

28 March 2019

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 half-year ending 31 December 2018.

The accounts have been prepared by collating the records maintained by the Fund and receipts and payments and other records of FTI and McGrathNicol.

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

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Yours sincerely



David Whyte

Court Appointed Receiver

Disclaimer:

The 31 December 2018 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 half-year ended 31 December 2018

Disclaimer

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LM FIRST MORTGAGE INCOME FUND

(RECEIVER APPOINTED)

ABN: 66 482 247 488

Financial Statements for the half-year ended 31 December 2018

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LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2018

	Note	31 December 2018	31 December 2017
		\$	\$
<i>Income</i>			
Fee revenue - mortgage loans		-	-
Interest revenue - cash assets	12	611,521	715,339
Other Income	3 (a)	530,220	1,687,695
		1,141,741	2,403,034
<i>Expenses</i>			
Custodian fees & custodian legal fees	9	5,000	(129,523)
Net Impairment losses (recoveries) on mortgage loans	6 (a)	(17,897)	666,154
Adjustment on foreign exchange accounts		(113)	(3,920)
Other expenses	4	4,351,015	2,438,209
<i>Total expenses excluding distributions to unitholders</i>		4,338,005	2,970,920
<i>Net profit (loss) before distributions to unitholders</i>		(3,196,264)	(567,886)
Distributions paid/payable to unitholders		-	-
<i>Net profit (loss) after distributions to unitholders</i>		(3,196,264)	(567,886)
Other comprehensive income			-
<i>Net profit (loss) after distributions to unitholders</i>		(3,196,264)	(567,886)
Income tax expense		-	-
<i>Changes in net assets attributable to unitholders after income tax expense</i>		(3,196,264)	(567,886)

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 31 December 2018

	Note	31 December 2018	30 June 2018
		\$	\$
ASSETS			
Cash and cash equivalents	11	66,426,687	70,194,328
Receivables	10	295,468	469,030
Loans & Receivables	6	100,000	44,235
TOTAL ASSETS		66,822,155	70,707,593
LIABILITIES			
Payables	7	1,761,969	2,451,143
Distributions payable	3 (b)	1,372,036	1,372,036
Total liabilities excluding net assets attributable to unitholders		3,134,005	3,823,179
NET ASSETS		63,688,150	66,884,414
Represented by:			
Net assets attributable to unitholders	5	63,688,150	66,884,414
(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 half-year ended 31 December 2018

		31 December 2018	30 June 2018
	Note	\$	\$
TOTAL			
Opening balance		66,884,414	68,809,977
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		(3,196,264)	(1,925,563)
Closing Balance		63,688,150	66,884,414

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 half-year ended 31 December 2018

	Note	31 December 2018	31 December 2017
		\$	\$
Cash flows from operating activities			
Interest and distributions received		611,521	715,339
Other operating expenses		(4,514,855)	(5,077,216)
GST and withholding tax (paid)/received		173,560	(38,452)
Net cash inflow/(outflow) from operating activities	11 (b)	(3,729,774)	(4,400,329)
Cash flows from investing activities			
Payments for secured mortgage loans	6 (b)	(82,750)	(117,090)
Receipts from settled mortgage loans	6 (b)	44,883	1,354,725
Net cash inflow/(outflow) from investing activities		(37,867)	1,237,635
Cash flows from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(3,767,641)	(3,162,694)
Cash and cash equivalents at beginning of year		70,194,328	73,094,783
Cash and cash equivalents at end of year	11 (a)	66,426,687	69,932,089

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 half-year ended 31 December 2018

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', 'Scheme' or the 'Fund') by Deutsche Bank.
1 August 2013	John Park and Ginette Muller of FTI Consulting appointed as liquidators of LMIM.
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 half-year ended 31 December 2018

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 half-year ended 31 December 2018

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 half-year ended 31 December 2018

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

(j) Financial instruments (Continued)

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 confirmation, 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 Trustees for the LM Managed Performance Fund previously put both the Receivers and Managers and the Court Appointed Receiver on notice of potential claims and commenced certain proceedings, against the Fund.

The secured creditor informed Mr Whyte that it was not prepared to release its security due to these claims or potential claims against the Fund. This matter has now been resolved and the Secured Creditor, Deutsche Bank, retired the Receivers and Managers, McGrath Nicol, on 10 December 2018, and Mr Whyte has applied to Court for authority to make an interim distribution to investors. This application was heard on 13 March 2019 with the decision being reserved. I will be required to

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2018

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

(m) Distributions (Continued)

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

(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 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.

In relation to the total investor units, 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 has been identified. Investigations indicate that the discrepancy relates to the Fund's migration to a new financial database in 2010 whereby the units of investors who subscribed

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2018

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

(r) Foreign currency translations (Continued)

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 has been made to the Court with a view to determining the amounts to be distributed to the foreign currency investors.

(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:

	31 December 2018	30 June 2018
Estimated net amount of assets available to investors as at the period end (\$)	63,688,150	66,884,414
Total investor units (# of units) *	478,100,386	478,100,386
Estimated net asset amount per unit available to investors as at the period end (cents in the dollar)**	0.133	0.140

* 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. Given the discrepancy identified as detailed in Note 2(r) above in regard to the units of investors who subscribed in a foreign currency, having obtained legal advice, Mr Whyte has decided that no further notional adjustments to the unit numbers ought to be made in the financial accounts, until the incorrect recording of units of investors who subscribed in a foreign currency has been resolved and directions from the Court have been obtained. Accordingly, the total investor unit numbers have been notionally restated above as at the balance at 30 June 2016.

** 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 a claim against the Feeder Funds, served on or about 7 August 2017. The actual net asset amount per unit available to investors is currently uncertain and an update will be provided in due course. Please refer to Note 14 below for further details regarding the Feeder Fund claim.

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)**Notes to the financial statements for the half-year ended 31 December 2018****3. INCOME AND DISTRIBUTIONS TO UNITHOLDERS****(a) Other Income**

The other income amount of \$530,220 relates to adjustments to the Fund's accrued expenses that were reported and expensed in prior periods during the Receivership.

(b) Distributions Payable

The distributions payable balance 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.

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.

I am also required to seek the authority of the Court before proceeding with the next distribution.

There have been no distributions to unitholders for the year ended 30 June 2018 or for the years ending 30 June 2017, 30 June 2016 and 30 June 2015.

4. OTHER EXPENSES

	31 December 2018	31 December 2017
Other Expenses	\$	\$
Receivers and Managers' fees and outlays (McGrathNicol)	(6,252)	104,937
Receivers and Managers' legal fees and outlays (McGrathNicol)	-	10,513
Court Appointed Receiver's fees & outlays (BDO) *	2,396,981	1,399,410
Court Appointed Receiver's legal fees (BDO)	1,886,601	762,801
Other expenses	73,685	160,548
Total	4,351,015	2,438,209

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

Court Appointed Receiver's fees & outlays (BDO)

	31 December 2018	31 December 2017
The Court Appointed Receiver's fees & outlays are represented by the following amounts:	\$	\$
Court Appointed Receiver's investigations, litigation and other non-operating costs	1,677,887	694,257
Operating Costs of the Fund	719,094	705,153
Total	2,396,981	1,399,410

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)**Notes to the financial statements for the half-year ended 31 December 2018****4. OTHER EXPENSES (Continued)**

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 which include claims against the MPF, LMIM and its directors and the claim against the Feeder Funds.

5. CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

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

Net assets attributable to unitholders	31 December 2018	30 June 2018
	\$	\$
Class A		
Opening balance	245,679,110	245,679,110
Units issued during the half-year	-	-
Units redeemed during the half-year	-	-
Units issued upon reinvestment of distributions	-	-
Closing balance	245,679,110	245,679,110
Class B		
Opening balance	220,196,311	220,196,311
Units issued during the half-year	-	-
Units redeemed during the half-year	-	-
Units issued upon reinvestment of distributions	-	-
Closing balance	220,196,311	220,196,311
Class C		
Opening balance	12,224,964	12,224,964
Units issued during the half-year	-	-
Units redeemed during the half-year	-	-
Units issued upon reinvestment of distributions	-	-
Foreign exchange (gain)/loss on investor funds	-	-
Closing balance	12,224,964	12,224,964
 Cumulative movement in changes in net assets	 (414,412,235)	 (411,215,971)
Net assets attributable to unitholders	63,688,150	66,884,414

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2018

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

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.

Class C

Class C consists of unitholders who have 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.

6. LOANS AND RECEIVABLES

	31 December 2018	30 June 2018
	\$	\$
Secured mortgage loans	6,158,054	6,102,290
Provision for impairment	(6,058,054)	(6,058,055)
	100,000	44,235

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 exist. 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

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)**Notes to the financial statements for the half-year ended 31 December 2018****Material uncertainty regarding recoverability of Loans and Receivables (Continued)**

between the amounts at which the Loans and Receivables are recorded at in the financial statements for the period ended 31 December 2018, and the amounts that are actually realised. Such differences may be material. Accordingly, there is a material uncertainty regarding recoverability of Loans and Receivables.

The balance of \$100,000 represents cash available in the controllerships' bank accounts as at 31 December 2018. These funds have since been distributed to the Fund's bank account as loan repayments.

(a) Provisions for impairment

The impairment loss expense relating to loans and receivables comprises:

	31 December 2018	30 June 2018
	\$	\$
Opening balance	6,058,054	69,076,608
Impairment losses provided for (recoveries) during the period	(17,897)	614,117
Impairment losses realised during the period	17,897	(63,632,670)
Closing balance	6,058,054	6,058,055
Total provision for impairment	(6,058,054)	(6,058,055)

(b) Movement in default loans

	31 December 2018	30 June 2018
	\$	\$
Gross default loans opening balance	6,102,290	72,696,775
New and increased default loans	82,750	117,090
Balances recovered (written off)	17,897	(63,632,670)
Repaid	(44,883)	(3,078,905)
Gross default loans closing balance	6,158,054	6,102,290
Specific provision	(6,058,054)	(6,058,055)
Net default loans	100,000	44,235

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)**Notes to the financial statements for the half-year ended 31 December 2018****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.

	31 December 2018	30 June 2018
	\$	\$
Accounts payable	1,761,969	2,451,144

Approximately \$918,458 of the accounts payable balance relates to FTI's remuneration and expenses claimed from the Fund. See Note 14 FTI litigation for more information.

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.

9. RELATED PARTIES

	31 December 2018	31 December 2017
	\$	\$
<u>Custodian</u>		
Custodian's fees paid by the Scheme	5,000	10,250
Custodian's legal fees (refund)	-	(139,773)
Total	5,000	(129,523)

10. RECEIVABLES

	31 December 2018	30 June 2018
	\$	\$
Term deposit interest receivable	104,588	131,378
GST receivable	190,880	337,652
	295,468	469,030

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2018

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.

	31 December 2018	30 June 2018
	\$	\$
Cash at bank	66,426,687	70,194,328

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

	31 December 2018	31 December 2017
	\$	\$
Change in net assets attributable to unitholders	(3,196,264)	(567,886)
<i>Adjustments for:</i>		
Non-cash impairment expense	(17,897)	666,154
Non-cash accrued expense reduction	(530,220)	(1,687,695)
(Gains)/loss on foreign exchange accounts	(113)	(3,920)
(Gains)/loss on investor funds/foreign exchange adjustments	-	-
(increase)/decrease in other receivables	173,560	(38,452)
Increase/(decrease) in payables	(158,840)	(2,768,530)
Net cash flows from/(used in) operating activities	(3,729,774)	(4,400,329)

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

On 2 March 2015, Mr Whyte filed a claim and statement of claim in the Supreme Court of Queensland against the former auditors of the Fund.

On 12 June 2015, Mr Whyte filed an amended statement of claim in order to preserve certain limitation periods.

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2018

Claim against the former auditors (Continued)

Public examinations (PEs) of the former auditors, certain directors, former directors (Directors) and staff of LM Investment Management Limited (In Liquidation) were 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 Mr Whyte in the Supreme Court of Queensland and served on the former auditors of the Fund on 14 April 2016.

The former auditors filed and served 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, Mr 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, Mr 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.

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.

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2018

Claim against the former auditors (Continued)

On 13 November 2018, the Court made further directions that:

- The plaintiff is to file and serve a sixth further amended statement of claim (**6FASOC**) by 30 November 2018. The 6FASOC was served on 30 November 2018;
- The plaintiff is to file and serve the response to the defendants request for particulars by 30 November 2018. The response was served on 3 December 2018. A further response was served on 18 January 2019;
- The parties attend and participate in a mediation on a date to be agreed by the parties and the mediator, and to be completed by 15 March 2019;
- The proceedings are to be reviewed on 18 March 2019;
- The parties exchange position papers before the commencement of the mediation;
- The period of the mediation is fixed at a maximum of two days and may extend beyond the period only with the authorisation of the parties;
- the defendants file any third party notices by 1 March 2019, together with statements of claim.

In accordance with these orders, the parties engaged in a mediation on 4 and 5 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.

The proceedings were reviewed by the Court on 18 March 2019 with the following orders made.

1. The Plaintiff serve any further and better particulars to the Sixth Further Amended Statement of Claim by 29 March 2019, including in respect of paragraph 64(b)(ii) of the Sixth Further Amended Statement of Claim.

2. The Defendants are to notify the solicitors for the Plaintiff and the Court by 12 April 2019 as to whether or not they oppose the Plaintiff having leave to make the amendment proposed by paragraph 64(b)(ii) of the Sixth Further Amended Statement of Claim in the form served on the Defendants on 30 November 2018 and:

(a) If the Defendants do not oppose that leave, the Plaintiff has leave to file and serve the Sixth Further Amended Statement of Claim in the form served on the Defendants on 30 November 2018; or

(b) If the Defendants do oppose that leave, the parties will liaise with the Associate to his Honour Justice Jackson to have an application listed for hearing for leave to make the amendment proposed by paragraph 64(b)(ii) of the Sixth Further Amended Statement of Claim in the form served on the Defendants on 30 November 2018.

3. The Defendants file and serve their defence or defences to the Sixth Further Amended Statement of Claim by 31 May 2019.

4. The matter be listed for a further review on a date to be fixed by the Court in the week commencing 10 June 2019, or otherwise as may be convenient to the Court.

5. Order 5 of the order of his Honour Justice Jackson dated 13 November 2018 be vacated and directions as to when third parties are to file a defence be considered at the review contemplated by paragraph 4 above.

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 it's liquidators) is the true owner.

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2018

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

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 is 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 recently entered into a further agreement with WCL to extend the Sunset Date to 31 March 2019, subject to receipt of certain interim periodic payments. The Liquidator has agreed to an adjournment to the proceedings to 1 April 2019.

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 parties have now undertaken discovery and the defendants who are participating in the proceedings have all now filed defences to which the plaintiff has filed replies.

The matter was reviewed by the Court on 14 December 2018, where directions were made for the further progression of the matter including:

- Mr Whyte is to file an application for leave to amend the statement of claim by 21 December 2018, with the application to be heard on 1 February 2019;
- The defendants must file their material in regard to the application for leave to amend the statement of claim by 25 January 2019;
- The proceeding is set down for a 2-week trial from 1 April 2019;
- By 15 February 2019, the defendants were to provide an index identifying any objection to any documents in the trial bundle being admitted for all purposes and to provide a further index of any additional documents they wish to be included in the trial bundle;
- By 1 March 2019, the plaintiff must deliver a bundle of the agreed documents and a bundle of the documents to which an objection is taken;

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2018

Proceedings against the MPF, LMIM and the Directors of LMIM (Continued)

- By 8 March 2019, the plaintiff must deliver affidavits, witness summaries (as required) and a draft trial bundle;
- By 15 March 2019, the defendants are to deliver affidavits, witness summaries (as required) and any suggested amendments to the draft trial plan;
- By 22 March 2019, Mr Whyte is to deliver any further affidavits and witness summaries.

Orders were subsequently made granting the plaintiff leave to file its further amended statement of claim and a timetable was ordered for the delivery of amended defences and replies.

The plaintiff has now filed its further amended statement of claim and amended defences and replies have now been delivered.

The parties are now progressing the proceedings to trial and undertaking the steps ordered by the Court as set out above, including finalising a trial bundle, exchange of evidence and a trial plan.

FTI litigation

Mr Park of FTI Consulting is the Liquidator of LMIM.

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 matter was heard by the Court on 22 February and 14 March 2016 and the decision was reserved.

The Court handed down its reasons for judgment on 17 October 2017 in relation to FTI's application for approval of their remuneration and payment from assets of the Fund. Orders reflecting His Honour's reasons for judgment 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.

As to the costs of the proceedings, the court orders provide that certain specified proportions of FTI's costs on an indemnity basis are to be paid from the property of the Fund and 3 other LM funds.

On 12 June 2018, FTI advised David Whyte of further claims against the Fund for remuneration and disbursements outstanding from 1 October 2015 up to 30 April 2018 totalling \$363,929.47 exclusive of GST.

On 17 July 2018, Mr Park of FTI, who is now the sole Liquidator of LMIM, 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 adjourned to 3 October 2018.

Mr Park's claimed fees and expenses have been included in the Fund's Payables (as referred to in Note 7 above), though this amount is not admitted and is subject to the outcome of FTI's application to the Court.

The reasons for judgement and orders made in relation to the Liquidators' first remuneration claim and indemnity claim are available on the websites www.lmfimf.com.

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. Mr Whyte opposed certain parts of the application. The application was heard on 6 September 2018 and 3 October 2018.

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2018

Judgement is reserved on the Second FTI Remuneration Application.

Indemnity claim

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:

The Liquidator must notify Mr Whyte within 14 days of the Liquidator identifying any claim for indemnity against the assets of the Fund;

Within 14 days Mr Whyte may seek further information in relation to the claim;

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, or
 - Reject the claim, or
 - Accept part of it and reject part of the claim; and
 - To give the Liquidator written notice of the decision.
- 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 including those claims identified through the proof of debt process mentioned above;
 - 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. It is not yet clear whether there will be any application for directions or to review Mr Whyte's decision to reject that Creditor Indemnity Claim. 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 Claim begins to run.

The Liquidator has notified Mr Whyte that he has received a proof of debt lodged by EY for the sum of approximately \$180 million (**Second EY Proof**). That proof asserts that, to the extent that the claims made by LMIM as RE of the FMIF against EY in the claim against the former auditors are successful, EY will suffer loss or damage which is recoverable from LMIM. The Liquidator has requested further information in relation to the Second EY Proof and has not yet notified Mr Whyte of whether a Creditor Indemnity Claim has been identified by the Liquidator in respect of the claim notified by the Second EY Proof.

Expenses

The Liquidator's solicitors have notified Mr Whyte's solicitors that the Liquidator intends to claim indemnity from the FMIF (and other funds) for a portion of certain corporate expenses incurred during the administration and Liquidation of LMIM. The precise amount of this claim is not yet known.

An update will be provided in relation to these matters in the next report.

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:

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2018

Further application by FTI for directions (Continued)

- 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 Breach of Trust Proceedings 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. Judgement is reserved.

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 amended and has now been served on LMIM. The claims are for various alleged breaches of trust in relation to certain transactions including pre-paid management fees and loan management fees paid to LMIM or its service entity LM Administration Pty Ltd. 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 has now been amended and has now been 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;
- 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.

If the claim is successful, it will 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 is expected that the claim will exhaust any estimated return (based on the estimated unit value as calculated herein) to those funds (such that they will not be entitled to any distribution from the Fund). In the case of the WMIF, the claim will substantially reduce its entitlement to any distribution.

Mr Whyte made an application under Section 59 of the Trusts Act to seek directions in relation to how the differing interests of LMIM are to be represented in the proceedings and an application under Section 500 of the Corporations Act to seek leave to proceed against LMIM (the Applications). The Applications together with an application to have the matter listed on the Commercial List (Commercial List Application) was heard on 29 May 2018.

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2018

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

On 29 May 2018 the matter was heard before his Honour Justice Jackson. Following the provision of an agreed order to his Honour Justice Jackson, the parties were asked by the Court to reappear before his Honour on 13 June 2018.

On 13 June 2018 orders were made granting the orders sought in the Applications and the Commercial List Application including that Mr Whyte represent the interests of the LM First Mortgage Income Fund in the proceedings and that the ICPAIF and the CPAIF be represented by Mr Said Jahani of Grant Thornton. The interests of LMIM are to be represented by Mr John Park of FTI Consulting. Further, it was ordered that a mediation between the parties take place prior to 28 September 2018.

Following discussions between the parties, it was determined that the parties did not have mutual availability prior to 28 September 2018 to attend mediation. Accordingly, amended orders were made by his Honour Justice Jackson on 4 September 2018 providing for a two day mediation to take place on 5 and 6 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 are all listed for hearing before Justice Mullins on 2 May 2019;
- 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.