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Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

31 March 2023

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 ended 31 December 2022.

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 31 December 2022 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 2022

<u>Disclaimer</u>

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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 2022

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

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED)

STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2022

	Note	31 December 2022 $	31 December 2021 $
Income			
Interest revenue - cash assets	12(a)	535,806	82,309
Reimbursement of costs	12(b)	-	810,020
		535,806	**892,329**
Expenses			
Custodian fees & legal fees	9	11,000	11,000
Net Impairment losses/(gains) on mortgage loans	6	(855,486)	(1,254,711)
Adjustment to Provision for Directors Proceedings – Cost Orders	13	(1,500,000)	-
Other expenses	4	1,512,939	6,230,926
Total expenses excluding distributions to unitholders		**(831,547)**	**4,987,215**
Net profit (loss) before non-capital distributions to unitholders		**1,367,353**	**(4,094,886)**
Net non-capital distributions paid/payable to unitholders		-	-
Net profit (loss) after non-capital distributions to unitholders		**1,367,353**	**(4,094,886)**
Other comprehensive income		-	-
Net profit (loss) after non-capital distributions to unitholders		**1,367,353**	**(4,094,886)**
Income tax expense		-	-
Changes in net assets attributable to unitholders after income tax expense		**1,367,353**	**(4,094,886)**

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 2022

	Note	31 December 2022	30 June 2022
ASSETS		**$**	**$**
Cash and cash equivalents	11	58,099,252	18,500,752
Receivables	10	134,127	40,346,242
Loans & Receivables	6	-	-
TOTAL ASSETS		**58,233,379**	**58,846,994**
LIABILITIES			
Payables and accrued expenses	7	7,138,659	8,726,744
Distributions payable	3	2,522,975	2,915,858
Total liabilities excluding net assets attributable to unitholders		**9,661,634**	**11,642,602**
NET ASSETS		**48,571,745**	**47,204,392**
Represented by:			
Net assets attributable to unitholders	5	**48,571,745**	**47,204,392**
(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 2022

	Note	31 December 2022 $	30 June 2022 $
TOTAL			
Opening balance		47,204,392	19,737,372
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		1,367,353	27,467,020
Closing Balance		**48,571,745**	**47,204,392**

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 2022

	Note	31 December 2022	31 December 2021
		$	$
Cash flows from operating activities			
Interest received		535,806	82,309
Reimbursement of costs received		-	810,020
Payments for other operating expenses		(1,612,024)	(6,080,161)
Receipts from litigation recovery		40,000,000	-
GST and withholding tax received		212,115	13,829
Net cash inflow/(outflow) from operating activities	11 (b)	**39,135,897**	**(5,174,003)**
Cash flows from investing activities			
Payments for secured mortgage loans	6 (b)	-	-
Receipts from settled mortgage loans	6 (b)	855,486	-
Net cash inflow/(outflow) from investing activities		**855,486**	**-**
Cash flows from financing activities			
Distributions returned (paid)	3	(392,883)	18,135
Net cash flows from financing activities		**(392,883)**	**18,135**
Net increase/(decrease) in cash and cash equivalents		**39,598,500**	**(5,155,868)**
Cash and cash equivalents at beginning of year		18,500,752	27,506,519
Cash and cash equivalents at end of year	11 (a)	**58,099,252**	**22,350,651**

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

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.

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.

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

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 deductable, 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 9.9 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

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

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) Provisions

Provisions are recognised when the entity has a present (legal or constructive) obligation as a result of a past event, it is probable the entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(u) 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 2022	**30 June 2022**
Estimated net amount of assets available to investors as at the period end ($)	48,571,745	47,204,392
Total investor units (# of units)	492,125,624	492,125,624
Estimated net asset amount per unit available to investors as at the period end (cents in the dollar)*	**0.099**	**0.096**

*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. DISTRIBUTIONS PAYABLE

The distributions payable balance is made up of:

- $1,372,036 (30 June 2022: $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.

3. DISTRIBUTIONS PAYABLE (continued)

- $1,150,939 (30 June 2022: $1,543,822) 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.

There were no distributions to unitholders for the years ended 30 June 2022, 30 June 2021, 30 June 2019, 30 June 2018, 30 June 2017, 30 June 2016 and 30 June 2015.

4. OTHER EXPENSES

Other Expenses	**31 December 2022** **$**	**31 December 2021** **$**
Court Appointed Receiver’s fees & outlays (BDO) *	538,868	921,729
Legal Fees	344,128	5,199,446
Liquidators’ of LMIM Legal Fees (FTI) *	116,645	34,297
Liquidators’ of LMIM Remuneration (FTI) *	140,051	-
Creditor Indemnity Claims	274,210	-
Other expenses	99,037	75,454
Total	**1,512,939**	**6,230,926**

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

Court Appointed Receiver’s fees & outlays (BDO)

The Court Appointed Receiver’s fees & outlays are represented by the following amounts:	**31 December 2022** **$**	**31 December 2021** **$**
Court Appointed Receiver’s investigations, litigation and other non-operating costs	33,679	672,862
Operating Costs of the Fund	505,189	248,867
Total	**538,868**	**921,729**

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.

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	**31 December 2022**	**30 June 2022**
	$	**$**
Opening balance	492,125,624	492,125,624
Adjustment to unitholder funds- refer to Note 5 (i)	-	-
Adjusted balance	492,125,624	492,125,624
Units issued during the year	-	-
Units redeemed during the year	-	-
Units issued upon reinvestment of distributions	-	-
Net capital distributions declared	-	-
Changes in net assets attributable to unitholders after income tax expense for current period	1,367,353	27,467,020
Other cumulative movement in changes in net assets	(444,921,232)	(472,388,252)
Net assets attributable to unitholders	**48,571,745**	**47,204,392**
Net capital distributions declared	-	-
Net distributions	-	-
Gross capital distribution declared	-	-
Less amounts withheld	-	-
Net capital distributions declared	**-**	**-**
Distributions		
Net capital distribution declared	-	-
Less amounts unable to be credited to unitholder's bank account and recognised as Distributions Payable	-	-
Distributions paid in cash	**-**	**-**

(i) 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 recalculated the units as at the commencement of the winding up of the Fund being 8 August 2013 in the Australian Dollar equivalent amounting to $492,125,624.

6. LOANS AND RECEIVABLES

	31 December 2022 $	30 June 2022 $
Secured mortgage loans	66,850	1,050,197
Provision for impairment	(66,850)	(1,050,197)
	-	-

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.

(a) Provisions for impairment

The impairment loss expense relating to loans and receivables comprises:

	31 December 2022 $	30 June 2022 $
Opening balance	1,050,197	2,308,055
Impairment losses provided for (recoveries) during the period	(855,486)	(250,000)
Impairment losses realised during the period	(127,861)	(1,007,858)
Closing balance	66,850	1,050,197
Total provision for impairment	**66,850**	**1,050,197**

(b) Movement in default loans

	31 December 2022	30 June 2022
	$	$
Gross default loans opening balance	1,050,197	2,308,055
New and increased default loans	-	-
Balances written on / (off)	(127,861)	(1,007,858)
Repaid	(855,486)	(250,000)
Gross default loans closing balance	66,850	1,050,197
Specific provision	(66,850)	(1,050,197)
Net default loans	-	-

7. PAYABLES AND ACCRUED EXPENSES

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

	31 December 2022	30 June 2022
	$	$
Accounts payable and accrued expenses	7,138,659	8,726,744

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

	31 December 2022	31 December 2021
	$	$
Custodian		
Custodian's fees paid by the Scheme	11,000	11,000
Total	**11,000**	**11,000**

10. RECEIVABLES

	31 December 2022	30 June 2022
	$	$
Interest receivable	94,250	34,569
GST receivable	39,877	311,673
Litigation Recovery Receivable	-	40,000,000
	134,127	**40,346,242**

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 2022	30 June 2022
	$	$
Cash at bank	58,099,252	18,500,752

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

	31 December 2022	31 December 2021
	$	$
Change in net assets attributable to unitholders	1,367,353	(4,094,886)
Adjustments for:		
(increase)/decrease in other receivables	40,212,115	13,829
Increase/(decrease) in payables	(2,443,571)	(1,092,946)
Net cash flows from/(used in) operating activities	**39,135,897**	**(5,174,003)**

12. INCOME

(a) 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.

(b) Reimbursement of costs

This relates to reimbursement of the costs paid by the Fund to the Bankrupt Trustee of a guarantor to fund the costs of a public examination and to pursue recoveries against a guarantor. Further information on this matter is detailed in note 13 under Claims against guarantors.

13. LITIGATION MATTERS

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.

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 $8 million Bonds to shares. As WCL did not issue all of 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 converted to shares outside of the required time.

The Bellpac liquidator and WCL entered into a binding heads of agreement (HOA) relating to the settlement of the litigation commenced against WCL. The terms of the heads of agreement included that WCL pay to Bellpac a settlement sum of $6.3 million in return for certain releases and Bellpac returning or cancelling the WCL shares issued to Bellpac.

The conditions precedent to the settlement with WCL included obtaining necessary approvals to undertake the settlement transactions. In this regard:

- The Bellpac Liquidator obtained creditor approval to enter into the settlement with WCL;
- The Court declined to exercise its discretion on WCL's application for approval to acquire and or cancel Bellpac's holding of WCL shares. WCL was therefore required to seek shareholder approval.

The remaining condition precedent (Sunset Date) to the settlement with WCL was extended a number of times over the last four years and WCL paid $3M towards the settlement into their solicitors' trust account, to be released upon receiving shareholder approval of the settlement.

Delays were encountered in calling the meeting of shareholders, including WCL entering into a scheme of arrangement which was terminated after failing to meet certain conditions, but which was subsequently reinstated. A revised binding heads of agreement was executed on 9 June 2020 with the conditions precedent to be satisfied by 31 October 2020.

As the conditions precedent were not going to be satisfied by 31 October 2020, the Bellpac liquidator entered into further negotiations to try and conclude a settlement. As a result of those negotiations, a further deed of settlement was entered into on 30 October 2020 with $2.76M payable upon obtaining creditors approval and a further $600,000 payable within six months if WCL opts to buy-back the shares held in WCL.

Creditors approved the revised deed of settlement at a meeting held on 18 November 2020 and $2.75M was subsequently distributed to the Fund ($2.5M on 27 November 2020 and $250K on 11 March 2021). WCL did not opt to buy back the shares within the six month period.

The Bellpac liquidator received a notice of compulsory acquisition of shares under section 664C of the Corporations Act 2001 from the 90%+ shareholder, Jindal Steel and Power (Mauritius) Limited. At the offer price of $0.0001 per share this equates to $247,206.37 for the shares held by the liquidator. Any objections to the compulsory acquisition were to be lodged by 23 April 2022. The Bellpac liquidator did not lodge any objections and the offer price was received in May 2022.

Further distributions of $250,000 and $45,485.77 were made by the Bellpac liquidator to the Fund on 18 May 2022 and 5 July 2022 respectively.

13. LITIGATION MATTERS (Continued)

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. Mr Whyte filed an application for judicial advice to determine if he was 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 was discontinued.

An agreement has been reached to settle the costs orders in favour of the director defendants however on 17 November 2022, the LMIM liquidator, Mr Park, commenced proceedings to restrain me from making payment of the settlement sum reached in respect of the costs orders, out of the assets of the FMIF (Supreme Court of Queensland Proceeding No. 14389 of 2022). Mr Park commenced the proceeding by way of Application, and was then subsequently ordered by his Honour Justice Kelly on 6 March 2023 to file and serve a Statement of Claim. I intend to apply to strike out the Statement of Claim that Mr Park caused to be filed on 24 February 2023, and the hearing of this application is listed before his Honour Justice Kelly on 27 April 2023.

FTI Applications/Indemnity Claims

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

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;

   Within 14 days Mr Whyte may seek further information in relation to the claim;
2. 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;
3. 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;
4. 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**).

13. LITIGATION MATTERS (Continued)

Creditor Indemnity Claims (Continued)

Mr Whyte agreed to pay the Creditor Indemnity Claim made in respect of the claim notified by the Norton Rose Proof in the reduced sum of $274,209.75 with this being paid on 28 September 2022. The First EY Proof and a second Proof have been withdrawn.

FTI Remuneration and Expenses Claims as at 31 December 2022

In March 2023, FTI informed BDO that the remuneration and expenses claims by the Liquidator, that had not been submitted to the Court for approval or paid as at 31 December 2022, were as follows:

- Legal costs attributable to FMIF - $283,568.35 (excluding GST); and
- Remuneration attributable to FMIF - $158,792.59 (excluding GST).

However, these figures may be subject to change and are subject to Court approval

It is expected that further remuneration and expenses claims will be made by the Liquidator during the course of the winding up.

Court Appointed Receiver's Remuneration

The remuneration of the Court Appointed Receiver, that had not been submitted to the Court for approval or paid as at 31 December 2022 was approximately $611,311.10 (excluding GST). This figure may be subject to change and is subject to Court approval. Further applications for approval of remuneration will be made by the Court Appointed Receiver during the course of the winding up.

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 Guarantor

PTAL as custodian of the FMIF obtained judgment against a guarantor, for approximately $3 million, plus interest and costs. The trustee in bankruptcy identified potential recoveries for the benefit of creditors of the bankrupt estate, of which the Fund is a major creditor. The bankrupt, along with other parties, contributed land to a development. The land was subdivided, developed and sold, and the net proceeds of sale in the sum of approximately $12 million was paid into a solicitors' trust account on an interim basis, protected by certain undertakings given by the solicitors holding the funds. The trustee claimed an entitlement in respect of all or at least a substantial portion of the funds held in the solicitors' trust account; however, other parties to the dispute alleged that associated entities of the bankrupt are entitled to the funds.

PTAL as custodian of the FMIF entered into a Deed of Indemnity to fund a public examination and any agreed recovery proceedings in respect of this matter. A public examination was held in the Federal Court in November 2019. Subsequently, demands were served on several parties. The trustee held two mediations with several parties in relation to the dispute, which culminated in a settlement being reached on 1 September 2021. The gross return to the bankrupt estate from the settlement was estimated to be between $2,882,181 and $3,832,181, depending upon the outcome of a taxation objection. Under the Deed of Indemnity, the Trustee was required to make an application to Court seeking an order giving the FMIF a priority over

13. LITIGATION MATTERS (Continued)

Claim against Guarantor (continued)

other creditors. This application was heard on 29 September 2022 with orders made on 16 November 2022 giving priority over other creditors to the FMIF.

The taxation objection was lodged in late 2021 and after further discussions and submissions were made by the taxpayer the ATO issued a decision rejecting the objection on 23 November 2022. After deducting the AFSA realisations charge, repayment of the funding of $810K to the FMIF, and the trustee's remuneration and expenses, further distributions of $810,000 and $66,850 have been made to conclude the matter.