

10 July 2017

Our Ref: RCL\_8976r2.doc

## **CIRCULAR TO INVESTORS**

Dear Sir/Madam

**RE: LM Investment Management Limited (In Liquidation) ACN 077 208 461 (LMIM) (the Company)  
as the responsible entity of the LM Australian Income Fund (the Fund)**

I refer to my previous update regarding this Fund on 30 June 2016. I also refer to the appointment of Ginette Muller and I as Joint and Several Administrators of LM Investment Management Limited (In Liquidation) on 19 March 2013 and our subsequent appointment as Liquidators on 1 August 2013. Ginette Muller resigned as Liquidator of the Company on 17 May 2017.

I provide the following update in relation to the wind-up of the Fund.

### **Taxation Matters**

WMS Chartered Accountants have completed financial accounts for the Fund to the financial year ended 30 June 2016. Taxation Returns have been prepared but cannot be lodged until the audits for the Fund are completed. The Fund GST registration was cancelled from 2 August 2013 as GST turnover was less than \$75,000 and therefore registration was optional. Now accounts are completed to 30 June 2016, a review has been conducted on the benefit of voluntarily registering the Fund for GST and lodging Business Activity Statements (BASs) to claim input tax credits from 2013 onward. Instructions have been issued for this to occur and the BASs will be completed in due course.

### **Audited accounts for financial years ended 30 June 2013 and 30 June 2014**

Following my previous update to investors, a request was submitted to the Australian Securities and Investments Commission (ASIC) asking them to grant relief to the Fund from lodging audited financial accounts. The application was made to avoid both the cost to the Fund of completing these audits as well as the considerable time required to prepare and lodge the audits. ASIC did not grant the relief and accordingly the Fund is required to lodge audited financial accounts for each year it remains in wind up.

As investors will be aware from my update in June 2016, auditors Ernst and Young (EY) have failed on numerous occasions to progress the 2013 and 2014 financial year audits. Despite advising the audits for these years would be completed by 31 July 2016, only the 2013 audit has been lodged with ASIC at the date of this report.

Following completion by EY of audited accounts for the year ended 30 June 2014, they will be removed as the listed auditors of the Company and Fund and replaced with new auditors whom I believe are better placed to work with WMS Chartered Accountants to promptly complete the remaining audits and enable a timely wind up of the fund shortly thereafter.

### **Custom House Currency Exchange (Australia) Pty Limited (Custom House)**

Following the execution of a settlement deed with Custom House, the following monies were received by the Fund:

Great British Pound	172.41
Swedish Krona	2,503,797.46

The funds comprised not only monies being held for LMIM in foreign currencies but also some investor monies which had been withheld by Customs House following our appointment. The relevant investor was identified, contacted, and funds were remitted to their nominated accounts in November 2016.

### **Realisation of Fund Assets**

#### **Western Australia – Residential land sub-division (3 lots)**

The residential land sub-division was sold with settlement taking place on 11 August 2016. The sale of the land did not repay the loan in full and as a result the Controllers sought to pursue the initial buyer who failed to settle the contract of sale for damages and costs incurred as a result of the default. A taxed bill of costs was obtained in an effort to obtain funds from the defaulting party however claims made were unsuccessful and the Controllers deemed it not in the interests of investors to pursue the matter further having regard to the cost involved in litigating the issue.

The Controllers are awaiting a refund of GST from the Australian Taxation Office and will retire once these monies have been received. Controllershship funds will then be transferred to the Fund account.

### Melbourne – Strata titled units (5 residential and 2 retail lots)

The borrower was wound up and placed into liquidation on 22 September 2016. As a result of this appointment, AIF as first mortgagee entered into an agreement with second mortgagee, being the Trustees for the LM Managed Performance to sell the properties for a fixed fee. Proceeds from sale of the properties were to be paid to the AIF from settlement until such time as the AIF loan was repaid in full.

One commercial lot and 4 residential lots were sold, causing the AIF loan to be repaid in full on 3 July 2017.

### Indicative Net Asset Value

An **indicative** position of the Fund and estimated unit price as at 30 June 2017 is set out in the table below. All figures are in Australian Dollars.

<b>Item</b>	<b>Amount</b>
Cash at Bank	\$9,126,516
Loan Receivables - Settlement Proceeds 03/07/17	\$262,706
<b>Total Fund Assets</b>	<b>\$9,389,222</b>
<b>Less: Expenses Outstanding</b>	
Auditor Fees	\$53,045
GST payable on property settlements	\$112,996
<b>Total Expenses Outstanding</b>	<b>\$166,041</b>
<b>Indicative Net Assets as at 30 June 2017</b>	<b>\$ 9,223,181</b>
<b>Estimated AUD equivalent units at 30 June 2017</b>	<b>38,884,059</b>
<b>Estimated Unit Price as at 30 June 2017</b>	<b>\$0.24</b>

The estimated asset and unit values are expressed in AUD equivalents and are subject to daily market fluctuations. AUD equivalent units have been calculated based on the Australian Taxation Office and Reserve Bank of Australia foreign currency exchange rates for the year ended 30 June 2017. Accordingly, they are subject to change without notice to members. I also note the liabilities being allocated exclude GST.



For the purposes of presenting an indicative net position, the known invoiced liabilities of the Fund at 30 June 2017 have been allocated proportionally to each series based on gross asset value of that series at the date of the allocation. The net asset position is calculated before consideration of future wind-up costs (including custody fees, accounting and audit costs, and Liquidator remuneration and out of pocket expenses) not yet been invoiced or yet to be incurred. These future costs are expected to be relatively significant considering the ongoing work required in relation to finalising the outstanding taxation and audit matters. I will do everything possible to minimise the ongoing wind-up costs.

The net asset position is also subject to change should additional liabilities of the Fund be identified.

### **Timing for Finalisation and Distributions**

On 11 August 2016, \$15,992,786 was distributed to unit holders, equating to a return of approximately 38.67 cents per AUD equivalent unit held.

The timing for finalisation of the wind-up of the Fund, including the final distribution, is currently unable to be determined. Timing is dependent on lodgement of all outstanding taxation returns, business activity statements and audited financial accounts as well as resolving any legal claims against the fund.

I continue to work towards a timely completion of the fund wind up.

### **Contact Details**

Investors are able to obtain further information by either:

1. Updates will be provided on the LMIM administration website ([www.lminvestmentadministration.com](http://www.lminvestmentadministration.com));
2. Sending an email outlining your queries to [enquiries@lminvestmentadministration.com](mailto:enquiries@lminvestmentadministration.com); and

3. Queries concerning transaction statements, holdings and updated details should be directed to Advanced Share Registry, the details of which are as follows:

- Telephone: +618 9389 8033
- Fax: +618 9262 3723
- Email: [admin@advancedshare.com.au](mailto:admin@advancedshare.com.au)
- Address: PO Box 1156, Nedlands WA 6909

Yours faithfully  
**FTI Consulting**



**John Park**  
**Liquidator**