

19 September 2018

Our Ref: RCL_8976r3.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 10 July 2017. 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 attended to the following with respect to taxation matters of the Fund:

- Completed financial accounts for the Fund to the financial year ended 30 June 2018;
- Taxation Returns to the year ended 30 June 2012. WMS are currently undertaking an assessment of whether the Fund is required to lodge taxation returns for the duration of our appointment;
- Re-registration of the Fund for GST after it was determined voluntary registration for GST reporting would result in a refund position for the Fund whilst it is being wound up; and
- Lodgement of Business Activity Statements (BASs) to June 2018.

Audited accounts

As investors will be aware from my previous update, the request for financial reporting relief for the Fund was denied by ASIC and therefore the Fund is required to lodge audited financial accounts for each year it remains in wind up.

Audited accounts for the financial years ended 30 June 2013 and 30 June 2014 have now been lodged. Ernst and Young (EY) resigned as auditors at the end of January 2018 and were replaced with Thomas Noble and Russell ("TNR") who will complete the remaining audits for the Fund.

TNR have been working closely with WMS Chartered Accountants to promptly complete the remaining audits and enable a timely wind up of the fund shortly thereafter. A draft audit has been received for the 2015 financial year and the 2016 audit is expected to follow shortly.

Indicative Net Asset Value

An **indicative** position of the Fund and estimated unit price as at 30 June 2018 is set out in the table below. All figures are in Australian Dollars.

| LM Australian Income Fund NAV as at 30 June 2018 | |
|---|--------------------|
| Item | Amount |
| Cash at Bank | \$9,114,504 |
| Total Fund Assets | \$9,114,504 |
| Less: | |
| Fund Payables | -\$60,995 |
| Total Fund Payables | -\$60,995 |
| Indicative Net Assets as at 30 June 2018 | \$9,053,509 |
| Estimated AUD equivalent units at 30 June 2018 | 37,313,409 |
| Estimated Unit Price as at 30 June 2018 | \$0.24 |

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 2018. Accordingly, they are subject to change without notice to members.

For the purposes of presenting an indicative net position, the known invoiced liabilities of the Fund at 30 June 2018 have been included. 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 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

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);
2. Sending an email outlining your queries to enquiries@lminvestmentadministration.com; and
3. Queries concerning unit holdings; transfer requests; 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
- Address: PO Box 1156, Nedlands WA 6909

Yours faithfully
FTI Consulting



John Park
Liquidator

14 October 2019

Our Ref: RCL_8976r4

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 19 September 2018. 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 attended to the following with respect to taxation matters of the Fund:

- Completed financial accounts for the Fund to the financial year ended 30 June 2017;
- Draft of financial accounts for the financial year ended 30 June 2018;
- Lodgement of Business Activity Statements (BASs) to 31 March 2019;
- Information has been provided to WMS for the completion of BASs to 30 September 2019;
- An information request to enable finalisation of the 30 June 2018 accounts and completion of 30 June 2019 financial accounts is anticipated to be received in mid-October 2019.

I have now obtained legal advice which confirms the Fund is not required to complete and lodge outstanding taxation returns.

Audited accounts

As investors will be aware from my previous update, the request for financial reporting relief for the Fund was denied by ASIC and therefore the Fund is required to lodge audited financial accounts for each year it remains in wind up.

FTI Consulting (Australia) Pty Limited

ABN 49 160 397 811 | ACN 160 397 811 | AFSL Authorised Representative # 001269325

Level 20, CP1 | 345 Queen Street | Brisbane QLD 4000 | Australia

Postal Address | GPO Box 3127 | Brisbane QLD 4001 | Australia

+61 7 3225 4900 telephone | +61 7 3225 4999 fax | fticonsulting.com

Audited accounts for the financial years ended 30 June 2015 and 30 June 2016 have now been lodged by Thomas Noble and Russell (TNR). The 30 June 2017 financial accounts have been reviewed and the audited accounts are awaiting a final review by TNR prior to lodgement. Lodgement will occur in October 2019.

TNR continue to work closely with WMS Chartered Accountants to promptly complete the audits.

Indicative Net Asset Value

An **indicative** position of the Fund and estimated unit price as at 30 June 2018 is set out in the table below. All figures are in Australian Dollars (AUD).

| LM Australian Income Fund NAV as at 30 June 2019 | |
|---|--------------------|
| Item | Amount |
| Cash at Bank | \$9,159,212 |
| Total Fund Assets | \$9,159,212 |
| Less: | |
| Fund Payables | -\$3,127 |
| Total Fund Payables | -\$3,127 |
| Indicative Net Assets as at 30 June 2019 | \$9,156,085 |
| Estimated AUD equivalent units at 30 June 2019 | 41,256,815 |
| Estimated Unit Price as at 30 June 2019 | \$0.22 |

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 2019. Accordingly, they are subject to change without notice to members.

For the purposes of presenting an indicative net position, the known invoiced liabilities of the Fund at 30 June 2019 which remained unpaid on that date have been included. 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 invoiced or yet to be incurred or determined by the Court. 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

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 business activity statements and audited financial accounts as well as resolving any legal claims against the fund and obtaining Court orders pertaining to our remuneration and expenses incurred in winding up 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);
2. Sending an email outlining your queries to enquiries@lminvestmentadministration.com; and
3. Queries concerning unit holdings; transfer requests; 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
- Address: PO Box 1156, Nedlands WA 6909

Yours faithfully
FTI Consulting



John Park
Liquidator

31 August 2020

Our Ref: RCL_8976r5

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 14 October 2019 and provide the following update in relation to the wind-up of the Fund.

Taxation Matters

WMS Chartered Accountants have attended to the following with respect to taxation matters of the Fund:

- Completed financial accounts for the Fund to the financial year ended 30 June 2019;
- Drafted financial accounts for the financial year ended 30 June 2020; and
- Lodgement of Business Activity Statements (BASs) to 30 June 2020.

Audited accounts

Audited accounts have now been lodged for the financial year ended 30 June 2019. Thomas Noble and Russell (TNR) will conduct the audit of the financial account for the year ended 30 June 2020 and facilitate lodgement by 31 December 2020.

FTI Consulting (Australia) Pty Limited

ABN 49 160 397 811 | ACN 160 397 811 | AFSL Authorised Representative # 001269325
Level 20, CP1 | 345 Queen Street | Brisbane QLD 4000 | Australia
Postal Address | GPO Box 3127 | Brisbane QLD 4001 | Australia
+61 7 3225 4900 telephone | +61 7 3225 4999 fax | fticonsulting.com

Indicative Net Asset Value

An **indicative** position of the Fund and estimated unit price as at 30 June 2020 is set out in the table below. All figures are in Australian Dollars (AUD).

| LM Australian Income Fund NAV as at 30 June 2020 | |
|---|--------------------|
| Item | Amount |
| Cash at Bank | \$8,027,984 |
| Total Fund Assets | \$8,027,984 |
| Less: | |
| Fund Payables | -\$1,900 |
| Total Fund Payables | -\$1,900 |
| Indicative Net Assets as at 30 June 2020 | \$8,026,084 |
| Estimated AUD equivalent units at 30 June 2020 | 42,749,773 |
| Estimated Unit Price as at 30 June 2020 | \$0.19 |

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 foreign currency exchange rates for the year ended 30 June 2020. Accordingly, they are subject to change without notice to members.

For the purposes of presenting an indicative net position, the known invoiced liabilities of the Fund at 30 June 2020 which remained unpaid on that date have been included. 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 invoiced or yet to be incurred or determined by the Court. Ongoing wind-up costs are being minimised wherever possible.

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

Timing for Finalisation and Distributions

The timing for finalisation of the wind-up of the Fund, including the final distribution, is dependent on obtaining Court orders pertaining to my remuneration and expenses incurred in winding up the Fund. Subject to Court availability, it is my aim to have the Fund finalised by 30 June 2021 and 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);
2. Sending an email outlining your queries to enquiries@lminvestmentadministration.com; and
3. Queries concerning unit holdings; transfer requests; 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
- Address: PO Box 1156, Nedlands WA 6909

Yours faithfully



John Park

Liquidator

19 September 2018

Our Ref: RCL_8977r4

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 Structured Products Fund (the Fund)**

I refer to my previous update regarding this Fund on 10 July 2017. 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 attended to the following with respect to taxation matters of the Fund:

- Completed financial accounts for the Fund to the financial year ended 30 June 2014;
- Drafted financial accounts for the Fund for the financial years ended 30 June 2015, 16, 17 and 18;
- Taxation Returns to the year ended 30 June 2011. WMS are currently undertaking an assessment of whether the Fund is required to lodge taxation returns for the duration of our appointment;
- Lodgement of Business Activity Statements (BASs) to June 2018.

Audited accounts

As investors will be aware from my previous update, the request for financial reporting relief for the Fund was denied by ASIC and therefore the Fund is required to lodge audited financial accounts for each year it remains in wind up.

Audited accounts for the financial years ended 30 June 2013 and 30 June 2014 have now been lodged. Ernst and Young (EY) resigned as auditors at the end of January 2018 and were replaced with Thomas Noble and Russell ("TNR") who will complete the remaining audits for the Fund.

TNR have been working closely with WMS Chartered Accountants to promptly complete the remaining audits and enable a timely wind up of the fund shortly thereafter. A draft audit has been received for the 2015 financial year and the 2016 audit is expected to follow shortly.

Net Asset Value

An **indicative** position of the Fund and estimated unit price as at 30 June 2018 is set out in the table below. All figures are in Australian Dollars.

| Series | Cash at Bank (AUD) | Less Allocation of Liabilities | Net Assets | No. of AUD Equivalent Units | Estimated Unit Price |
|--------|-----------------------|-----------------------------------|--------------|-----------------------------------|-------------------------|
| ASPF1 | \$799,706.66 | \$5,096.33 | \$794,610.33 | \$2,604,408.16 | \$0.31 |
| ASPF2 | \$160,746.18 | \$1,024.40 | \$159,721.78 | \$1,338,700.44 | \$0.12 |
| ASPF3 | \$111,472.11 | \$710.38 | \$110,761.73 | \$805,069.19 | \$0.14 |
| ASPF4 | \$138,539.62 | \$882.88 | \$137,656.74 | \$533,067.51 | \$0.26 |
| ASPF5 | \$29,320.77 | \$186.85 | \$29,133.92 | \$176,268.72 | \$0.17 |
| ASPF6 | \$4,788.27 | \$30.51 | \$4,757.76 | \$18,668.41 | \$0.25 |
| ASPF7 | \$67,963.78 | \$433.12 | \$67,530.66 | \$342,980.24 | \$0.20 |
| ASPF8 | \$70,042.67 | \$446.36 | \$69,596.31 | \$270,800.00 | \$0.26 |
| ASPF9 | \$82,373.93 | \$524.95 | \$81,848.98 | \$399,985.75 | \$ 0.20 |
| ASPF12 | \$239,855.58 | \$1,528.54 | \$238,327.04 | \$1,316,751.66 | \$0.18 |

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 average foreign currency exchange rates for the year ended 30 June 2018. 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 2018 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 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

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);
2. Sending an email outlining your queries to enquiries@lminvestmentadministration.com; and
3. Queries concerning unit holdings; transfer requests; 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
- Address: PO Box 1156, Nedlands WA 6909

Yours faithfully
FTI Consulting



John Park
Liquidator

14 October 2019

Our Ref: RCL_8977r5

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 Structured Products Fund (the Fund)

I refer to my previous update regarding this Fund on 19 September 2018. 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 attended to the following with respect to taxation matters of the Fund:

- Completed financial accounts for the Fund to the financial year ended 30 June 2017;
- Lodgement of Business Activity Statements (BASs) to 31 March 2019;
- Information has been provided to WMS for the completion of BASs to 30 September 2019;
- An information request to enable completion of the 30 June 2018 and 30 June 2019 financial accounts is anticipated to be received in mid-October 2019.

I have now obtained legal advice which confirms the Fund is not required to complete and lodge outstanding taxation returns.

Audited accounts

As investors will be aware from my previous update, the request for financial reporting relief for the Fund was denied by ASIC and therefore the Fund is required to lodge audited financial accounts for each year it remains in wind up.

Audited accounts for the financial years ended 30 June 2015 and 30 June 2016 have now been lodged by Thomas Noble and Russell (TNR). The 30 June 2017 financial accounts have been reviewed and the audited accounts are awaiting a final review by TNR prior to lodgement. Lodgement will occur in October 2019.

FTI Consulting (Australia) Pty Limited

ABN 49 160 397 811 | ACN 160 397 811 | AFSL Authorised Representative # 001269325

Level 20, CP1 | 345 Queen Street | Brisbane QLD 4000 | Australia

Postal Address | GPO Box 3127 | Brisbane QLD 4001 | Australia

+61 7 3225 4900 telephone | +61 7 3225 4999 fax | fticonsulting.com

TNR continue to work closely with WMS Chartered Accountants to promptly complete the audits.

Indicative Net Asset Value

An **indicative** position of the Fund and estimated unit price as at 30 June 2019 is set out in the table below. All figures are in Australian Dollars (AUD).

| Series | Cash at Bank (AUD) | Less Allocation of Liabilities | Net Assets | No. of AUD Equivalent Units | Estimated Unit Price |
|---------------|--------------------|--------------------------------|--------------|-----------------------------|----------------------|
| ASPF1 | \$778,023.94 | \$1,782.87 | \$776,241.07 | 2,601,408 | \$0.30 |
| ASPF2 | \$155,901.38 | \$357.25 | \$155,544.13 | 1,382,837 | \$0.11 |
| ASPF3 | \$108,038.92 | \$247.58 | \$107,791.34 | 812,710 | \$0.13 |
| ASPF4 | \$134,330.99 | \$307.82 | \$134,023.17 | 533,068 | \$0.25 |
| ASPF5 | \$28,227.65 | \$64.68 | \$28,162.97 | 178,192 | \$0.16 |
| ASPF6 | \$4,406.93 | \$10.10 | \$4,396.83 | 18,668 | \$0.24 |
| ASPF7 | \$65,745.92 | \$150.66 | \$65,595.26 | 347,841 | \$0.19 |
| ASPF8 | \$67,764.31 | \$155.28 | \$67,609.03 | 270,800 | \$0.25 |
| ASPF9 | \$79,736.64 | \$182.72 | \$79,553.92 | 406,271 | \$0.20 |
| ASPF12 | \$232,714.59 | \$533.27 | \$232,181.32 | 1,373,975 | \$0.17 |

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 2019. Accordingly, they are subject to change without notice to members.

For the purposes of presenting an indicative net position, the known invoiced liabilities of the Fund at 30 June 2019 which remained unpaid on that date have been included. 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 invoiced or yet to be incurred or determined by the Court. 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

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 business activity statements and audited financial accounts as well as resolving any legal claims against the fund and obtaining Court orders pertaining to our remuneration and expenses incurred in winding up 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);
2. Sending an email outlining your queries to enquiries@lminvestmentadministration.com; and
3. Queries concerning unit holdings; transfer requests; 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
- Address: PO Box 1156, Nedlands WA 6909

Yours faithfully
FTI Consulting



John Park
Liquidator

Our Ref: RCL_8977r6

31 August 2020

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 Structured Products Fund (the Fund)

I refer to my previous update regarding this Fund on 14 October 2019 and provide the following update in relation to the wind-up of the Fund.

Taxation Matters

WMS Chartered Accountants have attended to the following with respect to taxation matters of the Fund:

- Completed financial accounts for the Fund to the financial year ended 30 June 2019;
- Drafted financial accounts for the financial year ended 30 June 2020; and
- Lodgement of Business Activity Statements (BASs) to 30 June 2020.

Audited Accounts

Audited accounts have now been lodged for the financial year ended 30 June 2019. Thomas Noble and Russell (TNR) will conduct the audit of the financial account for the year ended 30 June 2020 and facilitate lodgement by 31 December 2020.

FTI Consulting (Australia) Pty Limited

ABN 49 160 397 811 | ACN 160 397 811 | AFSL Authorised Representative # 001269325
Level 20, CP1 | 345 Queen Street | Brisbane QLD 4000 | Australia
Postal Address | GPO Box 3127 | Brisbane QLD 4001 | Australia
+61 7 3225 4900 telephone | +61 7 3225 4999 fax | fticonsulting.com

Indicative Net Asset Value

An **indicative** position of the Fund and estimated unit price of each series as at 30 June 2020 is set out in the table below. All figures are in Australian Dollars (AUD).

| Series | Cash at Bank (AUD) | Less Allocation of Liabilities | Net Assets | No. of AUD Equivalent Units | Estimated Unit Price |
|-----------------------------|-----------------------|-----------------------------------|--------------|-----------------------------------|-------------------------|
| ASPF General Account | \$44,414.65 | \$ 1,815.00 | \$42,599.65 | N/A | N/A |
| ASPF1 | \$338,322.15 | \$0.00 | \$338,322.15 | 2,601,408 | \$0.13 |
| ASPF2 | \$67,713.93 | \$0.00 | \$67,713.93 | 1,448,437 | \$0.05 |
| ASPF3 | \$46,894.90 | \$0.00 | \$46,894.90 | 826,084 | \$0.06 |
| ASPF4 | \$58,331.32 | \$0.00 | \$58,331.32 | 533,068 | \$0.11 |
| ASPF5 | \$12,177.51 | \$0.00 | \$12,177.51 | 182,755 | \$0.07 |
| ASPF6 | \$1,816.69 | \$0.00 | \$1,816.69 | 18,668 | \$0.10 |
| ASPF7 | \$28,498.47 | \$0.00 | \$28,498.47 | 359,372 | \$0.08 |
| ASPF8 | \$29,376.43 | \$0.00 | \$29,376.43 | 270,800 | \$0.11 |
| ASPF9 | \$34,584.09 | \$0.00 | \$34,584.09 | 421,181 | \$0.08 |
| ASPF12 | \$101,109.45 | \$0.00 | \$101,109.45 | 1,454,733 | \$0.07 |

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 foreign currency exchange rates for the year ended 30 June 2020. Accordingly, they are subject to change without notice to members.

For the purposes of presenting an indicative net position, the known invoiced liabilities of the Fund at 30 June 2020 which remained unpaid on that date have been included. 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 invoiced or yet to be incurred or determined by the Court. Ongoing wind-up costs are being minimised wherever possible. The net asset position is also subject to change should additional liabilities of the Fund be identified.

Timing for Finalisation and Distributions

The timing for finalisation of the wind-up of the Fund, including the final distribution, is dependent on obtaining Court orders pertaining to my remuneration and expenses incurred in winding up the Fund. Subject to Court availability, it is my aim to have the Fund finalised by 30 June 2021 and 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);
2. Sending an email outlining your queries to enquiries@lminvestmentadministration.com; and
3. Queries concerning unit holdings; transfer requests; 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
- Address: PO Box 1156, Nedlands WA 6909

Yours faithfully



John Park

Liquidator

29 September 2020

TO INVESTORS

Dear Member

**LM FIRST MORTGAGE INCOME FUND ARSN 089 343 288
(RECEIVER APPOINTED) ("THE FUND")**

I attach the unaudited accounts for the Fund for the year ending 30 June 2020.

The accounts have been prepared in accordance with the Scheme Constitution, the recognition and measurement requirements of the Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The accounts have been reviewed by the BDO audit team. However, their work does not constitute a full audit and therefore, the accounts are provided on an unaudited basis.

Should members require further information, please contact BDO on the details provided below.

BDO
GPO Box 457
Brisbane QLD 4001
Phone: +61 7 3237 5999
Fax: +61 7 3221 9227
Email: enquiries@lmfmif.com

Yours sincerely



David Whyte
Court Appointed Receiver

Disclaimer:

The 30 June 2020 financial statements were compiled by BDO Business Restructuring Pty Ltd however we did not audit those financial statements and, accordingly, express no opinion or other form of assurance on them.

LM FIRST MORTGAGE INCOME FUND
(RECEIVER APPOINTED)
ABN: 66 482 247 488

Report for the year ended 30 June 2020

Disclaimer

The 30 June 2020 financial statements were compiled by BDO Business Restructuring Pty Ltd but we did not audit those financial statements and, accordingly, express no opinion or other form of assurance on them.

LM FIRST MORTGAGE INCOME FUND
(RECEIVER APPOINTED)
ABN: 66 482 247 488

Financial Statements for the year ended 30 June 2020

CONTENTS

| | |
|---|---|
| Statement of comprehensive income | 3 |
| Statement of financial position | 4 |
| Statement of changes in net assets attributable to unitholders | 5 |
| Statement of cash flows | 6 |
| Notes to the financial statements for the year ended 30 June 2020 | 7 |

The Responsible Entity of LM First Mortgage Income Fund (Receiver Appointed) is LM Investment Management Limited (ABN 68 077 208 461) (in Liquidation).

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2020

| | Note | 30 June 2020 \$ | 30 June 2019 \$ |
|--|-------|--------------------|--------------------|
| <i>Income</i> | | | |
| Interest revenue - cash assets | 12 | 935,101 | 945,883 |
| Other Income | 3 (c) | 473,670 | 144,972 |
| | | 1,408,771 | 1,090,855 |
| <i>Expenses</i> | | | |
| Custodian fees & legal fees | 9 | 17,000 | 21,500 |
| Net Impairment losses (gains) on mortgage loans | 6 (a) | (987,277) | (17,897) |
| Adjustment on foreign exchange accounts | | (104) | (130) |
| Other expenses | 4 | 7,718,307 | 7,868,696 |
| <i>Total expenses excluding distributions to unitholders</i> | | 6,747,926 | 7,872,169 |
| <i>Net profit (loss) before distributions to unitholders</i> | | (5,339,155) | (6,781,314) |
| Net non-capital distributions paid/payable to unitholders | | - | - |
| <i>Net profit (loss) after distributions to unitholders</i> | | (5,339,155) | (6,781,314) |
| Other comprehensive income | | - | - |
| <i>Net profit (loss) after distributions to unitholders</i> | | (5,339,155) | (6,781,314) |
| Income tax expense | | - | - |
| <i>Changes in net assets attributable to unitholders after income tax expense</i> | | (5,339,155) | (6,781,314) |

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements.

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

| | Note | 30 June 2020 | 30 June 2019 |
|---|-------------|---------------------|---------------------|
| ASSETS | | \$ | \$ |
| Cash and cash equivalents | 11 | 34,324,670 | 63,940,278 |
| Receivables | 10 | 223,435 | 90,769 |
| Loans & Receivables | 6 | - | 60,000 |
| TOTAL ASSETS | | 34,548,105 | 64,091,047 |
| LIABILITIES | | | |
| Payables | 7 | 4,599,178 | 2,615,911 |
| Distributions payable | 3 (b) | 3,041,612 | 1,372,036 |
| Total liabilities excluding net assets attributable to unitholders | | 7,640,790 | 3,987,947 |
| NET ASSETS | | 26,907,315 | 60,103,100 |
| Represented by: | | | |
| Net assets attributable to unitholders | 5 | 26,907,315 | 60,103,100 |
| (calculated in accordance with IFRS) | | | |

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
For the year ended 30 June 2020

| | | 30 June 2020 | 30 June 2019 |
|---|------|-------------------|-------------------|
| | Note | \$ | \$ |
| TOTAL | | | |
| Opening balance | | 60,103,100 | 66,884,414 |
| Units issued during the year | 5 | | - |
| Units redeemed during the year | 5 | | - |
| Units issued on reinvestment of distributions | | | - |
| Changes in net assets attributable to unitholders | | (33,195,785) | (6,781,314) |
| Closing Balance | | 26,907,315 | 60,103,100 |

The Statement of Changes in Net Assets Attributable to Unitholders is to be read in conjunction with the notes to the financial statements.

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

| | Note | 30 June 2020 | 30 June 2019 |
|---|--------|---------------------|--------------------|
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Interest and distributions received | | 935,101 | 945,883 |
| Other operating expenses | | (5,278,265) | (7,580,325) |
| GST and withholding tax (paid)/received | | (132,666) | 378,260 |
| Net cash inflow/(outflow) from operating activities | 11 (b) | (4,475,830) | (6,256,182) |
| Cash flows from investing activities | | | |
| Payments for secured mortgage loans | 6 (b) | - | (82,750) |
| Receipts from settled mortgage loans | 6 (b) | 1,047,277 | 84,882 |
| Net cash inflow/(outflow) from investing activities | | 1,047,277 | 2,132 |
| Cash flows from financing activities | | | |
| Distributions paid | 2 (m) | (26,187,055) | - |
| | | (26,187,055) | - |
| Net increase/(decrease) in cash and cash equivalents | | (29,615,607) | (2,131,613) |
| Cash and cash equivalents at beginning of year | | 63,940,278 | 70,194,328 |
| Cash and cash equivalents at end of year | 11 (a) | 34,324,670 | 63,940,278 |

The Statement of Cashflows is to be read in conjunction with the notes to the financial statements.

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2020

1. CORPORATE INFORMATION

During the period March 2013 to August 2013, a series of insolvency events occurred in respect of both the Fund and the Responsible Entity for the Fund, these are detailed in the table below:

| Date | Appointment |
|---------------|--|
| 19 March 2013 | John Park and Ginette Muller of FTI Consulting appointed as Administrators of LM Investment Management Ltd ("LMIM") being the Responsible Entity for the Fund. |
| 11 July 2013 | Joseph Hayes and Anthony Connelly of McGrathNicol appointed as Receivers and Managers of LMIM as the Responsible Entity of LM First Mortgage Income Fund (Receivers and Managers Appointed) (Receiver Appointed) ('LMFMIF', 'FMIF', 'Scheme' or the 'Fund') by Deutsche Bank. On 10 December 2018, Mr Hayes and Mr Connelly retired. |
| 1 August 2013 | John Park and Ginette Muller of FTI Consulting appointed as liquidators of LMIM. On 17 May 2017, Ms Muller ceased to be Liquidator. |
| 8 August 2013 | David Whyte of BDO appointed by the Court as Receiver of the assets of the Fund and as the person responsible for ensuring the Fund is wound up in accordance with its Constitution. |

The Scheme is an Australian registered Scheme, constituted on 13 April 1999.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated in the following text.

(a) Basis of accounting

This financial report has been prepared in accordance with the Scheme Constitution, the recognition and measurement requirements of the 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 financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value.

The Statement of financial position is presented in decreasing order of liquidity and does not distinguish between current and non-current items. The amount expected to be recovered or settled within twelve months in relation to the balances cannot be reliably determined.

The financial report is presented in Australian Dollars (\$).

Statement of compliance

The financial statements have been prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board except for AASB 9, *Financial Instruments*. The Scheme has not adopted AASB 9 for this financial report given its wind up status, there was no benefit from doing so.

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2020

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of accounting (Continued)

Status of investment in fund

During the 2009 year, the Responsible Entity closed the Scheme to new investors and suspended withdrawals subject to certain exceptions. Redemptions were suspended at this time, per the Constitution, as the Responsible Entity considered the suspension of the withdrawals to be in the best interest of the members of the Scheme.

The Scheme is now in the process of being formally wound up with redemptions and hardship provisions remaining suspended.

Liquidation Basis

Previous financial statements have been prepared on a going concern basis.

The financial statements for the periods ended 30 June 2013 onwards have not been prepared on a going concern basis due to the appointment of Administrators to the Responsible Entity for the Fund on 19 March 2013 and subsequently Liquidators on 1 August 2013 and the appointment of Receivers and Managers and Court Appointed Receiver and person responsible for ensuring it is wound up in accordance with its Constitution as detailed in Note 1. Accordingly, the financial statements for those periods have been prepared on a liquidation basis.

(b) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Scheme for the reporting period. The impact of these standards and interpretations are not expected to have a material impact on the Scheme have not been included.

(c) Significant accounting judgements, estimates and assumptions

In the process of applying accounting policies, judgements and estimations have been made which have had an impact on the amounts recognised in the accounts. The key estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Allowance for impairment loss on loans and receivables

The Scheme determines whether loans are impaired on an ongoing basis. Individually assessed provisions are raised where there is objective evidence of impairment, where the Scheme does not expect to receive all of the cash flows contractually due. Individually assessed provisions are made against individual facilities.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. For the purposes of the Statement of cash flows, cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(e) Distribution income

Distribution income is recognised when the Scheme's right to receive income is established.

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2020

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Interest income

Interest income is recognised as the interest accrues using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. Interest ceases to be recognised when a loan is in default and the principal is impaired.

(g) Default management fees

Income from default management fees is recognised in line with the executed agreement with the borrower when an event of default occurs.

(h) Changes in the fair value of investments

Gains or losses on investments held for trading are calculated as the difference between the fair value at sale, or at year end, and the fair value at the previous valuation point. This includes both realised and unrealised gains and losses.

(i) Fees, commissions and other expenses

Except where included in the effective interest calculation (for financial instruments carried at amortised cost), fees and commissions are recognised on an accrual basis. Audit and compliance fees are included with 'other expenses' and are recorded on an accrual basis.

(j) Financial instruments

Financial instruments in the scope of *AASB 139 Financial Instruments* are classified as either financial assets or financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale investments or other financial liabilities as appropriate.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Scheme determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Scheme 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 marketplace.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measured at fair value including transaction costs directly attributable to the financial asset. After initial recognition, loans and receivables are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when receivables are derecognised or impaired, as well as through the amortisation process.

Loans and receivables are assessed for impairment at each reporting period. An allowance is made for credit losses when there is objective evidence that the Scheme will not be able to collect the loans and receivables. Impairment losses are written off when identified. Losses expected as a result of future events are not recognised. If a provision for impairment

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2020

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments

has been recognised in relation to the loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as an expense in the statement of comprehensive income.

A provision is made of loans in arrears where the collectability of the debts is considered doubtful by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

The components of impaired assets are as follows:

“Loans in arrears” are loans and advances for which there is reasonable doubt that the Scheme will be able to collect all amounts of principal and interest in accordance with the terms of the agreement.

“Assets acquired through the enforcement of security” are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

When it is determined that interest is not recoverable on certain impaired loans, the interest is suspended and not brought into income. Should the analysis of the collectability subsequently change the interest will be brought into income at the time it is determined to be collectable.

(k) Payables

Payables are carried at amortised costs and represent liabilities for goods and services provided to the Scheme prior to the end of the financial year and half year that are unpaid and arise when the Scheme becomes obliged to make future payments in respect of the purchases of these goods and services.

The distribution amount payable to investors as at the reporting date is a carried forward balance from a period prior to the appointment of the Court Appointed Receiver. This balance is recognised separately on the statement of financial position as unitholders are presently entitled, subject to verification and any directions made by the Court, to the distributable income as at 30 June 2014 under the Scheme’s constitution.

(l) Increase/decrease in net assets attributable to unitholders

Non-distributable income is transferred directly to net assets attributable to unitholders and may consist of unrealised changes in the net fair value of investments, accrued income not yet assessable, expenses accrued for which are not yet deductible, net capital losses and tax free or tax deferred income. Net capital gains on the realisation of any investments (including any adjustments for tax deferred income previously taken directly to net assets attributable to unitholders) and accrued income not yet assessable will be included in the determination of distributable income in the same year in which it becomes assessable for tax. Excess and undistributed income is also transferred directly to net assets attributable to unitholders.

(m) Distributions

The remaining return to investors is currently estimated at 5.9 cents per unit and excludes the interim distribution to investors of 6.5 cents made in October 2019. This is before taking into account future costs and recoveries from legal proceedings on foot. Mr Whyte believes the final return to investors will be higher than the current estimate.

Mr Whyte applied to the Court for authorisation to make an interim distribution to investors, which is a condition precedent to the settlement of the proceedings against the Feeder Funds of the Fund (**Distribution Application**). Mr Whyte also applied

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2020

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Distributions (Continued)

to the Court for judicial advice in relation to a settlement of the proceedings against the Feeder Funds (**Judicial Advice Application**), which was another condition precedent to the settlement. The two applications were heard in Court on 13 March 2019 and on 2 and 3 May 2019 with the decisions reserved. The Court has now handed down its decision in respect of the Judicial Advice Application. Mr Whyte was successful in obtaining judicial advice from the Court that he was justified in settling the proceedings against the Feeder Funds and in causing the Fund to perform the settlement. However, the Distribution Application remained reserved by the Court. Mr Whyte was provided authority to make the interim capital distribution in accordance with a Court order on 2 October 2019. An interim capital distribution to investors of the LM First Mortgage Income Fund was paid to investors in October 2019 in the amount of 6.5 cents per unit.

(n) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Responsible Entity by third parties such as audit fees, custodial services and investment management fees have been passed onto the Scheme. The Scheme qualifies for Reduced Input Tax Credits (RITC's) at a rate of 55%.

Investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in the statement of cash flows on a gross basis.

The GST component of cash flows arising from investing and financing activities recoverable or payable to the ATO is classified as an operating cash flow.

(o) Applications and redemptions

Applications received for units in the Scheme are recorded when units are issued in the Scheme. Redemptions from the Scheme are recorded when the cancellation of units redeemed occurs. Unit redemption prices are determined by reference to the net assets of the Scheme divided by the number of units on issue.

Applications received in foreign currency denominations are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Foreign currency denominated unitholder funds are translated into the Schemes functional currency at balance date, using the spot rate prevailing at that date. Gains and losses arising from foreign exchange translation are recorded in the Statement of Comprehensive Income in the period in which they arise.

(p) Taxation

Under current legislation, the Scheme is not subject to income tax provided the distributable income of the Scheme is fully distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Scheme).

(q) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

(r) Foreign currency translations

The Scheme's transactions in foreign currencies previously comprised applications and withdrawals of foreign currency unitholder funds and payment of distributions. Transactions in foreign currencies were initially recorded in the functional

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2020

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Foreign currency translations (Continued)

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 prevailing at the balance sheet date, and exchange rate gains and losses are recognised in the statement of comprehensive income.

(s) Determination of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value for financial instruments not traded in an active market is determined using appropriate valuation techniques. Valuation 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.

(t) Estimated net asset amount per unit available to investors

The estimated amount of net assets available to investors are subject to the uncertainties indicated in this financial report.

The net assets of the fund and number of units on issue at the end of each of the periods is detailed in the table below:

| | 30 June 2020 | 30 June 2019 |
|--|--------------|--------------|
| Estimated net amount of assets available to investors as at the period end (\$) | 26,907,315 | 60,103,100 |
| Total investor units (# of units) * | 492,125,624 | 478,100,386 |
| Estimated net asset amount per unit available to investors as at the period end (cents in the dollar)** | 0.056 | 0.126 |

* Unit #'s

In previous financial statements prepared by David Whyte, unrealised foreign exchange transactions relating to the units denominated in foreign currencies were included in the accounts as this practice was undertaken in the audited financial accounts prior to year ended 30 June 2013. The results of these transactions were notionally recorded in the financial accounts as an adjustment to the total number of investor units in accordance with accounting standards.

A discrepancy between the units recorded in the investor register and the units recorded in the audited and management accounts for the 2012 financial year was identified. Investigations indicate that the discrepancy relates to the following:

- Reduction of the unit holdings in the unit holdings ledger for the two capital distributions to investors in 2013 totalling approximately \$12M.
- The Fund's migration to a new financial database in 2010 whereby the units of investors who subscribed in a foreign currency were incorrectly recorded in the foreign currency equivalent amount, and not in the AUD equivalent amount in accordance with the PDS and Constitution.

An application was made by Mr Whyte to the Court seeking directions to determine the amounts to be distributed to the foreign currency investors. On 2 October 2019, the Court declared that each member holding Class C units (foreign currency investors) in the FMIF is entitled to be paid in the winding up of the FMIF amounts calculated by reference to the calculation of that member's units in the foreign currency of investment as adjusted for the foreign exchange spot rate between the currency of investment and the Australian dollar prevailing at the date of the commencement of the winding up of the FMIF.

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2020

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Estimated net asset amount per unit available to investors (Continued)

Therefore, the units were converted to the Australian Dollar equivalent as at the date of Mr Whyte's appointment being 8 August 2013. The units as at 31 December 2019 have also been adjusted to reflect that units were not "redeemed" by the two previous capital reductions of approximately \$12M with future returns based on the unit register of approximately 492M units.

**** Estimated return to investors**

The estimated net asset amount per unit available to investors as set out above is subject to the resolution of a number of ongoing proceedings, including the amount to be paid under a deed of settlement with the Feeder Funds which is dependent on the final amounts to be distributed to members. Please refer to Note 13 below for further details regarding the litigation matters.

3. INCOME AND DISTRIBUTIONS TO UNITHOLDERS

(a) Deed of Settlement and Release

Mr Whyte entered into a Deed of Settlement and Release as varied by a Deed of Variation ("the Deed of Settlement") after a mediation on 5, 6, 20 November 2018 for the Supreme Court of Queensland Proceedings 13534 of 2016 ("the Feeder Fund Proceedings"). The Deed of Settlement permitted Mr Whyte to withhold further distributions to the Feeder Funds to the extent of the value of redemptions between 11 May 2009 and 31 January 2013 when redemptions were suspended. The financial impact of the deed of settlement is withholding 40% of the distribution to the CPAIF and ICPAIF and 11.6% to the WFMIF for the first \$66M of distributions to unit holders. Further information regarding the proceedings against the Feeder Fund can be found in section 'Claim against Feeder Funds (Class B unitholders).

The Court authorised and empowered me on 2 October 2019 to make an interim capital distribution to investors of the LM First Mortgage Income Fund. In accordance with an earlier court order made on 22 May 2019 this is to be in the amount of 6.5 cents per unit being \$31,988,166.

In accordance with the Deed of Settlement and Release approved by Justice Mullins on 22 May 2019 in Supreme Court of Queensland Proceedings 13534 of 2016 ("the Feeder Fund Proceedings"), an amount of the distribution for the Feeder Funds was to be withheld from the distribution amount in part payment of the settlement sum. The amount withheld from the Feeder Funds summed \$4,131,536 resulting in a total cash distribution to investors of \$27,856,630.

(b) Distributions Payable

The distributions payable balance is made up of:

- \$1,372,036 relates to distributions that appear to have been declared prior to the date of the Court Receiver's appointment which were not paid, or have not cleared or were returned unclaimed. These liabilities have not been verified and Court approval or directions may be required before any payment is made.
- \$1,669,576 relates to distributions that were returned/unclaimed from the interim capital distribution to investors paid by BDO in October 2019 in accordance with the Court order dated 2 October 2019.

I am required to retain certain funds to meet the liabilities of the Fund, including contingent claims that may arise from the auditor claim and Bellpac litigation.

There were no distributions to unitholders for the years ended 30 June 2019, 30 June 2018, 30 June 2017, 30 June 2016 and 30 June 2015.

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2020

3. INCOME AND DISTRIBUTIONS TO UNITHOLDERS (Continued)

(c) Other Income

The other income amount of \$473,670 (FY2019: \$144,972) predominantly relates to adjustments to the Fund's accrued expenses that were reported and expensed in prior periods during the Receivership.

4. OTHER EXPENSES

| | 30 June 2020 | 30 June 2019 |
|---|------------------|------------------|
| Other Expenses | \$ | \$ |
| Receivers and Managers' fees and outlays (McGrathNicol) | - | (6,252) |
| Court Appointed Receiver's fees & outlays (BDO) * | 1,935,227 | 2,859,142 |
| Legal Fees | 3,208,369 | 3,978,764 |
| Liquidators' of LMIM expenses (FTI) | 393,044 | - |
| Payment to MPF | - | 937,500 |
| Provision for Directors Proceedings - Cost Orders ** | 2,000,000 | - |
| Other expenses | 181,667 | 99,542 |
| Total | 7,718,307 | 7,868,696 |

*Denotes expenses which are subject to approval by the court.

**Provision for Cost orders against the Fund in the Directors Proceedings as detailed in note 13 under Proceedings against the MPF, LMIM and the Directors of LMIM.

Court Appointed Receiver's fees & outlays (BDO)

| The Court Appointed Receiver's fees & outlays are represented by the following amounts: | 30 June 2020 | 30 June 2019 |
|---|------------------|------------------|
| | \$ | \$ |
| Court Appointed Receiver's investigations, litigation and other non-operating costs | 812,796 | 1,972,808 |
| Operating Costs of the Fund | 1,122,431 | 886,334 |
| Total | 1,935,227 | 2,859,142 |

The Court Appointed Receiver's investigations and other non-operating costs include time costs in relation to the claim against the former auditors of the Fund, and other litigation matters.

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)**Notes to the financial statements for the year ended 30 June 2020****5. CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

Movements in the net assets attributable to unitholders during the year were as follows:

| Net assets attributable to unitholders | 30 June 2020 | 30 June 2019 |
|---|---------------------|---------------------|
| | \$ | \$ |
| Opening balance | 478,100,385 | 478,100,385 |
| Units issued during the year | - | - |
| Units redeemed during the year | - | - |
| Units issued upon reinvestment of distributions | - | - |
| Net capital distributions declared | (27,856,630) | - |
| Changes in net assets attributable to unitholders after income tax expense for current period | (5,339,155) | (3,196,264) |
| Other cumulative movement in changes in net assets | (417,997,285) | (414,801,021) |
| Net assets attributable to unitholders | 26,907,315 | 60,103,100 |

Net capital distributions declared (27,856,630)

Net distributions

Gross capital distribution declared 31,988,166

Less amounts withheld (refer Note 3(a)) (4,131,536)

Net capital distributions declared 27,856,630

Distributions

Net capital distribution declared 27,856,630

Less amounts unable to be credited to unitholder's bank account and recognised as Distributions Payable (refer Note 3(b)) (1,669,575)

Distributions paid in cash 26,187,055

Class A

Class A consists of unitholders who are entitled to receive the declared distribution rate. There are a number of subclasses attached to class A. These consist of the following products with varying terms:

- 1) Flexi Account investment option
- 2) Fixed Term investment option
- 3) LM Savings Plan investment option

Class B

Class B consists of related Scheme unitholders.

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2020

5. CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

Class C

Class C consists of unitholders who invested in foreign currencies and are entitled to receive the declared distribution rate.

Subject to the comments relating to the status of the Scheme in note 2(t) above, unitholders are entitled to one vote per unit at unitholders' meetings and as the Scheme is being wound up, unitholders rank after creditors and are equally entitled to the proceeds of the winding up procedure.

Adjustment to the investor funds

Given the discrepancies identified as detailed in Notes 2(r) and 2(t) above in regard to the units of investors who subscribed in a foreign currency and previous capital distributions, and having the benefit of a court order about the calculation of distributions to foreign currency investors, Mr Whyte has revalued the units as at the commencement of the winding up of the Fund being 8 August 2013 in the Australian Dollar equivalent.

6. LOANS AND RECEIVABLES

| | 30 June 2020 | 30 June 2019 |
|--------------------------|--------------|--------------|
| | \$ | \$ |
| Secured mortgage loans | 5,058,054 | 6,118,055 |
| Provision for impairment | (5,058,054) | (6,058,055) |
| | - | 60,000 |

Loans and receivables are initially measured at the fair value including transaction costs and subsequently measured at amortised cost after initial recognition. Loans and Receivables are assessed for impairment at each reporting date. Where impairment indicators exist, the recoverable amount of the loan will be determined and compared to its carrying amount to determine whether any impairment losses exists. Impairment losses are recognised when the recoverable amount under the individual loan is less than the carrying amount of that loan.

Material uncertainty regarding recoverability of Loans and Receivables

For loans in default, an impairment indicator arises which requires the recoverable amount of that loan to be determined. The recoverable amount for each individual loan in default has been determined from independent valuations and/or the assets forming the security for the loans. The valuations are based on current market conditions and provide for appropriate exposure to the market and an orderly realisation of assets forming the security for the loans.

In determining the recoverable amounts, there are uncertainties involved in assessing the market values and the ability to realise those market values, particularly where the market is not active. Consequently, it is likely that there may be differences between the amounts at which the Loans and Receivables are recorded in the financial statements at the year end, and the amounts that are actually realised. Such differences may be material. Accordingly, there is a material uncertainty regarding recoverability of Loans and Receivables.

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)**Notes to the financial statements for the year ended 30 June 2020****6. LOANS AND RECEIVABLES (Continued)****(a) Provisions for impairment**

The impairment loss expense relating to loans and receivables comprises:

| | 30 June 2020 | 30 June 2019 |
|---|---------------------|---------------------|
| | \$ | \$ |
| Opening balance | 6,058,055 | 6,058,055 |
| Impairment losses provided for (recoveries) during the period | (987,277) | (17,897) |
| Impairment losses realised during the period | (12,723) | 17,897 |
| Closing balance | 5,058,055 | 6,058,055 |
| Total provision for impairment | 5,058,055 | 6,058,055 |

(b) Movement in default loans

| | 30 June 2020 | 30 June 2019 |
|-------------------------------------|---------------------|---------------------|
| | \$ | \$ |
| Gross default loans opening balance | 6,118,055 | 6,102,290 |
| New and increased default loans | - | 82,750 |
| Balances written off | (12,723) | 17,897 |
| Repaid | (1,047,277) | (84,882) |
| Gross default loans closing balance | 5,058,055 | 6,118,055 |
| Specific provision | (5,058,055) | (6,058,055) |
| Net default loans | - | 60,000 |

7. PAYABLES

Payables are carried at cost and represent liabilities for goods and services provided to the Fund prior to the period end but have not yet been paid.

| | 30 June 2020 | 30 June 2019 |
|---|---------------------|---------------------|
| | \$ | \$ |
| Accounts payable | 2,599,178 | 2,615,911 |
| Provision for Directors Proceedings cost orders | 2,000,000 | - |

Approximately \$461,574 of the accounts payable balance relates to FTI's remuneration and expenses claimed from the Fund which is subject to Court approval. See Note 13 FTI litigation for more information.

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2020

8. INTEREST BEARING LOANS AND BORROWINGS

Interest bearing loans and borrowings relates to facilities with external providers. In July 2010, the RE entered into a new facility with an external financier, Deutsche Bank. Deutsche Bank holds a fixed and floating charge over the assets of the Fund.

As indicated in Note 1, McGrathNicol were appointed as Receivers and Managers of the Fund by Deutsche Bank as a result of a default of the finance facility by the Fund for this secured loan.

There has been a progressive sell down of the assets of the Fund, which enabled \$14.1M of the loan to be repaid during the 2013 financial year and \$21.5M between July and December 2013. The facility was repaid in full in January 2014. The Receivers appointed by Deutsche Bank retired on 10 December 2018.

9. RELATED PARTIES

| | 30 June 2020 | 30 June 2019 |
|-------------------------------------|---------------|---------------|
| | \$ | \$ |
| <u>Custodian</u> | | |
| Custodian's fees paid by the Scheme | 17,000 | 21,500 |
| Total | 17,000 | 21,500 |

10. RECEIVABLES

| | 30 June 2020 | 30 June 2019 |
|---------------------|----------------|---------------|
| | \$ | \$ |
| Interest receivable | 9,325 | - |
| GST receivable | 214,110 | 90,769 |
| | 223,435 | 90,769 |

11. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

For the purposes of the Statement of Financial Position, the cash and cash equivalents comprise of cash at bank and in hand. The cash at bank earns interest at floating rates based on the daily bank deposit rates, however, the majority of the cash balance is invested on term deposit with a bank. The cash at bank figure includes monies held in foreign exchange accounts.

| | 30 June 2020 | 30 June 2019 |
|--------------|--------------|--------------|
| | \$ | \$ |
| Cash at bank | 34,324,670 | 63,940,278 |

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2020

11. CASH AND CASH EQUIVALENTS (Continued)

(b) Reconciliation of change in net assets attributable to unitholders to net cash flows from operating activities

| | 30 June 2020 | 30 June 2019 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Change in net assets attributable to unitholders | (33,195,785) | (6,781,314) |
| <i>Adjustments for:</i> | | |
| Non-cash impairment expense | (987,277) | (17,897) |
| Non-cash accrued expense reduction | - | (144,972) |
| (Gains)/loss on foreign exchange contracts | (104) | (130) |
| BDO Capital Distribution to investors | 27,856,630 | - |
| (increase)/decrease in other receivables | (132,666) | 378,260 |
| Increase/(decrease) in payables | 1,983,372 | 309,871 |
| Net cash flows from/(used in) operating activities | (4,475,830) | (6,256,182) |

12. INTEREST REVENUE

Interest revenue relates to interest received on funds held in bank accounts.

Interest on loans is suspended and not brought to account when it is considered that the amounts are not ultimately recoverable from the remaining security for the loans.

13. LITIGATION MATTERS

Claim against the former auditors

A public examination (PE) of the former auditors, certain directors, former directors (Directors) and staff of LM Investment Management Limited (In Liquidation) was conducted over a period of 9 days in June 2015 and a further 9 days in October 2015.

Following the PEs, a further amended statement of claim was filed by David Whyte in the Supreme Court of Queensland and served on the former auditors of the Fund on 14 April 2016.

The former auditors' solicitors lodged and served on David Whyte an application and supporting affidavit on 27 April 2016 seeking to strike-out certain parts of the statement of claim. The hearing of the strike out application was adjourned to a date to be fixed by consent to enable appropriate directions to be made for the parties to exchange and file any further affidavit material and written submissions in advance of the hearing of the strike out application.

On 30 May 2016, David Whyte filed an application to place the proceedings on the Court's commercial list. This application was also adjourned to a date to be fixed.

On 2 August 2016, David Whyte filed a second further amended statement of claim. The parties filed submissions and further affidavit evidence as required by the orders and at the hearing of the strike out application and the commercial list application on 15 December 2016, the Court granted the application to place the proceedings on the commercial list and reserved its decision on the strike out application.

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2020

13. LITIGATION MATTERS (Continued)

Claim against the former auditors (Continued)

The reserved decision from the hearing of the strike out application was handed down on 8 May 2017 and the decision was not appealed. In that decision, the Court declined to strike out all of the parts of the claim that the former auditors sought to strike out. However, it did make orders striking out certain causes of action and orders were made that the statement of claim be amended to delete those causes of action.

In accordance with the Court's judgment, a further amended statement of claim was filed on 20 November 2017 and served on the former auditors. This statement of claim included further particulars of the loss and damage claimed, which has been calculated (at its highest) in excess of \$200 million.

Further particulars of loss and damage were also served on the auditors on 12 January 2018.

The amended statement of claim filed on 20 November 2017 included a claim for compensation from the former auditors under section 1325 of the Corporations Act. As a consequence, steps were taken to amend the Claim, which required an application for leave to be made to the Court.

On 29 May 2018, the Court made Orders timetabling the filing of the proposed application to amend the Claim, as well as for the auditors to make a request for further and better particulars of the further amended statement of claim filed on 20 November 2017.

A request for further particulars of the further amended statement of claim was received on 19 June 2018. The response to this request was required to be filed and served by 19 October 2018.

Two further amendments to the statement of claim were filed on 5 July 2018 and 7 August 2018.

The Application for leave to amend the Claim was filed on 10 August 2018. The hearing of the application was held on 27 September 2018.

On 8 October 2018 the Court gave judgment, in which it granted the plaintiff leave to file its amended claim, struck out one paragraph of the further amended statement of claim with leave to replead certain paragraphs and otherwise timetabled the ongoing conduct of the proceedings, including the filing of a further amended statement of claim.

In accordance with orders made on 13 November 2018, Mr Whyte caused a 6FASOC to be served on 30 November 2018. He also served a response to the defendants' request for particulars on 3 December 2018 and 18 January 2019.

The parties engaged in a mediation on 4 March 2019. No resolution of the proceedings was reached at that mediation.

The defendants have also now filed and served third parties notices on the Feeder Funds, as well as directors, former directors, former officers and a former in-house counsel of LMIM.

Subsequent orders have been made by the Court timetabling the ongoing conduct of the Proceedings.

In accordance with these orders:

- on 10 June 2019 the defendants applied to be excused from certain pleading requirements under the Court rules in relation to their defence on the basis of a claim for privilege (**Relief Application**);
- on 21 June 2019, the defendants applied for leave to proceed against LMIM under section 500 of the *Corporations Act 2001* (Cth) (**Leave Application**); and
- on 21 June 2019, Mr Whyte applied to be joined to the proceedings constituted by the Third Party Notice filed by the defendants (**Representation Application**).

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2020

13. LITIGATION MATTERS (Continued)

Claim against the former auditors (Continued)

Each of the Relief Application, the Leave Application and the Representation Application were heard by the Supreme Court on 26 July 2019.

- On 4 October 2019 the Court delivered judgement together with an order that:
 - The defendants application for leave to proceed against LMIM be dismissed;
 - The third party notice be struck out against the first, second, third and fourth parties (namely, LMIM and the Feeder Funds);
 - The third party statement of claim be struck out;
 - The first, second, third and fourth third parties be removed as parties to the proceeding, and
 - Leave be granted to the defendants to re-plead the third party statement of claim against the remaining third parties.
- On 17 October 2019 the Court delivered judgement in relation to the cost of the applications decided on 4 October 2019 and an order was made that:
 - the defendants pay my costs in relation to the leave application, and
 - I pay the costs of LMIM in respect of the representation application, such costs to be indemnified from the FMIF with both LMIM's costs together with my own costs to be costs in the proceeding.
- On 21 November 2019 at a review hearing the Court ordered that:
 - Privilege Claims – I was to file material to strike out the defendants' privilege claims by 29 November 2019 and a hearing is to be listed for my application with submissions to be filed and served five days before the hearing date.
 - Leave Application – I was to confirm any opposition to the defendants' Leave Application by 6 December 2019 and the application is to be listed for hearing with submissions to be filed and served five days before the hearing date.
 - Pleadings – by Friday 29 November 2019 the defendants were to serve any draft counterclaim. The defendants are also to provide their further and better particulars by 20 December 2019 and I am to file any reply and answer to the counterclaim by Friday 28 February 2020.
 - Disclosure – All parties are to seek to agree a disclosure protocol and provide it to the Court by Friday 20 December 2019. Failing agreement each party is to provide their own proposed protocols to the Court.
 - Expert evidence – all parties are to provide to the Court either a joint proposal or respective proposals as to the preparation of reports by expert witnesses by 6 December 2019.
- Since the review hearing on 21 November 2019:
 - My material was filed on 29 November 2019 in support of my application to strike out the defendant's privilege claims.
 - The defendants served a draft counterclaim on 29 November 2019.
 - On 6 December 2019 I confirmed I would not oppose the defendants' Leave Application.
 - Proposals in relation to expert evidence were provided to the Court on 13 December 2019.
- My application to strike out the Privilege Claims was heard on 14 February 2020 (the Privilege Application).

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2020

13. LITIGATION MATTERS (Continued)

Claim against the former auditors (Continued)

Following the hearing of the Privilege Application, the parties were required to provide a schedule to the Court of the various parts of the defence where privilege was claimed and the arguments for and against the maintaining of the privilege claimed. That schedule was provided to the Court on Friday, 20 March 2020. Also following that hearing, the Full Court of the Federal Court of Australia handed down a decision in a case regarding privilege which impacts on the Privilege Application. As a result, supplementary submissions were delivered to the Court addressing matters raised in the Full Court decision. After the Court has given judgment in regard to the Privilege Application, further directions will be made for the progress of the claim.

Pursuant to an Order of the Court dated 28 February 2020, a Seventh Further Amended Statement of Claim (the **7FASOC**) was filed with consent of the defendants on 16 March 2020. The defendants filed their amended defence to the 7FASOC on 18 June 2020.

An Answer to the defendants' Counterclaim was filed on 23 April 2020.

In June 2020 the parties agreed on a document plan and document exchange protocol for the purpose of disclosure. On 23 July 2020, the Court made orders regarding the document plan and document exchange protocol.

A number of essential expert witnesses have been briefed and are in the process of preparing expert reports. Several further essential expert witnesses are in the process of being briefed.

The matter is otherwise presently being progressed.

Wollongong Coal Ltd (WCL) – Convertible Bonds

There are \$8 million in convertible bonds in Wollongong Coal Limited (WCL) which was the subject of a successful application to the Federal Court acknowledging that Bellpac Pty Ltd (In Liquidation) (Bellpac) (under the control of its liquidators) is the true owner.

The defendants appealed the decision, which was unsuccessful, however, on 12 July 2016, the defendants made application for special leave to the High Court of Australia to appeal the decision of the Federal Court. On 10 November 2016, the High Court refused to grant special leave to the defendants, and dismissed their application with costs.

In January 2016, the Bellpac Liquidator applied for the conversion of the bonds to shares. Under the terms of the Bonds, WCL was required to issue the shares within 7 days after the end of January 2016 (Due Date) which it failed to do. Instead WCL issued part of the shares in early February 2016 and the balance of the shares after resolution of its members, in May 2016.

As WCL did not issue the shares as required under the terms of the Bonds, the Bellpac Liquidator brought proceedings against WCL seeking orders requiring WCL to perform its obligation to redeem the Bonds by

- Redeeming all of the Bonds which were not converted by the Due Date; and
- Pay to the Liquidator \$8M or such other amount being the nominal principal value of the unconverted Bonds (those issued in May 2016), plus interest.

The proceedings have been adjourned pending completion of the terms of a binding heads of agreement (HOA) the Bellpac Liquidator entered into with WCL pursuant to which Bellpac will receive cash of \$6.3 million in exchange for the transfer of the shares to WCL or alternatively cancellation of the shares. The remaining HOA condition precedent (Sunset Date) to the settlement with WCL has been extended several times and the Liquidator was successful in negotiating, as part of the agreement to extend the Sunset Date, that WCL will pay interest at 3% p.a. from 2 October 2017 until settlement. The Liquidator last entered into a further agreement with WCL, extending the sunset date to satisfy the conditions precedent to 31

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2020

13. LITIGATION MATTERS (Continued)

Wollongong Coal Ltd (WCL) – Convertible Bonds (Continued)

October 2020. To date WCL has paid \$3M towards the settlement into their solicitors' trust account, which is to be released upon receiving shareholder approval of the settlement.

Proceedings against the MPF, LMIM and the Directors of LMIM

On 17 December 2014, Mr Whyte filed a claim and statement of claim in the Supreme Court of Queensland, against a number of parties, including the directors and former directors of LMIM, LMIM and the MPF Trustee, alleging the FMIF suffered loss as a result of a decision to pay an amount to the MPF in 2011 on settlement of certain litigation. The claim is for \$15.5M plus interest.

The claim was defended by each of the directors and former directors of LMIM, as well as LMIM.

The claim was discontinued as against the MPF Trustee.

A trial of the proceedings was heard in April 2019. Judgement was handed down on 22 November 2019 with the proceedings being dismissed with costs awarded against the Fund. I filed an application for judicial advice to determine if I am justified in bringing an appeal against this decision. This was heard on 2 June 2020. The Court (Justice Callaghan) declined to provide the advice sought. As a result, the appeal has been discontinued.

FTI Applications

Mr Park of FTI Consulting is the Liquidator of LMIM (FTI).

Remuneration claim

On 16 December 2015, FTI filed a Further Amended Originating Application ("FAOA") seeking a determination of their remuneration as administrators, and liquidators, of LMIM. The FAOA sought payment in the amount of \$3,098,251.83 plus GST (for the period from the date of their appointment as administrators on 19 March 2013 to 30 September 2015) from the assets of the Fund.

The Court handed down its reasons for judgment on 17 October 2017. Orders were made on 22 November 2017 to the effect that FTI be paid a total of \$1,827,205.23 "(plus GST)" for remuneration and out of pocket expenses from property of the Fund. The approved amount of \$1,827,205.23 was paid to FTI in December 2017.

Indemnity Application

Pursuant to Orders made on December 2015 Orders, on 10 and 15 February 2015 Mr Park and Ms Muller submitted two claims for indemnity for expenses from the FMIF to Mr Whyte, in the respective amounts of \$241,453.54 and \$375,499.78.

Mr Whyte rejected the first claim. In respect of the second claim, Mr Whyte accepted and paid \$84,954.41 (\$93,449.85 less GST of \$8,495.44), rejected \$169,243.26 and deferred \$5,473.59. The balance of the second claim was withdrawn.

On 20 May 2016, Mr Park and Ms Muller, and LMIM filed an application seeking orders that they be indemnified from property of the FMIF for expenses in the total sum of \$410,694.84.

On 17 October 2017, the Court delivered reasons for judgment, holding in relation to LMIM's claims for indemnity, that clear accounts rule operated to suspend LMIM's right of indemnity out of the assets of the FMIF until the resolution of the claims made in the LMIM Proceeding (as referred to below), that the liquidators were entitled to direct indemnity out of the FMIF for

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2020

13. LITIGATION MATTERS (Continued)

FTI Applications (Continued)

Indemnity Application (Continued)

various amounts totalling \$44,158, and that amounts claimed by the Liquidators in the total sum of \$272,195.81 were not payable out of the FMIF.

Second FTI Remuneration Application

On 17 July 2018, Mr Park filed an application in the Court seeking payment of remuneration of approximately \$743,889.89 inclusive of GST from property of the FMIF, relating to various periods between 19 March 2013 and 30 June 2018. The application was heard on 6 September 2018 and 3 October 2018.

On 2 October 2019, the Court delivered judgment:

- Disallowing the claim for corporate remuneration (work which related only to LMIM in its corporate capacity, and is not referable to an individual fund or the funds generally) sought from the FMIF of \$348,692.87, on the basis that such remuneration is not recoverable from a trust, as a matter of law;
- Allowing the claim for Category 1 remuneration (work referable to the FMIF) sought from the FMIF of \$316,345.70, and
- Allowing the claim for Category 2 remuneration (work referable to the funds generally) sought from the FMIF in the sum of \$76,698.19.

Creditor Indemnity Claims

If a debt or claim is admitted by the Liquidator in the winding up of LMIM and a claim for indemnity out of the FMIF with respect to such debt or claim is identified (**Creditor Indemnity Claim**), a summary of the process as outlined in the Orders made on 17 December 2015 is as follows:

1. The Liquidator must notify Mr Whyte within 14 days of the Liquidator identifying any claim for indemnity against the assets of the Fund;
2. Within 14 days Mr Whyte may seek further information in relation to the claim;
3. Within 30 days of receipt of the claim from the Liquidator or from receipt of further information requested, Mr Whyte is required to, accept the claim, reject the claim, accept part of it and reject part of the claim; and give the Liquidator written notice of the decision;
4. Mr Whyte is required to give the Liquidator written reasons for rejecting any part of a claim within 7 days after giving notice of his decision;
5. Within 28 days of receiving a notice of rejection, the Liquidator may apply to the Court for directions in relation to the rejection and advise the creditor of Mr Whyte's decision and other specified matters.

The Liquidator notified Mr Whyte that he has identified Creditor Indemnity Claims with respect to a proof of debt lodged by Norton Rose for the sum of \$315,601.21 (**Norton Rose Proof**) and a proof of debt lodged by EY in the sum of \$158,896.51 (**First EY Proof**).

Mr Whyte has written to the Liquidator rejecting the Creditor Indemnity Claim made in respect of the claim notified by the Norton Rose Proof. Mr Whyte is awaiting the provision of further information in relation to the First EY Proof before the time period for him to accept or reject that Creditor Indemnity Claims begins to run.

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2020

13. LITIGATION MATTERS (Continued)

FTI Applications (Continued)

Creditor Indemnity Claims (Continued)

A counter-claim for costs has been made by EY in the EY Proceeding against LMIM as responsible entity of the FMIF, which, if successful, has the potential to exceed any judgment in the EY Proceeding itself by the difference between indemnity costs and a standard costs order.

Further application by FTI for directions

On 10 October 2018, Mr Park filed an application seeking directions in relation to the dual appointments of Mr Park and Mr Whyte to wind up the FMIF including directions to the effect that:

- Mr Whyte's appointment continues only in relation to certain specific legal proceedings and Mr Park take responsibility for ensuring the FMIF is wound up in accordance with its Constitution;
- That Mr Park is directed to act as contradictor to the LMIM Claim (as defined below) and the Feeder Fund Proceedings;
- That Mr Park and Mr Whyte each submit budgets of remuneration and expenses to the conclusion of the winding up, that the remuneration of the Liquidator and the Receiver be fixed or determined on the hearing of the application in the amount of 50% of the amount stated in the relevant budget and paid during the course of the winding up, with all other remuneration and expenses of the Liquidator and Receiver to be deferred and sought at the conclusion of the winding up at which time the amounts stated in the budgets can be reduced, increased or stay the same.

The application was heard on 10 December 2018. On 2 October 2019, the Court delivered judgment dismissing the application: *LM Investment Management Limited & Anor v Whyte* [2019] QSC 233.

LMIM Claim

A statement of claim filed in November 2016 to preserve claims in relation to certain transactions and avoid possible expiry of statutory limitation periods has been served on LMIM. The claims are for various alleged breaches of trust in relation to certain transactions including the prepayment of management fees out of property of the FMIF to LM Administration Pty Ltd, and loan management fees paid to LMIM or its service entity LM Administration Pty Ltd that it is alleged were not authorised by the Constitution of the FMIF. On 25 July 2018, the Court granted leave to proceed with this claim and ordered that the claim be stayed until further order. The claim remains stayed until further order.

Claim against Feeder Funds (Class B unitholders)

A statement of claim was filed against the Feeder Funds in December 2016 to preserve certain claims. That statement of claim was amended and formally served on the parties representing the Feeder Funds. The Feeder Funds are the LM Currency Protected Australian Income Fund (CPAIF), the LM Institutional Currency Protected Australian Income Fund (ICPAIF) and the LM Wholesale First Mortgage Income Fund (WMIF). The claim concerns approximately \$55 million of redemptions paid to the Feeder Funds when the Fund had suspended redemptions to other investors (apart from genuine approved hardship cases) and approximately \$19.5M of income distributions made to the Feeder Funds when income distributions to other investors were suspended (and the reinvestment of these distributions). The relief sought in the claim includes declarations to withhold from distributions or payments otherwise payable from the Fund to:

- CPAIF in the sum of \$40,583,109 plus interest, as adjusted for the difference between the sum paid for capital distributions in early to mid-2013 and the amount the CPAIF would otherwise have been entitled as referred to in the statement of claim;

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2020

13. LITIGATION MATTERS (Continued)

Claim against Feeder Funds (Class B unitholders) (Continued)

- ICPAIF in the sum of \$5,044,118.30 plus interest, as adjusted for the difference between the sum paid for capital distributions in early to mid-2013 and the amount the CPAIF would otherwise have been entitled as referred to in the statement of claim;
- WMIF in the sum of \$9,432,090.76 plus interest, as adjusted for the difference between the sum paid for capital distributions in early to mid-2013 and the amount the WMIF would otherwise have been entitled as referred to in the statement of claim.

The claim if successful, would impact on the return to the Feeder Funds from the winding up of the Fund and, in the case of the CPAIF and ICPAIF, it was expected the claim would exhaust any estimated return (based on the estimated unit value as calculated herein) to those funds (such that they would not be entitled to any distribution from the Fund). In the case of the WMIF, the claim would substantially reduce its entitlement to any distribution.

The parties to the proceedings attended a mediation on 5, 6 and 20 November 2018.

As a consequence of the mediation, a Deed of Settlement has been executed by all parties.

The terms of the deed are confidential and are subject to several conditions precedent, including:

- Mr Whyte, Mr Jahani, Trilogy Funds Management Limited ("Trilogy") and the Trust Company Limited each apply for, and obtain judicial advice to the effect that the relevant party making the application is justified in entering into and performing the deed. The parties have each now made their application for judicial advice. Those applications were heard before Justice Mullins on 2 and 3 May 2019 with judgment reserved;
- orders are made by the Supreme Court of Queensland giving authority for an interim distribution to be made to FMIF members. An application was filed by Mr Whyte seeking such authority on 1 February 2019 and was heard on 13 March 2019 with judgement reserved.

The Court has now handed down its decision in respect of the Judicial Advice and Authority Applications. Mr Whyte was successful in obtaining judicial advice from the Court that he was justified in settling the proceedings against the Feeder Funds and in causing the Fund to perform the settlement.

On 2 October 2019, the Authority Application was granted and accordingly an interim distribution was made to the members of the FMIF in October 2019.

The financial impact of the settlement is as follows:

- The claims totalling approximately \$56M are settled for total amounts of up to \$28M by withholding distributions to the three feeder funds. For the first \$66M of distributions to investors, 40% of the amount due to the CPAIF and the ICPAIF will be withheld and 11.6% will be withheld from the WFMIF;
- For the next \$60M of distributions (if achieved), 56%, 100% and 20.8% of distributions will be withheld from the CPAIF, ICPAIF and WFMIF respectively.

The Feeder Fund Proceeding has now been discontinued.

19 September 2018

Our Ref: RCL_8979r3.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 Institutional Currency Protected Australian Income Fund (the Fund) (ICPAIF)

I refer to my previous update dated 15 January 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.

Litigation

The twenty-second update from the Court Appointed Receiver of the Assets of the LM First Mortgage Income Fund (FMIF) is now available on the www.lmfimf.com website. As previously advised, distributions cannot be made from the Fund until such time as a distribution is made from the FMIF. I make no comment as to the contents of the update on the FMIF.

As investors are likely aware, the Receiver has commenced action against ICPAIF, CPAIF ('the Feeder Funds'), which if successful, will result in no further distributions to the Feeder Funds from FMIF. This action is being defended by Feeder Fund Receiver Said Jahani of Grant Thornton, with consent of myself as Liquidator of LMIM.

Further information concerning the progress of the litigation is contained in the Receivers' report.

Taxation matters and audited accounts

ICPAIF is presently unable to meet the costs of completing any taxation returns, business activity statements or audits.

At the present time, no Business Activity Statements have been completed in the course of our appointment; taxation returns have been completed to 30 June 2010; and financial accounts have been completed to 30 June 2012.

When the outcome of the action by the FMIF Receiver is known i.e. whether there will be any future distributions to the Feeder Funds, it is my intention to apply to ASIC for audit relief for ICPAIF on the basis of insolvency.

Any lodgements where I am unable to obtain relief, will be completed and funded by LMIM.

Net Asset Value

There are presently no assets of ICPAIF. Payables of the Fund have been met by LMIM on the Funds behalf.

Timing for Finalisation and Distributions

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 the resolution of the FMIF Receiver's legal action against the Feeder Funds.

Contact Details

Investors are able to obtain further information by either:

1. Updates will be provided on the LMIM administration website (www.lminvestmentadministration.com);
2. Sending an email outlining your queries to enquiries@lminvestmentadministration.com; and
3. Queries concerning holdings, transfer requests, and updated details should be directed to enquiries@lminvestmentadministration.com.

Yours faithfully
FTI Consulting



John Park
Liquidator

14 October 2019

Our Ref: RCL_8979r4.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 Institutional Currency Protected Australian Income Fund (the Fund) (ICPAIF)

I refer to my previous update dated 19 September 2018. 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.

Litigation

The twenty-sixth update from the Court Appointed Receiver of the Assets of the LM First Mortgage Income Fund (FMIF) is now available on the www.lmfimif.com website. As previously advised, distributions cannot be made from the Fund until such time as a distribution is made from the FMIF. I make no comment as to the contents of the update on the FMIF.

As investors are likely aware, the Receiver has commenced action against ICPAIF, CPAIF ('the Feeder Funds'), which if successful, will result in no further distributions to the Feeder Funds from FMIF. This action is being defended by Feeder Fund Receiver Said Jahani of Grant Thornton, with consent of myself as Liquidator of LMIM.

Further information concerning the progress of the litigation is contained in the Receivers' report and on the www.lmfimif.com website.

Taxation matters and audited accounts

ICPAIF is presently unable to meet the costs of completing any taxation returns, business activity statements or audits.

FTI Consulting (Australia) Pty Limited

ABN 49 160 397 811 | ACN 160 397 811 | AFSL Authorised Representative # 001269325

Level 20, CP1 | 345 Queen Street | Brisbane QLD 4000 | Australia

Postal Address | GPO Box 3127 | Brisbane QLD 4001 | Australia

+61 7 3225 4900 telephone | +61 7 3225 4999 fax | fticonsulting.com

At the present time, no Business Activity Statements have been completed in the course of our appointment; taxation returns have been completed to 30 June 2010; and financial accounts have been completed to 30 June 2012.

When the outcome of the action by the FMIF Receiver is known i.e. whether there will be any future distributions to the Feeder Funds, it is my intention to apply to ASIC for audit relief for ICPAIF on the basis the fund is insolvent.

Net Asset Value

There are presently no assets of ICPAIF. Payables of the Fund have been met by LMIM on the behalf of the fund. At 30 June 2019 there were 11,465,971 AUD equivalent units in ICPAIF.

Timing for Finalisation and Distributions

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 the resolution of the FMIF Receiver's legal action against the Feeder Funds.

Contact Details

Investors are able to obtain further information by either:

1. Updates will be provided on the LMIM administration website (www.lminvestmentadministration.com);
2. Sending an email outlining your queries to enquiries@lminvestmentadministration.com; and
3. Queries concerning holdings, transfer requests, and updated details should be directed to enquiries@lminvestmentadministration.com.

Yours faithfully
FTI Consulting



John Park
Liquidator

Our Ref: RCL_8979r5.doc

7 September 2020

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 Institutional Currency Protected Australian Income Fund (the Fund) (ICPAIF)

I refer to my previous update regarding this Fund on 14 October 2019 and provide the following update in relation to the wind-up of the Fund.

Litigation

The 30th update from the Court Appointed Receiver of the Assets of the LM First Mortgage Income Fund (FMIF) is now available on the www.lmfimf.com website.

As you will be aware, the Receiver had commenced action against ICPAIF and CPAIF ('the Feeder Funds') which if successful, would have resulted in no further distributions to the Feeder Funds being made from FMIF.

The outcome of this action saw \$316,555.25 distributed to ICPAIF after payment of the secured creditor in full and Receivers' costs and disbursements.

Taxation matters and audited accounts

Despite the distribution, the solvency of ICPAIF remains uncertain with insufficient funds to meet the costs of completing any taxation returns, business activity statements or audits. Accordingly, I am determining the ability to apply to ASIC for audit relief for ICPAIF on the basis the Fund is insolvent.

FTI Consulting (Australia) Pty Limited

ABN 49 160 397 811 | ACN 160 397 811 | AFSL Authorised Representative # 001269325

Level 20, CP1 | 345 Queen Street | Brisbane QLD 4000 | Australia

Postal Address | GPO Box 3127 | Brisbane QLD 4001 | Australia

+61 7 3225 4900 telephone | +61 7 3225 4999 fax | fticonsulting.com