion") addressed to the licensee and ASIC for the following periods:
    (a) for each financial year, at the same time the licensee is required to lodge a balance sheet under Part 7.8 of the Act; and
    (b) for any period of time that ASIC requests, by the date ASIC requests the audit opinion to be lodged;

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that states whether during:

(c) any part of the period for which the licensee:

(i) relied on being a market participant or a clearing participant, on a positive assurance basis, the licensee was a participant in the market conducted by:

(A) ASX; or

(B) SFE, that restricted its financial services business to participating in the market and incidental business supervised by SFE; and

(ii) relied on being a body regulated by APRA, on a positive assurance basis, the licensee was a body regulated by APRA; and

(d) any remaining part of the period:

(i) in the auditor's opinion, the licensee:

(A) complied with all the financial requirements under conditions 10 to 20 (inclusive) of this licence other than paragraph 10(c) of this licence, except for paragraph (e) of the definition of "Option 1" under this licence if the licensee purports to comply with "Option 1"; and

(B) except for any period stated in the report when the licensee purports to comply with subparagraph 10(c)(iii), (iv) or (v), had at all times a projection (covering at least the following 3 months) that purports to, and appears on its face to comply with, paragraph (a) of the definition of "Option 1" or paragraph (a) of the definition of "Option 2" under this licence (depending on which option the licensee purports to be complying with); and

(C) except for any period stated in the report when the licensee purports to comply with subparagraph 10(c)(iii), (iv) or (v), correctly calculated the projections on the basis of the assumptions the licensee adopted for the projections described in subparagraph (d)(i)(B) of this condition; and

(D) for any period when the licensee relied on subparagraph 10(c)(iii) of this licence, has obtained from an Australian ADI or a foreign deposit-taking institution approved in writing by ASIC as an eligible provider an enforceable and unqualified commitment to pay on demand from time to time an unlimited amount to the licensee, or the amount for which the licensee is liable to its creditors at the time of demand to the licensee's creditors or a trustee for the licensee's creditors; and

(E) for any period when the licensee relied on subparagraph 10(c)(iv), following an examination of the documents prepared for subparagraph 10(c)(iv)(C), the licensee complied with subparagraph 10(c)(iv)(A) and subparagraph 10(c)(iv)(C) for the period to which the report relates; and

(F) for any period when the licensee relied on subparagraph 10(c)(v), the licensee complied with subparagraph 10(c)(v)(A) and (B); and

(G) for any period when the licensee relied on Alternative A in subparagraph 10(c)(v)(E), the parent entity has provided an enforceable and unqualified commitment to pay on demand from time to time an unlimited amount to the licensee or to meet the licensee's liabilities.

(ii) except for any period stated in the report when the licensee purports to comply with subparagraph 10(c)(iii), (iv) or (v), following an examination of the documents the licensee relies on in complying with "Option 1" or "Option 2" as defined under this licence, the auditor has no reason to believe that:

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(A) the licensee did not satisfy the requirements of paragraph 912A(1)(h) of the Act for managing the risk of having insufficient financial resources to comply with the conditions of this licence; or

(B) the licensee failed to comply with the cash needs requirement using either "Option 1" or "Option 2" as defined under this licence (as applicable) except for:

(1) paragraphs (a), (c) and (e) of the definition of "Option 1" as defined under this licence; or

(2) paragraphs (a) and (c) of the definition of "Option 2" as defined under this licence; or

(C) if the licensee relied on "Option 1" as defined under this licence, the assumptions the licensee adopted for its projection were unreasonable; or

(D) if the licensee relied on "Option 2" as defined under this licence, the basis for the selection of assumptions to meet the requirements for its projection adopted was unreasonable; and

(iii) for any period when the licensee relied on subparagraph 10(c)(iv), following an examination of the documents prepared for subparagraph 10(c)(iv)(C), the auditor has no reason to believe that:

(A) the licensee did not satisfy the requirements of paragraph 912A(1)(h) of the Act for managing the risk of having insufficient financial resources to comply with the conditions in this licence; and

(B) the basis for the selection of the assumptions adopted was unreasonable; and

(iv) for any period when the licensee relied on subparagraph 10(c)(v) under Alternative B, following an examination of the documents prepared for Alternative B, the auditor has no reason to believe that:

(A) the licensee did not satisfy the requirements of paragraph 912A(1)(h) of the Act for managing the risk of having insufficient financial resources to comply with the conditions in this licence; or

(B) the basis for the selection of the assumptions adopted was unreasonable.

Professional Indemnity Compensation Requirements

22. The licensee must maintain an insurance policy covering professional indemnity and fraud by officers that:

(a) is adequate having regard to the nature of the activities carried out by the licensee under the licence; and

(b) covers claims amounting in aggregate to whichever is the lesser of:

(i) $5 million; or

(ii) the sum of the value of all IDPS property of all IDPS for which it is the operator and all scheme property of all registered schemes for which it is the responsible entity.

External Disputes Resolution Requirements

23. Where the licensee provides financial services to retail clients, the licensee must be a member of one or more External Disputes Resolution Scheme(s) ("EDRS") which covers, or together cover, complaints made by retail clients in relation to the provision of all of the financial services authorised by this licence.

24. Where the licensee ceases to be a member of any EDRS, the licensee must notify ASIC in writing within 3 business days:

(a) the date the licensee ceases membership of the EDRS(s); and

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(b) the reasons the licensee's membership of the EDRS(s) has ceased (including circumstances where the EDRS is no longer operating, failure by the licensee to renew their membership of the EDRS or where the EDRS has terminated the licensee's membership of the EDRS); and

(c) details of the new EDRS(s) the licensee intends to or has joined (including the date the membership commences and the name of the EDRS); and

(d) details that provide confirmation that the licensee is covered by EDRS(s) covering complaints made by retail clients in relation to the provision of all of the financial services authorised by this licence.

Agreement with Holder of Financial Product on Trust

25. If the licensee:

(a) operates a registered scheme in the capacity of a responsible entity; or

(b) operates an IDPS as an IDPS operator; or

(c) provides a custodial or depository service;

and in the course of operating that scheme or providing that service the licensee enters into an arrangement:

(d) with another person ("holder") to hold scheme property, IDPS property or to hold financial products on trust for or on behalf of the licensee or another person; or

(e) between a responsible entity or IDPS operator in that capacity and another person ("master custodian") under which the master custodian is authorised to arrange for a third person ("subcustodian") directly or indirectly to hold scheme property or IDPS property; or

(f) with a subcustodian arranged by a master custodian;

the licensee must ensure that at all times:

(g) the arrangement is covered by a contract that is in writing: and

(h) the contract clearly specifies:

(i) the nature of the arrangement and the obligations of each party; and

(ii) the rights that the parties will have in relation to ongoing review and monitoring of the holder or any subcustodian or for an agreement made by the licensee with a master custodian ("master agreement"), the master custodian and the standards against which their performance will be assessed; and

(iii) how the holder, any subcustodian or for a master agreement, the master custodian will certify that it complies with, and will continue to comply with, the requirements of ASIC Regulatory Guide 133 (formerly referred to as Policy Statement 133) when read in conjunction with ASIC Regulatory Guides 148 and 167 (formerly referred to as Policy Statements 148 and 167) (as each of those Regulatory Guides is in force as at the date of this licence); and

(iv) how instructions will be given to the holder, subcustodian or for a master agreement, the master custodian; and

(v) how the client of the licensee will be compensated if the client suffers any loss due to a failure by the holder, any subcustodian, or for a master agreement, the master custodian, to comply with its duties or to take reasonable care based on the standards applying in the relevant markets for the assets held and

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the extent to which the holder, any subcustodian, or for a master agreement, the master custodian, must maintain a minimum level of professional indemnity insurance; and

(vi) that the holder, any subcustodian and for a master agreement, the master custodian is prohibited from taking a charge, mortgage, lien or other encumbrance over, or in relation to, the assets held under the arrangement unless it is for expenses and outlays made within the terms of the contract (but not including any unpaid fees of the holder, master custodian or subcustodian) or in accordance with the licensee's instructions; and

(vii) in the case of a responsible entity or IDPS operator who has a master agreement, what should be in the written contract with any subcustodian used in accordance with these conditions including the liability of the subcustodian to the master custodian and the licensee when acts or omissions of the subcustodian are in breach of the subcustodian's obligations; and

(viii) how records of the assets held will be kept and maintained by the holder, any subcustodian or for a master agreement, the master custodian; and

(ix) requirements for reporting by the holder, any subcustodian or for a master agreement, the master custodian, including notifications of any dealing in or transfers of the assets; and

(x) requirements for the holder to provide all reasonable access and assistance to any registered company auditor engaged to conduct an audit in relation to the licensee.

The contract is not required to contain the matters specified in paragraph (iii), (v) or (vi) or to be in writing to the extent that the licensee establishes by documentary evidence that it is not practicable for the licensee to:

(a) hold the relevant financial products (being property outside Australia) itself; or

(b) engage a custodian that is willing to include such matters in the contract to hold that property on reasonable commercial terms;

and provided that the licensee has disclosed to the client that these terms will not be included.

Property

26. The licensee must ensure that at all times:

(a) in relation to a registered scheme for which the licensee is the responsible entity, the holder of any scheme property complies with the requirements of ASIC Regulatory Guide 133 (formerly referred to as Policy Statement 133) (as in force as at the date of this licence) relating to the holding of scheme property and maintains proper records identifying the scheme property; and

(b) in relation to any custodial or depository service that the licensee provides other than as the operator of an IDPS, the holder of any property, complies with the requirements of ASIC Regulatory Guide 133 (formerly referred to as Policy Statement 133) except requirements expressed to apply to duties under s601FC(1)(i), when read with ASIC Regulatory Guides 148 and 167 (formerly referred to as Policy Statements 148 and 167) (as each of those Regulatory Guides is in force as at the date of this licence), and maintains proper records in relation to the financial products held.

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Prohibition to Operate Managed Discretionary Account Service

27. The licensee must not provide an MDA service to a retail client except when operating a registered scheme.

Retention of Financial Services Guides, Statements of Advice and Material Relating to Personal Advice

28. Where the licensee provides financial product advice to retail clients, the licensee must ensure that copies (whether in material, electronic or other form) of the following documents are retained for at least the period specified:
    (a) each Financial Services Guide ("FSG") (including any Supplementary FSG) given by or on behalf of the licensee, or by any authorised representative of the licensee while acting in that capacity - for a period commencing on the date of the FSG and continuing for at least 7 years from when the document was last provided to a person as a retail client; and
    (b) a record of the following matters relating to the provision of personal advice to a retail client (other than personal advice for which a Statement of Advice ("SOA") is not required or for which a record of the advice is kept in accordance with subsection 946B(3A)):
        (i) the client's relevant personal circumstances within the meaning of subparagraph 945A(1)(a)(i); and
        (ii) the inquiries made in relation to those personal circumstances within the meaning of subparagraph 945A(1)(a)(ii); and
        (iii) the consideration and investigation conducted in relation to the subject matter of the advice within the meaning of paragraph 945A(1)(b); and
        (iv) the advice, including reasons why advice was considered to be "appropriate" within the meaning of paragraphs 945A(1)(a) to (c),

        for a period of at least 7 years from the date that the personal advice was provided;
    (c) any SOA provided by or on behalf of the licensee, or by any authorised representative of the licensee while acting in that capacity - for a period of at least 7 years from the date the document was provided to the client.

29. The licensee must establish and maintain measures that ensure, as far as is reasonably practicable, that it and its representatives comply with their obligation to give clients an FSG as and when required under the Act. The licensee must keep records about how these measures are implemented and monitored.

Terms and Definitions

In this licence references to sections, Parts and Divisions are references to provisions of the Corporations Act 2001 ("the Act") unless otherwise specified. Headings contained in this licence are for ease of reference only and do not affect interpretation. Terms used in this licence have the same meaning as is given to them in the Act (including, if relevant, the meaning given in Chapter 7 of the Act) and the following terms have the following meanings:

actual or contingent liabilities of the relevant kind means:

(a) an actual or contingent monetary liability; or

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(b) an actual or contingent liability under a non-standard margin lending facility, in the circumstances determined under the terms of the facility, to transfer marketable securities to the client.

adequately secured means:

(a) secured by an enforceable charge over financial products (other than financial products issued by the licensee or its associate) if:

(i) the financial products are:

(A) regularly traded on:

(1) a financial market (as defined in subsection 767A(1) of the Act and disregarding subsection 767A(2) of the Act) operated by a market licensee or a licensee other than the licensee or its associate that in the reasonable opinion of the licensee produces sufficiently reliable prices to assess the value of the security provided by the charge;

(2) an ASIC-approved foreign market under ASIC Regulatory Guide 72 (formerly referred to as Policy Statement 72) as at the date of this licence; or

(3) a foreign market approved in writing for the purpose by ASIC; or

(B) interests in a registered scheme for which withdrawal prices are regularly quoted by the responsible entity and the licensee believes on reasonable grounds that withdrawal may be effected within 5 business days; and

(ii) the market value of these financial products equals not less than 120% of the amount owing or not less than 109% of the amount owing if the financial products are debt instruments; or

(b) secured by a registered first mortgage over real estate that has a fair market valuation at least equal to 120% of the amount owing; or

(c) owing from an eligible provider; or

(d) secured by an enforceable charge over amounts owing to another licensee which themselves are adequately secured.

adjusted assets means the value of total assets as they would appear on a balance sheet at the time of calculation made up for lodgement as part of a financial report under Chapter 2M of the Act if the licensee were a reporting entity:

(a) minus the value of excluded assets that would be included in the calculation; and

(b) minus the value of any receivable of the licensee that would be included in the calculation, up to the amount that the licensee has excluded from adjusted liabilities on the basis that there is an enforceable right of set-off with that receivable; and

(c) minus the value of any assets that would be included in the calculation that are encumbered as a security against liability to a person that provides a security bond to ASIC up to the amount of the bond; and

(d) minus the value of any assets that would be included in the calculation that may be required to be applied to satisfy a liability under a credit facility that is made without recourse to the licensee up to the amount of that liability excluded from adjusted liabilities; and

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(e) plus
  (i) the amount of any eligible undertaking that is not an asset; or
  (ii) if the eligible undertaking is for an unlimited amount, an unlimited amount;

  provided that if the eligible undertaking is given by a person who is an eligible provider only because of paragraph (b) of the definition of "eligible provider" under this licence, the amount added may be no more than one quarter of the eligible provider's net assets (excluding intangible assets) as shown in the most recent audited financial statements lodged with ASIC; and

(f) for calculating ASLF, plus the value of any current assets of any trust (other than a registered scheme) of which the licensee is trustee as if they would appear on the balance sheet as assets of the licensee except to the extent the value exceeds the sum of:
  (i) the current liabilities of the trust as if they would appear on the balance sheet as assets of the licencee; and
  (ii) any adjustments to ASLF that are a result of current assets, liabilities and contingent liabilities of the trust for accounting purposes being included in calculating adjustments; and

(g) for calculating ASLF, plus the value of the applicable percentage as set out in paragraphs (c)(i) and (iii) of the definition of "standard adjustments" under this licence of the value of any current assets that would be acquired in return for paying a contingent liability as set out in paragraphs (c)(i) and (iii) of the definition of "standard adjustments" under this licence up to the value of the applicable percentage of the relevant contingent liability.

adjusted liabilities means the amount of total liabilities as they would appear on a balance sheet at the time of calculation made up for lodgement as part of a financial report under Chapter 2M of the Act if the licensee were a reporting entity:

(a) minus the amount of any liability under any subordinated debt approved by ASIC; and
(b) minus the amount of any liability that is the subject of an enforceable right of set-off, if the corresponding receivable is excluded from adjusted assets; and
(c) minus the amount of any liability under a credit facility that is made without recourse to the licensee; and
(d) for calculating ASLF, plus the amount of the total current liabilities of any trust (other than a registered scheme) of which the licensee is trustee as if they would appear on the balance sheet as liabilities of the trustee; and
(e) plus the value of any assets that are encumbered as a security against another person's liability where the licensee is not also liable, but only up to the amount of that other person's liability secured or the value of the assets encumbered after deducting any adjustments under this licence, whichever is lower.

adjusted surplus liquid funds or ASLF means surplus liquid funds minus either:

(a) the standard adjustments (refer to the definition of "standard adjustments" under this licence); or
(b) such other adjustments as ASIC may from time to time consent to in writing.

clearing participant means a clearing participant in the licensed clearing and settlement facility ("CS Facility") as defined in the operating rules of Australian Clearing House Pty Limited ("ACH"), as at the date of this licence, that complies with those operating rules relating to financial requirements, taking into account any waiver by ACH.

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customer service representative means call centre staff or front desk staff who deal with initial queries from customers.

derivative means "derivatives" as defined in section 761D of the Act (including regulation 7.1.04 of the Corporations Regulations) and:

(a) includes "managed investment warrants" as defined in this licence; and

(b) excludes "derivatives" that are "foreign exchange contracts" as defined in this licence.

eligible custodian means:

(a) an Australian ADI; or

(b) a market participant or a clearing participant; or

(c) a subcustodian appointed by a person of the kind referred to in (a) or (b) of this definition.

eligible provider means:

(a) an Australian ADI; or

(b) an entity (other than a registered scheme of which the licensee or the licensee's associate is the responsible entity):

  (i) whose ordinary shares are listed on a licensed market or an ASIC-approved foreign exchange under ASIC Regulatory Guide 72 (formerly referred to as Policy Statement 72) as at the date of this licence; and

  (ii) that had net assets (excluding intangible assets) of more than $50 million, as shown in the most recently audited financial statements of the provider lodged with ASIC; and

  (iii) that the licensee has no reason to believe no longer has net assets of at least that amount; or

(c) an Australian government (i.e. the Commonwealth or a State or Territory government) or a government of a country that is a member of the Organisation for Economic Co-operation and Development ("OECD country government"), or an agency or instrumentality of an Australian or OECD country government; or

(d) a foreign deposit-taking institution that is regulated by an ASIC - approved regulator; or

(e) a foreign deposit-taking institution approved in writing by ASIC for this purpose; or

(f) an Australian CS facility licensee; or

(g) an entity approved by ASIC in writing for this purpose.

eligible undertaking means the amount of a financial commitment that is:

(a) payable on written demand by the licensee (disregarding any part previously paid or any amount that would be repayable as a current liability or, for calculating NTA, as a liability by the licensee if money were paid), provided by an eligible provider in the form of an undertaking to pay the amount of the financial commitment to the licensee, and that:

  (i) is an enforceable and unqualified obligation; and

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(ii) remains operative (even if, for example, the licensee ceases to hold an AFS licence) until ASIC consents in writing to the cancellation of the undertaking; or

(b) approved in writing by ASIC as an eligible undertaking.

excluded assets means:

(a) intangible assets (i.e. non-monetary assets without physical substance); and

(b) except when allowed under paragraphs (e) or (f) of this definition, assets owing or receivables ("receivables") from or assets invested in, any person who:

(i) is an associate of the licensee; or

(ii) was an associate of the licensee at the time the liability was incurred or the investment was made; or

(iii) became liable to the licensee because of, or in connection with, the acquisition of interests in a managed investment scheme the licensee operates; and

(c) except when allowed under paragraph (g) of this definition, assets:

(i) held as a beneficial interest or an interest in a managed investment scheme; or

(ii) invested in any superannuation product, in respect of which the licensee or its associate may exercise any form of power or control; and

(d) except when allowed under paragraphs (e) or (f) of this definition, receivables from the trustee of any trust in respect of which the licensee or its associate may exercise any form of power or control; and

(e) despite paragraphs (b) and (d) of this definition, a receivable is not excluded to the extent that:

(i) it is adequately secured; or

(ii) the following apply:

(A) it is receivable as a result of a transaction entered into by the licensee in the ordinary course of its business on its standard commercial terms applicable to persons that are not associated with the licensee on an arm's length basis; and

(B) no part of the consideration in relation to the transaction is, in substance, directly or indirectly invested in the licensee; and

(C) the total value of such assets (before any discount is applied) is not more than 20% of the assets less liabilities of the licensee; and

(D) for the purposes of calculating ASLF, the amount is further discounted by 10% of the value after any adjustment required by paragraph (a) or (b) of the definition of "adjusted surplus liquid funds" in this licence; or

(iii) the following apply:

(A) it is receivable from an insurance company that is a body regulated by APRA and results from a transaction entered into by the licensee in the ordinary course of its business on its standard commercial terms applicable to persons that are not associated with the licensee on an arm's length basis; and

(B) there is no reason to believe that any amount invested in the licensee would not have been invested if the transactions that caused the receivable had not taken place or were not at the time of the investment expected to take place; and

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(C) there is no reason to believe that the recoverability of the receivable will materially depend on the value of an investment by any person in the licensee; and

(D) the total value of the receivables under this subparagraph (iii) before any adjustment required by paragraph (a) or (b) of the definition of "adjusted surplus liquid funds" in this licence is applied is not more than 60% of the adjusted liabilities of the licensee disregarding this subparagraph (iii); or

(iv) ASIC consents in writing to the licensee treating the amount owing as not being an excluded asset; and

(f) despite paragraphs (b) and (d) of this definition, the licensee can include a receivable amount to the extent that it is owing by way of fees from, or under rights of reimbursement for expenditure by the licensee out of property of, a superannuation entity as defined in the Superannuation Industry (Supervision) Act 1993, an IDPS or a registered scheme ("scheme") to the extent that the receivable:

(i) exceeds amounts invested by the scheme in, or lent (other than by way of a deposit with an Australian ADI in the ordinary course of its banking business) directly or indirectly by the scheme to, the licensee, a body corporate the licensee controls, a body corporate that controls the licensee or a body corporate that the licensee's controller controls; and

(ii) if receivable by way of fees, represents no more fees than are owing for the last 3 months; and

(iii) if receivable under rights of reimbursement for expenditure by the licensee, has not been receivable for more than 3 months; and

(g) despite paragraph (c) of this definition, the licensee does not have to exclude a managed investment product unless any part of the amount invested is, in substance, directly or indirectly, invested in the licensee.

financial asset means cash, cheques, orders for payment of money, bills of exchange, promissory notes, securities, deposit products and interests in managed investment schemes (including where the managed investment scheme invests in direct real property or mortgages) but does not include a derivative.

foreign exchange contracts means "foreign exchange contracts" as defined in section 761A of the Act (including regulation 7.1.04 of the Corporations Regulations) and includes "derivatives", as defined in section 761D of the Act, that are foreign exchange contracts.

IDPS means an investor directed portfolio service in relation to which the licensee has relief under Class Order 02/294 as at the date of this licence and as amended by any disallowable legislative instrument, or relief under any disallowable legislative instrument that replaces Class Order 02/294.

IDPS property means property acquired or held through an IDPS other than property held by a client.

incidental property means:

(a) assets of any kind which are necessary for, or incidental to the effective operation of the scheme, the total value of which, and the total liability that may arise from the holding of which, does not exceed 10% of the value of the assets net of liabilities other than liabilities to members as members of the scheme; and

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(b) cash, deposits or current accounts with an Australian ADI or units in a cash management trust that are held for no more than 3 months pending investment in assets to which the scheme relates, or expenditure or distribution to members; and

(c) derivatives, where:

(i) the value or amount of the derivative will ultimately be determined, derived or varied by reference to something else for the purposes of section 761D(1)(c) of the Act which is related to or may significantly and directly affect the receipts or costs of the fund; and

(ii) the derivative is acquired or disposed of by the licensee as a hedge which has the primary purpose of avoiding or limiting the financial consequences of fluctuations in, or in the value of, receipts or costs of the fund.

managed investment warrant means a financial product:

(a) that is a financial product of the kind referred to in subparagraph 764A(1)(b)(ii) or 764A(1)(ba)(ii); and

(b) would be a derivative to which section 761D applies apart from the effect of paragraph 761D(3)(c); and

(c) that is transferable.

market participant means:

(a) a participant as defined in the operating rules of ASX Limited ("ASX"), as at the date of this licence (other than a Principal Trader, unless the Principal Trader is registered as a Market Maker), who complies with the ASX's operating rules that relate to financial requirements, taking into account any waiver by ASX; or

(b) a participant in the licensed market operated by Sydney Futures Exchange Limited ("SFE") that:

(i) restricts its financial services business to participating in the licensed market and incidental business supervised by SFE; and

(ii) complies with the SFE's operating rules, as at the date of this licence, that relate to financial requirements, taking into account any waiver by SFE.

MDA service means a service with the following features:

(a) a person ("the client") makes client contributions; and

(b) the client agrees with another person that the client's portfolio assets will:

(i) be managed by that other person at their discretion, subject to any limitation that may be agreed, for purposes that include investment; and

(ii) not be pooled with property that is not the client's portfolio assets to enable an investment to be made or made on more favourable terms; and

(iii) be held by the client unless a beneficial interest but not a legal interest in them will be held by the client; and

(c) the client and the person intend that the person will use client contributions of the client to generate a financial return or other benefit from the person's investment expertise.

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net tangible assets or NTA means adjusted assets minus adjusted liabilities.

old law securities options contracts means "options contracts" as defined under section 9 of the Act immediately prior to 11 March 2002 which were "securities" as defined under section 92(1) of the Act immediately prior to 11 March 2002.

Option 1 means the reasonable estimate projection plus cash buffer basis where the licensee is required to:

(a) prepare a projection of the licensee's cash flows over at least the next 3 months based on the licensee's reasonable estimate of what is likely to happen over this term; and

(b) document the licensee's calculations and assumptions, and describe in writing why the assumptions relied upon are the appropriate assumptions; and

(c) update the projection of the licensee's cash flows when those cash flows cease to cover the next 3 months or if the licensee has reason to suspect that an updated projection would show that the licensee was not meeting paragraph (d) of this definition; and

(d) demonstrate, based on the projection of the licensee's cash flows, that the licensee will have access when needed to enough financial resources to meet its liabilities over the projected term of at least 3 months, including any additional liabilities the licensee projects will be incurred during that term; and

(e) hold (other than as trustee) or be the trustee of a relevant trust that holds, in cash an amount equal to 20% of the greater of:

  (i) the cash outflow for the projected period of at least 3 months (if the projection covers a period longer than 3 months, the cash outflow may be adjusted to produce a 3-month average); or

  (ii) the licensee's actual cash outflow for the most recent financial year for which the licensee has prepared a profit and loss statement, adjusted to produce a 3-month average.

For the purposes of this definition references to the licensee's cash flow include the licensee's own cash flow and any cash flow of a relevant trust but do not include cash flows of any other trust.

For the purposes of paragraph (e) of this definition, "cash" means:

(A) current assets valued at the amount of cash for which they can be expected to be exchanged within 5 business days; or

(B) a commitment to provide cash from an eligible provider that can be drawn down within 5 business days and has a maturity of at least a month;

but does not include any cash in a relevant trust if the licensee has reason to believe that the cash will not be available to meet all of the projected cash flows of the licensee.

Option 2 means the cash needs requirement on the contingency-based projection basis where the licensee is required to:

(a) prepare a projection of the licensee's cash flows over at least the next 3 months based on the licensee's estimate of what would happen if the licensee's ability to meet its liabilities over the projected term (including any liabilities

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the licensee might incur during the term of the projection) was adversely affected by commercial contingencies taking into account all contingencies that are sufficiently likely for a reasonable licensee to plan how they might manage them; and

(b) document the licensee's calculations and assumptions, and describe in writing why the assumptions relied upon are the appropriate assumptions; and

(c) update the projection of the licensee's cash flows when those cash flows cease to cover the next 3 months or if the licensee has reason to suspect that an updated projection would show that the licensee was not meeting paragraph (d) of this definition; and

(d) demonstrate, based on the projection of the licensee's cash flow, that the licensee will have access when needed to enough financial resources to meet its liabilities over the projected term of at least 3 months, including any additional liabilities the licensee might incur during that term.

For the purposes of this definition references to the licensee's cash flow include any cash flow of a relevant trust.

regulated trust account means:

(a) a trust account maintained by an authorised trustee corporation under the law of a State or Territory; or

(b) a solicitor's trust account; or

(c) a real estate agent's trust account; or

(d) a trust account maintained by an entity other than the licensee and that provides protections similar to the accounts described in paragraphs (a) to (c) of this definition, and is approved by ASIC for the purpose in writing.

relevant trust means, for the purposes of the definitions of "Option 1" and "Option 2" of this licence, a trust:

(a) where substantially all of the financial services business carried on by the licensee is carried on as trustee of a trust; and

(b) that it is not a registered scheme or a superannuation entity as defined in subsection 10(1) of the Superannuation Industry (Supervision) Act 1993.

special custody assets means:

(a) for serviced strata schemes, cash held in a regulated trust account for the purposes of:

  (i) refurbishment or improvement of real property associated with the scheme; or

  (ii) alleviating seasonal fluctuations in payments of income from the scheme in accordance with provisions in the constitution;

  provided that no more is held than the licensee reasonably considers necessary for the relevant purpose; and

(b) currency and chattels (other than documents) that it would not be reasonably practicable for a person other than the responsible entity to hold; and

(c) funds received from members of the scheme within the previous 6 months held in a regulated trust account; and

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(d) cash held for up to 3 months in an account with an Australian ADI styled as a trust account that is audited at least once every 6 months by a registered company auditor where the auditor's report states that in the auditor's opinion the account has been operated in accordance with the trust:

(i) pending payment to members; or

(ii) to meet expected expenses (not including investments) over a 3 month period; or

(iii) pending application in acquiring a mortgage and paying any fees and costs incidental to the acquisition; and

(e) contractual, lease or licence rights that are not assignable except with the consent of the member or that it would not be reasonably practicable to assign (other than to a new responsible entity) and any documents evidencing those contractual, lease or licence rights; and

(f) assets of trivial value; and

(g) levies of a time sharing scheme which are held in an account with an Australian ADI styled as a trust account that is audited at least twice annually by a registered company auditor where the report from the auditor is provided to the responsible entity's board or compliance committee and states that in the auditor's opinion the account has been operated in accordance with the trust; and

(h) mortgages or documents of title held under a mortgage where:

(i) particular members have a specific beneficial or legal interest in the mortgage; and

(ii) the mortgage was acquired after disclosure in writing to the relevant members (at the time of the acquisition) of all information that would have been required to be in a Product Disclosure Statement (or in relation to mortgages acquired before Division 2 of Part 7.9 applies to interests in the registered scheme a disclosure document under Chapter 6D of the Act) if an offer of interests in the registered scheme conferring rights in connection with that mortgage had been made immediately prior to the mortgage; and

(iii) either of the following applies:

(A) the mortgage was acquired on the specific direction of the relevant members (at the time of acquisition of the interest); or

(B) members are able to withdraw from that mortgage for a period of 14 days commencing on the date of disclosure under sub-paragraph (h)(ii) of this definition; and

(iv) the scheme does not involve the mortgage being sold prior to its discharge; and

(i) land or other real property relating to a time-sharing scheme.

standard adjustments means:

(a) discounts as follows:

(i) 8% for the values that reflect obligations to pay the licensee a certain sum maturing beyond 12 months unless the interest rate applicable is reset to reflect market interest rates at least annually; and

(ii) 16% for the values that reflect any assets other than:

(A) an obligation to pay the licensee a certain sum; or

(B) a derivative; or

(C) an interest in property held in trust by another licensee under Division 3 of Part 7.8 of the Act or the rights to money held by another licensee in an account under section 981B of the Act; and

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(b) 8% of the values that reflect others' obligations to pay the licensee a certain sum except to the extent that the asset is adequately secured or is a right against another licensee in respect of money or property held by that other licensee in an account under section 981B or held in trust under Division 3 of Part 7.8 of the Act; and

(c) the following amounts for contingent liabilities and contingent liabilities of any trust (other than a registered scheme) of which the licensee is trustee:

  (i) 5% of any contingent liabilities that can be quantified under an underwriting or sub-underwriting of financial products except:

    (A) during the 5 business days after the commitment is assumed; and

    (B) during any period it is unlawful to accept applications for the financial products to which the underwriting relates (such as under subsection 727(3) or section 1016B) and the period ending 5 business days after the first day on which it becomes lawful to accept applications; and

    (C) to the extent that the underwriter holds funds from persons seeking to acquire the financial products subject to the underwriting; and

  (ii) 5% of the potential liability of any contingent liabilities that can be quantified under a derivative other than to the extent there is an offsetting position in any of the following or a combination of the following:

    (A) the "something else" for the purposes of paragraph 761D(1)(c) of the Act; and

    (B) another derivative relating to that something else; and

    (C) a thing that is so similar to the something else as to make the probability of net loss from the liability under the derivative exceeding any increase in the value of the thing less than 5% in the reasonable and documented opinion of the licensee,

  except to the extent that the licensee is of the reasonable opinion that the risk that they will become liabilities (or become liabilities to a greater extent than taken into account for the purposes of applying the adjustment) because of a change in the price or value of the something else is trivial; and

  (iii) 20% of the potential liability of any contingent liabilities that can be quantified under a guarantee or indemnity;

(d) the relevant percentage as set out in subparagraphs (c)(ii) and (c)(iii) of the amounts that in the licensee's reasonable opinion is the maximum amount that the licensee may be liable for in relation to a contingent liability referred to in paragraph (c) where the maximum liability cannot be quantified; and

(e) where the licensee has agreed to sell an asset that it does not hold, the amount of the adjustment that would apply if it held that asset is to be applied against adjusted assets.

For the purposes of this definition, the risk that a contingent liability will become a liability may be treated as trivial if the probability that this will occur is reasonably estimated by the licensee as less than 5%.

For the purposes of paragraphs (a) and (b) of this definition, discounts apply against the value of current assets:

(f) used in calculating "adjusted assets" in this licence; and

(g) of any trust (other than a registered scheme) of which the licensee is a trustee (see subparagraph (f)(ii) of the definition of "adjusted assets" in this licence); and

(h) that are deducted under paragraph (c) of the definition of "adjusted assets" in this licence as assets to which recourse may be had for a liability of the licensee where the licensee's liability is limited to those assets but the

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total discounts applied to those assets shall not exceed any excess of the value of the licensee's assets to which recourse may be taken over the amount of the liability; and

(i) that is the applicable percentage of the current assets that would be acquired in return for paying a contingent liability referred to in subparagraph (c)(i) or (iii) of this definition including rights against a sub-underwriter (see paragraph (g) of the definition of "adjusted assets" in this licence).

The licensee does not have to apply the discounts to the value of amounts payable from a client in the ordinary course of its financial services business for financial products that the client has agreed to buy, if the money is required to be—and in the reasonable estimation of the licensee probably will be—paid no more than 5 business days after the client became liable.

surplus liquid funds or SLF means adjusted assets minus adjusted liabilities:

(a) plus any non-current liabilities that were used in calculating adjusted liabilities and the value of any assets that are encumbered (where the licensee is not liable and the assets do not secure another person's current liability) that were deducted when calculating the licensee's adjusted liabilities; and

(b) minus any non-current assets that were used in calculating adjusted assets; and

(c) if the licensee is an eligible provider under paragraph (b) of the definition of "eligible provider" under this licence—plus one quarter of the value of the licensee's non-current assets minus any intangible assets and the amount of its non-current liabilities.

Tier $500,000 class assets means:

(a) real property (including mortgages or leases over or licences in relation to real property) that is intended to be kept for the whole duration of the scheme or, the relevant mortgage; and

(b) physical assets including currency which as a matter of reasonable practice can be held by a custodian (such as valuables or precious metals); and

(c) funds received from members within the previous:

 (i) 6 months if held for the purposes of the initial investment by the responsible entity as part of the scheme; or

 (ii) 13 months if held pending payment of expenses of the scheme;

 held in a regulated trust account; and

(d) special custody assets.

trigger point means either of the trigger points described in condition 17 of this licence.

value of assets means, for the purpose of condition 11 of this licence, the value of assets and other scheme property and/or IDPS property determined as follows:

(a) in the case of assets that would be recognised in preparing a balance sheet for members under Chapter 2M of the Act - their value as if at that time such a balance sheet was being prepared; and

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(b) in the case of any other scheme property and/or IDPS property - its market value. For the purpose of this calculation mortgages held by members of a registered scheme and managed as part of the scheme must be treated as assets of the scheme.

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AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION
026442958

Form 388
Corporations Act 2001
294, 294B, 295, 298-301, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08, 2M.3.01, 2M.3.03

Copy of financial statements and reports

If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement

Company/scheme details

Company/scheme name
LM INVESTMENT MANAGEMENT LTD

ACN/ARSN/PIN/ABN
68 077 208 461

Lodgement details

An image of this form will be available as part of the public register.

Who should ASIC contact if there is a query about this form?

ASIC registered agent number (if applicable)
N/A

Firm/organisation
LM INVESTMENT MANAGEMENT LTD

Contact name/position description
GRANT FISCHER/CFO

Telephone number (during business hours)
(07) 55 844 500

Email address (optional)

Postal address
PO BOX 485

Suburb/City
Surfers Paradise

State/Territory
Qld

Postcode
4217

1 Reason for lodgement of statement and reports

Tick appropriate box.

- [ ] A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking (A)
- [ ] A Tier 2 public company limited by guarantee (L) — See Guide for definition of Tier 2 public company limited by guarantee
- [ ] A registered scheme (B)
- [ ] Amendment of financial statements or directors' report (company) (C)
- [ ] Amendment of financial statements or directors' report (registered scheme) (D)
- [ ] A large proprietary company that is not a disclosing entity (H) — See Guide for definition of large proprietary company
- [ ] A small proprietary company that is controlled by a foreign company for all or part of the period and where the company's profit or loss for the period is not covered by the statements lodged with ASIC by a registered foreign company, company, registered scheme, or disclosing entity (I) — See Guide for definition of small proprietary company
- [ ] A small proprietary company, or a small company limited by guarantee that is requested by ASIC to prepare and lodge statements and reports (J)
- [ ] A prescribed interest undertaking that is a disclosing entity (K)

Dates on which financial year begins and ends

Financial year begins 01/07/10 [D D] [M M] [Y Y] to Financial year ends 30/06/11 [D D] [M M] [Y Y]

2 Details of large proprietary company

See Guide for definition of large and small proprietary companies.

If the company is a large proprietary company that is not a disclosing entity, please complete the following information as at the end of the financial year for which the financial statements relate:

A What is the consolidated revenue of the large proprietary company and the entities that it controls?

B What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

C How many employees are employed by the large proprietary company and the entities that it controls?

D How many members does the large proprietary company have?

3 Auditor's or reviewer's report

Tick one box and complete relevant section(s)

Were the financial statements audited or reviewed?

☒ Audited - complete B only

☐ Reviewed - complete A and B

☐ No

If no, is there a class or other order exemption current for audit/review relief?

☐ Yes

☐ No

A. Reviewed

Is the reviewer a registered company auditor, or member of The Institute of Chartered Accountants in Australia, CPA Australia Limited, or National Institute of Accountants and holds a practising certificate issued by one of those bodies?

☐ Yes

☐ No

B. Audited or Reviewed

Is the opinion/conclusion in the report:

Modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

☐ Yes

☐ No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

☐ Yes

☐ No

4 Details of current auditor or auditors

Notes:

- Registered schemes must advise ASIC of the appointment of an auditor on a Form 5137 *Appointment of scheme auditor* within 14 days of the appointment of the auditor.
- A public company limited by guarantee may, in some circumstances, have their accounts reviewed. These companies are still required to have an auditor and these details must be provided.

Auditor registration number *(for individual auditor or authorised audit company)*

Family name

Given name

or

Company name

ERNST & YOUNG

ACN/ABN

75288172749

or

Firm name (if applicable)

Office, unit, level

WATERFRONT PLACE

Street number and Street name

1 EAGLE STREET

Suburb/City

BRISBANE

State/Territory

QLD

Postcode

4000

Country (if not Australia)

AUSTRALIA

Date of appointment

[D D] / [M M] / [Y Y]

A company may have two appointed auditors, provided that both auditors were appointed on the same date. Otherwise, an appointed auditor must resign, be removed or otherwise ceased before a subsequent appointment may be made.

Auditor registration number *(for individual auditor or authorised audit company)*

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

Office, unit, level

Street number and Street name

Suburb/City

State/Territory

Postcode

Country (if not Australia

5 Statements and reports to be attached to this form

Financial statements for the year (as required by s295(2) and accounting standards)

- Statement of comprehensive income, may also include a separate income statement for the year
- Statement of financial position as at the end of the year
- Statement of cash flows for the year
- Statement of changes in equity.

OR

If required by accounting standards — the consolidated statements of comprehensive income/income statement, financial position, cash flows and changes in equity.

Notes to financial statements (see s295(3))

- Disclosures required by the regulations
- Notes required by the accounting standards
- Any other information necessary to give a true and fair view (see s297).

The signed directors' declaration about the statements and notes (see s295(4)).

The signed directors' report for the year, including the copy of the auditor's or reviewer's independence declaration (see s298 to s300A).

Signed auditor's report or, where applicable, reviewer's report (see s301, s307 to s308).

Concise report (if any) (see s319).

Signature

See Guide for details of signatory.

I certify that the attached documents marked ( ) are a true copy of the original reports required to be lodged under s319 of the *Corporations Act 2001*.

Name

LISA MAREE DARCY

Signature

Capacity

☑ Director

☐ Company secretary

Date signed

29/09/11

[D D] [M M] [Y Y]

Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

Or lodge the form electronically by:

- visiting the ASIC website www.asic.gov.au
- using Standard Business Reporting enabled software. See www.sbr.gov.au for more details.

For more information

Web www.asic.gov.au

Need help? www.asic.gov.au/question

Telephone 1300 300 630

P McRoskie
29-9-11

LM INVESTMENT MANAGEMENT LIMITED
AUSTRALIA'S SPECIALIST MORTGAGE TRUST MANAGER
A.B.N 68 077 208 461

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011

LM INVESTMENT MANAGEMENT LIMITED
A.B.N 68 077 208 461

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011

LM INVESTMENT MANAGEMENT LIMITED
A.B.N 68 077 208 461

DIRECTORS' REPORT

The Directors present their report on the consolidated entity ("Group") consisting of LM Investment Management Limited ("Company" or "LM") and the entities it controlled at the end of, or during, the year ended 30 June 2011.

Directors

The Directors of the Company during the year or since the end of the financial year and up to the date of this report are:

Name	Period of directorship
Mr Peter C Drake	Appointed on 31 January 1997
Ms Lisa Maree Darcy	Appointed on 12 September 2003
Mr Eghard Van der Hoven	Appointed on 22 June 2006
Ms Francene Maree Mulder	Appointed on 30 September 2006
Mr John O'Sullivan	Appointed on 27 November 2007
Mr Simon Tickner	Appointed on 18 September 2008

The Directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.

Company Secretary

Carolyn Hodge - Bachelor of Business, CPA, ACI, ICCMF

Carolyn is the LM Company Secretary and is a member of the Compliance Committee and Funds Management Committee.

Carolyn has more than 17 years experience in accounting and finance management. Prior to joining LM in 2002, Carolyn held the position of Auditor for the Queensland Audit Office, Brisbane.

Principal Activities

LM Investment Management Limited is an Australian funds manager which operates both nationally and internationally from offices on the Gold Coast, Sydney, Hong Kong, New Zealand, United Kingdom and Dubai.

The Company is an unlisted public company that is 100% Australian owned and managed and is registered with the Australian Securities and Investments Commission (ASIC) as a Responsible Entity and Australian Financial Services Licensee. The Company also has an authorised representative agreement with a related party, Drake Pty Ltd to collect fees and other financial benefits on its behalf. The principal activity of Drake Pty Ltd is the provision of life insurance services.

The Group's principal activity is the provision of specialised Australian income products. The Group is committed to delivering professional and responsive financial services to Australia's business and property sectors and the investing public.

The international offices operate through wholly owned subsidiaries, LM Investment Management International Ltd ("LMIMI"), LM Investment Management New Zealand ("LM NZ"), LM Investment Management UK ("LM UK") and LM FZE. These companies are resident in each of the overseas countries and act as international distribution points for the Company's managed investment products.

LM INVESTMENT MANAGEMENT LIMITED
A.B.N 68 077 208 461

DIRECTORS' REPORT

Principal Activities (cont'd)

The Company did not have any employees as at 30 June 2011 (2010: Nil). LM Investment Management International Ltd had three employees (2010: 3), LM Investment Management New Zealand had two employees (2010: 3), LM Investment Management UK had five employees (2010: 3) and LM FZE had one employee (2010: 1) as at the 30 June 2010. The Company has a service arrangement with a related entity, LM Administration Pty Ltd to perform various administration activities on its behalf including provision of staff and premises and administration and funds management services. LM Administration Pty Ltd's results are not consolidated into this financial report.

Review of Operations and Operating Results

The Group experienced a profit for the financial year, after providing for income tax, of $122,628 (2010: Profit $170.514).

The Company experienced a profit for the financial year, after providing for income tax, of $182,686 (2010: Profit $117,400).

The LM Group of companies, comprising LM Administration Pty Ltd and the consolidated entity, achieved an overall profit before tax of $6.8 million for the financial year.

Dividends Paid or Recommended

In respect of the financial year ended 30 June 2011, dividends of $350,000 ($10,000 per fully paid share) (2010: $350,000) fully franked to 100% at 30% corporate income tax rate were provided to the holder of fully paid ordinary shares on 30 June 2011.

State of Affairs

In the opinion of the Directors, there were no significant changes in the nature of the activities or the state of affairs of the Company or its controlled entities during the financial year.

Likely Developments

The Company and Group shall continue with the principal activities as stated above.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as disclosure of such information would be likely to result in unreasonable prejudice to the Group.

After Balance Date Events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Environmental Regulation

As the Group's operations are of a passive nature, its activities do not have an effect on the physical environment. As a result it is not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

LM INVESTMENT MANAGEMENT LIMITED
A.B.N 68 077 208 461

DIRECTORS' REPORT

Information on Directors and Directors Interests

The relevant interest of each director in the share capital of the companies within the Group, at the date of this report and their attendance at directors meetings, is as follows:

Peter Charles Drake	-	Chief Executive Officer
Experience	-	Peter has been involved in the financial services industry since 1978.
Special responsibilities	-	Peter is principally responsible for the strategic vision, direction, the structured growth of LM and plays an integral role in all LM Committees.
Interest in shares	-	35 ordinary shares
Directors meetings attended	-	2 of 2
Lisa Maree Darcy	-	Executive Director
Qualification	-	Bachelor of Business
Experience	-	More than 20 years experience in the banking and financial planning industry, including financial accounting and funds management.
Special responsibilities	-	Lisa is principally responsible for all overseeing accounting functions of both LM Investment Management Limited and its registered schemes and plays an integral role in LM's Committees.
Interest in shares	-	None
Directors meetings attended		2 of 2
Eghard Van der Hoven	-	Executive Director
Qualification	-	Master of Commerce, Bachelor of Commerce (Hons) in Economics
Experience	-	Eghard's sound understanding of the investment industry spanning almost 20 years includes extensive experience in stock broking, auditing, investment analysis, business strategy and policy planning.
Special responsibilities	-	Eghard is responsible for joint decisions in relation to the asset allocation, geographic spread allocation, cash flow, delivery rate forecasting and budgeting of LM's funds.
Interest in shares		None
Directors meetings attended		2 of 2
Francene Maree Mulder	-	Executive Director
Experience	-	20 year career in the commercial, legal and securities sectors.
Special responsibilities	-	Francene is primarily responsible for the marketing and expansion of distribution of LM's products on a wholesale and retail basis, throughout Australia and international markets.
Interest in shares		None
Directors meetings attended		2 of 2

LM INVESTMENT MANAGEMENT LIMITED
A.B.N 68 077 208 461

DIRECTORS' REPORT

Information on Directors and Directors Interests (cont'd)

John O'Sullivan		Non-Executive Director
Experience	-	20 years experience in the funds management and investment services sectors of New Zealand, Europe, Asia and Australia.
Interest in shares	-	None
Directors meetings attended	-	1 of 2
Simon Tickner	-	Executive Director
Experience	-	20 year career in trading and broking financial derivatives in London's money markets and extensive knowledge of Australia's property markets.
Special responsibilities	-	Simon is responsible for sourcing and assessing new lending opportunities, within the Australian property market.
Interest in shares	-	None
Directors meetings attended	-	2 of 2

Options

No options over unissued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Indemnification and Insurance of Officers and Directors

Indemnification

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability, any person who is or has been an officer of the Company.

Insurance premiums

During the financial year, the Company has paid premiums in respect of the directors or executive officers for liability and legal expenses insurance contracts for the year ended 30 June 2011. The Company has paid or agreed to pay in respect of the Company, premiums in respect of such insurance contracts for the year ended 30 June 2011. Such insurance contracts insure against certain liability (subject to specific exclusions) for persons who are or have been the directors or executive officers of the Company.

Details of the nature of the liabilities covered or the amount of the premium paid has not been included as such disclosure is prohibited under the terms of the contracts.

Proceedings on behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not party to any such proceedings during the year.

LM INVESTMENT MANAGEMENT LIMITED
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DIRECTORS' REPORT

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Signed in accordance with a resolution of the Board of Directors of LM Investment Management Limited.

Director ______________________
Ms Lisa Darcy
Dated this 29th day of September 2011

ERNST & YOUNG

1 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
www.ey.com/au

Auditor's Independence Declaration to the Directors of LM Investment Management Limited

In relation to our audit of the financial report of LM Investment Management Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

P McLuskie

Paula McLuskie
Partner
Brisbane
29 September 2011

LM INVESTMENT MANAGEMENT LIMITED
A.B.N 68 077 208 461

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $	Consolidated 2010 $	Parent 2011 $	Parent 2010 $
Revenue from ordinary activities	3a	16,005,444	8,923,853	15,992,679	8,922,608
Other revenue	3b	63,392	51,667	58,530	51,658
Administration charges	4a	(6,903,455)	(4,951,818)	(6,903,455)	(4,951,818)
Changes in fair value of investment in joint venture	12	(296,703)	-	(296,703)	-
Depreciation expense	4b	(56,871)	(3,009)	-	-
Directors remuneration	21a	(328,650)	(217,224)	-	-
Employee benefits expense	4c	(1,508,058)	(1,308,922)	-	-
Finance costs	4d	(24,003)	(58,827)	(23,504)	(57,983)
Auditor's Remuneration	4e	(41,361)	(48,273)	-	-
Other expenses from ordinary activities	4e	(6,933,570)	(1,470,202)	(8,820,571)	(3,031,402)
Share of net profit of equity accounted investment	10	267,805	(776,489)	267,805	(776,489)
Profit/ (loss) before income tax		243,971	140,756	274,781	156,574
Income tax credits/(expense)	5	(74,415)	(2,375)	(92,095)	(39,174)
Profit/ (loss) for the period	.	169,556	138,381	182,686	117,400
Other comprehensive income					
Foreign currency translation differences for foreign operations		(46,928)	32,133	-	-
Income tax on other comprehensive income		-	-	-	-
Other comprehensive income for the period, net of income tax		(46,928)	32,133	-	-
Total comprehensive income for the period		122,628	170,514	182,686	117,400
Total comprehensive income attributable to owners of the Company		122,628	170,514	182,686	117,400

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

LM INVESTMENT MANAGEMENT LIMITED
A.B.N 68 077 208 461

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	Consolidated 2011 $	Consolidated 2010 $	Parent 2011 $	Parent 2010 $
ASSETS					
Current Assets					
Cash and cash equivalents	7	1,128,757	1,341,780	1,061,590	1,281,597
Trade and other receivables	8	288,221	333,986	1,139,501	1,197,883
Other assets	9	320,086	166,956	27,181	27,791
Total Current Assets		1,737,064	1,842,723	2,228,272	2,507,271
Non-Current Assets					
Other assets	9	5,581	334,158	3,553	-
Investments accounted for using the equity method	10	4,467,785	4,336,952	4,467,785	4,336,952
Investments in subsidiaries	11	-	-	544,717	544,717
Investment properties	12	769,500	1,066,203	769,500	1,066,203
Property, plant and equipment	13	193,857	84,569	-	-
Deferred tax assets	15	148,503	42,670	89,111	-
Total Non-Current Assets		5,585,226	5,864,552	5,874,666	5,947,872
TOTAL ASSETS		7,322,290	7,707,274	8,102,938	8,455,143
LIABILITIES					
Current Liabilities					
Trade and other payables	14	142,708	189,400	82,457	108,364
Income tax payable	15	157,227	300,236	154,913	340,191
Provisions	16	29,007	22,798	-	-
Total Current Liabilities		328,942	512,434	237,370	448,555
Non-Current Liabilities					
Deferred tax liabilities	15	893,699	867,820	893,699	867,405
Total Non-Current Liabilities		893,699	867,820	893,699	867,405
TOTAL LIABILITIES		1,222,641	1,380,254	1,131,069	1,315,960
NET ASSETS		6,099,649	6,327,020	6,971,869	7,139,183
EQUITY					
Contributed equity	17	1,032,012	1,032,012	1,032,012	1,032,012
Reserves	18	(49,120)	(2,191)	-	-
Retained profits		5,116,756	5,297,199	5,939,857	6,107,171
TOTAL EQUITY		6,099,648	6,327,020	6,971,869	7,139,183

The above statement of financial position should be read in conjunction with the accompanying notes.

LM INVESTMENT MANAGEMENT LIMITED
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Attributable to equity holders of the parent Ordinary share capital	Foreign currency translation	Retained earnings	Total
		$	$	$	$
Consolidated					
Balance at 1 July 2009		2	(34,325)	5,508,819	5,474,496
Profit for the year attributable to members		-	-	138,381	138,381
Foreign currency translation differences		-	32,133	-	32,133
Total Comprehensive Income		2	(2,192)	5,647,200	5,645,010
Issue of ordinary shares		1,032,010	-	-	1,032,010
Payment of dividends	6	-	-	(350,000)	(350,000)
Balance at 30 June 2010	17	1,032,012	(2,192)	5,297,200	6,327,020
Profit for the year attributable to members		-	-	169,556	169,556
Foreign currency translation differences		-	(46,928)	-	(46,928)
Total Comprehensive Income		1,032,012	(49,120)	5,466,756	6,449,648
Issue of ordinary shares	17a	-	-	-	-
Payment of dividends	6	-	-	(350,000)	(350,000)
Balance at 30 June 2011		1,032,012	(49,120)	5,116,756	6,099,648

The above statement of changes in equity should be read in conjunction with the accompanying notes.

LM INVESTMENT MANAGEMENT LIMITED
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Attributable to equity holders of the parent Ordinary share capital	 Foreign currency translation	 Retained earnings	Total
		$	$	$	$
Parent					
Balance at 1 July 2009		2	-	6,339,771	6,339,773
Profit for the year attributable to members		-	-	117,400	117,400
Total Comprehensive Income		2	-	6,457,171	6,457,173
Issue of ordinary shares		1,032,010	-	-	1,032,010
Payment of dividends	6	-	-	(350,000)	(350,000)
Balance at 30 June 2010	17	1,032,012	-	6,107,171	7,139,183
Profit for the year attributable to members		-	-	182,686	182,686
Total Comprehensive Income		1,032,012	-	6,289,857	7,321,869
Issue of ordinary shares	17a	-	-	-	-
Payment of dividends	6	-	-	(350,000)	(350,000)
Balance at 30 June 2011		1,032,012	-	5,939,857	6,971,869

The above statement of changes in equity should be read in conjunction with the accompanying notes.

LM INVESTMENT MANAGEMENT LIMITED
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $	Consolidated 2010 $	Parent 2011 $	Parent 2010 $
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		17,617,775	12,008,553	17,593,273	12,344,745
Interest received		59,855	49,954	59,854	49,945
Payments to suppliers and employees (inclusive of GST)		(17,014,968)	(11,274,061)	(17,231,131)	(11,212,363)
Interest paid		(24,003)	(20,925)	(23,503)	(20,081)
Income tax (paid)/ refunded		(72,065)	(482,901)	(254,632)	(131,501)
Net cash flows from/(used in) operating activities	20b	566,593	280,620	143,861	1,030,745
Cash flows from investing activities					
Payment for property, plant and equipment		(146,982)	(79,794)	-	-
Proceeds/ (payments) from/ (to) investment in jointly controlled entity		(69,599)	-	(69,599)	-
Proceeds/ (payments) from/ (to) subsidiaries and related party loans		(516,109)	17,449	(294,269)	(858,190)
Net cash used in investing activities		(732,691)	(62,345)	(363,868)	(858,190)
Net increase/(decrease) from/(used) cash and cash equivalents		(166,097)	218,275	(220,007)	172,555
Net foreign exchange differences		(46,925)	32,131	-	-
Cash and cash equivalents at beginning of period		1,341,780	1,123,505	1,281,597	1,109,041
Cash and cash equivalents at end of period	20a	1,128,757	1,341,780	1,061,590	1,281,597

The above statement of cash flows should be read in conjunction with the accompanying notes.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1 CORPORATE INFORMATION

The financial report of LM Investment Management Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 29 September 2011.

The financial report includes the separate financial statements of LM Investment Management Limited ("Company") as an individual entity and the consolidated entity ("Group") consisting of LM Investment Management Limited and its subsidiaries. LM Investment Management Limited is an unlisted public company, incorporated and domiciled in Australia.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. These policies have been consistently applied to all period presented, unless otherwise stated.

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for investment properties which have been measured at fair value.

The financial report is presented in Australian dollars ($).

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards board.

(c) New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy.

The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the consolidated entity. The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) New, revised or amending Accounting Standards and Interpretations adopted

AASB 2009-8 Amendments to Australian Accounting Standard - Group cash-settled based payment transactions (AASB 2)

The consolidated entity has applied the amendments to AASB 2 from 1 July 2010. The amendments clarified the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the consolidated entity settles the transaction, and no matter whether the transaction is settled in shares or cash.

AASB 2009-5 Amendments to Australian Accounting Standards arising from the Annual Improvements

The consolidated entity has applied AASB 2009-5 amendments from 1 July 2010. The amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes had no or minimal effect on accounting. The main changes were:
AASB 101 'Presentation of Financial Statements' - classification is not affected by the terms of a liability that could be settled by the issuance of equity instruments at the option of the counterparty;
AASB 107 'Statement of Cash Flows' - only expenditure that results in a recognised asset can be classified as a cash flow from investing activities;
AASB 117 'Leases' - removal of specific guidance on classifying land as a lease;
AASB 118 'Revenue' - provides additional guidance to determine whether an entity is acting as a principal or agent; and

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The consolidated entity has applied AASB 2010-3 amendments from 1 July 2010. The amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes had no or minimal effect on accounting. The main changes were:
AASB 127 'Consolidated and Separate Financial Statements' and AASB 3 Business Combinations - clarifies that contingent consideration from a business combination that occurred before the effective date of revised AASB 3 is not restated; the scope of the measurement choices of non-controlling interest is limited to when the rights acquired include entitlement to a proportionate share of net assets in the event of liquidation; requires an entity in a business combination to account for the replacement of acquiree's share-based payment transactions, unreplaced and voluntarily replaced, by splitting between consideration and post combination expenses.

(d) Basis of Consolidation

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity. Details of the subsidiaries are contained in Note 19.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Basis of Consolidation

The financial statements of subsidiaries are prepared for the same reporting period as the Parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by LM Investment Management Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate statement of comprehensive income of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current incoem tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:
when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

when the deductible temporary difference is associated with investments in subsidiaries or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Income Tax (cont'd)

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(f) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited, net of tax, to a revaluation reserve in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the statement of comprehensive income. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost, net of tax, is transferred from the property, plant and equipment revaluation reserve to retained earnings.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Depreciation

The depreciable amount of all fixed assets including capitalised leased assets is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to depreciation. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Property, Plant and Equipment (cont'd)

The depreciation rates for each class of depreciable assets are:

Class of Fixed Asset	*Depreciation Rate*
Plant and Equipment	20% - 33.33%
Leasehold Improvements	Based on the term of the lease

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount and the impairment write down recognised in the statement of comprehensive income.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(g) Investment Properties

Investment properties including freehold and leasehold complexes, are held to generate long-term rental yields and/or for capital appreciation. All tenant leases are on an arm's length basis. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is carried at fair value, determined when required based on director's valuation. An independent valuation is conducted at least once every three years. Changes to fair value are recorded in the statement of comprehensive income as other income in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under Property, plant and equipment up to the date of change in use.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Leases (cont'd)

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(i) Investments in Jointly Controlled Entities

Investments in jointly controlled entities in which the Parent entity is a venturer (and so has joint control) are accounted for using the equity method. Under the equity method, the share of profits or losses of the partnership is recognised in the statement of comprehensive income, and the share of movements in reserves is recognised under reserves in the statement of financial position. The carrying amount of non-current investments is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these investments.

(j) Investments and Other Financial Assets

Investments and other financial assets in the scope of *AASB 139 Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

Recognition

Financial assets are initially measured at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. Subsequent to initial recognition these assets are measured as set out below.

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Investments and Other Financial Assets (cont'd)

Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the near term with the intention of making a profit or if so designated by management and within the requirements of *AASB 139: Recognition and Measurement of Financial Instruments*. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise and the related assets are classified as current assets in the statement of financial position.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Such assets are carried at amortised cost using the effective interest method. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets, principally equity securities, that are designated as available-for-sale or are not classified as any of the three preceding categories. Such assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

Fair value

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Investments and Other Financial Assets (cont'd)

Impairment

At each reporting date, the Group assess whether there is objective evidence that a financial instrument has been impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

(k) Impairment of Assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. At each reporting date, the Group reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(l) Foreign Currency Transactions and Balances

Functional and Presentation Currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency. The Hong Kong subsidiary's functional currency is Hong Kong Dollars, New Zealand subsidiary's functional currency is New Zealand Dollars, .United Kingdom subsidiary's functional currency is Sterling pounds, and the Dubai subsidiary's functional currency is United Arab Emirates Dirham which are all translated to the presentation currency.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Foreign Currency Transactions and Balances (cont'd)

Transaction and Balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge or are attributable to part of the net investment in a foreign operation.

Exchange differences arising from translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Translation of Group Companies functional currency to presentation currency

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to foreign currency translation reserve. When a foreign operation is sold the proportionate share of exchange differences would be transferred out of equity and recognised in the statement of comprehensive income.

(m) Cash and Cash Equivalents

Cash and cash equivalents include cash at bank and on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the debts. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(o) Trade and Other Payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Interest-bearing Loans

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(q) Borrowing Costs

Borrowing costs are recognised as an expense when incurred. The Group does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Provisions (cont'd)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(s) Employee Benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Employee leave entitlement

Employee entitlements to annual leave and long service leave are recognised when they accrued to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance date.

(s) Employee Benefits (cont'd)

Annual leave is measured at the amounts expected to be paid when the liabilities are settled. The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Employee entitlement to sick leave and maternity leave or paternity leave is not recognised until the time of leave.

Pension Obligations

The Group contributes to the Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong which is set up in accordance with the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held in a separately administered fund. The Parent entity's contributions have been utilised by the Group to reduce existing contributions.

(t) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue from the rendering of a service is recognised upon the delivery of the service to customers.

Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rental revenue

Rental revenue from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

(v) Goods and Services Tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the acquisition of the asset or as part of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(w) Significant Accounting Judgments, Estimates and Assumptions

Significant accounting judgments

In the process of applying the Group's accounting policies, management has made judgements, apart from those involving estimations, which have had an impact on the amounts recognised in the financial statements. No judgements have been determined to be individually significant.

Significant accounting estimates and assumptions

The fair value of investment property has been determined based on Directors' valuation at 30 June 2011. The Directors' fair value calculations are based on current or recent prices of sales of similar properties adjusted to reflect differences with the Company's property.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Significant Accounting Judgments, Estimates and Assumptions (cont'd)

In the process of applying the Group's accounting policies, management has made estimates and assumptions, apart from those involving judgement, which have had an impact on the amounts recognised in the financial statements. No estimates and assumptions have been determined to be individually significant.

Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

(x) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(y) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2011. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the consolidated entity.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(y) New Accounting Standards and Interpretations not yet mandatory or early adopted (con't)

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments are a consequence of the annual improvements project and make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provide clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instrument; clarifies that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provides guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 1053 Application of Tiers of Australian Accounting Standards

This standard is applicable to annual reporting periods on or after 1 July 2013. This standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements, being Tier 1 Australian Accounting Standards and Tier 2 Australian Accounting Standards - Reduced Disclosure Requirements. Even though it qualifies as a Tier 2, the consolidated entity plans to adopt this standard for reduced disclosure for the financial year ended 30 June 2012.

AASB 2011-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013. These amendments make numerous amendments to a range of Australian Accounting Standards and Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities in preparing general purpose financial statements. Even though it qualifies as a Tier 2, the consolidated entity plans to adopt this standard for reduced disclosure for the financial year ended 30 June 2012.

AASB 2010-5 Amendments to Australian Accounting Standards

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(y) New Accounting Standards and Interpretations not yet mandatory or early adopted (con't)

AASB 124 Related Party Disclosures (December 2009)

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2011. This revised standard simplifies the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. This revised standard introduces a partial exemption of disclosure requirement for government-related entities. The adoption of this standard from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 July 2011. These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. The adoption of these amendments from 1 July 2011 will increase the disclosure requirements on the consolidated entity when an asset is transferred but is not derecognised and new disclosure required when assets are derecognised but the consolidated entity continues to have a continuing exposure to the asset after the sale.

AASB 2010-8 Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2012 and a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. The consolidated entity is yet to quantify the tax effect of adopting these amendments from 1 July 2012.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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		Consolidated		Parent	
		2011	2010	2011	2010
3	**REVENUE**	$	$	$	$
a.	Revenue from operating activities:				
	Commission income	12,807	1,387	41	142
	Management fees	15,979,226	8,909,091	15,979,226	8,909,091
	Rental income	13,411	13,375	13,411	13,375
b.	Other revenue from operating activities:				
	Interest	58,530	51,602	58,530	51,593
	Gain on foreign exchange	4,862	-	-	-
	Other income	-	65	-	65
	Total revenue	16,068,836	8,975,520	16,051,208	8,974,266
4	**EXPENSES**				
a.	Administration charges - related	6,903,455	4,951,818	6,903,455	4,951,818
b.	Depreciation:				
	Plant and equipment	56,871	3,009	-	-
		56,871	3,009	-	-
c.	Employee benefits expense:				
	Wages and salaries	1,051,474	1,287,165	-	-
	Superannuation	126,489	9,601	-	-
	Other employee benefits expense	330,095	12,156	-	-
		1,508,058	1,308,922	-	-
d.	Finance costs:				
	Interest paid to external parties	24,003	20,925	23,503	20,081
	Interest paid to related parties	-	37,902	-	37,902
		24,003	58,827	23,503	57,983
e.	Other expenses from ordinary activities:				
	Auditor's remuneration	41,361	48,273	-	-
	Commission	-	431	3,239,717	2,703,968
	Consultants' fees	-	1,509	-	-
	Direct operating expense from rental earnings	8,591	13,030	8,591	13,030
	Insurance	324,336	314,742	320,643	313,644
	Legal costs	857	5,908	-	-
	Loss on foreign exchange	183,171	16,919	-	-
	Rent and outgoings	642,581	514,229	-	-
	Stamp duty	4,625	-	-	-
	Management Fee - LM Administration	5,250,260	-	5,250,260	-
	Other expenses from ordinary activities	519,147	603,434	1,360	760
		6,974,930	1,518,475	8,820,571	3,031,402

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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4 EXPENSES (CONT'D)

f. Auditors remuneration

LM Administration Pty Ltd, a related entity that provides management and administration services paid the auditors remuneration on behalf of the parent entity and reimbursement will not be sought. The value of the management and administration services provided by LM Administration was $6,903,455 (2010: $4,951,818).

5 INCOME TAX EXPENSE	Consolidated 2011 $	Consolidated 2010 $	Parent 2011 $	Parent 2010 $
a. The components of income tax expense are:				
Current income tax expense	177,678	346,586	154,913	340,191
Adjustments in respect of current income tax of previous years	-	(439)	-	-
Deferred income tax	(103,264)	(343,773)	(62,817)	(301,017)
Income tax (credits)/expense in the statement of comprehensive income	74,415	2,375	92,095	39,174
b. Reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate:				
Accounting (loss)/profit before income	243,971	140,756	274,781	156,574
Income tax expense calculated at Parent entity's statutory income tax rate of 30% (2010: 30%)	73,191	42,227	82,434	46,972
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,883)	(5,606)	-	-
Non deductible foreign subsidiaries losses	-	-	-	-
Foreign exchange gains and other translation adjustments	-	33,773	-	-
Changes in unrecognised temporary differences	1,541	(25,456)	-	(21,151)
Previously unrecognised deferred taxes associated with investment in jointly controlled entity	9,661	13,310	9,661	13,310
Previously unrecognised tax losses now recouped to reduce current tax expense	(6,811)	(61,181)	-	-
Under-provision in prior year	(1,865)	(439)	-	-
Non-deductible/non-taxable amounts and capital allowances	581	5,747	-	43
	74,415	2,375	92,095	39,174

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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	Consolidated		Parent	
	2011	2010	2011	2010
6 DIVIDENDS	$	$	$	$
a. Recognised amounts:				
Final dividend of $10,000 per fully paid share, fully franked at a 30% tax rate	350,000	350,000	350,000	350,000
b. Franking credit balance:				
Balance of franking account (Class C 30%) has been adjusted for credits, which will arise from the payment of income tax provided for in the financial statements and after deducting credits used in payment of proposed dividends.	1,817,102	1,626,911	1,817,102	1,626,911

The ability to utilise credits is dependent upon there being sufficient available profits to declare dividends.

7 CASH AND CASH EQUIVALENTS

	Consolidated 2011	Consolidated 2010	Parent 2011	Parent 2010
Cash at bank	77,950	290,806	11,590	231,597
Cash on hand	807	974	-	-
Term deposits	1,050,000	1,050,000	1,050,000	1,050,000
	1,128,757	1,341,780	1,061,590	1,281,597

8 TRADE AND OTHER RECEIVABLES

CURRENT

	Consolidated 2011	Consolidated 2010	Parent 2011	Parent 2010
Other receivables	1,401	14,464	1,400	2,726
Interest receivable	3,210	4,535	3,210	4,535
Loans to related parties	283,610	314,987	283,610	314,987
Loans to subsidiaries	-	-	851,281	875,635
	288,221	333,986	1,139,501	1,197,883

a. Impaired receivables and receivables past due

Trade receivables are non-interest bearing and are generally on 30-90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired.

None of the receivables are impaired or past due but not impaired. It is expected that these balances will be received when due and no provision is required.

b. Related party receivables

Receivable from related party and subsidiaries are interest-free, unsecured and are repayable on demand.

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8 TRADE AND OTHER RECEIVABLES (CONT'D)

c. Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

d. Foreign exchange and interest rate risk

Information about the Group's and the Company's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 22.

	Consolidated		Parent	
9 OTHER ASSETS	**2011 $**	**2010 $**	**2011 $**	**2010 $**
CURRENT				
Deposits	267,117	122,320	-	-
Other prepayments	52,969	44,636	27,181	27,791
	320,086	166,956	27,181	27,791
NON CURRENT				
Income tax receivable	5,581	334,158	3,553	-

10 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

Investment in jointly controlled entity	4,467,785	4,336,951	4,467,785	4,336,951

The Company has a 66.67% (2010: 66.67%) interest in the 38 Cavill Avenue Joint Venture, an Australian venture, whose principal activity is commercial rental investment. Although the Parent entity owns a majority share of the venture, this does not constitute a controlling interest in the joint venture due to the nature of the investment and the arrangement between the venturers.

a. The Group and Parent entity's share of the net assets employed in the partnership is as follows:

Financial position

Current assets	88,004	65,501	88,004	65,501
Non-current assets	8,444,328	8,439,681	8,444,328	8,439,681
Total assets	8,532,332	8,505,182	8,532,332	8,505,182
Current liabilities	49,212	63,381	49,212	63,381
Non-current liabilities	4,015,335	4,104,850	4,015,335	4,104,850
Total liabilities	4,064,547	4,168,231	4,064,547	4,168,231
Net assets	4,467,785	4,336,951	4,467,785	4,336,951

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10 INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (CONT'D)

	Consolidated		Parent	
	2011	2010	2011	2010
Financial performance	$	$	$	$
Revenue	901,950	865,961	901,950	865,961
Expenses	(634,145)	(653,289)	(634,145)	(653,289)
Revaluations	-	(989,161)	-	(989,161)
Profit/(loss) for the year	267,805	(776,489)	267,805	(776,489)

b. The movement in the Group's investment in the jointly controlled entity and share of operating profit after tax is as follows:

Opening balance	4,336,952	5,406,835	4,336,952	5,406,835
Share of net profit	267,805	(776,489)	267,805	(776,489)
Funds Contributed	69,599	-	69,599	-
Drawings	(206,571)	(293,394)	(206,571)	(293,394)
Share of net assets (Note 10 a)	4,467,785	4,336,952	4,467,785	4,336,952
Closing balance	4,467,785	4,336,952	4,467,785	4,336,952

During the financial year the jointly controlled entity made a non-cash distribution of $206,571 (2010: $293,394) which were credited to interest and sundry payables in satisfaction of payment.

Funds contributed to the jointly controlled entity amounted to $69,599 (2010: $nil).

The company's investment in the 38 Cavill Avenue Joint Venture is accounted for using the equity method and consists predominantly of an investment property. In accordance with the policy stated in Note 2(g) investment property is stated at fair value. An independent valuation is conducted at least once every three years. An independent valuation of commercial rental investment was conducted by CBRE on 28 September 2009 at a fair value of $10.5 million using the direct comparison and capitalisation method.

At year-end the fair value of the investment property has been based on a directors' valuation. The fair value has been determined based on available market information reflecting conditions at year-end. While this represents the best estimates of fair value as at the balance date, the current market uncertainty means that if investment property is sold in the future the price achieved may be higher or lower than the most recent valuation, or higher or lower than the current fair value recorded in the financial statements.

c. Contingent liabilities and capital commitments

There are no material contingent liabilities incurred jointly with other investors as at 30 June 2011 (2010: nil).

d. Impairment

No assets employed in the jointly controlled operation were impaired during the year (2010: $nil).

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	Consolidated		Parent	
	2011	2010	2011	2010
11 INVESTMENTS IN SUBSIDIARIES	$	$	$	$
Investments in controlled entities (Note 20)	-	-	544,717	544,717

These financial assets are carried at cost.

The directors have assessed the carrying values of the company's investments in its subsidiaries as at 30 June 2011 and consider these carrying values are appropriate. This is based on their assessment of the intrinsic value of each subsidiary.

12 INVESTMENT PROPERTY

	Consolidated 2011	Consolidated 2010	Parent 2011	Parent 2010
At fair value				
Balance at beginning of the year	1,066,203	1,066,203	1,066,203	1,066,203
Devaluation of property	(296,703)	-	(296,703)	-
Balance as end of the year	769,500	1,066,203	769,500	1,066,203

Investment property comprises a part share in a residential property that is leased to a third party and is carried at fair value, which has been determined based on the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation.

The Parent entity has a 57% (2010: 57%) part share in an investment property at 20 Albatross Avenue, Mermaid Beach, Gold Coast. The investment property is subject to a first charge to secure the mortgage loan obtained by the Company's partner in the property. The partner is Lisa Maree Darcy, one of the Company's director's. The fair value of investment property has been determined based on Directors' valuation at 30 June 2011. The Directors' fair value calculations are based on current or recent prices of sales of similar properties adjusted to reflect differences with the Company's property.

13 PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2011	Consolidated 2010	Parent 2011	Parent 2010
Plant and equipment - at cost	313,971	166,989	10,460	10,460
Less accumulated depreciation	(120,114)	(82,420)	(10,460)	(10,460)
Total property, plant and equipment	193,857	84,569	-	-

a. Reconciliations of carrying amounts at the beginning and end of the period

Plant and equipment

	Consolidated 2011	Consolidated 2010	Parent 2011	Parent 2010
At 1 July net of accumulated depreciation and impairment	84,569	6,940	-	-
Additions	203,129	78,842	-	-
Disposals	(9,247)	-	-	-
Depreciation charge for the year	(56,871)	(3,009)	-	-
Exchange difference	(27,721)	1,796	-	-
At 30 June net of accumulated depreciation and impairment	193,859	84,569	-	-

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

13 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Consolidated		Parent	
Leasehold Improvements	2011 $	2010 $	2011 $	2010 $
At 1 July net of accumulated depreciation and impairment	-	9,461	-	-
Additions	-	-	-	-
Disposals	-	(8,616)	-	-
Depreciation charge for the year	-	-	-	-
Exchange difference	-	(845)	-	-
At 30 June net of accumulated depreciation and impairment	-	-	-	-
Totals	193,859	84,569	-	-

b. Impairment of property, plant and equipment

No assets were impaired during the year (2010: nil).

c. Construction in progress

In 2010, included in the additions was construction in progress expenditure amounting to $74,926 for an office fit-out. The total amount of the contract for the fit out was $250,101 which was completed during the financial year. There was no construction in progress as at 30 June 2011.

14 TRADE AND OTHER PAYABLES

	Consolidated 2011	Consolidated 2010	Parent 2011	Parent 2010
CURRENT				
Trade payables	2,725	2,452	955	-
Other payables	32,348	27,048	928	1,577
Accrued expenses	50,667	55,396	-	-
GST payable	56,968	104,504	58,758	106,787
	142,708	189,400	60,641	108,364
Related party payable:				
Trade payables - related	-	-	38	-
Loans from subsidiaries	-	-	21,779	-
	142,708	189,400	82,458	108,364

Trade payables are non-interest bearing and are normally settled on 60-day terms.

a. Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

b. Foreign exchange and liquidity risk

Information about the Group's and the Company's exposure to foreign currency and liquidity risk in relation to trade and other payables is provided in Note 22.

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FOR THE YEAR ENDED 30 JUNE 2011

15 INCOME TAX

	Consolidated 2011 $	Consolidated 2010 $	Parent 2011 $	Parent 2010 $
CURRENT				
Liability				
Income tax	157,227	300,236	154,913	340,191
NON-CURRENT				
Deferred tax assets	148,503	42,670	89,111	-
Deferred tax liabilities	893,699	867,820	893,699	867,405
a. Deferred tax assets attributable to:				
Investment in property	89,011	-	89,011	-
Carry Forward Tax Losses	18,946	42,670	-	-
Foreign Exchange differences	40,446	-	-	-
Others	100	-	100	-
Total deferred tax liabilities	148,503	42,670	89,111	-
b. Deferred tax liabilities attributable to:				
Investments accounted for using the equity method	892,736	866,144	892,736	866,144
Others	963	1,676	963	1,261
Total deferred tax liabilities	893,699	867,820	893,699	867,405
c. Reconciliation:				
(i) The overall movement in the deferred tax assets:				
Opening balance at 1 July 2010	42,670	-	-	-
(Charge)/credit to statement of comprehensive income	105,833	42,670	89,111	-
Balance at 30 June 2011	148,503	42,670	89,111	-
(ii) The overall movement in the deferred tax liabilities:				
Opening balance at 1 July 2010	867,820	1,168,422	867,405	1,168,422
(Charge)/credit to statement of comprehensive income:				
Movement in deferred tax for equity accounted investment	26,591	(301,512)	26,591	(301,512)
Others	(712)	910	-	495
Balance at 30 June 2011	893,699	867,820	893,996	867,405

16 PROVISIONS

	Consolidated 2011 $	Consolidated 2010 $	Parent 2011 $	Parent 2010 $
CURRENT				
Provision for annual leave	9,936	8,425	-	-
Provision for long service leave	19,071	14,373	-	-
	29,007	22,798	-	-

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16 PROVISIONS (CONT'D

a. Movements in provision:

	Annual leave		Long service leave	
Opening balance at 1 July	8,425	13,683	14,373	-
Additional provisions recognised	9,936	8,425	4,698	14,373
Amount used during the period	(8,425)	(13,683)	-	-
Balance at 30 June	9,936	8,425	19,071	14,373

17 CONTRIBUTED EQUITY

	Consolidated		Parent	
	2011	2010	2011	2010
	$	$	$	$
35 (2010: 35) fully paid ordinary shares	1,032,012	1,032,012	1,032,012	1,032,012

Holders of ordinary shares of the Company are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company ordinary shareholders rank equally with all other shareholders in relation to a return of capital and participate fully in any proceeds of liquidation.

a. Movements in ordinary share capital:

Balance at 1 July 2010	35	2	35	2
Share split during the year	-	32	-	32
Shares issued during the year	-	1	-	1
Balance at 30 June 2011	35	35	35	35

b. Capital management

Management's objective is to maintain a strong capital base to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain an optimal capital structure to reduce the cost of capital.

The Group's capital requirements are regulated under an Australian Financial Services Licence which requires a minimum $5 million of net tangible assets to be maintained. LM complied with this requirement throughout the year.

There were no changes to the Group's approach to capital management in 2011.

18 RESERVES

Foreign Currency Translation reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

19 CONTROLLED ENTITIES

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%) 2011	2010
Parent Entity:			
LM Investment Management Limited	Australia	-	-
Subsidiaries of LM Investment Management Limited:			
LM Investment Management International Ltd	Hong Kong	100	100
LM Investment Management New Zealand Limited	New Zealand	100	100
LM Investment Management UK Limited	United Kingdom	100	100
LM FZE	Dubai	100	100

20 STATEMENT OF CASH FLOW RECONCILIATION

a. Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents includes cash on hand and at bank, net of outstanding bank overdrafts. Cash at the end of the financial year, as shown in the statement of cash flow is reconciled to the related items in the statement of financial position as follows:

	Consolidated 2011 $	Consolidated 2010 $	Parent 2011 $	Parent 2010 $
Cash and cash equivalents (Note 7)	1,128,757	1,341,780	1,061,590	1,281,597

b. Reconciliation of net profit after tax to net off cash flows from operations:

	Consolidated 2011 $	Consolidated 2010 $	Parent 2011 $	Parent 2010 $
Profit after income tax	169,556	138,381	182,686	117,400
Add/(less) non-cash items:				
Share of associates net loss/ (profit)	(267,805)	776,489	(267,805)	776,489
Share of associates drawings	206,571	-	206,571	-
Changes in fair value of investment in investment property	296,703	-	296,703	-
Depreciation	56,871	3,009	-	-
Assets written off	-	8,616	-	-
Net loss on foreign exchange	178,309	32,131	-	-
Others	-	37,902	-	37,902
Changes in assets and liabilities:				
(Increase)/decrease in trade and other receivables	14,387	(9,404)	2,651	328,157
(Increase)/decrease in other assets	(153,130)	(353,399)	609	(13,570)
Increase/(decrease) in trade and other payables	(46,692)	(225,467)	(25,906)	(123,306)
Increase/(decrease) in provisions	6,209	9,115	-	-
Increase/(decrease) in tax liabilities	185,568	206,518	(188,831)	208,690
Increase/(decrease) in deferred taxes	(79,955)	(343,272)	(62,817)	(301,017)
Net cash provided by/(used in) operating activities	566,593	280,620	143,861	1,030,745

20 STATEMENT OF CASH FLOW RECONCILIATION (CONT'D)

c. Non-cash activities

Dividends Paid

During the financial year the Company paid dividends of $350,000 (2010: $350,000) which were credited to the loan accounts of LM Administration Trust in satisfaction of payment.

21 RELATED PARTIES

a. Directors

The names of each person holding the position of director of the LM Investment Management Ltd from the beginning of the financial year to the date of this report are Messrs P C Drake, E Van der Hoven, Ms L Darcy, Ms F Mulder, J O'Sullivan and S Tickner. Details about their period of directorship, qualifications and special responsibilities are detailed in the Directors' Report at page 1 - 5 of this Financial Report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interest subsisting at year-end. Similarly no director had a loan from the Company during the financial year.

(i) Key management personnel compensation

The key management personnel are the directors of the Group.

Consolidated	**Short-term Benefits**			
	Salary & Fees	**Bonus**	**Superannuation**	**Total**
2011				
Total compensation	1,558,502	644,434	122,679	2,325,615
2010				
Total compensation	1,271,694	538,075	142,611	1,952,380
Parent				
2011				
Total compensation	1,274,173	644,434	89,847	2,008,454
2010				
Total compensation	1,059,883	538,075	123,154	1,721,112

(ii) Directors' holdings of shares – LM Investment Management Limited

The interests of directors in the Company at year-end are set out below:

Class of Share- Ordinary	**2011**	**2010**
	$	**$**
P Drake	35	35

- indirectly through Drake Management Trust and Century Star Investments Ltd

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

21 RELATED PARTIES (CONT'D)

(iii) Directors' transactions with the Company or its controlled entities

A number of directors of the Company, or their director-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

LM Managed Performance Fund (a related scheme) approved a $16 million loan facility to Peter Charles Drake during the year (2010: $12 million). This loan was granted on normal terms and conditions, has an annual interest rate of 16% and is secured by a personal guarantee from Peter Charles Drake and a fixed and floating charge over the assets of Century Star Investments Pty Ltd. As at 30 June 2011, the loan balance was $15,662,140 (2010: $12,475,463).

The terms and conditions of the transactions with directors and their director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

b. Other related party transactions

(i) Transactions with LM Administration Pty Ltd

The Company has a service arrangement with a related entity, LM Administration Pty Ltd to perform various administration activities on its behalf including provision of staff and premises and administration and funds management services to LM Schemes. Under the terms of the agreement, the Schemes pay a management fee directly to LM Administration Pty Ltd. LM Administration Pty Ltd's results are not consolidated into this financial report. Under the terms of agreement, LM Administration Pty Ltd provides staff, equipment and other services as required by the Company. A service fee is payable by the Company to LM Administration Pty Ltd for the provision of these services. This fee is calculated under the terms of the service agreement. Under the terms of the service agreement, the service fee payable to LM Administration Pty Ltd by the Company for the year ended 30 June 2011 was $6,903,455 (2010: $4,951,818).

Auditor's remuneration of $174,217 (2010: $108,535) for this financial year was paid and payable by LM Administration Pty Ltd on behalf of the parent entity for which reimbursement will not be sought.

During the financial year the Company paid dividends of $350,000 (2010: $350,000) which were credited to the loan accounts of LM Administration Trust in satisfaction of payment.

(ii) Transactions with Drake Pty Ltd

The Company has an authorised representative agreement with a related entity, Drake Pty Ltd to collect fees and other financial benefits on its behalf. Under the terms of the agreement, all of the financial remuneration attributable to activities of Drake Pty Ltd, as the authorised representative are payable to Drake Pty Ltd. The Company received the sum of $769,517 (2010: $804,171) during the year representing commissions paid as a result of Drake Pty Ltd's life insurance activities. The sum of $769,517 (2010: $804,171) was paid and payable to Drake Pty Ltd's as authorised representative of the Company, therefore this transaction had no impact on the Company's Statement of Comprehensive Income during the financial year. Peter Drake is the sole director of Drake Pty Ltd.

(iii) Transactions with related scheme

The Company received a management fee income of $10,728,966 (2010: $8,909,091) for management and administrative services provided to related scheme, LM First Mortgage Income Fund during the financial year.

During the financial year, schemes managed by the Company, paid fees to the Company and its related entities totalling $15,365,330 (2010: $11,475,341).

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21 RELATED PARTIES (CONT'D)

(iv) Transactions with owned wholly subsidiaries

During the financial year the Company paid commissions to its owned wholly subsidiaries totalling $3,239,717 (2010: $2,703,538).

(v) Management fees

The company, as Manager, received $5,250,260 (2010: $nil) in loan management and administration fees from the First Mortgage Income Fund, which are payable to LM Administration Pty Ltd. The Manager undertook controllership & administrator services internally in lieu of appointing external receivers & administrators to the default loans of the LM First Mortgage Income Fund

c. Other related party balances

(i) The aggregate amount of debts and investments, other than trade debts, due and receivable from and payable to other related parties by the company and the economic entity at balance date:

	Consolidated		Parent	
	2011	2010	2011	2010
	$	$	$	$
Asset				
Loan receivable				
LM Administration Trust (Note 8)	283,610	314,987	283,610	314,987

(ii) Joint Venture in which the parent entity is a venturer

The parent entity has a 66.67% interest in the assets, liabilities and output of the 38 Cavill Avenue Joint Venture (2010: 66.67%). In view of the nature and structure of the Joint Venture the directors have determined that the Company does not control the entity.

(iii) Investment Property in which the Parent entity holds a part share

The Parent entity has a 57% (2010: 57%) part share in an investment property at 20 Albatross Avenue, Mermaid Beach, Gold Coast. The investment property is subject to a first charge to secure the mortgage loan obtained by the Company's partner in the property. The partner is Lisa Maree Darcy, one of the Company's director's.

(iv) Terms and conditions of transactions with related parties

Transactions with related parties are made on an arm's length basis both at normal market prices and on normal commercial terms.

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash and cash equivalents.

(v) Make good provision provided to Scheme unitholders

During the year, several schemes for which the company is the Responsible Entity temporarily ceased entering into derivative products to mitigate the currency risk to foreign currency investor funds. The company provided a guarantee to investors to make good any loss arising from currency fluctuations during the period investments were unhedged. As at 30 June 2011, all foreign currency investor funds in the applicable schemes have entered appropriate derivative products to mitigate this currency risk. No liability has arisen from this guarantee as at 30 June 2011 and the guarantee has since been removed.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a. Financial Risk Management Objectives, Policies and Processes

The Group's financial instruments consist mainly of trade and other receivables, trade and other payables, interest-bearing loans and borrowing from and to related parties, cash and cash equivalents.

The Board of Directors has overall responsibility for establishment and oversight of risk management framework. The Board has established a Risk Management Committee, which is responsible for approving and reviewing the Group's financial risk management strategy and policy. The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy approved by the Board of Directors to enable the risks to be balanced against appropriate rewards for the taking and managing of the risks.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, and other conditions.

a. Financial Risk Management Objectives, Policies and Processes (Cont'd)

Risk management policies are established to identify, analyse, evaluate and control the risks which affects its business and are reviewed regularly to reflect changes in market conditions and the Group's activities. The risk management committee meet fortnightly to consider each of the risks and to prepare risk action plans for each of the risks.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures including the review of the adequacy of the risk management framework with respect to the risks faced by the Group.

b. Financial Risks

The main risks the Group is exposed to through its financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk.

(i) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

- Foreign currency risk

Foreign currency risk is the risk that the fair value of a future cash flow of a financial instrument will fluctuate due to changes in foreign exchange rates.

As a result of operations in Hong Kong, New Zealand, United Kingdom and Dubai, the Group's statement of financial position can be affected by movements in the HK$, NZ$, GBP, AED$/A$ exchange rates. Approximately 0.08% (2010:0.02%) of the Group's sales are denominated in currencies other than the functional currency of the operating entity making the revenue, whilst almost 81% (2010:73%) of costs are denominated in the Parent entity's functional currency. No hedging activities occur in relation to this foreign currency exposure.

There has been no change to the Group's exposure to foreign currency risk or the manner in which the Group manages and measures the risk from previous period.

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22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

The Group's exposure to foreign currency risk at the reporting date was as follows:

Consolidated	**2011**			
	HK	**NZ**	**GBP**	**AED**
	$	**$**	**$**	**$**
Financial Assets				
Cash and cash equivalents	524,887	-	1,255	14,588
Trade and other receivables	-	-	-	-
Financial Liabilities				
Trade and other payables	125,287	14,060	32,194	45,202
Net exposure	399,600	(14,060)	(30,939)	(30,614)

	2010			
	HK	**NZ**	**GBP**	**AED**
	$	**$**	**$**	**$**
Financial Assets				
Cash and cash equivalents	274,515	-	8,162	16,938
Trade and other receivables	79,100	-	-	-
Financial Liabilities				
Trade and other payables	68,525	14,656	27,579	36,653
Net exposure	285,090	(14,656)	(19,417)	(19,715)

The Parent entity does not have any exposure to foreign currency risk.

Sensitivity analysis

An increase or decrease of 10% in currency rates as at the reporting date would have an insignificant effect on the post tax profit and other comprehensive income.

- Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates.

As at the reporting date, the Group had no liabilities exposed to variable interest rate risk and had the following financial assets exposed to variable interest rate risk:

		Floating interest rate maturing			
2011	Weighted average interest rate	1 year or less	Over 1 to 5 years	More than 5 years	Total
	%	$	$	$	$
Financial Assets:					
Cash and cash equivalents	5.37%	1,127,950	-	-	1,127,950
Total financial assets		1,127,950	-	-	1,127,950

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22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

2010	Weighted average interest rate %	Floating interest rate maturing 1 year or less	Over 1 to 5 years	More than 5 years	Total
		$	$	$	$
Financial Assets:					
Cash and cash equivalents	4.47%	1,340,806	-	-	1,340,806
Total financial assets		1,340,806	-	-	1,340,806

The other financial instruments of the Group that are not included in the above tables are non-interest bearing and therefore are not subject to interest rate risk.

Sensitivity analysis

An increase or decrease of 100 and 50 basis points in interest rates as at the reporting date would have an insignificant effect on the post tax profit and other comprehensive income.

(ii) Liquidity risk

Liquidity risk is the risk that the Group and Company may not be able to meet its obligations to investment activities or other obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of available funding through an adequate amount of committed credit facilities.

The Group manages liquidity risk by monitoring forecast cash flows and to have sufficient liquidity to meet its liabilities when due.

Maturities of financial liabilities

Consolidated

2011	Carrying amount $	Total contractual cash flows $	Less than 6 months $	6 - 12 months $	1 - 5 years $
Non-derivatives financial					
Trade and other payables	142,708	142,708	142,708	-	-
	142,708	142,708	142,708	-	-

2010	Carrying amount $	Total contractual cash flows $	Less than 6 months $	6 - 12 months $	1 - 5 years $
Non-derivatives financial					
Trade and other payables	189,400	189,400	189,400	-	-
	189,400	189,400	189,400	-	-

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22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Parent

2011	Carrying amount $	Total contractual cash flows $	Less than 6 months $	6 - 12 months $	1 - 5 years $
Non-derivatives financial					
Trade and other payables	82,458	82,458	82,458	-	-
	82,458	82,458	82,458	-	-

2010	Carrying amount $	Total contractual cash flows $	Less than 6 months $	6 - 12 months $	1 - 5 years $
Non-derivatives financial					
Trade and other payables	108,364	108,364	108,364	-	-
	108,364	108,364	108,364	-	-

(iii) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents as well as credit exposures to customers, including outstanding receivables from subsidiaries. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in Note 7 and 8.

The Group's policy is to trade with recognised and credit-worthy third parties and as such no collateral is required. The Group minimises concentration of credit risk by undertaking transactions with a large number of customers and by performing extensive due diligence procedures on major new customers. In addition, receivable balances are monitored on an ongoing basis minimising the exposure to bad debts.

(iv) Price risk

The Group is not exposed to any commodity and equity securities price risk.

c. Net fair values

The net fair values of financial assets and liabilities are approximate their carrying value unless otherwise stated in the Notes. No financial assets and financial liabilities are readily traded on organised markets and the Group has no unrecognised financial instruments at year-end.

23 COMMITMENTS

a. Operating lease commitments

At 30 June 2011, the Group had outstanding commitments payable for future minimum lease payments under non-cancellable operating lease in respect of office premises and staff quarters, which fall due as follows:

23 COMMITMENTS (CONT'D)

	Consolidated		Parent	
	2011	2010	2011	2010
	$	$	$	$
Within one year	605,663	617,349	-	-
One to five years	543,650	971,915	-	-
	1,149,313	1,589,264	-	-

b. Capital commitments

Details of commitments for capital expenditure are disclosed in note 13.

c. Other commitments

During the year, several schemes for which the company is the Responsible Entity temporarily ceased hedging activities relating to foreign currency investor funds. The company provided a guarantee to investors to make good any loss arising from currency fluctuations during the period investments were unhedged. As at 30 June 2010, all foreign currency investor funds in the applicable schemes were hedged. No liability has arisen from this guarantee as at 30 June 2011.

24 CONTINGENT LIABILITIES

There are no material contingent liabilities as at 30 June 2011.

25 EVENTS AFTER THE BALANCE SHEET DATE

Since 30 June 2011 there has not been any matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the Group.

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DIRECTORS' DECLARATION

In accordance with a resolution of the directors of LM Investment Management Limited, I state that:

1 In the opinion of the directors:

a. the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the Company and of the Group are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and Group's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2b; and

c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2011.

On behalf of the Board

Lisa Darcy
Director
Gold Coast
Dated at Surfers Paradise this 29th day of September 2011

ERNST & YOUNG

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Independent auditor's report to the members of LM Investment Management Limited

Report on the financial report

We have audited the accompanying financial report of LM Investment Management Limited, which comprises the statements of financial position as at 30 June 2011, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

ERNST & YOUNG

Opinion

In our opinion:

a. the financial report of LM Investment Management Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the company's and consolidated entity's financial positions as at 30 June 2011 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(b).

Ernst & Young

Ernst & Young

P McLuskie

Paula McLuskie
Partner
Brisbane
29 September 2011

Australian Securities & Investments Commission

Australian Securities and Investments Commission
R'CVD
-5 OCT 2012
BRISBANE
Service Centre

AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION
028208422

Form 388
Corporations Act 2001
294, 294B, 295, 298-301, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08, 2M.3.01, 2M.3.03

Copy of financial statements and reports

If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement

Company/scheme details

Company/scheme name
LM INVESTMENT MANAGEMENT LTD

ACN/ARSN/PIN/ABN
68 077 208 461

Lodgement details

An image of this form will be available as part of the public register.

Who should ASIC contact if there is a query about this form?

ASIC registered agent number (if applicable)

Firm/organisation
LM INVESTMENT MANAGEMENT LTD

Contact name/position description
GRANT FISCHER / CFO

Telephone number (during business hours)
(07) 55 844 506

Email address (optional)

Postal address
PO BOX 485

Suburb/City
SURFERS PARADISE

State/Territory
QLD

Postcode
4217

1 Reason for lodgement of statement and reports

Tick appropriate box.

- [ ] A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking (A)
- [ ] A Tier 2 public company limited by guarantee (L) — See Guide for definition of Tier 2 public company limited by guarantee
- [ ] A registered scheme (B)
- [ ] Amendment of financial statements or directors' report (company) (C)
- [ ] Amendment of financial statements or directors' report (registered scheme) (D)
- [ ] A large proprietary company that is not a disclosing entity (H) — See Guide for definition of large proprietary company
- [ ] A small proprietary company that is controlled by a foreign company for all or part of the period and where the company's profit or loss for the period is not covered by the statements lodged with ASIC by a registered foreign company, company, registered scheme, or disclosing entity (I) — See Guide for definition of small proprietary company
- [ ] A small proprietary company, or a small company limited by guarantee that is requested by ASIC to prepare and lodge statements and reports (J)
- [ ] A prescribed interest undertaking that is a disclosing entity (K)

Dates on which financial year begins and ends

Financial year begins 01/07/11 [D D] [M M] [Y Y] to Financial year ends 30/06/12 [D D] [M M] [Y Y]

2 Details of large proprietary company

See Guide for definition of large and small proprietary companies.

If the company is a large proprietary company that is not a disclosing entity, please complete the following information as at the end of the financial year for which the financial statements relate:

A What is the consolidated revenue of the large proprietary company and the entities that it controls?

B What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

C How many employees are employed by the large proprietary company and the entities that it controls?

D How many members does the large proprietary company have?

3 Auditor's or reviewer's report

Tick one box and complete relevant section(s)

Were the financial statements audited or reviewed?

☒ Audited - complete B only

☐ Reviewed - complete A and B

☐ No

If no, is there a class or other order exemption current for audit/review relief?

☐ Yes

☐ No

A. Reviewed

Is the reviewer a registered company auditor, or member of The Institute of Chartered Accountants in Australia, CPA Australia Limited, or National Institute of Accountants and holds a practising certificate issued by one of those bodies?

☐ Yes

☐ No

B. Audited or Reviewed

Is the opinion/conclusion in the report:

Modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

☐ Yes

☒ No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

☐ Yes

☒ No

4 Details of current auditor or auditors

Notes:

- Registered schemes must advise ASIC of the appointment of an auditor on a Form 5137 *Appointment of scheme auditor* within 14 days of the appointment of the auditor.
- A public company limited by guarantee may, in some circumstances, have their accounts reviewed. These companies are still required to have an auditor and these details must be provided.

Auditor registration number *(for individual auditor or authorised audit company)*

Family name

Given name

or

Company name

ERNST + YOUNG

ACN/ABN

75288172749

or

Firm name (if applicable)

Office, unit, level

Level 51

Street number and Street name

111 Eagle Street

Suburb/City

BRISBANE

State/Territory

QLD

Postcode

4000

Country (if not Australia)

Date of appointment

[D D] / [M M] / [Y Y]

A company may have two appointed auditors, provided that both auditors were appointed on the same date. Otherwise, an appointed auditor must resign, be removed or otherwise ceased before a subsequent appointment may be made.

Auditor registration number *(for individual auditor or authorised audit company)*

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

Office, unit, level

Street number and Street name

Suburb/City

State/Territory

Postcode

Country (if not Australia

5 Statements and reports to be attached to this form

Financial statements for the year (as required by s295(2) and accounting standards)

- Statement of comprehensive income, may also include a separate income statement for the year
- Statement of financial position as at the end of the year
- Statement of cash flows for the year
- Statement of changes in equity.

OR

If required by accounting standards — the consolidated statements of comprehensive income/income statement, financial position, cash flows and changes in equity.

Notes to financial statements (see s295(3))

- Disclosures required by the regulations
- Notes required by the accounting standards
- Any other information necessary to give a true and fair view (see s297).

The signed directors' declaration about the statements and notes (see s295(4)).

The signed directors' report for the year, including the copy of the auditor's or reviewer's independence declaration (see s298 to s300A).

Signed auditor's report or, where applicable, reviewer's report (see s301, s307 to s308).

Concise report (if any) (see s319).

Signature

See Guide for details of signatory.

I certify that the attached documents marked ( ) are a true copy of the original reports required to be lodged under s319 of the *Corporations Act 2001*.

Name

ECHARD VAN DER HOVEN

Signature

Capacity

[X] Director

[ ] Company secretary

Date signed

0 4 / 1 0 / 1 2
[D D] [M M] [Y Y]

Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
PO Box 4000, Gippsland Mail Centre VIC 3841.

Or lodge the form electronically by:

- visiting the ASIC website www.asic.gov.au
- using Standard Business Reporting enabled software. See www.sbr.gov.au for more details.

For more information

Web www.asic.gov.au
Need help? www.asic.gov.au/question
Telephone 1300 300 630

LM INVESTMENT MANAGEMENT LIMITED

A.B.N 68 077 208 461

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

LM INVESTMENT MANAGEMENT LIMITED
A.B.N 68 077 208 461

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

LM INVESTMENT MANAGEMENT LIMITED
A.B.N 68 077 208 461

DIRECTORS' REPORT

The Directors present their report on the consolidated entity ("Group") consisting of LM Investment Management Limited ("Company" or "LM") and the entities it controlled at the end of, or during, the year ended 30 June 2012.

Directors

The Directors of the Company during the year or since the end of the financial year and up to the date of this report are:

Name	Period of directorship
Mr Peter C Drake	Appointed on 31 January 1997
Ms Lisa Maree Darcy	Appointed on 12 September 2003, Resigned on 21 June 2012
Mr Eghard Van der Hoven	Appointed on 22 June 2006
Ms Francene Maree Mulder	Appointed on 30 September 2006
Mr John O'Sullivan	Appointed on 27 November 2007, Resigned on 19 September 2012
Mr Simon Tickner	Appointed on 18 September 2008, Resigned on 1 August 2012
Mr Grant Fisher	Appointed on 14 March 2012, Resigned on 12 August 2012
Ms Katherine Phillips	Appointed 13 July 2012

The Directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.

Company Secretary

Carolyn Hodge's qualifications include a Bachelor of Business, CPA, ACI and ICCMF.

Carolyn is the Company Secretary of LM since 2004 and is a member of the Compliance Committee and Funds Management Committee.

Carolyn has more than 17 years experience in accounting and finance management. Prior to joining LM in 2002, Carolyn held the position of Auditor for the Queensland Audit Office, Brisbane.

Principal Activities

LM Investment Management Limited is an Australian funds manager which operates both nationally and internationally from offices on the Gold Coast, Sydney, Hong Kong, New Zealand, United Kingdom and Dubai.

The Company is an unlisted public company that is 100% Australian owned and managed and is registered with the Australian Securities and Investments Commission (ASIC) as a Responsible Entity and Australian Financial Services Licensee. The Company also has an authorised representative agreement with a related party, Drake Pty Ltd to collect fees and other financial benefits on its behalf. The principal activity of Drake Pty Ltd is the provision of life insurance services.

The Group's principal activity is the provision of specialised Australian income products. The Group is committed to delivering professional and responsive financial services to Australia's business and property sectors and the investing public.

The international offices operate through wholly owned subsidiaries, LM Investment Management International Ltd ("LMIMI"), LM Investment Management New Zealand ("LM NZ"), LM Investment Management UK ("LM UK") and LM FZE. These companies are resident in each of the overseas countries and act as international distribution points for the Company's managed investment products.

LM INVESTMENT MANAGEMENT LIMITED
A.B.N 68 077 208 461

DIRECTORS' REPORT

Principal Activities (cont'd)

The Company did not have any employees as at 30 June 2012 (2011: Nil). LM Investment Management International Ltd had five employees (2011: 3), LM Investment Management New Zealand had two employees (2011: 2), LM Investment Management UK had six employees (2011: 5) and LM FZE had two employee (2011: 1) as at the 30 June 2012. The Company has a service arrangement with a related entity, LM Administration Pty Ltd to perform various administration activities on its behalf including provision of staff and premises and administration and funds management services. LM Administration Pty Ltd's results are not consolidated into this financial report.

Review of Operations and Operating Results

The Group experienced a profit for the financial year, after providing for income tax, of $571,248 (2011: Profit $122,627).

The Company experienced a profit for the financial year, after providing for income tax, of $53,076 (2011: Profit $182,686).

The LM Group of companies, comprising LM Administration Pty Ltd and the consolidated entity, achieved an overall profit before tax of $11.2 million for the financial year.

Dividends Paid or Recommended

In respect of the financial year ended 30 June 2012, dividends of $350,000 ($10,000 per fully paid share) (2011: $350,000) fully franked to 100% at 30% corporate income tax rate were provided to the holder of fully paid ordinary shares on 30 June 2012.

State of Affairs

In the opinion of the Directors, there were no significant changes in the nature of the activities or the state of affairs of the Company or its controlled entities during the financial year.

Likely Developments

The Company and Group shall continue with the principal activities as stated above.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as disclosure of such information would be likely to result in unreasonable prejudice to the Group.

After Balance Date Events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Environmental Regulation

As the Group's operations are of a passive nature, its activities do not have an effect on the physical environment. As a result it is not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

LM INVESTMENT MANAGEMENT LIMITED
A.B.N 68 077 208 461

DIRECTORS' REPORT

Information on Directors and Directors Interests

The relevant interest of each director in the share capital of the companies within the Group, at the date of this report and their attendance at directors meetings, is as follows:

Peter Charles Drake	-	Chief Executive Officer
Qualification and Experience	-	Peter has been involved in the financial services industry since 1978.
Special responsibilities	-	Peter is principally responsible for the strategic vision, direction, the structured growth of LM and plays an integral role in all LM Committees.
Interest in shares	-	35 ordinary shares
Directors meetings attended	-	3 of 3
Lisa Maree Darcy	-	Executive Director
Qualification and Experience	-	Lisa holds a Bachelor of Business and she has more than 20 years experience in the banking and financial planning industry, including financial accounting and funds management.
Special responsibilities	-	Lisa is principally responsible for all overseeing accounting functions of both LM Investment Management Limited and its registered schemes and plays an integral role in LM's Committees.
Interest in shares	-	None
Directors meetings attended		3 of 3
Eghard Van der Hoven	-	Executive Director
Qualification and Experience	-	Eghard holds a Master of Commerce, majoring in Economics, and a Bachelor of Commerce (Hons) in Economics, from University of Pretoria, South Africa. Eghard's sound understanding of the investment industry spanning almost 20 years includes extensive experience in stock broking, auditing, investment analysis, business strategy and policy planning.
Special responsibilities	-	Eghard is responsible for joint decisions in relation to the asset allocation, geographic spread allocation, cash flow, delivery rate forecasting and budgeting of LM's funds.
Interest in shares		None
Directors meetings attended		3 of 3
Francene Maree Mulder	-	Executive Director
Qualification and Experience	-	20 year career in the commercial, legal and securities sectors.
Special responsibilities	-	Francene is primarily responsible for the marketing and expansion of distribution of LM's products on a wholesale and retail basis, throughout Australia and international markets.
Interest in shares		None
Directors meetings attended		3 of 3

LM INVESTMENT MANAGEMENT LIMITED
A.B.N 68 077 208 461

DIRECTORS' REPORT

Information on Directors and Directors Interests (cont'd)

John O'Sullivan	Non-Executive Director
Qualification and Experience -	20 years experience in the funds management and investment services sectors of New Zealand, Europe, Asia and Australia.
Interest in shares -	None
Directors meetings attended -	3 of 3
Simon Tickner -	Executive Director
Qualification and Experience -	20 year career in trading and broking financial derivatives in London's money markets and extensive knowledge of Australia's property markets.
Special responsibilities -	Simon is responsible for sourcing and assessing new lending opportunities, within the Australian property market.
Interest in shares -	None
Directors meetings attended -	3 of 3
Grant Fisher -	Executive Director
Qualification -	Certified Practising Accountant (CPA) and Grant holds a Bachelor of Commerce and Master of Commerce, majoring in Accounting and Taxation.
Experience -	Grant's has over 20 years' experience as a financial executive in many different industries with extensive exposure to business operations within the Asia Pacific region.
Special responsibilities -	Grant is responsible for the overall financial management of LM and its registered schemes. Grant works closely with the CEO and Board to position LM for further growth.
Interest in shares -	None
Directors meetings attended -	2 of 3
Katherine Phillips -	
Qualification and Experience -	Katherine has 12 years' experience in international funds management and investment services.
Special responsibilities -	Katherine is responsible for the strategic marketing direction and operations of LM in global markets, and is actively involved with marketing strategy, product design and client communication.
Interest in shares -	None
Directors meetings attended -	0 of 3

Options

No options over unissued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

LM INVESTMENT MANAGEMENT LIMITED
A.B.N 68 077 208 461

DIRECTORS' REPORT

Indemnification and Insurance of Officers and Directors

Indemnification

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability, any person who is or has been an officer of the Company.

Insurance premiums

During the financial year, the Company has paid premiums in respect of the directors or executive officers for liability and legal expenses insurance contracts for the year ended 30 June 2012. The Company has paid or agreed to pay in respect of the Company, premiums in respect of such insurance contracts for the year ended 30 June 2012. Such insurance contracts insure against certain liability (subject to specific exclusions) for persons who are or have been the directors or executive officers of the Company.

Details of the nature of the liabilities covered or the amount of the premium paid has not been included as such disclosure is prohibited under the terms of the contracts.

Proceedings on behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not party to any such proceedings during the year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Eghard Van der Hoven
Director

4 October 2012
Gold Coast

ERNST & YOUNG

111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
www.ey.com/au

Auditor's Independence Declaration to the Directors of LM Investment Management Limited

In relation to our audit of the financial report of LM Investment Management Limited for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

P McLuskie

Paula McLuskie
Partner
Brisbane
4 October 2012

LM INVESTMENT MANAGEMENT LIMITED
A.B.N 68 077 208 461

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2012 $	Consolidated 2011 $	Parent 2012 $	Parent 2011 $
Revenue from ordinary activities	3a	13,597,207	16,005,444	13,597,207	15,992,679
Other revenue	3b	58,255	63,392	58,195	58,530
Administration charges	4a	(3,978,004)	(6,903,455)	(3,978,004)	(6,903,455)
Changes in fair value of investment in joint venture	12	-	(296,703)	-	(296,703)
Depreciation expense	4b	(72,029)	(56,871)	-	-
Directors remuneration	21	(389,230)	(328,650)	-	-
Employee benefits expense	4c	(2,048,434)	(1,508,058)	-	-
Finance costs	4d	(30,546)	(24,003)	(30,414)	(23,504)
Other expenses from ordinary activities	4e	(6,657,141)	(6,974,931)	(9,710,391)	(8,820,571)
Share of net profit of equity accounted investment		169,180	267,805	169,180	267,805
Profit before income tax		649,258	243,970	105,773	274,781
Income tax expense	5	(96,668)	(74,415)	(52,697)	(92,095)
Profit for the period		552,590	169,555	53,076	182,686
Other comprehensive income					
Foreign currency translation differences for foreign operations		18,658	(46,928)	-	-
Income tax on other comprehensive income		-	-	-	-
Other comprehensive income for the period, net of income tax		18,658	(46,928)	-	-
Total comprehensive income for the period		571,248	122,627	53,076	182,686
Total comprehensive income attributable to owners of the Company		571,248	122,627	53,076	182,686

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

LM INVESTMENT MANAGEMENT LIMITED
A.B.N 68 077 208 461

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	Consolidated 2012 $	Consolidated 2011 $	Parent 2012 $	Parent 2011 $
ASSETS					
Current Assets					
Cash and cash equivalents	7	1,114,289	1,128,757	1,059,430	1,061,590
Trade and other receivables	8	499,503	293,802	726,879	1,143,054
Other assets	9	352,253	320,086	26,736	27,181
Total Current Assets		1,966,045	1,742,645	1,813,045	2,231,825
Non-Current Assets					
Investment in associates	10	4,631,927	4,467,785	4,631,927	4,467,785
Investments in subsidiaries	11	-	-	544,717	544,717
Investment properties	12	769,500	769,500	769,500	769,500
Property, plant and equipment	13	208,005	193,857	-	-
Deferred tax assets	15	129,557	148,503	89,111	89,111
Total Non-Current Assets		5,738,989	5,579,645	6,035,255	5,871,113
TOTAL ASSETS		7,705,034	7,322,290	7,848,300	8,102,938
LIABILITIES					
Current Liabilities					
Trade and other payables	14	324,027	142,709	226,959	82,457
Income tax payable	15	55,899	157,227	45,398	154,913
Provisions	16	100,419	29,007	-	-
Total Current Liabilities		480,345	328,943	272,357	237,370
Non-Current Liabilities					
Deferred tax liabilities	15	903,793	893,699	900,998	893,699
Total Non-Current Liabilities		903,793	893,699	900,998	893,699
TOTAL LIABILITIES		1,384,138	1,222,642	1,173,355	1,131,069
NET ASSETS		6,320,896	6,099,648	6,674,945	6,971,869
EQUITY					
Contributed equity	17	1,032,012	1,032,012	1,032,012	1,032,012
Reserves	18	(30,462)	(49,120)	-	-
Retained profits		5,319,346	5,116,756	5,642,933	5,939,857
TOTAL EQUITY		6,320,896	6,099,648	6,674,945	6,971,869

The above statement of financial position should be read in conjunction with the accompanying notes.

LM INVESTMENT MANAGEMENT LIMITED
A.B.N 68 077 208 461

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Attributable to equity holders of the parent Ordinary share capital	Foreign currency translation	Retained earnings	Total
		$	$	$	$
Consolidated					
Balance at 1 July 2010		1,032,012	(2,192)	5,297,201	6,327,021
Profit for the year attributable to members		-	-	169,555	169,555
Foreign currency translation differences		-	(46,928)	-	(46,928)
Total Comprehensive Income		1,032,012	(49,120)	5,466,756	6,449,648
Issue of ordinary shares		-	-	-	-
Payment of dividends	6	-	-	(350,000)	(350,000)
Balance at 30 June 2011		1,032,012	(49,120)	5,116,756	6,099,648
Profit for the year attributable to members			-	552,590	552,590
Foreign currency translation differences		-	18,658	-	18,658
Total Comprehensive Income		1,032,012	(30,462)	5,669,346	6,670,896
Issue of ordinary shares	17a	-	-	-	-
Payment of dividends	6	-	-	(350,000)	(350,000)
Balance at 30 June 2012		1,032,012	(30,462)	5,319,346	6,320,896

The above statement of changes in equity should be read in conjunction with the accompanying notes.

LM INVESTMENT MANAGEMENT LIMITED
A.B.N 68 077 208 461

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

		Attributable to equity holders of the parent			
	Note	Ordinary share capital	Foreign currency translation	Retained earnings	Total
		$	$	$	$
Parent					
Balance at 1 July 2010		1,032,012	-	6,107,171	7,139,183
Profit for the year attributable to members		-	-	182,686	182,686
Total Comprehensive Income		1,032,012	-	6,289,857	7,321,869
Issue of ordinary shares		-	-	-	-
Payment of dividends	6	-	-	(350,000)	(350,000)
Balance at 30 June 2011	17	1,032,012	-	5,939,857	6,971,869
Profit for the year attributable to members		-	-	53,076	53,076
Total Comprehensive Income		1,032,012	-	5,992,933	7,024,945
Issue of ordinary shares	17a	-	-	-	-
Payment of dividends	6	-	-	(350,000)	(350,000)
Balance at 30 June 2012		1,032,012	-	5,642,933	6,674,945

The above statement of changes in equity should be read in conjunction with the accompanying notes.

LM INVESTMENT MANAGEMENT LIMITED
A.B.N 68 077 208 461

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated		Parent	
		2012	2011	2012	2011
		$	$	$	$
Cash flows from operating activities					
Receipts from customers		14,996,014	17,617,775	15,113,136	17,593,273
Interest received		61,348	59,856	61,287	59,854
Payments to suppliers and employees		(14,322,539)	(17,014,968)	(14,672,295)	(17,231,131)
Interest paid		(28,881)	(24,003)	(28,751)	(23,503)
Income tax (paid)/ refunded		(159,808)	(72,065)	(151,360)	(254,632)
Net cash flows from/(used in) operating activities	20b	546,134	566,595	322,017	143,861
Cash flows from investing activities					
Payment for property, plant and equipment		(86,174)	(146,982)	-	-
Proceeds/ (payments) from/ (to) investment in jointly controlled entity		87,877	(69,599)	87,877	(69,599)
Proceeds/ (payments) from/ (to) subsidiaries and related party loans		(580,963)	(516,109)	(412,054)	(294,269)
Net cash used in investing activities		(579,260)	(732,690)	(324,177)	(363,868)
Net increase/(decrease) from/(used) cash and cash equivalents		(33,126)	(166,095)	(2,160)	(220,007)
Net foreign exchange differences		18,658	(46,928)	-	-
Cash and cash equivalents at beginning of period		1,128,757	1,341,780	1,061,590	1,281,597
Cash and cash equivalents at end of period	20a	1,114,289	1,128,757	1,059,430	1,061,590

The above statement of cash flows should be read in conjunction with the accompanying notes.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1 CORPORATE INFORMATION

The financial report of LM Investment Management Limited for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 4 October 2012.

The financial report includes the separate financial statements of LM Investment Management Limited ("Company") as an individual entity and the consolidated entity ("Group") consisting of LM Investment Management Limited and its subsidiaries. LM Investment Management Limited is an unlisted public for-profit company, incorporated and domiciled in Australia.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. These policies have been consistently applied to all period presented, unless otherwise stated.

(a) Basis of Preparation

The Group has early adopted AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements for the financial year beginning on 1 July 2011. The Group is a for-profit, private sector entity which is not publicly accountable. Therefore the consolidated financial statements of the Group are tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial report is presented in Australian dollars ($).

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(v).

(b) New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The consolidated entity has early adopted AASB 1053 'Application of Tiers of Australian Accounting Standards' and AASB 2010-02 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements'. No other new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) New, revised or amending Accounting Standards and Interpretations adopted (cont'd)

The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the consolidated entity. The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 1053 Application of Tiers of Australian Accounting Standards

The consolidated entity has early adopted AASB 1053 from 1 July 2011. This standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements, being Tier 1 Australian Accounting Standards and Tier 2 Australian Accounting Standards - Reduced Disclosure Requirements. The consolidated entity being classed as Tier 2 continues to apply the full recognition and measurements requirements of Australian Accounting Standards with substantially reduced disclosure in accordance with AASB 2010-2.

AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements

The consolidated entity has early adopted AASB 2010-2 from 1 July 2011. These amendments make numerous modifications to a range of Australian Accounting Standards and Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities in preparing general purpose financial statements. The adoption of these amendments has significantly reduced the consolidated entity's disclosure requirements.

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project and AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements

The consolidated entity has applied AASB 2011-1 and 2011-2 amendments from 1 July 2011. These amendments made changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to International Financial Reporting Standards ('IFRSs') and harmonisation between Australian and New Zealand Standards. The amendments removed certain guidance and definitions from Australian Accounting Standards for conformity of drafting with IFRSs but without any intention to change requirements.

AASB 2011-5 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation and AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements

The consolidated entity has applied AASB 2011-5 and 2011-6 amendments from 1 July 2011. These amendments extended relief from consolidation, the equity method and proportionate consolidation where the ultimate or intermediate parent applied not-for-profit Aus paragraphs in Australian IFRSs as adopted in Australia, or Australian Accounting Standards – Reduced Disclosure Requirements (RDR).

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Basis of Consolidation

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity. Details of the subsidiaries are contained in Note 19.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by LM Investment Management Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate statement of comprehensive income of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Basis of Consolidation (cont'd)

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

(d) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current incoem tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:
when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

when the deductible temporary difference is associated with investments in subsidiaries or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Income Tax (cont'd)

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited, net of tax, to a revaluation reserve in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the statement of comprehensive income. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost, net of tax, is transferred from the property, plant and equipment revaluation reserve to retained earnings.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, Plant and Equipment (cont'd)

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Depreciation

The depreciable amount of all fixed assets including capitalised leased assets is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to depreciation. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates for each class of depreciable assets are:

Class of Fixed Asset	*Depreciation Rate*
Plant and Equipment	20% - 33.33%
Leasehold Improvements	Based on the term of the lease

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount and the impairment write down recognised in the statement of comprehensive income.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(f) Investment Properties

Investment properties including freehold and leasehold complexes, are held to generate long-term rental yields and/or for capital appreciation. All tenant leases are on an arm's length basis. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is carried at fair value, determined when required based on director's valuation. Changes to fair value are recorded in the statement of comprehensive income as other income in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Investment Properties (cont'd)

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under Property, plant and equipment up to the date of change in use.

(g) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(h) Investments in Jointly Controlled Entities

Investments in jointly controlled entities in which the Parent entity is a venturer (and so has joint control) are accounted for using the equity method. Under the equity method, the share of profits or losses of the partnership is recognised in the statement of comprehensive income, and the share of movements in reserves is recognised under reserves in the statement of financial position. The carrying amount of non-current investments is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these investments.

(i) Investments and Other Financial Assets

Investments and other financial assets in the scope of *AASB 139 Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Investments and Other Financial Assets (cont'd)

Recognition

Financial assets are initially measured at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. Subsequent to initial recognition these assets are measured as set out below.

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the near term with the intention of making a profit or if so designated by management and within the requirements of *AASB 139: Recognition and Measurement of Financial Instruments*. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise and the related assets are classified as current assets in the statement of financial position.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Such assets are carried at amortised cost using the effective interest method. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Investments and Other Financial Assets (cont'd)

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets, principally equity securities, that are designated as available-for-sale or are not classified as any of the three preceding categories. Such assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

Fair value

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

Impairment

At each reporting date, the Group assess whether there is objective evidence that a financial instrument has been impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

(j) Impairment of Assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. At each reporting date, the Group reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Foreign Currency Transactions and Balances

Functional and Presentation Currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency. The Hong Kong subsidiary's functional currency is Hong Kong Dollars, New Zealand subsidiary's functional currency is New Zealand Dollars, United Kingdom subsidiary's functional currency is Sterling pounds, and the Dubai subsidiary's functional currency is United Arab Emirates Dirham which are all translated to the presentation currency.

Transaction and Balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge or are attributable to part of the net investment in a foreign operation.

Exchange differences arising from translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Translation of Group Companies functional currency to presentation currency

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to foreign currency translation reserve. When a foreign operation is sold the proportionate share of exchange differences would be transferred out of equity and recognised in the statement of comprehensive income.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Cash and Cash Equivalents

Cash and cash equivalents include cash at bank and on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(m) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the debts. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(n) Trade and Other Payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Interest-bearing Loans

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(p) Borrowing Costs

Borrowing costs are recognised as an expense when incurred. The Group does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(r) Employee Benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Employee leave entitlement

Employee entitlements to annual leave and long service leave are recognised when they accrued to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance date.

Annual leave is measured at the amounts expected to be paid when the liabilities are settled. The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Employee entitlement to sick leave and maternity leave or paternity leave is not recognised until the time of leave.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Employee Benefits (cont'd)

Pension Obligations

The Group contributes to the Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong which is set up in accordance with the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held in a separately administered fund. The Parent entity's contributions have been utilised by the Group to reduce existing contributions.

(s) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Management fees

Fees charged for managing investments are recognised as revenue as the services are provided.

Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Rental revenue

Rental revenue from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

(u) Goods and Services Tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the acquisition of the asset or as part of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Goods and Services Tax (GST) (cont'd)

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(v) Significant Accounting Judgements, Estimates and Assumptions

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made judgements, apart from those involving estimations, which have had an impact on the amounts recognised in the financial statements. No judgements have been determined to be individually significant.

Significant accounting estimates and assumptions

The fair value of investment property has been determined based on Directors' valuation at 30 June 2012. The Directors' fair value calculations are based on current or recent prices of sales of similar properties adjusted to reflect differences with the Company's property.

In the process of applying the Group's accounting policies, management has made estimates and assumptions, apart from those involving judgement, which have had an impact on the amounts recognised in the financial statements. No estimates and assumptions have been determined to be individually significant.

Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

(w) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

LM INVESTMENT MANAGEMENT LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2012 $	Consolidated 2011 $	Parent 2012 $	Parent 2011 $
3 REVENUE					
a. Revenue from operating activities:					
Commission income		2,129	12,807	2,129	41
Management fees	21	13,581,734	15,979,226	13,581,734	15,979,226
Rental income		13,344	13,411	13,344	13,412
		13,597,207	16,005,444	13,597,207	15,992,679
b. Other revenue from operating activities:					
Interest		58,138	58,530	58,078	58,530
Gain on foreign exchange		-	4,862	-	-
Other income		117	-	117	-
		58,255	63,392	58,195	58,530
4 EXPENSES					
a. Administration charges - related	21	3,978,004	6,903,455	3,978,004	6,903,455
b. Depreciation - plant and equipment		72,029	56,871	-	-
c. Employee benefits expense:					
Wages and salaries		1,867,771	1,051,474	-	-
Superannuation		9,135	126,489	-	-
Other employee benefits expense		171,528	330,095	-	-
		2,048,434	1,508,058	-	-
d. Finance costs:					
Interest paid to external parties		30,546	24,003	30,414	23,503
e. Other expenses from ordinary activities:					
Auditor's remuneration		41,020	41,361	-	-
Commission		1,101	-	4,289,889	3,239,717
Consultants' fees		38,385	-	-	-
Direct operating expense from rental earnings		-	8,591	-	8,591
Insurance		319,020	324,336	315,692	320,643
Legal costs		75,560	857	-	-
Loss on loan to subsidiary forgiven		-	-	159,729	-
Loss on foreign exchange		1,158	183,171	229,271	-
Rent and outgoings		731,182	642,581	8,744	-
Stamp duty		-	4,625	-	-
Management Fee - LM Administration		4,699,916	5,250,260	4,699,916	5,250,260
Other expenses		749,799	519,148	7,150	1,360
		6,657,141	6,974,930	9,710,391	8,820,571

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4 EXPENSES (CONT'D)

f. Auditors remuneration

LM Administration Pty Ltd, a related entity that provides management and administration services paid the auditors remuneration on behalf of the parent entity and reimbursement will not be sought.

g. Management and administration services

The value of the management and administration services provided by LM Administration was $3,978,004 (2011: $6,903,455).

5 INCOME TAX EXPENSE	**Consolidated 2012 $**	**Consolidated 2011 $**	**Parent 2012 $**	**Parent 2011 $**
a. The components of income tax expense are:				
Current income tax expense	66,619	177,678	45,398	154,913
Deferred income tax	30,049	(103,263)	7,299	(62,817)
Income tax (credits)/expense in the statement of comprehensive income	96,668	74,415	52,697	92,095
b. Reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate:				
Accounting (loss)/profit before income	649,258	243,970	105,773	274,781
Income tax expense calculated at Parent entity's statutory income tax rate of 30% (2011: 30%)	194,777	73,191	31,732	82,434
Effect of different tax rates of subsidiaries operating in other jurisdictions	(15,778)	(1,883)	-	-
Foreign exchange gains and other translation adjustments	(44,397)	-	20,965	-
Changes in unrecognised temporary differences	(873)	1,541	-	-
Previously unrecognised deferred taxes associated with investment in jointly controlled entity	-	9,661	-	9,661
Previously unrecognised tax losses now recouped to reduce current tax	(27,044)	(6,811)	-	-
Under-provision in prior year	(1,524)	(1,865)	-	-
Non-deductible/non-taxable amounts and capital allowances	(8,493)	581	-	-
	96,668	74,415	52,697	92,095

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated		Parent	
6 DIVIDENDS	2012 $	2011 $	2012 $	2011 $
Final dividend of $10,000 per fully paid share, fully franked at a 30% tax rate	350,000	350,000	350,000	350,000

7 CASH AND CASH EQUIVALENTS

Cash at bank	1,112,667	77,950	1,059,430	11,590
Cash on hand	1,622	807	-	-
Term deposits	-	1,050,000	-	1,050,000
	1,114,289	1,128,757	1,059,430	1,061,590

8 TRADE AND OTHER RECEIVABLES

CURRENT

Other receivables	68,924	6,982	4,358	4,953
Interest receivable	-	3,210	-	3,210
	68,924	10,192	4,358	8,163
Related party receivables:				
Loans to related parties	430,579	283,610	430,579	283,610
Loans to subsidiaries	-	-	291,942	851,281
	430,579	283,610	722,521	1,134,891
Total trade and other receivables	499,503	293,802	726,879	1,143,054

9 OTHER ASSETS

CURRENT

Deposits	290,819	267,117	-	-
Other prepayments	61,434	52,969	26,736	27,181
	352,253	320,086	26,736	27,181

10 INVESTMENT IN ASSOCIATES

Investment in jointly controlled entity	4,631,927	4,467,785	4,631,927	4,467,785

Interests in associates are accounted for using the equity method of accounting. Information relating to associates is set out below:

The Company has a 66.67% (2011: 66.67%) interest in the 38 Cavill Avenue Joint Venture, an Australian venture, whose principal activity is commercial rental investment. Although the Parent entity owns a majority share of the venture, this does not constitute a controlling interest in the joint venture due to the nature of the investment and the arrangement between the venturers.

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11 INVESTMENTS IN SUBSIDIARIES

	Consolidated 2012 $	Consolidated 2011 $	Parent 2012 $	Parent 2011 $
Investments in controlled entities	-	-	544,717	544,717

These financial assets are carried at cost.

The directors have assessed the carrying values of the company's investments in its subsidiaries as at 30 June 2012 and consider these carrying values are appropriate (refer to note 19). This is based on their assessment of the intrinsic value of each subsidiary.

12 INVESTMENT PROPERTY

	Consolidated 2012 $	Consolidated 2011 $	Parent 2012 $	Parent 2011 $
At fair value				
Balance at beginning of the year	769,500	1,066,203	769,500	1,066,203
Devaluation of property	-	(296,703)	-	(296,703)
Balance as end of the year	769,500	769,500	769,500	769,500

Investment property comprises a part share in a residential property that is leased to a third party and is carried at fair value, which has been determined based on the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation.

The Parent entity has a 57% (2011: 57%) part share in an investment property at 20 Albatross Avenue, Mermaid Beach, Gold Coast. The investment property is subject to a first charge to secure the mortgage loan obtained by the Company's partner in the property. The partner is Lisa Maree Darcy, who resigned as one of the Company's director's during the year. The fair value of investment property has been determined based on Directors' valuation at 30 June 2012. The Directors' fair value calculations are based on current or recent prices of sales of similar properties adjusted to reflect differences with the Company's property.

13 PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2012 $	Consolidated 2011 $	Parent 2012 $	Parent 2011 $
Plant and equipment - at cost	401,886	313,971	10,460	10,460
Less: Accumulated depreciation	(201,733)	(120,114)	(10,460)	(10,460)
	200,153	193,857	-	-
Leasehold improvements - at cost	8,179	-	-	-
Less: Accumulated depreciation	(327)	-	-	-
	7,852	-	-	-
Total property, plant and equipment	208,005	193,857	-	-

a. Reconciliations of carrying amounts at the beginning and end of the period

	Consolidated 2012 $	Consolidated 2011 $	Parent 2012 $	Parent 2011 $
Plant & Equipment				
Balance at 1 July 2011	193,857	84,569	-	-
Additions	62,893	203,129	-	-
Disposals	(172)	(9,247)	-	-
Depreciation charge for the year	(71,707)	(56,871)	-	-
Exchange difference	15,282	(27,723)	-	-
Balance at 30 June 2012	200,153	193,857	-	-

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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13 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Consolidated		Parent	
	2012	2011	2012	2011
Leasehold Improvements	$	$	$	$
Balance at 1 July 2011	-	-	-	-
Additions	8,033	-	-	-
Disposals	-	-	-	-
Depreciation charge for the year	(321)	-	-	-
Exchange difference	140	-	-	-
Balance at 30 June 2012	7,852	-	-	-
Totals	208,005	193,857	-	-

b. Impairment of property, plant and equipment

No assets were impaired during the year (2011:nil).

14 TRADE AND OTHER PAYABLES

CURRENT

Trade payables	39,415	2,725	420	954
Other payables	45,376	32,349	1,663	928
Accrued expenses	33,591	50,667	-	-
GST payable	205,645	56,968	205,645	58,758
	324,027	142,709	207,728	60,640
Related party payable:				
Trade payables - related	-	-	37	38
Loans from subsidiaries	-	-	19,194	21,779
	-	-	19,231	21,817
Total trade and other payables	324,027	142,709	226,959	82,457

15 INCOME TAX

CURRENT

Liability				
Income tax	55,899	157,227	45,398	154,913
NON-CURRENT				
Deferred tax assets	129,557	148,503	89,111	89,111
Deferred tax liabilities	903,793	893,699	900,998	893,699

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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15 INCOME TAX (CONT'D)

	Consolidated 2012 $	Consolidated 2011 $	Parent 2012 $	Parent 2011 $
a. Deferred tax assets attributable to:				
Investment in property	89,011	89,011	89,011	89,011
Carry Forward Tax Losses	-	18,946	-	-
Foreign Exchange differences	40,446	40,446	-	-
Others	100	100	100	100
Total deferred tax assets	129,557	148,503	89,111	89,111
b. Deferred tax liabilities attributable to:				
Investments accounted for using the equity method	900,998	892,736	900,998	892,736
Others	2,795	963	-	963
Total deferred tax liabilities	903,793	893,699	900,998	893,699
c. Reconciliation:				
(i) The overall movement in the deferred tax assets:				
Opening balance at 1 July 2011	148,503	42,670	89,111	-
(Charge)/credit to statement of comprehensive income	(18,946)	105,833	-	89,111
Balance at 30 June 2012	129,557	148,503	89,111	89,111
(ii) The overall movement in the deferred tax liabilities:				
Opening balance at 1 July 2011	893,699	867,820	893,699	867,405
(Charge)/credit to statement of comprehensive income:				
Movement in deferred tax for equity accounted investment	7,299	26,591	8,262	26,294
Others	2,795	(712)	(963)	-
Balance at 30 June 2012	903,793	893,699	900,998	893,699

16 PROVISIONS

CURRENT

	Consolidated 2012 $	Consolidated 2011 $	Parent 2012 $	Parent 2011 $
Provision for annual leave	38,796	9,936	-	-
Provision for long service leave	61,623	19,071	-	-
	100,419	29,007	-	-

a. Movements in provision:

	Annual leave		Long service leave	
Opening balance at 1 July 2011	9,936	8,425	19,071	14,373
Additional provisions recognised	38,796	9,936	42,552	4,698
Amount used during the period	(9,936)	(8,425)	-	-
Balance at 30 June 2012	38,796	9,936	61,623	19,071

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17 CONTRIBUTED EQUITY

	Consolidated		Parent	
	2012	2011	2012	2011
	$	$	$	$
35 (2011: 35) fully paid ordinary shares	1,032,012	1,032,012	1,032,012	1,032,012

Holders of ordinary shares of the Company are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company ordinary shareholders rank equally with all other shareholders in relation to a return of capital and participate fully in any proceeds of liquidation.

a. Movements in ordinary share capital:

Balance at 1 July 2011	35	35	35	35
Share split during the year	-	-	-	-
Shares issued during the year	-	-	-	-
Balance at 30 June 2012	35	35	35	35

b. Capital management

Management's objective is to maintain a strong capital base to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain an optimal capital structure to reduce the cost of capital.

The Group's capital requirements are regulated under an Australian Financial Services Licence which requires a minimum $5 million of net tangible assets to be maintained. LM complied with this requirement throughout the year.

There were no changes to the Group's approach to capital management in 2012.

18 RESERVES

Foreign Currency Translation reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

19 CONTROLLED ENTITIES

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%) 2012	2011
Parent Entity:			
LM Investment Management Limited	Australia	-	-
Subsidiaries of LM Investment Management Limited:			
LM Investment Management International Ltd	Hong Kong	100	100
LM Investment Management New Zealand Limited	New Zealand	100	100
LM Investment Management UK	United Kingdom	100	100
LM FZE	Dubai	100	100

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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20 STATEMENT OF CASH FLOW RECONCILIATION

a. Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents includes cash on hand and at bank, net of outstanding bank overdrafts. Cash at the end of the financial year, as shown in the statement of cash flow is reconciled to the related items in the statement of financial position as follows:

	Consolidated		Parent	
	2012	2011	2012	2011
	$	$	$	$
Cash and cash equivalents (Note 7)	1,114,289	1,128,757	1,059,430	1,061,590
b. Reconciliation of net profit after tax to net off cash flows from operations:				
Profit after income tax	552,590	169,555	53,076	182,686
Add/(less) non-cash items:				
Share of associates net loss/ (profit)	(169,180)	(267,805)	(169,180)	(267,805)
Share of associates drawings	-	206,571	-	206,571
Changes in fair value of investment in investment property	-	296,703	-	296,703
Depreciation	72,029	56,871	-	-
Assets written off	-	-	-	-
Net loss on foreign exchange	1,158	178,313	229,271	-
Loss on loan to subsidiary forgiven	-	-	159,729	-
Changes in assets and liabilities:				
(Increase)/decrease in trade and other receivables	(64,317)	14,387	251	2,651
(Increase)/decrease in other assets	(32,168)	(153,130)	445	609
Increase/(decrease) in trade and other payables	181,317	(46,692)	147,088	(25,906)
Increase/(decrease) in provisions	71,412	6,209	-	-
Increase/(decrease) in tax liabilities	(95,747)	185,568	(105,962)	(188,831)
Increase/(decrease) in deferred taxes	29,040	(79,955)	7,299	(62,817)
Net cash provided by/(used in) operating activities	546,134	566,595	322,017	143,861

c. Non-cash activities

Dividends Paid

During the financial year the Company paid dividends of $350,000 (2011: $350,000) which were credited to the loan accounts of LM Administration Pty Ltd in satisfaction of payment.

21 RELATED PARTIES

Subsidiaries
Investments in subsidiaries are set out in note 11.

LM INVESTMENT MANAGEMENT LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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21 RELATED PARTIES (CONT'D)

Key management personnel

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below. LM Administration Pty Ltd, a related entity that provides management and administration services paid these expenses on behalf of the Group and reimbursement will not be sought.

	Consolidated		Parent	
	2012	2011	2012	2011
	$	$	$	$
Aggregate compensation	3,452,520	2,325,615	3,036,250	2,008,454

Transactions with related parties

The following transactions occurred with related parties:

	2012	2011	2012	2011
a. Revenue received for services				
Management fee income from LM First Mortgage income Fund	13,581,734	15,979,226	13,581,734	15,979,226
b. Payments for goods and services:				
Administration charges paid to LM Administration Pty Ltd	3,978,004	6,903,455	3,978,004	6,903,455
Management fees paid to LM Administration Pty Ltd	4,699,916	5,250,260	4,699,916	5,250,260
Dividends paid to LM Administration Pty Ltd	350,000	350,000	350,000	350,000
Commissions paid to subsidiaries	-	-	4,288,788	3,239,717
Loan forgiven to subsidiaries	-	-	159,729	-

During the financial year LM Investment Management Ltd forgave an intercompany loan to its UK subsidiary (LM Investment Management UK Ltd) which resulted in a loss on loan forgiveness of $159,729.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2012	2011	2012	2011
a. Assets:				
Loan receivable from LM Administration Pty Ltd	430,579	283,610	430,579	283,610
Loans receivable from subsidiaries	-	-	291,942	851,281
Investment in associate	4,631,927	4,467,785	4,631,927	4,467,785
Investment property	769,500	769,500	769,500	769,500

Transactions between the Company and its subsidiaries consist of loans which are interest-free, unsecured and will be repayable on demand.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Market risk

Foreign currency risk

The carrying amount of the group's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Assets		Liabilities	
	2012	2011	2012	2011
Consolidated				
Hong Kong dollars	205,441	524,887	145,677	125,287
New Zealand dollars	-	-	15,625	14,060
Great British pounds	16,589	1,255	49,156	32,194
United Arab Emirates Dirham	12,263	14,588	37,142	45,202

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates.

As at the reporting date, the Group had no liabilities exposed to variable interest rate risk as all borrowings are non-interest bearing.

Liquidity risk

Liquidity risk is the risk that the Group and Company may not be able to meet its obligations to investment activities or other obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of available funding through an adequate amount of committed credit facilities.

The Group manages liquidity risk by monitoring forecast cash flows and to have sufficient liquidity to meet its liabilities when due.

23 COMMITMENTS

a. Operating lease commitments

At 30 June 2012, the Group had outstanding commitments payable for future minimum lease payments under non-cancellable operating lease in respect of office premises and staff quarters, which fall due as follows:

	Consolidated		Parent	
	2012	2011	2012	2011
	$	$	$	$
Within one year	466,717	605,663	-	-
One to five years	-	543,650	-	-
	466,717	1,149,313	-	-

24 CONTINGENT LIABILITIES

There are no material contingent liabilities as at 30 June 2012.

25 EVENTS AFTER THE BALANCE SHEET DATE

Since 30 June 2012 there has not been any matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the Group.

LM INVESTMENT MANAGEMENT LIMITED
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DIRECTORS' DECLARATION

In the directors' opinion:

a. the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

b. the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and

c. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Eghard Van der Hoven
Director

4 October 2012
Gold Coast

ERNST & YOUNG

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Independent auditor's report to the members of LM Investment Management Limited

Report on the financial report

We have audited the accompanying financial report of LM Investment Management Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

ERNST & YOUNG

Opinion

In our opinion the financial report of LM Investment Management Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the financial position of the consolidated entity at 30 June 2012 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

P McLuskie

Paula McLuskie
Partner
Brisbane
4 October 2012

KING&WOOD
MALLESONS

Termination Deed

Dated 8th May 2013

LM Investment Management Ltd (Administrators Appointed) ABN 68 077 208 461 (**"Licensee"**)

John Richard Park and Ginette Dawn Muller, in their capacity as joint and several administrators of the Licensee (**"Administrators"**)

Ballast Financial Management Pty Ltd (**"New Licensee"**)

Kelvin Fair (**"Authorised Representative"**)

King & Wood Mallesons
Level 33
Waterfront Place
1 Eagle Street
Brisbane QLD 4000
Australia
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DX 311 Brisbane
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Termination Deed
Contents

Termination Deed

Details

Parties	Licensee, Administrators, New Licensee and Authorised Representative	
Licensee	Name	LM Investment Management Ltd (Administrators Appointed)
	ABN	68 077 208 461
	Address	c/- FTI Consulting, 22 Market Street, Brisbane QLD 4000
	Fax	+61 7 3225 4999
	Attention	The Administrators
Administrators	Name	John Richard Park and Ginette Dawn Muller in their capacity as joint and several administrators of the Licensee
	Address	C/- FTI Consulting, 22 Market Street, Brisbane QLD 4000
	Fax	+61 7 3225 4999
New Licensee	Name	Ballast Financial Management Pty Ltd
	Address	9/233 Berrigan Drive Jandakot WA 6164
	Fax	+61 8 9417 5580
Authorised Representative	Name	Kelvin Fair
	Address	Level 4/9 Beach Road Surfers Paradise QLD 4217
	Fax	+61 7 5538 4100
Recitals	A	The Licensee and the Authorised Representative entered into an Authorised Representative Agreement dated 9 March 2004 appointing the Authorised Representative to provide certain financial services for the Licensee ("**Contract**").

	B	On or about the Appointment Date, the Administrators advised the Authorised Representative not to provide any further insurance advice and to seek a new licensee.
	C	The Licensee and the Authorised Representative have agreed to mutually terminate the Contract on the terms set out in this deed.
Governing law	Queensland	
Date of deed	See Signing page	

Termination Deed

General terms

1 Definitions

These meanings apply unless the contrary intention appears:

Administrators means the persons so named in the Details and any replacement for any of them.

Appointment Date means 19 March 2013.

Authorised Representative means the person so named in the Details.

Claim means any allegation, debt, cause of action, liability, claim, proceeding, suit or demand of any nature howsoever arising and whether present or future, fixed or unascertained, actual or contingent, whether at law, in equity, under statute or otherwise.

Contract has the meaning given in the Recitals.

Details means the section of this deed headed "Details".

Effective Date means the date on which all of the conditions precedent set out in clause 2 of this deed have been satisfied.

Licensee means the person so named in the Details.

New Licensee means the person so named in the Details.

Parties means the persons so named in the Details.

Privacy Laws means:

(a) the Privacy Act 1988 (Cwlth); and

(b) any other requirement under Australian law, industry code, policy or statement relating to the handling of Personal Information.

Product Provider Agreements mean any agreement entered into between the Licensee and a Product Provider relating to the distribution of financial services.

Product Providers means each person that the Licensee has agreed to distribute financial services products on behalf of, including each of the following:

(c) PrefSure Life Limited ABN 20 000 017 194;

(d) American International Assurance Company (Australia) Limited ACN 004 837 861;

(e) The National Mutual Life Association of Australasia Limited ABN 72 004 020 437;

(f) ING Funds Management Limited ABN 21 003 002 800;

(g) ING Life Limited ABN 33 009 657 176;

(h) ING Custodians Pty Limited ABN 12 008 508 496;

(i) Optimix Investment Management Limited ABN 45 006 790 629;

(j) Clearview Life Nominees Pty Limited ABN 12 000 021 581;

(k) Clearview Life Assurances Pty Limited ABN 37 003 682 175

2 Conditions Precedent

This deed is of no force and effect until the following condition precedent is satisfied in a form and substance satisfactory to the Licensee and the Administrators, in their absolute discretion:

(a) the New Licensee provides a certified copy of an Australian Financial Services License issued to it authorising the provision of financial services to the Authorised Representative's clients.

3 Mutual Termination

With effect on and from the Appointment Date:

(a) the Contract is terminated by the mutual agreement of the Parties; and

(b) clients of the Authorised Representative may be transferred to the New Licensee.

4 Obligations of the Authorised Representative and the New Licensee

4.1 Undertakings

Each of the Authorised Representative and the New Licensee undertakes to:

(a) advise the Authorised Representative's clients of the change in licensee and that the Licensee will no longer be responsible for any financial service provided by the Authorised Representative;

(b) advise Authorised Representative's clients that the New Licensee shall be responsible for all financial services provided by the Authorised Representative;

(c) advise Authorised Representative's clients that the ownership and access to client files and personal details will change from the Licensee to the New Licensee;

(d) send to each and every client of the Authorised Representative a notice in the form set out in "Annexure A" to this deed (**"Notice"**); and

(e) notify the Licensee of any correspondence received from clients of the Authorised Representative, in relation to the Notice, objecting to the transfer to the New Licensee.

4.2 Representations and Warranties

Each of the Authorised Representative and the New Licensee represent and warrant to the Licensee that the New Licensee:

(a) meets all regulatory requirements;

(b) maintains all appropriate registrations, licenses and authorisations; and

(c) is otherwise appropriately qualified,

in connection with the financial services provided by the Authorised Representative.

4.3 Privacy Obligations

Each of the Authorised Representative and the New Licensee undertakes to:

(a) comply with all Privacy Laws in connection with any information relating to the Authorised Representative's clients; and

(b) not give access to, or copies of, any information relating to the Authorised Representative's clients to anyone except to the individual to whom the information relates without that individual's consent.

4.4 Product Providers

Each of the Authorised Representative and the New Licensee acknowledge and agrees that:

(a) commissions or other amounts payable before the Appointment Date, pursuant to Product Provider Agreements, are due and payable to the Licensee;

(b) the Licensee retains all rights in connection with the Product Provider Agreements, including but not limited to the right to receive commissions or other amounts under the Product Provider Agreements and the right to terminate the Product Provider Agreements;

(c) the New Licensee and the Authorised Representative are responsible for entering into agreements with each Product Provider relating to the distribution of financial services.

The Licensee acknowledges and agrees that commissions or any other amounts payable on or after the Appointment Date are due and payable to the New Licensee or the Authorised Representative, as the case may be.

5 Mutual Releases

5.1 Release from future performance

On and from the Effective Date, each Party releases the other Party from any obligation under the Contract to be performed on or after the Appointment Date.

5.2 Release of Licensee

On and from the Effective Date, the Authorised Representative and the New Licensee release the Licensee and the Administrators from:

(a) any obligation or liability under or in respect of the Contract or the termination of the Contract;

(b) any Claim which it, but for this release, had or may in the future have had against the Licensee or the Administrators under or in respect of the Contract or the termination of the Contract; and

(c) any Claim in relation to future financial services provided or not provided by the Authorised Representative.

6 Indemnities

6.1 Indemnity from Authorised Representative

The Authorised Representative and the New Licensee indemnify the Licensee and thé Administrators against:

(a) any Claim arising out of any act or omission by the Authorised Representative or the New Licensee, whether occurring before, on or after the Effective Date, (including all legal costs and expenses on the higher of a solicitor and own client basis or full indemnity basis);

(b) any Claim in relation to financial services provided or not provided by the Authorised Representative or the New Licensee after the Appointment Date;

(c) any Claim in relation to information that the Licensee or the Administrators provide to the Authorised Representative or the New Licensee including, without limitation, breach of Privacy Laws; and

(d) any Claim arising out of:

(i) a breach of any undertaking given in this deed;

(ii) any representation or warranty made in this deed being found to be incorrect or misleading; or

(iii) a breach of any term of this deed by the Authorised Representative or the New Licensee.

6.2 Continuing indemnities

The indemnities in this deed are continuing obligations.

7 Administrators' Capacity

7.1 Agents

The Administrators:

(a) enter into this deed only as agents of the Licensee;

(b) accept no personal liability in respect of the Contract, the termination of the Contract or this deed; and

(c) have entered into this agreement in their personal capacity solely for the purpose of obtaining the benefit of the provisions in their favour.

7.2 No adoption of Contract

The Authorised Representative and the New Licensee acknowledge that:

(a) the Contract was entered into prior to the appointment of Administrators; and

(b) the Administrators have not adopted, and do not adopt, any of the terms of the Contract.

8 General

8.1 Costs

The Parties agree to pay their own legal and other costs and expenses in connection with the negotiation, preparation, execution and completion of this deed and of other related documentation, except stamp duty.

8.2 Stamp duty

The Authorised Representative agrees to pay all stamp duty (including fines and penalties) chargeable, payable or assessed in relation to this deed and any transaction contemplated by it.

8.3 Governing law

This deed is governed by the law in force in the place specified in the Details. Each Party submits to the non-exclusive jurisdiction of the courts of that place.

8.4 Counterparts

This deed may be executed in counterparts. All counterparts when taken together constitute one document and the date on which the last counterpart is executed will be the Effective Date.

8.5 Further steps

Each party agrees, at its own expense, to do anything the other Party asks (such as obtaining consents, signing and producing documents and getting documents completed and signed) as may be necessary or desirable to give full effect to the provisions of this deed and the transactions contemplated by it.

EXECUTED as a deed

Signing page

DATED: 6/5/2013

EXECUTED by **LM INVESTMENT MANAGEMENT LTD (ADMINISTRATORS APPOINTED) ABN 68 077 208 461** by one of its duly appointed administrators in the presence of:

....
Signature of witness

SALLY MCBRYDE
....
Name of witness (block letters)

....
Signature of administrator

GINETTE MULLER
....
Name of administrator

EXECUTED by **GINETTE DAWN MULLER** as joint and several administrator, for an on behalf of, **LM INVESTMENT MANAGEMENT LTD (ADMINISTRATORS APPOINTED)**, in the presence of:

....
Signature of witness

SALLY MCBRYDE
....
Name of witness (block letters)

....
Signature of administrator

GINETTE MULLER
....
Name of administrator

EXECUTED by **JOHN RICHARD PARK** as joint and several administrator, for an on behalf of, **LM INVESTMENT MANAGEMENT LTD (ADMINISTRATORS APPOINTED)**, in the presence of:

....
Signature of witness

SALLY MCBRYDE
....
Name of witness (block letters)

....
Signature of administrator

JOHN PARK
....
Name of administrator

EXECUTED by **Ballast Financial Management Pty Ltd** in accordance with section 127(1) of the Corporations Act 2001 (Cwlth) by authority of its directors:

W.J. Blazejczyk

Signature of director

WAYNE BLAZEJCZYK

Name of director (block letters)

Signature of director/company secretary*
*delete whichever is not applicable

Name of director/company secretary* (block letters)
*delete whichever is not applicable

SIGNED, SEALED AND DELIVERED by **KELVIN FAIR** in the presence of:

Signature of witness

MARIJA MLADENOVIC

Name of witness (block letters)

Signature of KELVIN FAIR

"Annexure A"

NOTICE TO CLIENTS

LM Investment Management Ltd (Administrators Appointed) ABN 68 077 208 461 (**"LMIM"**) was placed into voluntary administration on 19 March 2013.

As a result of the voluntary administration, LMIM's Australian Financial Services Licence, which allows LMIM to provide financial services in respect of insurance products, was suspended on 9 April 2013.

Accordingly, LMIM is no longer authorised to provide financial services in respect of insurance products you have purchased from Kelvin Fair. It is proposed that Mr Fair continue to provide those services to you under a new licensee, being Ballast Financial Management Pty Ltd (**"New Licensee"**).

Mr Fair will provide services to you under the New Licensee and your files and records will be transferred to the New Licensee unless you notify Mr Fair in writing within 14 days that you do not agree to the new arrangements.

The voluntary administrators of LMIM have not adopted any agreement between you and Mr Fair, and therefore do not accept any personal liability in connection with those agreements.

LM Investment Management Limited (In Liquidation)
Receipts and Payments
Voluntary Administration Period

	$	Corp		Funds	
TRADING RECEIPTS					0.00
Operating Cost Income	1,722,839.95			1,722,839.95	0.00
Other Income	300.00	300.00			0.00
Refunds	5,324.54	5,324.54			0.00
Rent	2,165.11	2,165.11			0.00
	1,730,629.60	7,789.65		1,722,839.95	0.00
TRADING PAYMENTS					0.00
Consultancy Costs	9,765.25	9,765.25			0.00
Fund Reimbursement	1,007.36			1,007.36	0.00
Sundry Expenses	234.00	234.00			0.00
Administration Fees	(60.00)	- 60.00			0.00
Advance on Resource Fees	(77,000.00)			- 77,000.00	0.00
Bank Charges	(31.96)	- 31.96			0.00
Communications	(1,005.69)			- 1,005.69	0.00
Consultancy Costs	(31,765.25)			- 31,765.25	0.00
Fund Reimbursement	(1,007.36)			- 1,007.36	0.00
Insurance	(64,869.19)			- 64,869.19	0.00
Licenses	(1,045.00)			- 1,045.00	0.00
Printing & Stationery	(244.38)	- 244.38			0.00
Resources Fee Paid	(2,047,959.84)			-2,047,959.84	0.00
Sundry Expenses	(1,264.41)			- 1,264.41	0.00
Valuation Fee	(660.00)	- 660.00			0.00
	(2,215,906.47)	(9,002.91)		(2,224,909.38)	0.00
Net Trading Receipts and Payments	(485,276.87)	(16,792.56)		(502,069.43)	0.00
NON-TRADING RECEIPTS					0.00
Bank Charges	65.00	65.00			0.00
Equity: Opening Balance	1,069,750.59	1,069,750.59			0.00
Interest Income	23.28	23.28			0.00
MPF A/cc - LM Investment Management Limited (Admin	20.00	[redacted]			0.00
	1,069,858.87	1,069,858.87		0.00	0.00
NON-TRADING PAYMENTS					0.00
AIF A/cc - LM Investment Management Limited (In Li	(204,378.65)	[redacted]			0.00
ASIC Charges	(22.00)	- 22.00	- 155.29		0.00
Bank Charges	(133.29)	- 133.29			0.00
Cash at Bank - Commonwealth Bank	(27,473.76)	[redacted]			0.00
Equity: Opening Balance	(7,981.37)	-7,981.37			0.00
FMIF A/cc - LM Investment Management Limited (In L	(154,666.45)	[redacted]			0.00
ICPIF A/cc - LM Investment Management Limited (In	(2,751.07)	[redacted]			0.00
Insurance	(70,503.47)			- 70,503.47	0.00
Interest Income	(0.01)	- 0.01	-116,652.03		0.00
Investment Income	(0.01)	- 0.01	-116,807.32		0.00
Legal Fees	(57,896.26)	-57,896.26			0.00
Loan to LMA (Advance to Employees)	(58,755.75)	-58,755.75			0.00

MPF A/cc - LM Investment Management Limited (Admin	(19.91)	19.91		0.00
	(584,582.00)	(514,078.53)	(70,503.47)	0.00
				0.00
Net Non-Trading Receipts and Payments	485,276.87	555,780.34	- 70,503.47	0.00
Net Receipts (Payments)	0.00	572572.90	-572572.90	0.00
		0.00		0.00
				0.00

LM Investment Management Limited (In Liquidation)
Receipts and Payments
Liquidation (CVL) Period to 12 July 2018

	$	Corp	Funds	
TRADING RECEIPTS				
Contribution from FMIF for Russells	220,745.80		220,745.80	0.00
Contribution received from fund	4,229,987.32		3,962,008.37	267,978.95
Controllership Fees Received	267,978.95		267,978.95	
Interest In Land	491,549.74	491,549.74		0.00
Operating Cost Income	1,164,916.09		1,164,916.09	0.00
Operational Costs Held not Invoiced	2,360.03		2,360.03	0.00
Other Income	56,296.76		56,296.76	0.00
Refunds	1,169.83	1,169.83		0.00
Rent	901.80	901.80		0.00
Residual Powers Settlement	205,000.00		205,000.00	0.00
Shareholder Funds - Canada	14,733.27	14,733.27		0.00
Contribution received from fund	(41,846.41)		- 41,846.41	0.00
	6,613,793.18	508,354.64	5,837,459.59	267,978.95
TRADING PAYMENTS				0.00
IT Costs	15,602.40		15,602.40	0.00
Storage Costs	301.16		301.16	0.00
Tax Liability	33,563.37	33,563.37 offset		0.00
Advance on Resource Fees	(85,421.60)		-85,421.60	0.00
Bank Charges	(482.24)	- 482.24		0.00
Compliance Fees	(2,416.78)		- 2,416.78	0.00
Consultancy Costs	(31,269.95)	- 31,269.95		0.00
Custody Fees	(14,747.68)		-14,747.68	0.00
IT Costs	(296,016.51)		-296,016.51	0.00
Land Tax	(3,348.90)	- 3,348.90		0.00
Legal Fees	(277,630.16)	-277,630.16		0.00
Licenses	(8,030.00)	- 8,030.00		0.00
Printing & Stationery	(2,476.04)	- 2,476.04		0.00
Provision of Registry Services	(1,650.00)		- 1,650.00	0.00
Rent & Rates	(4,468.18)	- 4,468.18		0.00
Repairs & Maintenance	(341.00)	- 341.00		0.00
Resource fee paid cat 2 wip	(2,461.38)		- 2,461.38	0.00
Resources Fee Paid	(319,194.00)		-319,194.00	0.00
Storage Costs	(12,812.26)		-12,812.26	0.00
Subcontractors	(3,712.50)	- 3,712.50		0.00
Sundry Expenses	(1,802.37)	- 1,802.37		0.00
Tax Liability	(33,563.37)	- 33,563.37 offset		0.00
	(1,052,377.99)	(333,561.34)	(718,816.65)	0.00
Net Trading Receipts and Payments	5,561,415.19	174,793.30	5,118,642.94	267,978.95

LM Investment Management Limited (In Liquidation)
Receipts and Payments
Liquidation (CVL) Period to 12 July 2018

	$			
NON-TRADING RECEIPTS				
AIF A/cc - LM Investment Management Limited (In Li	204,378.65	[redacted]		0.00
ASIC Charges	316.00	316.00		0.00
Bank Charges	40.40	40.40		0.00
Cash at Bank - Commonwealth Bank	27,473.76	[redacted]		0.00
FMIF A/cc - LM Investment Management Limited (In L	154,666.45	[redacted]		0.00
GST Control: GST Paid (Received)	579,381.00	579,381.00		0.00
ICPIF A/cc - LM Investment Management Limited (In	2,751.07	[redacted]		0.00
Indemnity funds MPF	1,679,000.00		1,679,000.00	0.00
Interest Income	33,959.17		33,959.17	0.00
Legal Fees	26,166.41	26,166.41		0.00
Loan to LMA (Advance to Employees)	58,755.75	58,755.75		0.00
MPF A/cc - LM Investment Management Limited (Admin	19.91	[redacted]		0.00
Other Current Assets	75.00	75.00		0.00
Receivers Out of Pocket Disbursements	10,185.59		10,185.59	0.00
Recoverable Operating Expenses	61,977.83		61,977.83	0.00
Sale of Joint Venture	660,673.10	660,673.10		0.00
Stamp Duty	31.45	31.45		0.00
	3,499,851.54	1,714,728.95	1,785,122.59	0.00
NON-TRADING PAYMENTS				
Accounting Fees	(31,891.21)		-31,891.21	0.00
Appointee Disbursements	(143,494.65)		-143,494.65	0.00
ASIC Charges	(669.00)	- 669.00		0.00
Bank Charges	(465.35)	- 465.35		0.00
Consulting Fees	(3,501.30)	- 3,501.30		0.00
Counsel Fees	(679,427.47)	-679,427.47		0.00
Disbursements - Legal	(127,522.58)	-127,522.58		0.00
Document production	(23,579.16)		-23,579.16	0.00
	(108.90)	- 108.90		0.00
Fees: Appointee Fees	(4,803,028.12)		-4,803,028.12	0.00
GST Control: GST Paid (Received)	(301,575.00)	-301,575.00		0.00
Insurance	(241,927.12)		-241,927.12	0.00
Legal Fees	(2,197,509.87)	-2,197,509.87		0.00
Legal Fees - Disbursements	(7,594.20)	- 7,594.20		0.00
MPF A/cc - LM Investment Management Limited (Admin	(20.00)	[redacted]		0.00
Receivers Out of Pocket Disbursements	(54,898.97)		-54,898.97	0.00
Stamp Duty	(14,212.42)	- 14,212.42		0.00

LM Investment Management Limited (In Liquidation)
Receipts and Payments
Liquidation (CVL) Period to 12 July 2018

	$			
	(8,631,425.32)	(3,332,606.09)	(5,298,819.23)	0.00
Net Non-Trading Receipts and Payments	(5,131,573.78)	(1,617,877.14)	(3,513,696.64)	0.00
Net Receipts (Payments)	429,841.41	-1,443,083.84	1,604,946.30	267,978.95
		-267,978.95		