

SUPREME COURT OF QUEENSLAND

REGISTRY: Brisbane  
NUMBER: BS3508/2015

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

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

AND

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

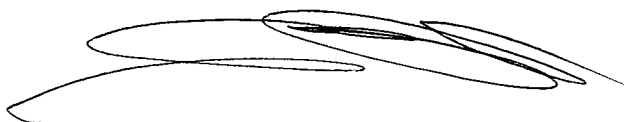
AND

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

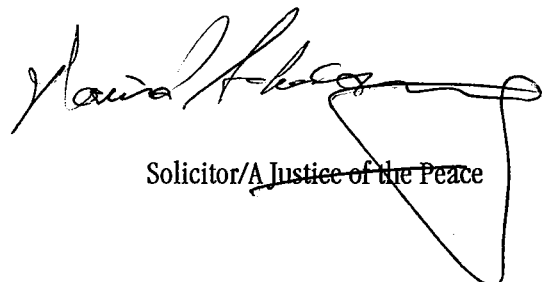
CERTIFICATE OF EXHIBIT

Volume 2 of 4

Bound and marked "DW-42" to "DW-48" is a bundle of exhibits to the Affidavit of DAVID WHYTE sworn  
this 29<sup>th</sup> day of May 2017



Deponent



Solicitor/A Justice of the Peace

CERTIFICATE OF EXHIBIT:

Form 47, R.435

Filed on behalf of the Respondent,  
Mr David Whyte

\\TCVREXCHData\RadixDM\Documents\LM\Matter\1602538\01349844-018.doc

TUCKER & COWEN

Solicitors

Level 15

15 Adelaide Street

Brisbane, Qld, 4000

Tele: (07) 300 300 00

Fax: (07) 300 300 33

SUPREME COURT OF QUEENSLAND

REGISTRY: Brisbane  
NUMBER: BS3508/2015

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

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

AND

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

AND

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

INDEX OF EXHIBITS TO VOLUME 2 OF 4

Exhibit	Description	Date	Page No.
DW-42	Product Disclosure Statement of the FMIF	10.04.2008	165 – 247
DW-43	Deed establishing the LMA Trust and Deed of Variation	30.06.2003 & May 2012	248 – 278
DW-44	Historical company extract with respect to LMIM	24.05.2017	279 – 301
DW-45	Historical company extract with respect to LMA	24.05.2017	302 – 317
DW-46	Notice by ASIC to LMIM of suspension of LMIM's AFSL	31.03.2017	318
DW-47	ASIC Instrument 16-0959	29.09.2016	319 – 320
DW-48	Annual Financial Reports of the FMIF for financial years ended 30 June 2011 to 30 June 2012	16.09.2011 & 16.09.2012	321 – 421

"DW-42"



LM Investment Management Ltd

# LM First Mortgage Income Fund

ARSN 089 343 288

Incorporating:-

- > Flexi Account and Fixed Term Investment
- > LM Savings Plan
- > Currency Hedged Fixed Term Investment

> Product Disclosure Statement &  
Application Form  
Issued 10 April 2008

Australia's Specialist Mortgage Trust Manager

ABN 68 077 208 461 Responsible Entity & AFSL No. 220281

# LM First Mortgage Income Fund

ARSN 089 343 288

## Supplementary Product Disclosure Statement

30 October 2009

This is the Third Supplementary Product Disclosure Statement ("Third SPDS") that supplements the Product Disclosure Statement ("PDS"), the First Supplementary Product Disclosure Statement ("First SPDS") and the Second Supplementary Product Disclosure Statement ("Second SPDS") issued on 10 April 2008, 28 November 2008 and 3 March 2009 respectively for the LM First Mortgage Income Fund ARSN 089 343 288 (the "Fund"). Investors should read this Third SPDS together with the PDS, First SPDS and Second SPDS prior to investing in the LM First Mortgage Income Fund.

### Purpose of this Third SPDS

To provide updated information in relation to:-

- ▶ The Fund's credit facility with the Commonwealth Bank of Australia ("CBA").

The Fund's borrowing has been renegotiated, with the financier granting an extension for repayment of the credit facility until 30 June 2010. The directors believe the Fund will be able to meet its remaining obligations under the repayment plan to the CBA through repayment of existing loans and/or refinancing of existing loans with alternative financing providers, the continued support from the CBA or the securing of alternate sources of finance.

The section below headed "Borrowings of Fund" provides the fully updated details to references on the Fund's borrowing as contained in the Second PDS;

- ▶ The Fund and ASIC's Regulatory Guide 45 - "Mortgage Schemes – Improving Disclosure for Retail Investors".

The Manager has updated the explanation of the Liquidity Benchmark and Withdrawals as these are affected by the priority position of the Fund's repayment to the CBA and the lack of credit liquidity available in the property sector. This Third SPDS also updates investors on how the Manager will communicate and provide ongoing access to investors for updated ASIC benchmarks and information on the Fund.

### Borrowings of the Fund

The section headed "Borrowings of the Fund" on page 1 of the Second PDS is deleted and replaced as follows:-

"There have been changes made to the Fund's borrowing and the following paragraph replaces:-

- (i) the explanation of the Scheme Borrowing Benchmark on page 2 of the First SPDS;
- (ii) the second paragraph under the heading 'Borrowing Risk' on page 6 of the First SPDS; and
- (iii) the second paragraph under the heading "Borrowings of the Fund" on page 7 of the First SPDS:-

'Under the constitution the Manager may borrow against the Fund assets on terms and conditions acceptable to the Manager. The Manager has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA"). This facility was put into place in order to allow the Manager to take advantage of competitive commercial lending opportunities, or to assist the Fund with managing liquidity. As at 30 October 2009 the amount owing to the CBA was the fully drawn amount of \$115,313,554 and the interest rate of the facility is variable and is priced at 4.5% above the Bank Bill Swap Bid Rate (BBSY). The facility is secured by a fixed and floating charge over the assets of the Fund, providing the CBA as a secured lender with first priority over the assets and income of the Fund. The rights of investors to the income and assets of the Fund are secondary to the rights of the CBA. The facility expires on 30 June 2010. If the facility is not repaid by 30 June 2010, the Manager will seek a further extension of the facility from the CBA to enable any balance debt to be repaid. The facility will be repaid via cashflow generated in the Fund. Repayment of the facility will take priority over most other cashflow needs of the Fund, and will take priority over most withdrawal requests from members of the Fund. The facility may be varied from time to time in order to manage the Fund. Insufficient income generated by the Fund to service the debt under the facility, increases in the bank interest rate or a refusal of the financier to extend the term of the facility could cause the Fund to default on its loan.'

As the line of credit is fully drawn and being repaid in priority over most other cashflow needs of the Fund, the third paragraph under the heading "Liquidity Risk" on page 27 of the PDS is deleted."



## Liquidity Benchmark

In the Second SPDS on page 1 under the heading "Liquidity Benchmark" both paragraphs are deleted and replaced with the following:

"The Fund still continues to meet the Liquidity Benchmark outlined in ASIC's Regulatory Guide 45 - "Mortgage Schemes – Improving Disclosure for Retail Investors" released in September 2008. Currently, the Fund is required to repay the credit facility as a priority over most other cashflow needs of the Fund, and withdrawals are suspended except for withdrawals under hardship provisions and feeder fund payments for investor distributions and fund expenses. Therefore, the Manager has updated the explanation of the Liquidity Benchmark. The following paragraph replaces the explanation of the Liquidity Benchmark on page 2 of the First SPDS:-

'The Manager has cash flow estimates for the Fund for the next 12 months and as such meets ASIC's liquidity benchmark guideline to have cashflow estimates for the next 3 months. The Fund has fixed investment terms of 12, 6, 3 and 1 months. As most withdrawals are suspended the Fund will have sufficient cash or cash equivalents (not including undrawn amounts under lending facilities) to meet projected cash needs over the next 3 months. The Manager's cash flow estimates for the Fund for the next 12 months contain a detailed schedule of managed loan repayments to the Fund from its existing loan portfolio. Refer to page 4 of the First SPDS under the heading "Liquidity Policy" for further details.'

## Withdrawals

In the Second SPDS under the heading "Withdrawals" on page 2, the second paragraph is deleted and replaced with:-

"The prevailing credit and liquidity constraints in the property and financial markets, and the Fund's obligation to repay its credit facility to the CBA in priority to most other cashflow needs of the Fund, call for caution in the management of the Fund's cashflow. In order to protect all investments, the Manager has, as it determines, suspended withdrawals, with the exception of those approved under hardship provisions and feeder fund payments for investor distributions and fund expenses, as the cashflow allows. A return of liquidity to the Australian property sector would positively assist with cash flow management and the repayment due to the CBA and would, over time, bring about a return to "normal" timeframes for investor redemption payments."

In light of the above matters, in the First SPDS on page 4 under the heading "Liquidity Policy" the last sentence is deleted as payment of most withdrawals is currently suspended.

## Related Parties

In the "Related Parties" section on pages 7 and 8 of the First SPDS:-

- (i) The following paragraph replaces the eighth paragraph:-

"On 30 June 2008, the Manager assigned to the LM First Mortgage Income Fund, the rights and benefits of a \$5,100,000 debt due to the Manager from the LM Managed Performance Fund. The date for the repayment of that debt to the LM First Mortgage Income Fund has been extended to 30 June 2010. The current interest rate payable on this amount is 10%pa and the debt equates to 0.84% of the total loan portfolio."

and

- (ii) The following paragraph is added:-

"The Fund may, from time to time, sell or partially sell mortgage loans to other separate funds for which the Manager is also Responsible Entity. Any such transactions are reviewed and conducted in accordance with the Fund's Conflicts of Interest Policy. Currently there is one loan that the Fund has partly sold to the LM Australian Income Fund Currency Protected, with a current value of \$6,360 000."

## Related Party Transactions

The paragraph below replaces the paragraph headed "Related Party Finance" on page 8 of the First SPDS.

"LM is the Manager of the LM Managed Performance Fund. The LM Managed Performance Fund, in its own right, has second mortgages behind loans that are first mortgages of the LM First Mortgage Income Fund. At 30 September 2009 the LM Managed Performance Fund has 9 such second mortgages in the total amount of \$48,876,841. In each instance, the LM First Mortgage Income Fund has entered into a Priority Deed to protect its own first mortgage position with the borrower as part of normal loan documentation procedures."

## ASIC Benchmarks & Any Updated Information

Apart from the current financial report for the Fund, updated information in relation to the Fund that was previously provided on the Manager's website will now be provided to investors via direct communication from the Manager. Therefore, references contained:-

- (i) in the First SPDS
- Page 2 under the heading "ASIC Benchmark Disclosure for Investors" paragraphs 3 and 4; and
  - Under the "Portfolio Diversification" benchmark the second sentence; and
- (ii) in the PDS page 13 under the paragraph headed "Updated Financial and Other Information"

are updated as follows:-

The Manager will notify investors in the Fund of any material adverse information in relation to the Fund. This will include such information that relates to the ASIC benchmarks. Information relevant to the Fund that is not materially adverse and that is subject to change from time to time will also be updated by the Manager via direct communication to investors. This will include information that relates to the ASIC benchmarks such as information on the nature of the Fund's investment portfolio, including details of loans, whether the Fund invests in other unlisted mortgage schemes and the conditions of such investment. A paper copy of any updated information will be given to investors without charge on request.

# PORTFOLIO UPDATE FOR THE LM FIRST MORTGAGE INCOME FUND

AS AT 30 SEPTEMBER 2009

Below is updated information in relation to the Fund's assets.

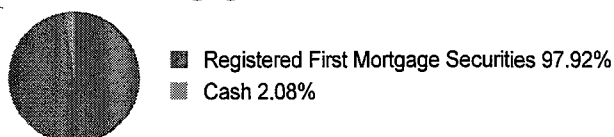
## Consolidated Assets

Consolidated assets of the LM First Mortgage Income Fund, the LM Wholesale First Mortgage Income Fund, the LM Currency Protected Australian Income Fund and the LM Institutional Currency Protected Australian Income Fund are \$617,026,849

## Assets of the LM First Mortgage Income Fund

- ▶ A diversified portfolio of Australian registered first mortgages over commercial, residential, industrial, retail and vacant land; and
- ▶ Interest bearing cash investments.

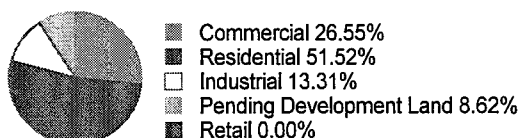
## LM First Mortgage Income Fund Asset Allocation



Asset Allocation Guidelines	No. of Loans	Value (\$)	Actual (%)
Registered First Mortgage Securities	48	604,195,441	97.92
Cash	N/A	12,831,409	2.08

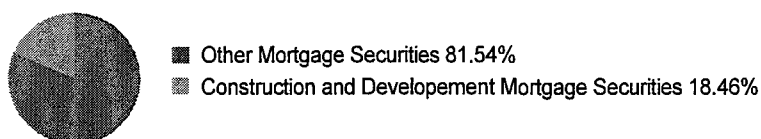
Management costs for the financial year ended 30 June 2009: 3.78%pa of the net assets of the Fund<sup>1</sup>.

## LM First Mortgage Income Fund Sector Diversification



Sector Guidelines	No. of Loans	Value (\$)	Actual (%)
Commercial	14	160,432,146	26.55
Residential	23	311,259,234	51.52
Industrial	3	80,430,990	13.31
Pending Development Land	8	52,075,071	8.62
Retail	0	0	0.00

## LM First Mortgage Income Fund Construction, Development and Other Mortgage Securities

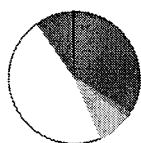


Construction, Development and Other Guidelines	No. of Loans	Value (\$)	Actual (%)
Construction and Development Mortgage Securities	7	111,517,860	18.46
Other Mortgage Securities*	41	492,677,580	81.54

\* Other Mortgage Securities includes pending development land, completed developments and income generating commercial loans.

<sup>1</sup> The management costs include all current running costs and expenses of the Fund, i.e. custodian fees, audit fees, management fees, finance fees, legal fees, and adviser fees.

## LM First Mortgage Income Fund Geographic Diversification



■ NSW 31.46%	■ WA 6.89%
■ ACT 1.27%	■ NT 0.00%
■ VIC 8.53%	■ TAS 0.55%
□ QLD 51.29%	□ SA 0.00%

Geographic Guidelines	No. of Loans	Value
New South Wales	16	190,108,900
Victoria	7	51,525,601
Queensland	20	309,909,117
South Australia	0	0
Australian Capital Territory	1	7,669,590
Western Australia	3	41,656,465
Northern Territory	0	0
Tasmania	1	3,330,767

## LM First Mortgage Income Fund Portfolio Details as at 30 September 2009

Mortgage Portfolio Details	Actual
Total value of mortgage securities	\$604,195,441
Number of mortgages	48
Average loan size	\$12,600,000
Average loan to valuation ratio	82.03%
Total value of loans with interest built into the facility and/or capitalised	\$523,130,529
Number of loans with interest built into the facility and/or capitalised	39
Total value of undrawn loan commitments over next 24 months (progressive loan draws) funded by cashflows of the Fund	\$6,000,000
Number of loans with undrawn loan commitments over next 24 months (progressive loan draws) funded by cashflows of the Fund	5
Average monthly undrawn loan commitments funded by cashflows of the Fund	\$1,300,000

The valuation policy for the Fund's first mortgage securities is written into the lending guidelines of the Fund, forms part of the compliance plan for the Fund, and is subject to independent audit.

The independent audit includes emphasis on asset valuation and loan recoverability. At 82.03% the average loan to valuation ratio of the Fund's mortgage portfolio is reflected against the value of the Fund's registered first mortgage assets. Ernst & Young finalised their independent financial year end audit, and as at 30 September, 2009 reports full fund value with investor unit price also retaining its full capital value.<sup>2</sup>

As at 30 September 2009 there were 32 borrowers. 8.04% of total monies was lent to the fund's largest borrower and 54.22% of total monies was lent to the fund's ten largest borrowers. The Fund does not have one single borrower that exceeds 10.00% of the fund's assets.

## Loan to Valuation Ratio (LVR)

LVR	No. of Loans	Value (\$)
< 50.00%	7	38,903,052
50.01% - 60.00%	6	59,741,302
60.01% - 70.00%	1	7,669,590
70.01% - 80.00%	10	161,345,939
80.01% - 90.00%	10	111,894,655
90.01% - 100.00%	14	224,641,003
> 100%	0	0

The average LVR across the mortgage portfolio as at 30 September 2009 is 82.03%.

## LM First Mortgage Income Fund Mortgage Securities by Maturity Profile as at 30 September 2009

Period Maturing	No. of Loans	Value
0 – 12 months	41	472,505,960
13 – 24 months	7	131,689,481
25 – 36 months	0	0
37 – 48 months	0	0
49 – 60 months	0	0

There remains a pervasive lack of credit/liquidity available within the property sector, as a result of the global credit crunch. This lack of credit curtails a borrower's ability to refinance his loan with another financial institution in order to repay his loan to the Fund by its maturity date. As a result, please note that whilst a large portion of the Fund's loans reach maturity over the forthcoming 12 months, it is likely that only some will repay the Fund at around their maturity date.

This is being monitored and managed to ensure sufficient liquidity within the Fund to meet its financial commitments including the repayment of its line of credit facility and the generation of investor income.

## LM First Mortgage Income Fund Mortgage Securities by Interest Rate Profile as at 30 September 2009

Interest Rate	No. of Loans	Value
= or < 7.00%	2	4,422,037
7.01% - 7.50%	0	0
7.51% - 8.00%	1	12,438,425
8.01% - 8.50%	1	15,180,319
8.51% - 9.00%	0	0
9.01% - 9.50%	4	47,263,380
9.51% - 10.00%	2	22,969,899
10.01% - 10.50%	3	78,605,674
10.51% - 11.00%	13	172,571,246
11.01% - 11.50%	11	106,837,274
11.51% - 12.00%	6	83,093,726
12.01% - 12.50%	1	9,168,035
12.50% - 13.00%	0	0
13.01% - 13.50%	4	51,645,424

## LM First Mortgage Income Fund Loans in Arrears as at 30 September 2009

Period	No. of Loans	Value
30 – 60 days	1	19,934,617
60 – 90 days	2	16,151,523
90 days and over	26	320,305,658

The Manager uses the terms "arrears" and "default" interchangeably. LM calculates its loan arrears statistic in accordance with the IFSA Standard No 18, "Best Practice Guidance for Disclosure in the Mortgage Trust Sector."

As at 30 September 2009, the audit verified the current valuation and recoverability of the loan assets and reported the fund retains full capital value for investors, with a unit price of \$1.00.<sup>3</sup>

The value of the property held by the LM First Mortgage Income Fund as its security for the arrears loans is \$422,744,400.

The Fund continues to repay its line of credit loan facility with the CBA in priority to normal investor redemptions and a pervasive lack of credit/liquidity continues to restrict movement within the commercial property sector. To protect its capital, the Fund remains closed with normal investor redemptions suspended. Currently, the cash within the Fund is driven by the conversion of loan assets from its mortgage portfolio back to cash.

<sup>3</sup> Past performance is not a reliable indicator of future performance.

Consequently, LM is not rolling loans at maturity as it might in a normal market environment. As loans go past their maturity date, they become part of LM's formal "arrears" management program to ensure LM is in control of an exit that is in the best interests of the Fund.

The exit focus at this time is on those assets that it is reasonable to expect will return value to the Fund and to avoid "fire selling" of assets.

In managing optimal recoverability, some arrears assets have been identified for longer term holds for value in more favourable market conditions. Others are undergoing improvements to enhance marketability and secure appropriate sale price for the Fund over the medium term.

All assets are recorded at fair market value. The average loan to valuation ratio of the Fund's mortgage securities is 82.03%, and the unit price is \$1.00, as at 30 September 2009.<sup>4</sup>

The Directors of LM Investment Management Ltd have authorised and consented to the issue of this Third SPDS.

<sup>4</sup> Past performance is not a reliable indicator of future performance.



# LM First Mortgage Income Fund

ARSN 089 343 288

## Supplementary Product Disclosure Statement

3 March 2009

This is the Supplementary Product Disclosure Statement ("Second SPDS") that supplements the Product Disclosure Statement ("PDS") and the First Supplementary Product Disclosure Statement ("First SPDS") issued on 10 April 2008 and 28 November 2008 respectively for the LM First Mortgage Income Fund ARSN 089 343 288 (the "Fund"). Investors should read this Second SPDS together with the PDS and First SPDS prior to investing in the LM First Mortgage Income Fund.

The purpose of this Second SPDS is to provide updated information in relation to the Fund and ASIC's Regulatory Guide 45 - "Mortgage Schemes – Improving Disclosure for Retail Investors".

### No Applications will be Accepted from New Members

LM Investment Management Limited (the "Manager") has determined that from the date of this Second SPDS it will not accept any applications for investment in the Fund from any person who is not an existing member in the Fund. Any application for investment in the Fund received by the Manager will therefore be returned to the applicant.

The Manager will still accept applications for investment in the Fund from any person who is an existing member in the Fund, and this will include deemed applications as part of any reinvestment of distributions.

The Manager may decide to change this decision at any time, and start accepting applications from non-members.

### Borrowings of the Fund

There have been changes made in relation to the Fund's borrowing and the following paragraph replaces the explanation of the Scheme Borrowing Benchmark on page 2 of the First SPDS, the second paragraph under the heading "Borrowing Risk" on page 6 of the First SPDS, and the second paragraph under the heading "Borrowings of the Fund" on page 7 of the First SPDS:-

"Under the constitution the Manager may borrow against the Fund assets on terms and conditions acceptable to the Manager. The Manager has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA"). This facility was put into place in order to allow the Manager to take advantage of competitive commercial lending opportunities, or to assist the Fund with managing liquidity. As at 3 March 2009 the amount owing to the CBA was the fully drawn amount of \$150 million and the interest rate of the facility is variable and is priced between 4.0% to 9.5% above the respective Bank Bill Swap Bid Rate (BBSY). The facility is secured by a fixed and floating charge over the assets of the Fund, providing the CBA as a secured lender with first priority over the assets and income of the Fund. The rights of investors to the income and assets of the Fund are secondary to the rights of the CBA. The facility expires on 31 July 2009. If the facility is not repaid by 31 July 2009, the Manager will seek a further extension of the facility from the CBA to enable any balance debt to be repaid. The facility will be repaid via cashflow generated in the Fund. Repayment of the facility will take priority over most other cashflow needs of the Fund, and will take priority over most withdrawal requests from members of the Fund. The facility may be varied from time to time in order to manage the Fund. Insufficient income generated by the Fund to service the debt under the facility, increases in the bank interest rate or a refusal of the financier to extend the term of the facility could cause the Fund to default on its loan."

In light of the above matters, the third paragraph under the heading "Liquidity Risk" on page 27 of the PDS is deleted.

### Liquidity Benchmark

The Fund still continues to meet the Liquidity Benchmark outlined in ASIC's Regulatory Guide 45 - "Mortgage Schemes – Improving Disclosure for Retail Investors" released in September 2008. However, in light of the recent change to the Fund's borrowing which requires repayment of the credit facility to take priority over most other cashflow needs of the Fund, and the fact that investors may expect timeframes of up to 365 days for withdrawals, the Manager has amended the explanation of the Liquidity Benchmark. The following paragraph therefore replaces the explanation of the Liquidity Benchmark on page 2 of the First SPDS:-

"The Manager has cash flow estimates for the Fund for the next 3 months. As the Fund has fixed investment terms of 12, 6, 3 and 1 months and will be paying any withdrawal requests up to 365 days after maturity, the Fund will have sufficient cash or cash equivalents (not including undrawn amounts under lending facilities) to meet projected cash needs over the next 3 months. Refer to page 4 of the First SPDS under the heading "Liquidity Policy" for further details, including the Manager's policy on balancing the maturity of the Fund's assets with the maturity of the Fund's liabilities."



LM Investment Management Ltd

ASIC 61977 208 401 Responsible Entity 2 APRIL 14 10:20AM

GOLD COAST | SYDNEY | HONG KONG | AUCKLAND | LONDON | DUBAI

HEAD OFFICE Level 4 9 Beach Rd Surfers Paradise Qld 4217 Australia T +61 7 5584 4500 F +61 7 5592 2505 Freecall 1800 062 919 E mail@LMaustalia.com www.LMaustalia.com

www.LMaustalia.com > LM First Mortgage Income Fund

## Withdrawals

In the First SPDS under the heading "Withdrawals" on page 6, the second paragraph is deleted and replaced with:-

"Due to the current turmoil and unpredictability of the market, and the obligation on the Manager to repay the Fund's credit facility to the Commonwealth Bank of Australia in priority to most other cashflow needs of the Fund, the Manager is exercising caution with the Fund's cashflow management and utilising longer timeframes for withdrawals. In particular, payment of investor withdrawals is likely to take 365 days. The Manager may also suspend withdrawals for such periods as it determines".

## Interest Distribution Payments

In accordance with the constitution the interest distributions are payable within 21 days after the end of the distribution period. The Manager had previously endeavoured to make such payments within a shorter period, but that is no longer the case. Consequently, the following changes are made to the PDS or First SPDS:-

- ▶ The second last paragraph under the heading "Interest Distribution Payments for the Flexi Account and Fixed Term Options" on page 6 of the PDS is deleted and replaced with the following - "Interest distributions are calculated daily. Interest distributions are payable within 21 days after the end of the month. Quarterly interest distributions are payable within 21 days of the quarterly anniversary of the investment date".
- ▶ The last sentence of the first paragraph under the heading "Interest Distribution Payments for Non-Australian Investments" on page 9 of the PDS is deleted and replaced with the following - "The interest distribution is paid within 21 days of maturity of the original and any subsequent investment term."
- ▶ In the First SPDS, under the heading "Monthly Distributions now Available for Non-Australian Dollar Currency Hedged Fixed Investment Terms as well as Australian Dollar Fixed Investment Terms" on page 1, the reference to "5 business days" in the third paragraph is deleted and replaced with "21 days" and the first two sentences of the second paragraph are deleted and replaced with - "Such distributions will be paid within 21 days of the monthly anniversary of the day the investment begins".

## Currency Hedge for Non-Australian Dollar Investment Options

Providers of the Forward Foreign Exchange Contracts ("FFECs") are chosen by the Manager. The Manager has recently changed the providers of the FFECs for the Fund. Consequently, references in the PDS to FFECs being facilitated or settled by a global investment bank (on pages 2, 5 and 8) are amended by deleting the references to "global investment bank" and replacing them with "a FFEC provider chosen by the Manager".

The Directors of LM Investment Management Ltd have authorised and consented to the issue of this Second SPDS.



# LM First Mortgage Income Fund ARSN 089 343 288

## Supplementary Product Disclosure Statement 28 November 2008

This is the Supplementary Product Disclosure Statement ("First SPDS") that supplements the Product Disclosure Statement issued on 10 April 2008 ("PDS") for the LM First Mortgage Income Fund ARSN 089 343 288 (the "Fund"). Investors should read this First SPDS together with the PDS prior to investing in the LM First Mortgage Income Fund.

The purpose of this First SPDS is to update investors as follows:-

- ▶ New investors (or investors rolling over their existing investments) may now nominate monthly distributions for non-Australian dollar currency hedged fixed investment terms;
- ▶ This document contains updated information in relation to the Fund; and
- ▶ This document includes information to comply with the requirements of ASIC's Regulatory Guide 45 - "Mortgage Schemes – Improving Disclosure for Retail Investors" released in September 2008.

### Monthly Distributions now Available for Non-Australian Dollar Currency Hedged Fixed Investment Terms as well as Australian Dollar Fixed Investment Terms

Non-Australian dollar currency hedged fixed term investors may elect to have their distributions electronically credited to the investor's nominated financial institution account on a monthly basis. If the distribution is electronically credited monthly to an investor's financial institution account the distribution is not hedged. The distribution is not hedged as the Fund pays the monthly distribution directly from the earnings of the Fund in Australian dollars. The distribution does not form part of the FFEC as it does for a non-AUD investment where the interest is paid at maturity.

Such distributions will be paid within 5 business days of the monthly anniversary of the day the investment begins. For example, if the investment commences on 15 June the distribution will be paid by 20 July. Investors should note that financial institutions may charge a remittance fee which will be deducted from the investor's distribution amount.

If an investor wants to change the distribution instructions it can only do so on rollover of the investment and written notice must be received by the Manager at least 5 business days prior to the maturity date.

#### Calculation of Monthly Distribution

The calculation of the value of the unhedged distribution will be as follows:-

- ▶ The simple rate of return in the relevant non-AUD currency will be converted to the AUD value at the spot rate as at the day of the initial trade date. For example-
  - Investor invests USD\$100K at an effective rate of 5.75%pa, the simple rate is 5.60%pa;
  - The USD\$100K investment will earn interest of USD\$5,600 calculated as follows:-  $\text{USD\$100K} \times 5.60\% \text{pa for 12 months} = \text{USD\$5,600}$ ;
  - The total distribution amount of USD\$5,600 is converted to AUD at the spot rate of 0.93 = AUD\$6,022;
  - Investor will be paid monthly distributions of AUD\$501.83 calculated as follows:-  $\text{AUD\$6,022}/12 = \text{AUD\$501.83}$ .

Interest rates are variable and may change during the investment.

#### To Apply for Monthly Distributions for Non-Australian Dollar Currency Hedged Fixed Investment Terms

If a non-Australian dollar investor wants to elect to have their distributions paid monthly, when completing the Application Form they should write in Section 11 of the Application Form (Page 48 of the PDS) "Interest distributions are to be paid monthly to the bank account nominated in Section 15".



**LM Investment Management Ltd**

ABN 69 077 208 461 Restricted Entity & AFSL No. 22 0281

GOLD COAST | SYDNEY | HONG KONG | AUCKLAND | LONDON | DUBAI

HEAD OFFICE Level 4 9 Beach Rd Surfers Paradise Qld 4217 Australia T +61 7 5584 4500 F +61 7 5592 2505 Freecall 1800 062 919 E mail@LMAustralia.com www.LMAustralia.com



## ASIC Benchmark Disclosure for Investors

The information in the table below is provided to comply with the requirements of ASIC's Regulatory Guide 45 - "Mortgage Schemes – Improving Disclosure for Retail Investors" released in September 2008. Regulatory Guide 45 refers to 8 benchmarks developed by ASIC. From 30 November 2008, all PDSs for unlisted mortgage schemes are required to include the following statements in respect of each benchmark:-

- ▶ that the Fund meets the benchmark; or
- ▶ that the Fund does not meet the benchmark, and an explanation of how and why the Fund deals with the business factor or issue underlying the benchmark in another way.

A full copy of Regulatory Guide 45 can be obtained from the ASIC website: [www.asic.gov.au](http://www.asic.gov.au).

The Manager will notify investors in the Fund of any material adverse information in relation to the Fund. This will include such information that relates to the ASIC benchmarks. Information relevant to the Fund that is not materially adverse and that is subject to change from time to time (including information that relates to the ASIC benchmarks) will be updated by the Manager on its website at [www.LMaustralia.com](http://www.LMaustralia.com), and a paper copy of any updated information will be given to any person without charge on request.

The following information relevant to the ASIC benchmarks is available from the Manager's website at [www.LMaustralia.com/downloads/FMIF\\_portfolio\\_update.pdf](http://www.LMaustralia.com/downloads/FMIF_portfolio_update.pdf), in the document titled LM First Mortgage Income Fund - Portfolio Update, or a copy can be obtained free of charge by telephoning freecall 1800 062 919 (Australia only) or +617 5584 4500:-

- ▶ information on the nature of the Fund's investment portfolio, including details of loans and whether the Fund invests in other unlisted mortgage schemes and the conditions of such investment.

Set out below are the 8 ASIC benchmarks and a summary of how the Fund meets or does not meet the benchmarks. We encourage you to discuss the ASIC benchmarks with your financial adviser.

BENCHMARK	DOES LM MEET BENCHMARK	EXPLANATION
<b>Liquidity</b> (which for the purposes of this benchmark means the proportion of cash or cash equivalents in the Fund's assets)	Yes	The Manager has cash flow estimates for the Fund for the next 3 months and as the Fund has fixed investment terms of 12, 6, 3 and 1 months, the Fund will have sufficient cash or cash equivalents (not including undrawn amounts under lending facilities) to meet projected cash needs over the next 3 months. Refer to page 4 of this First SPDS under the heading "Liquidity Policy" for further details, including the Manager's policy on balancing the maturity of the Fund's assets with the maturity of the Fund's liabilities.
<b>Scheme Borrowing</b>	Yes	Under the constitution the Manager may borrow against the Fund assets on terms and conditions acceptable to the Manager. The Manager has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA"). This facility was put into place in order to allow the Manager to take advantage of competitive commercial lending opportunities, or to assist the Fund with managing liquidity. At the date of this First SPDS the amount owing to the CBA was \$150 million. The facility term is the subject of an annual review and the Manager is currently renegotiating the credit facility with CBA and expects these negotiations to be finalised by 31 December 2008. The Manager expects that negotiations with CBA will result in a continued line of credit facility for a total of \$150 million for a further 12 month term and will be subject to an annual review. The finance facility is secured by a fixed and floating charge over the assets of the Fund, providing the CBA as a secured lender with first priority over the assets and income of the Fund. The rights of investors to the income and assets of the Fund are secondary to the rights of the CBA. The facility will be repaid via investment inflows and inflows received from principal repayments from borrowers.
<b>Portfolio Diversification</b>	Yes	The Manager provides details in relation to number of loans and details of the mortgage portfolio diversification on the Portfolio Update and these details comply with the ASIC benchmark requirements. The Portfolio Update will be available from the Manager's website at <a href="http://www.LMaustralia.com/downloads/FMIF_portfolio_update.pdf">www.LMaustralia.com/downloads/FMIF_portfolio_update.pdf</a> in the document titled "LM First Mortgage Income Fund – Portfolio Update". The Manager's lending policies and procedures for the Fund provide further details in relation to maximum loan amount for any one borrower; the method of assessing borrowers' capacity to service loans; the Manager's approach to taking security; revaluing security properties on rollover and whether the security must be income producing. See the section headed "Lending Policies and Procedures of the Fund" on page 4 of this First SPDS. The Manager does not currently invest in other unlisted mortgage schemes, but has the power to do so in the Fund constitution. The Manager's policy on investing in such schemes is to ascertain whether such an investment is desirable for the Fund in light of the circumstances at that time. The Manager will not necessarily require such a scheme to satisfy the ASIC benchmarks before the Manager invests in the scheme.

BENCHMARK	DOES LM MEET BENCHMARK	EXPLANATION
Related Party Transactions	Yes	The Fund may lend to related parties, but such loans are subject to review by the Board and can only be approved on commercial arms-length terms following approval by the Credit Committee. The Board's approval process is monitored by the Manager's Risk Manager and Business Standards and Compliance Manager. The Fund may also invest in other managed investment schemes which are operated by the Manager. All Fund investments follow the same stringent due diligence processes which are monitored by the Chief Financial Officer. For further details refer to the paragraph under the heading "Related Parties" on page 7 of this First SPDS. Also refer to the paragraph under the heading "Conflicts of Interest Management" on page 34 of the PDS for information in relation to how the Manager deals with conflicts of interest.
Valuation Policy	No	The Manager's valuation policies set out how real property assets over which the Fund has security will be valued (that is, on an "as is" basis, and for development loans, also on an "as if complete" basis) and how often valuations are obtained. The ASIC benchmark also requires that no one valuer conducts more than 1/3 of the valuation work for the Fund. The Fund complies with this requirement. Valuers selected to perform relevant valuations on the security property are chosen based on independence, specialist industry expertise and geographic location. The ASIC benchmark requires the disclosure of information about the valuation of a particular property for an unlisted mortgage scheme where a loan secured against the property accounts for 5% or more of the total value of the scheme's loan book. The Manager does not provide this information due to privacy reasons, the commercial sensitivity of valuation information and because the assets within the loan book change regularly. Further details in relation to the Manager's valuation policies are outlined on page 5 of this First SPDS under the paragraphs headed "Valuation Policies".
Lending Principles	No	It is the Manager's current policy to generally not exceed a loan to valuation ratio of 66.67% on construction and development loans and 75% on commercial loans (which ratios do both comply with the ASIC benchmark of 70% on property development - on the basis of the latest 'as if complete' valuation and in all other cases 80% on the basis of the latest market valuation). However, it is the Manager's current practice to exceed those ratios whenever necessary in the process of working through a repayment solution. The Fund's constitution allows the Manager to lend funds provided that all mortgages are secured over property and the amount which may be advanced to a borrower does not exceed an LVR of 75% of the value of the security property on initial settlement. After a loan has settled and where the Manager considers it is in the best interests of the members of the Fund, the Manager may approve an LVR not to exceed 85% of the value of the security property. The LVR of a loan that is in default may exceed 85%. Where the loan is a development loan, funds are advanced progressively in stages through the development on a "Cost to Complete" basis and the Manager engages an external consultant Quantity Surveyor for each development and receives periodic reports on the progress of the development including certification of construction claims based on work completed. Further details in relation to the Manager's lending policies and procedures are outlined on page 4 of this First SPDS under the heading "Lending Policies and Procedures for the Fund".
Distribution Practices	Yes	Distributions are sourced from income earned from the assets of the Fund. The interest distribution rates are variable depending on the income earned, expenses paid and other matters relevant to the Fund. If the income earned is not sufficient to pay all expenses and interest distributions the returns to investors will be lower. The lower return will be determined based on the amount available to pay interest distributions. Please refer to the Manager's website at <a href="http://www.LMaustralia.com">www.LMaustralia.com</a> for details of the most recent interest distribution rates. Past performance is not an indicator of future performance.
Withdrawal Arrangements	Yes	<p>Details in relation to how and when investors can withdraw from the Fund are set out on page 17 of the PDS headed "How to Withdraw" and updated with information in relation to payment of withdrawals on page 6 of this First SPDS. As noted in that section of the PDS, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals for such period as it determines in order to protect all investments.</p> <p>A delay in meeting an investor's withdrawal request is possible where there are a significant number of withdrawal requests received at the same time, which absorb the cash reserves of the Fund and if assets of the Fund are not sufficiently liquid. The Manager has a liquidity policy that is monitored by the Board to adequately manage payment of withdrawals within the time period specified.</p> <p>Investors should also note the automatic rollover provisions which apply to their investments, and the time periods for notice to be given to withdraw – see the heading "Fixed Term Investment Withdrawal Notice" on page 6 of the PDS and the heading "Automatic Reinvestment Default Position" on page 9 of the PDS.</p> <p>The amount payable to investors on withdrawal will be the issue price of their units at that time. This amount is subject to change depending on the net value of the assets of the Fund. See the heading "Unit Pricing" on page 13 of the PDS for further details.</p>

## Assets of the Fund

Updated information in relation to assets of the Fund shown on page 12 of the PDS, including details in relation to number of loans, details of the mortgage portfolio diversification and arrears, is available from the Manager's website at [www.LMAustralia.com/downloads/FMIF\\_portfolio\\_update.pdf](http://www.LMAustralia.com/downloads/FMIF_portfolio_update.pdf), in the document titled LM First Mortgage Income Fund - Portfolio Update, or a copy can be obtained free of charge by telephoning the Manager's regional offices or by telephoning the Manager's head office on freecall 1800 062 919 (Australia only) or +617 5584 4500.

## Liquidity Policy

The Manager monitors and balances the Fund's portfolio of assets between cash and Australian registered first mortgage securities as part of the Fund's liquidity management.

The liquidity policy of the Fund describes the methodology the Manager applies to ensure that the maturity of the assets and liabilities of the Fund do not negatively impact on the Fund. The Manager does this by continually monitoring and managing the four variables that impact on liquidity which are: investor inflows; investor redemptions; loan draws and loan repayments.

Since its inception in 1999, the Fund has settled approximately \$4 billion of first mortgages within the commercial, industrial, retail, residential, aged care and construction sectors of Australia's property market (past performance is not an indicator of future performance). The Manager's Commercial Lending Team is focused on growing its national mortgage broker and direct borrower network, with the intention of ensuring a continued supply of loans for the portfolio.

As required by the ASIC benchmark on liquidity, in estimating cash flows, the Manager can take into account a reasonable estimate of investor inflows and outflows based on previous experience. Withdrawals are considered with reference to the period within which investors would reasonably expect withdrawal requests to be processed, rather than the maximum period within which the Manager is able to process withdrawal requests. As noted under the heading "Withdrawals" on page 6 of this First SPDS, investors may expect timeframes of up to 365 days for withdrawals if the current market conditions remain.

## Lending Policies and Procedures of the Fund

The information contained in the PDS on page 10 under the heading "Lending Policies and Procedures of the LM First Mortgage Income Fund", page 32 under the heading "Lending Criteria of the Fund", page 33 under the headings "Development Loans", "Credit Committee", "Valuations Policy", "Development Valuations", "As is' Valuation" and "On Completion' Valuation", is deleted and replaced with the following.

### Credit Committee

The Credit Committee is integral to the compliance and risk management processes utilised by the Manager with respect to the selection of registered first mortgage assets for the Fund. The Credit Committee is an internal review committee for all mortgage investments and is independent from all other departments. The Credit Committee calls for collaboration of a broad base of expertise from the property, finance, legal and accounting sectors when evaluating mortgage assets for the Fund. The formal structure and collaborative decision making process provided by the Credit Committee ensures an informed assessment and objective decision is made when selecting the first mortgage assets of the Fund.

New mortgage investment proposals are put forward by the commercial lending department for consideration with a written summary. The Credit Committee is responsible for setting the primary terms and conditions upon which subsequent approval will be based.

When mortgage investment proposals are completed in accordance with the Manager's credit standards they are required to be finally approved by the Credit Committee.

### Lending Criteria of the Fund

- ▶ The Manager has determined and documented lending policies for the approval and management of mortgages. Risk management is a priority, with mortgages diversified over a number of levels including geographic location, sector, loan size, interest rate and maturity profile.
- ▶ One of the tools the Manager employs to enhance income into the Fund is to balance the assets of the mortgage portfolio between commercial loans and selective development loans.
- ▶ The type of real estate offered for security must be acceptable to the Manager. Typical mortgage securities will include commercial, industrial and residential real estate (including development loans across these sectors) secured by a registered first mortgage. A first mortgage must be registered on the primary security property.
- ▶ The value of the security property must be established in accordance with the valuations policy of the Manager.
- ▶ The ability of the borrower to service the facility must be established to the satisfaction of the Manager.
- ▶ To the extent that they may affect the value or performance of an underlying investment the Manager may take into account labour standards, or environmental, social or ethical considerations when making, retaining or realising an investment in the Fund. The Manager has no predetermined view about how far such matters will be taken into account, and the Manager will make a determination on such issues on a case by case basis.

### Lending Policies and Procedures

The Manager will be selective in its choice of mortgages and will adhere to prudent lending parameters. The Fund will follow strict lending policies and procedures as detailed below:-

- ▶ assessment of the borrower - the Manager endeavours to meet every borrower to assess character and business acumen;
- ▶ the maximum loan amount for any one borrower generally does not exceed 10% of the scheme assets;
- ▶ all mortgages are subject to the Manager's rigorous due diligence process including approval by the Manager's Credit Committee;
- ▶ the due diligence process includes assessment of the financial capacity of the borrower and any guarantors. The assessment is carried out by review and substantiation of assets, liabilities and income by reference to information provided by the borrower and independent searches and checks;

- ▶ a first mortgage is always registered on property held as the primary security;
- ▶ commercial loans are loans secured by income producing property. Non-commercial loans (not secured by income producing property) include construction/development loans and pre-development land. The capacity to service commercial loans is assessed primarily by reference to income produced from the security property, however income from all sources is also considered. The capacity to service construction loans is primarily dependent on the viability of the project, the project cash flow (including interest commitments) and all factors relevant to the project including valuation of the completed product, product demand, pre-sales contracts, marketing strategies, certified project costings, credentials of the borrower, builder and key sub-contractors;
- ▶ the Manager has every security property valued by one of the Manager's panel valuers or by a valuer meeting the Manager's standards for inclusion on its panel and adhering to the Manager's valuation policies. Further details in relation to the Manager's valuation policies are outlined below under the heading "Valuation Policies";
- ▶ the Manager has a policy of diversifying mortgage securities geographically and by property type;
- ▶ the Manager has a policy of generally not exceeding the following loan to valuation ratios:-
  - 66.67% for construction and development loans; and
  - 75% for commercial loans;
 The Credit Committee will consider the appropriate loan to valuation ratio based on all the factors surrounding the loan;
- ▶ the constitution of the Fund allows the Manager to lend funds provided that all mortgages are secured over property and the amount which may be advanced to a borrower does not exceed an LVR of 75% of the value of the security property on initial settlement. After a loan has settled and where the Manager considers it is in the best interests of the members of the Fund, the Manager may approve an LVR not to exceed 85% of the value of the security property. The LVR of a loan that is in default may exceed 85%. This could occur for example, where interest is being capitalised while the security property is being marketed and sold, or where the Manager determines that expenditure should be incurred to improve the security property prior to sale (the Manager considers a loan to be in default when interest payments have not been received in breach of the loan agreement, or the loan term has expired without repayment of principal);
- ▶ the following additional requirements are imposed in the case of development loans:
  - for development/construction loans the initial drawdown for the facility is arrived at after considering both the approved loan to valuation ratio on the "as is" valuation and the "cost to complete" formula. The initial drawdown must meet the loan to valuation ratio required and also allow sufficient funds to be available in the facility to complete the development. The project feasibility must reflect the "cost to complete" formula throughout the life of the project. The concept of a "cost to complete" formula is that the lender always retains sufficient funds within the loan facility to complete the development based on its assessment of the actual cost to complete the project. The Manager engages an external consultant Quantity Surveyor for each project and receives periodic reports on the progress of the project including certification of construction claims based on work completed;
  - additional development loan procedures are required throughout the development stages of the loan to ensure the development is adequately monitored;
  - where applicable a tripartite agreement is made between the Manager, the borrower and the builder. This enables the Manager, in the event of default by the borrower, to deal directly with the builder.

## Valuation Policies

All real property assets of the Fund are required to be valued prior to settlement of each transaction. Valuations may only be carried out by the Manager's panel valuers or by a valuer meeting the Manager's standards for inclusion on its panel and must adhere to the Manager's valuation guidelines. The Manager has determined and documented valuation review procedures for guidance on each valuation.

Members of the valuation panel are appointed and removed in accordance with the Manager's valuation panel appointment guidelines. The Manager is responsible for approving the appointment or removal of a panel valuer.

The Manager, in accordance with its valuations review guidelines is responsible for the review of all valuations. Unresolved issues arising from a review must be referred to an executive director for discussion and determination.

As an internal checking mechanism, an independent property report is obtained (where appropriate) from two real estate agents or an alternate valuers report whose normal trade area encompasses the property being valued.

Valuers selected by the Manager to perform relevant valuations on the security property are chosen based on independence, specialist industry expertise and geographic location.

The Manager only uses valuers who, where possible, are registered under one of the state/territory valuer registration regimes and who include a statement in their valuation reports on whether the valuation complies with all relevant industry standards and codes.

The Manager does not accept valuations performed on the instruction of borrowers. The Manager requires that valuations be provided on the Manager's instructions, or that valuers confirm that their valuations adhere to the Manager's requirements.

The valuer must have appropriate professional indemnity insurance.

The valuer must certify that they are independent of both the borrower and security property.

At initial settlement, the valuation relied on must not be dated more than 3 months prior to settlement.

An updated valuation will generally be required where a loan term is extended or a loan is otherwise varied. An updated valuation will also generally be required for commercial loans at 24 month intervals and for construction loans at 12 month intervals. The requirement for an updated valuation may be waived where the Manager considers that an updated valuation would serve no useful purpose (e.g. where it is demonstrable that property values have increased or not changed in the locality of the property, where a property under construction is significantly presold, where a commercial property has long term leases in place, where a sale or refinance is imminent or where the loan to valuation ratio of the property is low).

## Development Valuations

Separate valuations (may be within the one valuation report) are required in relation to "as is" and "on completion" valuations.

Appropriate instructions must be given to the valuer having regard to the type of valuation required. In particular the instructions indicate the type of valuation required eg. "as is" or "on completion".

### "As is" Valuation

The "as is" valuation is the market valuation of the property at the time of the initial drawdown. A "feasibility analysis" is undertaken including demolition, subdivision, construction, and other development costs, allowances for sales and marketing expenses, interest and an allowance for profit and risk to arrive at a base value for the land. Any such analysis is based on the premise that the development approval has or will be obtained prior to settlement of the loan. Alternatively, the valuation must contain an adjustment for any uncertainty attaching to the development approval process. The requirement for a feasibility analysis may be satisfied, if appropriate, using alternate techniques such as discounted cash flows. Additionally a cross check valuation method is employed evaluating comparable sales evidence. The loan to valuation ratio in this case must fall within the Manager's lending criteria.

### "On Completion" Valuation

The "on completion" value is the market value of the property at the completion of development. The valuation methodology required is a "gross realisation" valuation based on comparable sales and/or lease evidence for the individual components e.g. houses, units, allotments etc.

The Manager will reasonably assess the appropriateness of the feasibility analysis within the valuer's report by comparison with cost estimates provided by a competent external quantity surveyor selected from the Manager's panel.

The "on completion" value is the valuation figure used in the cost to complete calculations during the development phase. The "on completion" value may be revised during the term of development to reflect changes as approved by the Manager.

## Withdrawals

From time to time dependent on market cycles, the Manager may pay withdrawals over longer timeframes than usual in a normal market environment. As currently stated in the PDS, in certain circumstances withdrawal payments may be extended to 365 days or the Manager may suspend withdrawals. This protective management mechanism can be utilised to manage liquidity, to protect Fund assets and stability and investor distributions.

Due to the current turmoil and unpredictability of the market, the Manager is exercising caution with the Fund's cashflow management and utilising longer timeframes for redemptions. The Fund is currently continuing to pay redemptions, with income being earned up to the date of payment, and non-Australian dollar investments continue to hedge the currency exposure of these investments. However, longer timeframes of up to 365 days can occur should the market dictate. The Manager may also suspend withdrawals for such periods as it determines.

In light of the above matters, the following changes are made to the PDS:

- ▶ On page 17 of the PDS titled "How to Withdraw", the normal market environment timeframes for payment of withdrawals of generally within 30 days after maturity for Australian dollar investments and generally within 5 business days after maturity date no longer occur at this time, and references to those time periods under the heading "Withdrawal Notice Period" are deleted from the PDS.
- ▶ In footnotes 8, 9, 11, 13, 16, 17 and 18 on pages 5, 6, 7, 8, 9, 10 and 12 respectively of the PDS, the words "While the Manager considers any delays unlikely" are deleted.
- ▶ On pages 5, 6, 7, 9 and 31 of the PDS, the references to "The Flexi Account option generally allows investors 30 day access to their funds" and "Payment of the withdrawal will generally occur within 30 days from receipt of the written notice" and "Payment of the withdrawal will generally be made within 30 days after the maturity date" and "Payment of the withdrawal will generally be made within 5 business days after the maturity date" and the paragraph beginning "Historically, the Fund has successfully met all withdrawal requests on time and in full" are deleted.

The Manager is managing the challenges of the current external factors to ensure the ongoing success of the Fund in terms of both income and stability.

## Investment Risks

### Currency Risk

Non-Australian dollar investors who elect to have their distributions electronically credited to the investor's nominated financial institution on a monthly basis should note there is a possible additional currency risk which relates to the unhedged distribution. These investors should take into account the paragraph below in addition to the "Currency Risk" paragraph on page 26 of the PDS.

- ▶ Investors with non-Australian dollar investments who have elected to have their distributions paid monthly should note the distribution is not hedged as the Fund pays the monthly distribution directly from the earnings of the Fund in Australian dollars. The distribution does not form part of the FFEC as it does for a non-Australian dollar investment where the interest is paid at maturity and as such the monthly unhedged distribution is subject to currency risk.

### Borrowing Risk

As referred to in this First SPDS there have been changes made in relation to the Fund's borrowing and as such the Borrowing Risk on page 27 of the PDS is replaced with the following paragraph.

Under the constitution the Manager may borrow against the Fund assets on terms and conditions acceptable to the Manager. The Manager has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA"). This facility was put into place in order to allow the Manager to take advantage of competitive commercial lending opportunities, or to assist the Fund with managing liquidity. As at 28 November 2008 the amount owing to the CBA was \$150 million. As at 28 November 2008 the interest rate of the facility is variable and is priced between 0.50% to 1.10% above the respective BBSY bid rate. The facility term is the subject of an annual review. The Manager is currently renegotiating the credit facility with CBA and expects these negotiations to be finalised by 31 December 2008. The Manager expects that negotiations with CBA will result in a continued line of credit facility for a total of \$150 million for a further 12 month term and will be subject to an annual review.

The finance facility is secured by a fixed and floating charge over the assets of the Fund, providing the CBA as a secured lender with first priority over the assets and income of the Fund. The rights of investors to the income and assets of the Fund are secondary to the rights of the CBA. The facility will be repaid via investment inflows and inflows received from principal repayments from borrowers. This facility or a similar facility may be varied from time to time in order to manage the Fund. Insufficient income generated by the Fund to service the CBA debt, increases in the bank interest rate or an unforeseen refusal of the financier to extend the term of any facility could cause the Fund to default on its loan.

## The Directors

By way of update to information about the Directors on page 29 of the PDS, Simon Tickner has been appointed as an executive director and John Dillon and Val Llewellyn are no longer non-executive directors. Information in relation to Simon's background and position with the Manager is outlined in the paragraph below.

### Simon Tickner – Executive Director, Head of Lending

In 2001, Simon immigrated to Australia with his family after a 20 year career in trading and broking financial derivatives in London's money markets. Having established LM's Sydney office that year, Simon has since overseen its growth whilst managing LM's business development in the southern states of Australia. As Head of Lending, Simon travels throughout Australia to source and assess new lending opportunities for LM. As Executive Director, Simon's extensive 'on the ground' knowledge of Australia's many property markets provides valuable insight to LM's board, and statistical knowledge to LM's Property Research and Analysis Committee. Simon is a member of the Board of Directors, Credit Committee, Funds Management Committee and Property Research and Analysis Committee.

## Borrowings of the Fund

The following paragraph replaces the information contained on page 32 of the PDS under the heading "Borrowings of the Fund".

Under the constitution the Manager may borrow against the Fund assets on terms and conditions acceptable to the Manager. The Manager has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA"). This facility was put into place in order to allow the Manager to take advantage of competitive commercial lending opportunities, or to assist the Fund with managing liquidity. As at 28 November 2008 the amount owing to the CBA was \$150 million. As at 28 November 2008 the interest rate of the facility is variable and is priced between 0.50% to 1.10% above the respective BBSY bid rate. The facility term is the subject of an annual review. The Manager is currently renegotiating the credit facility with CBA and expects these negotiations to be finalised by 31 December 2008. The Manager expects that negotiations with CBA will result in a continued line of credit facility for \$150 million for a further 12 month term. The finance facility is secured by a fixed and floating charge over the assets of the Fund, providing the CBA as a secured lender with first priority over the assets and income of the Fund. The rights of investors to the income and assets of the Fund are secondary to the rights of the CBA. The facility will be repaid via investment inflows and inflows received from principal repayments from borrowers. The Fund's credit facility may be varied from time to time in order to manage the Fund.

## Complaints Procedure

The external industry complaints body approved by ASIC and of which the Manager is a member has changed from the Financial Industry Complaints Service ("FICS") to the Financial Ombudsman Service Limited ("FOS"). The paragraph below replaces the information under the heading "Complaints Procedure" on page 34 of the PDS.

If an investor has a complaint they should generally first contact their adviser. If the adviser is unavailable, unwilling, or unable to assist, or if the investor wishes to directly contact the Manager, and the complaint relates to the Fund or the Manager, then the investor should contact the Client Relations Department at the office of the Manager on free call 1800 062 919 (Australia only) or +617 5584 4500. Complaints may be made in writing or by telephone. The Manager will respond within 30 days of receiving the complaint. If a complaint cannot be resolved by the Manager it should be referred to the Financial Ombudsman Service Limited ("FOS"), an external industry complaints body which has been approved by ASIC and of which the Manager is a member.

Financial Ombudsman Service Limited  
GPO Box 3  
MELBOURNE VIC 3001  
Telephone: 1300 78 08 08  
Facsimile: (03) 9613 6399  
email: [info@fos.org.au](mailto:info@fos.org.au)  
website: [www.fos.org.au](http://www.fos.org.au)

## Related Parties

The information contained on page 34 of the PDS under the heading "Related Parties" is replaced with the following statements:-

Peter Drake, a director of the Manager is the beneficial owner of LM Administration Pty Ltd, which has been engaged by LM Investment Management Ltd to provide administration services at a commercial arms-length fee. In addition to this LM Administration Pty Ltd provides administration and funds management services to the Fund and is paid a management fee direct from the Fund.

John O'Sullivan, a non-executive director of the Manager is the beneficial owner of O'Sullivan Capital Management Ltd. O'Sullivan Capital Management Ltd has been engaged by LM Investment Management Ltd to provide marketing services in New Zealand at a commercial arms-length fee. This fee is paid by the Fund.

The Fund may lend to related parties provided the loans are approved by the Credit Committee, are on commercial arms-length terms, and are subject to review by the Board.

The Board of the Manager is responsible for reviewing and approving the structure and probity of commercial dealings between the Manager and any related parties. Fees issued to the account of the Fund by related parties, which are recoverable from the Fund must be on commercial arms-length terms and are subject to review by the Board.

The Fund is owed \$33,513,345 in relation to assignment of 3 first registered mortgages from the Fund to the LM Managed Performance Fund (a related investment fund). This debt is secured by a fixed and floating charge over the assets of the LM Managed Performance Fund. The current interest rate payable by the LM Managed Performance Fund on this debt is 10%pa. This loan equates to 5.51% of the total loan portfolio.

The LM Managed Performance Fund has guaranteed part of a debt due by a borrower to the Fund in the amount of \$9,600,000, in exchange for the borrower making certain funds available to an associate of the LM Managed Performance Fund. The current interest rate is 10.5%pa. This loan equates to 1.58% of the total loan portfolio.

The Fund has received the benefit of assignment of a debt due by the LM Managed Performance Fund in the sum of \$5,100,000. The current interest rate payable on this amount is 10%pa. It is anticipated that this debt will be repaid by 30 June 2009. This debt equates to 0.84% of the total loan portfolio.

The Fund has made 3 loans to various related parties, which total \$12,678,275. The Manager has received establishment fees of not more than 1.5% of the total loan amount. The interest rates for these loans are commercial rates and range from 10.5% - 12%pa. These loans equate to 2.08% of the total loan portfolio.

#### **Related Party Finance**

The Manager is the Responsible Entity of the LM Managed Performance Fund. From time to time the LM Managed Performance Fund advances loans by way of second mortgages to borrowers who have first mortgage advances from the Fund. At 31 October 2008 there are 8 such loans by the LM Managed Performance Fund in the total amount of \$28,556,297. In these instances the Fund enters into Priority Deeds with the borrower as part of normal loan documentation procedures. The LM Managed Performance Fund generates fees, charges and interest rates all of which are paid by the borrower.

The Directors of LM Investment Management Ltd have authorised and consented to the issue of this First SPDS.



# Contents

From the Directors	01
About the LM First Mortgage Income Fund	02
The LM First Mortgage Income Fund	05
Australian Dollar Investment Options	06
Currency Hedged Fixed Term Investment Options	08
LM First Mortgage Income Fund Investments	10
Assets of the LM First Mortgage Income Fund	12
How to Invest	14
How to Withdraw	17
Adviser Access to Information on an Investor's Investment	19
Fees and Other Costs	21
Tax	25
Investment Risks	26
About LM Investment Management Ltd	28
Additional Information	30
Anti-Money Laundering Procedures	36
Application Form	39
Direct Debit Request Form Australian Investors Only	55
Credit Card Payment Form	56
Direct Debit Request Form New Zealand Investors Only	57

## How to use this Product Disclosure Statement

This Product Disclosure Statement ("PDS") is provided and issued by LM Investment Management Ltd as responsible entity for the **LM First Mortgage Income Fund** ("Fund"). Investors should read the entire PDS and any supplementary PDS before making a decision to invest.

This PDS describes the main features of the **LM First Mortgage Income Fund**, and the investment options in the Fund, which are the **Flexi Account**, the **Australian Dollar Fixed Term** options, the **Currency Hedged Fixed Term** options, and the regular savings plan option known as the **LM Savings Plan**, and contains the Application Form.

This PDS also provides general information in relation to LM Investment Management Ltd ("LM", "Manager", "we", "us", "our"), material documents and other relevant matters. It helps investors to decide whether the product offered will meet their needs and enables them to compare this product with others they may be considering.

## Important information

No person is authorised to give any information or to make any representation in connection with the offer of investment described in this PDS which is not contained in this PDS. Any information or representation not so contained may not be relied on as having been authorised by the Manager in connection with this offer.

This PDS is an offer which is available to persons receiving the electronic PDS within Australia but does not constitute an offer in any jurisdiction where, or to any persons to whom, it would be unlawful to offer this PDS. It is the responsibility of any overseas applicant to ensure compliance with all laws of any country relevant to their application. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all necessary approvals and consents have been obtained. An application may only be accepted on an Application Form which forms part of this PDS.

This PDS should be read in its entirety. In particular it is important that investors consider the risk factors that could affect the performance of the Fund. None of an investor's objectives, financial situation or needs has been taken into account in this PDS and investors should carefully consider their personal circumstances before deciding whether to invest in the Fund. If after reading the PDS an investor has any questions regarding its contents or the procedure for investing they should contact their financial or other professional adviser. Past performance should not be taken as an indicator of future performance. Neither the Manager nor the custodian gives any guarantee with respect to the performance of the Fund, the payment of income, or the repayment of capital by the Fund.

All monetary amounts in this PDS are references to Australian dollars, unless stated otherwise.

The Manager may change any of the terms and conditions in this PDS. Notice of material changes will be given to investors, normally in the form of a replacement or supplementary PDS.



# Important Information for New Zealand Investors

(The information in this section is required under the Securities Act (Australian Registered Managed Investment Schemes) Exemption Notice 2003.)

The document that this statement is contained in, or is accompanied by, is not an investment statement under New Zealand law. It is a product disclosure statement prepared under Australian law. There are likely to be differences between the information provided and the way that information is presented in the product disclosure statement as compared to an investment statement under New Zealand law.

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

## Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions:-

- What sort of investment is this?
- Who is involved in providing it for me?
- How much do I pay?
- What are the charges?
- What returns will I get?
- What are my risks?
- Can the investment be altered?
- How do I cash in my investment?
- Who do I contact with enquiries about my investment?
- Is there anyone to whom I can complain if I have problems with the investment?
- What other information can I obtain about this investment?

## Engaging an investment adviser

An investment adviser must give you a written statement that contains information about the adviser and his or her ability to give advice. You are strongly encouraged to read that document and consider the information in it when deciding whether or not to engage an adviser.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes, and carry different levels of risk.

The written statement should contain important information about the adviser, including -

- ▶ relevant experience and qualifications, and whether dispute resolution facilities are available to you; and
- ▶ what types of investments the adviser gives advice about; and
- ▶ whether the advice is limited to investments offered by 1 or more particular financial institutions; and
- ▶ information that may be relevant to the adviser's character, including certain criminal convictions, bankruptcy, any adverse findings by a court against the adviser in a professional capacity, and whether the adviser has been expelled from, or prohibited from joining, a professional body; and
- ▶ any relationships likely to give rise to a conflict of interest.

The adviser must also tell you about fees and remuneration before giving you advice about an investment. The information about fees and remuneration must include -

- ▶ the nature and level of the fees you will be charged for receiving the advice; and
- ▶ whether the adviser will or may receive a commission or other benefit from advising you.

An investment adviser commits an offence if he or she does not provide you with the information required.

Allotments of units in the Fund will be made in the manner specified in the PDS and in the manner prescribed by the laws of Australia.

The responsible entity and the person who makes the offer may not be subject in all respects to New Zealand law.

Investing in units in the Fund may carry with it a currency exchange risk.

The financial reporting requirements applying in New Zealand and those applying in respect of the Fund may be different, and the financial statements of the Fund may not be compatible in all respects with financial statements prepared in accordance with New Zealand law.

Although a copy of the PDS and other documents have been received by the Registrar of Companies, the PDS has not been registered in New Zealand under New Zealand law and may not contain all the information that a New Zealand registered prospectus is required to contain.

Australian law does not require a trustee (unlike the position in New Zealand for unit trusts) or a statutory supervisor (unlike the position in New Zealand for contributory schemes involving participatory securities) that is separate from, and independent of, the responsible entity.

Copies of the following documents relating to the Fund have been received by the Registrar of Companies and can be inspected at the office of the Registrar of Companies and can be obtained from the responsible entity:-

- (i) the PDS relating to the units in the Fund;
- (ii) any document, or part of a document, lodged or registered with the Australian Securities and Investments Commission that is referred to in the PDS and is taken to be included in that PDS under the Australian Corporations Act 2001;
- (iii) any exemption, order, or declaration that has been granted by the Australian Securities and Investments Commission in respect of the Fund (other than any exemption, order, or declaration that applies to Australian registered schemes generally or to a class of persons);
- (iv) the licence of the responsible entity granted under the Australian Corporations Act 2001;
- (v) the constitution for the Fund;
- (vi) evidence of registration of the Fund with the Australian Securities and Investments Commission;
- (vii) the compliance plan required under the laws of Australia relating to the Fund;
- (viii) any documents that amend or supplement any of the documents referred to in subparagraphs (i) to (vii) in existence at the time that the first offer of any units in the Fund is made or open for acceptance in New Zealand in reliance on the Exemption Notice.

In addition a copy of any document that amends, supplements or replaces the documents referred to in subparagraphs (i) to (vii) (other than a document in relation to which a copy must be received under subparagraph (viii)) will be filed with the Registrar of Companies and will be able to be inspected at the office of the Registrar of Companies and will be able to be obtained from the responsible entity.

It is a term of the offer of units in the Fund made in New Zealand that the responsible entity will, within 5 working days of receiving an offeree's request for a copy of the Australian disclosure documents relating to the units in the Fund, without fee, send, or cause to be sent, to that offeree:

- (i) a copy of the PDS;
- (ii) copies of any documents that, under the laws of Australia must accompany a copy of the PDS sent to any person to whom an offer of the units in the Fund is made in Australia;
- (iii) a copy of any document or part of a document, lodged or registered with the Australian Securities and Investments Commission that is referred to in the PDS and is taken to be included in that document under the Corporations Act 2001; and
- (iv) a copy of any supplementary PDS in use at the time that the request is received.

### **New Zealand Taxation**

The information below has been prepared by Bell Gully and is current as at 27 March 2008. Note that the levels and basis of tax may change in the future.

This summary addresses certain New Zealand taxation consequences for investors resident in New Zealand for tax purposes.

This taxation summary is not intended to be an authoritative or complete statement of the applicable laws. Prospective investors are advised to obtain independent professional advice relevant to their own particular circumstances before investing in the Fund.

### **Where the Foreign Investment Fund rules do not apply**

The rules outlined below apply to investors who hold a greater than 10% interest in the Fund and New Zealand resident individuals (not acting as trustees) if the cost of their offshore portfolio (excluding shares in certain Australian listed companies) is NZ\$50,000 or less. The rules that apply to other investors are set out under the heading "Foreign Investment Fund rules".

### **Income distributions**

The Fund will be a "unit trust" for New Zealand tax purposes and accordingly will be deemed to be a company resident in Australia. New Zealand investors will be deemed to be shareholders of the deemed company and any income distributions will generally be taxable as dividends in their hands. Australian withholding taxes will be withheld by the Manager at the appropriate Australian rates in accordance with Australian tax law.

Note that a New Zealand resident investor will be treated as deriving an income distribution as a dividend for tax purposes on the last day of each month while they hold their investment in the Fund. This is regardless of whether the income distribution is reinvested into the Fund (whether such reinvestment is optional or automatic) or credited to an account maintained for the benefit of the investor.

### **Non-corporate investors**

Non-corporate New Zealand resident investors will be taxed on the income distributions at their marginal tax rates. A non-corporate

investor will be required to include the full amount of the income distribution (whether or not physically received) plus any Australian withholding tax deducted (converted to New Zealand dollars at the time of distribution) in an income tax return or statement. Any Australian withholding tax deducted from the distribution can be credited against the New Zealand investor's income tax liability.

### Corporate investors

New Zealand resident corporate investors (including unit trusts) will be required to make a foreign dividend payment to the New Zealand Inland Revenue Department at the rate of 33% (reducing to 30% from the start of the 2008-2009 income year) of the gross dividend derived. The gross dividend derived will be the amount of the income distribution together with any Australian withholding taxes deducted (converted to New Zealand dollars at the time of distribution). The foreign dividend payment may be reduced to the extent of the Australian withholding tax deducted from the distribution. The foreign dividend payment generates a credit which can be attached to dividends paid by the corporate investor to its New Zealand resident shareholders.

### Redemption of units

Gains realised by New Zealand resident investors in excess of the amount paid on the issue of the units and in excess of the amount of any distribution applied in any reinvested units will be treated as a dividend at the time the units are redeemed (other than exchange gains which relate to the amount paid for the issue of units). The taxation treatment of any gain will be the same as outlined above under "Income distributions".

### Foreign Investment Fund Rules

New Zealand resident investors who hold less than a 10% interest in the Fund are subject to the Foreign Investment Fund rules, unless the investor is a natural person (not acting as a trustee) whose offshore portfolio cost NZ\$50,000 or less (excluding the cost shares in certain Australian listed companies). The Foreign Investment Fund rules will apply to managed fund investors that elect to become portfolio investment entities.

Investors that are subject to the Foreign Investment Fund rules should be taxed each year under the fair dividend rate (FDR) method on 5% of the market value of their total offshore portfolio (including their investment in the Fund) at the beginning of the year, irrespective of the level of distributions received by the investor. Individuals and family trust investors can elect to be taxed on their actual gain (i.e. aggregate gains and losses in market value over the year, distributions and net sale or redemption proceeds) under the comparative value (CV) method if their actual return is less than the deemed 5% return under the FDR method for the particular year. However, if an investor elects to use the CV method for their investment in the Fund then they may be unable to use the FDR method for other offshore portfolio investments they may have (i.e. investors must choose between the CV method or the FDR method for their whole portfolio).

Where an investor acquires and disposes of an offshore portfolio investment in the same income year ("quick sale" investments), the investor will be taxed on the lesser of:-

- ▶ 5% of the "cost" of the quick sale investments (the "cost" per unit/share of any quick sale investment is the average per share/unit cost of all investments acquired or increased during the year); and
- ▶ the investor's actual return on the quick sale investments (i.e. all distributions received and proceeds received on disposal/redemption of the investment, less all costs incurred in acquiring the investment).

No tax deduction is available to an investor if their units decline in value over an income year. Any Australian withholding tax deducted from distributions can be credited against the New Zealand investor's income tax liability.

The rules governing the availability of the FDR method were recently amended with effect from 1 April 2008. Under the revised rules, FDR is not available for investments in foreign entities, the assets of which consist of (directly or indirectly) 80% or more New Zealand dollar debt or non-New Zealand dollar debt that is effectively hedged to New Zealand dollars. This amended restriction should not apply to disallow use of FDR for units in the Fund after 1 April 2008. The Commissioner of Inland Revenue has discretion to issue determinations prohibiting use of the FDR method for particular investments. The Policy Advice Division of the Inland Revenue Department had previously indicated that currency protection is a factor which may be taken into account in exercising this discretion. As at 27 March 2008 no such determination has been issued in respect of the Fund. It is less likely that such a determination will be issued in respect of the Fund now that the rules governing FDR availability expressly deal with hedged investments.

### Returns to Australian investors

The treatment described in this summary will differ from the treatment applicable to Australian resident investors as described in the PDS. Australian resident investors are not treated as holding shares in a company. Interest derived by the Fund will retain its character when distributed to Australian resident investors.

Despite the information provided above, investors should satisfy themselves as to the tax implications of investing in units in the Fund.

### Agreement as to Jurisdiction

- (i) In respect of a dispute concerning an offer of units in the Fund offered in reliance on the Exemption Notice or the contract for the units in the Fund, the responsible entity:-
  - A. agrees to submit to the non-exclusive jurisdiction of the New Zealand courts; and
  - B. has instructed the New Zealand agent for service referred to in subparagraph (iii) to accept service on the responsible entity's behalf; and

C. agrees that this statement is an agreement with each investor for the purposes of section 389(1)(e) of the Companies Act 1993.

- (ii) Despite the statements referred to in subparagraph (i), the contract in respect of the units in the Fund may not always be enforceable in New Zealand courts.
- (iii) The name and address of the person in New Zealand who has been appointed by the responsible entity to accept service in New Zealand of any document on its behalf is:

Mark Todd  
Partner  
Bell Gully  
48 Shortland Street  
Auckland  
New Zealand

## **Distribution Reinvestment Scheme**

### ***LM First Mortgage Income Fund***

The LM First Mortgage Income Fund offers investors a choice of the following investments which can be made in Australian and non-Australian dollars. Following are the investment choices for Australian and Non-Australian dollar investments:-

#### **Australian Dollar (AUD) Investments**

- (a) a Flexi Account;
- (b) fixed investments terms of 1, 3, 6, 12 and 13 months, 2 years, 3 years, 4 years and investors may select different fixed terms by applying to the Manager; and
- (c) the LM Savings Plan.

#### **Non-Australian Dollar Investments**

- (a) fixed investment terms of 1 month, 3 months, 6 months and 12 months.

Investors may apply to the Manager to invest in the Fund in Australian or non-Australian dollars for a shorter or extended fixed term investment period than those stated above. If the Manager allows the shorter or extended investment term the terms and conditions of the shorter or extended investment term will be the same as outlined in the PDS.

#### **Australian Dollar Investments - Flexi Account and Fixed Investment Terms Distributions**

Distributions are distributed monthly. Investors can elect to have monthly distributions automatically reinvested into their investment account or can elect to have monthly distributions direct credited to their financial institution account monthly or quarterly. Investors must nominate whether the monthly distributions are to be reinvested or paid by direct credit on the Application Form contained in the PDS relating to the LM First Mortgage Income Fund.

#### **Australian Dollar Investments - LM Savings Plan Distributions**

Distributions are distributed monthly. Monthly distributions are automatically credited to the investor's investment account ensuring that their investment grows.

#### **Non-Australian Dollar Investments - Fixed Investment Terms Distributions**

Distributions are distributed at the end of the selected fixed investment term. Investors can elect to have the distribution automatically reinvested into their investment account or can elect to have the distribution electronically credited to their financial institution account. Investors must nominate whether the distribution is to be reinvested or electronically credited to their financial institution on the Application Form contained in the PDS relating to the Fund.

The units in the Fund allotted under the distribution reinvestment scheme are to be allotted in accordance with the terms and conditions set out in the PDS and the constitution for the Fund.

There is available from the responsible entity, on request and free of charge, a copy of:

- (i) the most recent annual report of the Fund (if any);
- (ii) the most recent financial statements of the Fund (if any);
- (iii) the current PDS relating to the units in the Fund (if any); and
- (iv) the constitution for the Fund and any amendments to it.

Within 30 days of the day on which the units in the Fund are allotted to a person under the distribution reinvestment scheme, the person will be sent a statement of the amount of the distribution and the number of units in the Fund that have been allotted to that person.

# From the Directors

## LM Investment Management Ltd

LM Investment Management Ltd ("LM") is a privately owned, Australian funds management company with national and international operations. With a specialist focus on the mortgage trust sector, LM manages one of Australia's largest mortgage trusts, the LM First Mortgage Income Fund ("Fund"). Through its management of the Fund, LM enjoys active participation and recognition as a lender within Australia's business and property sectors.

## The Australian Mortgage Trust Sector

The Australian managed funds industry is the 4th largest in the world, behind the United States, Luxembourg and France. Established in the 1960's the Australian mortgage trust sector is a significant sector within the financial services industry which has evolved as a mainstream income investment. It is in this sector that LM has focused its expertise to deliver the LM First Mortgage Income Fund, a competitive income product designed to outperform cash<sup>1</sup>.

## Distribution

Distribution of this income product is through a national and international network of financial advisers, wholesale platforms, private banks, superannuation funds, corporate and institutional investment. Designed specifically for these markets, the Fund offers tailored investment options including retail, wholesale, institutional and currency hedged. Product Disclosure Statements for these options are available from your financial adviser or the Manager.

## The LM First Mortgage Income Fund

LM's management expertise, teamed with a well defined investment strategy of selecting only Australian registered first mortgage securities, cash and at call securities has allowed the Fund to deliver uninterrupted interest distributions and maintain the unit price of \$1.00 since inception in 1999<sup>2</sup>.

With a niche product LM receives investments through adviser recommendations in 22 countries. It is pleasing to incorporate multiple currency investment options in this new PDS.

## Compliance within the Regulated Financial Services Industry

LM is registered as an Australian Financial Services Licensee and a Responsible Entity under the Corporations Act 2001 and is therefore regulated by the Australian Securities and Investment Commission.

Australia enjoys a global reputation for having one of the most efficiently regulated finance sectors in the world. It provides security and integrity, through a sound, flexible and strong system of financial regulation designed to prevent systemic failure, and avoid unnecessary burdens on business.

<sup>1</sup> Since inception the returns paid to investors have outperformed cash rates. Past performance is not an indicator of future performance. Performance of the Fund is not guaranteed and the risks associated with an investment in the Fund are different to cash.

<sup>2</sup> Past performance is not an indicator of future performance.

# About the LM First Mortgage Income Fund

This summary provides an overview of the key features of the Fund. The entire PDS should be read before investing in the Fund.

<b>Investment Objective</b>	<ul style="list-style-type: none"> <li>▶ To offer appropriate risk/return premium over cash rates on a range of different currencies<sup>3</sup>;</li> <li>▶ To offer competitive interest distributions; and</li> <li>▶ To allow investors a choice of investment currency and investment term.</li> </ul>		
<b>Assets of the LM First Mortgage Income Fund</b>	<p>The assets of the LM First Mortgage Income Fund ("Fund"), a registered managed investment scheme, are a Manager diversifies the underlying mortgage portfolio by selecting mortgages spread across different sectors,</p> <p>diversified "pool" of Australian registered first mortgages, cash and "at call" securities. As part of the asset allocation strategy, the geographic locations, terms and loan sizes.</p>		
<b>Investment Choice</b>	<div> <div> <p><b>Australian Dollar Investments</b></p> <p>There is a choice of Australian Dollar investment options available in the Fund, which are the Flexi Account, Fixed Term Investment Options and the LM Savings Plan. A summary of the features of these Australian Dollar investment options are set out below. An investment in Australian Dollars is not hedged.</p> </div> <div> <p><b>Non-Australian Dollar Investments</b></p> <p>Non-Australian dollar investments in the Fund are hedged in the relevant currency against Australian dollar currency movements. The Fund currency hedges a non-Australian dollar investment through the use of Forward Foreign Exchange Contracts ("FFEC"). The FFECs are facilitated by a global investment bank. Investments may be arranged for most currencies including:-</p> <p>▶ USD, ▶ GBP, ▶ EUR, ▶ CAD, ▶ HKD, ▶ SGD, ▶ JPY, ▶ NZD, ▶ CHF, ▶ THB, and ▶ SEK</p> <p>For clarification on hedging a specific currency please contact the Manager.</p> </div> </div>		
	<p><b>Flexi Account and Fixed Term Investment Options</b></p> <p>Investors can choose the term of their investment by selecting one or more of the investment options below:-</p> <p>▶ Flexi Account; or</p> <p>▶ Fixed Term investment of:-</p> <p>    &gt; 4 years   &gt; 3 years   &gt; 2 years   &gt; 13 months</p> <p>    &gt; 12 months &gt; 6 months &gt; 3 months &gt; 1 month</p> <p>Investors may request different terms by applying to the Manager. An Australian Dollar investment commences on receipt of the cleared investment amount and completed Application Form and relevant supporting documentation.</p>	<p><b>The LM Savings Plan Option</b></p> <p>A savings plan can be started with a minimum investment of \$100 and requires ongoing regular monthly investments of \$100 or more. The minimum investment term for the LM Savings Plan is 12 months. No withdrawals are allowed during the initial 12 month term.</p>	<p><b>Currency Hedged Fixed Term Investment Options</b></p> <p>Non-Australian Dollar investors can choose the term of their investment by selecting one or more of the investment terms below:</p> <p>    &gt; 12 Months   &gt; 6 Months   &gt; 3 Months   &gt; 1 Month</p> <p>Investors may request different terms by applying to the Manager. The investor's investment term commences on the date the Manager settles the FFEC.</p>
<b>Interest Distribution Rates</b>	<p>Interest distribution rates are variable. Refer to the paragraph headed "Interest Distribution Rates" on page 5 of particular investment options from their adviser or by telephoning the Manager on +617 5584 4500 or from</p> <p>of this PDS for further details. Investors can obtain details of the most recent interest distribution rates paid by the Fund in respect of the Manager's website at <a href="http://www.LMaustralia.com">www.LMaustralia.com</a><sup>4</sup>.</p>		
<b>Payment of Interest Distributions</b>	<p>Reinvested monthly into the investor's investment account. Investors may choose to have the interest distribution paid monthly or quarterly direct to the account nominated on the Application Form.</p>	<p>Reinvested monthly to the investor's investment account.</p>	<p>Reinvested at maturity of the chosen investment term into the investor's investment account. Investors may choose to have the interest distribution paid at maturity direct to the account nominated on the Application Form.</p>
<b>Withdrawal Notice</b>	<p>▶ <b>Flexi Account</b> – Written notice is required to withdraw;</p> <p>▶ <b>Fixed Term investments</b> – At least 5 business days prior to maturity of the fixed term investors must notify the Manager in writing whether they wish to withdraw. If no withdrawal notice is received an investor's investment is automatically rolled over for a further term of the same length. Refer to page 17 of this PDS ("How to Withdraw").</p>	<p>No withdrawals are allowed during the first 12 month period. After the initial 12 month period investors can make up to 4 withdrawals annually by giving written notice to the Manager. Refer to page 17 of this PDS ("How to Withdraw").</p>	<p>At least 5 business days prior to maturity of the investment term investors must notify the Manager in writing whether they wish to withdraw. If no withdrawal notice is received or no rollover/maturity instructions provided an investor's investment and interest distribution is automatically reinvested in the original nominated currency for further 1 month investment terms until the investor notifies the Manager of a longer reinvestment term or a withdrawal notice is received. Refer to page 17 of this PDS ("How to Withdraw").</p>
<b>Minimum Investment</b>	\$1,000 <sup>5</sup>	Initial investment \$100 and minimum total monthly investment \$100.	\$1,000 <sup>5</sup>
<b>Minimum Withdrawal</b>	\$1,000 <sup>5</sup>	\$100	\$1,000 <sup>5</sup>
<b>Minimum Balance</b>	\$1,000 <sup>5</sup>	\$100 <sup>5</sup>	\$1,000 <sup>5</sup>
<b>Unit Pricing</b>	<p>The price of units in the Fund is currently \$1.00 and has been so since the commencement of the Fund in</p> <p>October 1999 (Refer to page 13 of this PDS ("Unit Pricing") for further details).</p>		
<b>Australian Taxation</b>	<p>If an investor is not an Australian resident for taxation purposes, Australian taxation rates will not apply. However, withholding tax in their country of residence. Specific taxation advice should be obtained. Investors with domiciled information,</p> <p>withholding tax is deducted from interest distributions at a rate of 10%. Non-resident investors may be entitled to claim a credit for tax exempt status will not be subject to any Australian taxation, including withholding tax. Refer to page 25 of this PDS ("Tax") for further information.</p>		
<b>Risk</b>	<p>All investments are subject to risks. Details of risks associated with an investment in the Fund are outlined on</p> <p>page 26 of this PDS ("Investment Risks").</p>		
<b>Fees</b>	<p>There are no entry or exit fees payable. The Manager receives a Management Fee which is currently calculated</p> <p>as a percentage of net assets of the Fund. For full details please refer to page 21 of this PDS ("Fees and Other Costs").</p>		

<sup>3</sup> This investment objective is derived from the return of the underlying investments of the Fund, which has outperformed cash rates since associated with an investment in the Fund are different to cash.

<sup>4</sup> Past performance is not an indicator of future performance.

<sup>5</sup> Or such lesser amount as determined by the Manager.

inception. Past performance is not an indicator of future performance. Performance of the Fund is not guaranteed and the risks

*This page is intentionally blank.*

# The LM First Mortgage Income Fund

## Investment Objective

- ▶ To offer appropriate risk / return premium over cash rates on a range of different currencies<sup>6</sup>;
- ▶ To offer competitive interest distributions; and
- ▶ To allow investors a choice of investment currency and investment term.

The Manager achieves this by being selective with the investments of the LM First Mortgage Income Fund, which are a diversified "pool" of registered first mortgages, cash and "at call" securities.

## Benefits of Investing

- ▶ Choice of investment term;
- ▶ Choice of currencies with non-Australian dollar currencies hedged against movements in the Australian dollar;
- ▶ Australian registered first mortgage security;
- ▶ Appropriate risk premium relative to cash rates<sup>6</sup>;
- ▶ Funds management expertise – managed by specialist mortgage trust manager;
- ▶ Nine year management track record of uninterrupted income distributions<sup>7</sup>.

## The LM First Mortgage Income Fund Investments

The Fund currently invests in a diversified portfolio of Australian registered first mortgages over commercial, residential, industrial, retail and vacant land, interest bearing cash investments and "at call" securities.

The assets of the LM First Mortgage Income Fund as at 29 February 2008 totalled \$718,403,075 and were made up as follows:



## Interest Distribution Rates

Interest distribution rates are variable, and will depend on income earned and expenses paid by the Fund from time to time, commission payable to advisers, and on the type of investment chosen. Investors can obtain details of the most recent interest distribution rates paid by the Fund in respect of particular investment options from their adviser, by telephoning the Manager on +617 5584 4500 or from the Manager's website at [www.LMaustralia.com](http://www.LMaustralia.com).<sup>7</sup>

## Investment Options in the LM First Mortgage Income Fund

Financial advisers have the advantage of tailoring a client's portfolio for optimal liquidity and maximum return by blending investment through one or more of the Fund's Flexi Account or Fixed Term investments.

The investment options offered by the Fund provide flexibility of choice for investors. Investors can choose investment currency and term of their investment by selecting one or more of the investment options below:-

### Australian Dollar Investment Options

- ▶ **Flexi Account**  
The Flexi Account option generally allows investors 30 day access to their funds.<sup>8</sup>
- ▶ **Fixed Term Investment**  
The Fixed Terms offered by the Fund are as follows<sup>8</sup>:-  
> 4 years > 3 years > 2 years > 13 months  
> 12 months > 6 months > 3 months > 1 month  
Investors may request different terms by applying to the Manager.
- ▶ **LM Savings Plan**  
The LM Savings Plan is a savings plan option that investors can start with a minimum investment of \$100 and ongoing regular monthly investments of \$100 or more for at least the first 12 months.

### Non-Australian Dollar Currency Hedged Fixed Term Investment Options

Non-Australian dollar investments in the Fund are hedged in the respective currency against Australian dollar currency movements. The Fund currency hedges a non-Australian dollar investment through the use of Forward Foreign Exchange Contracts ("FFEC"). The FFEC's are facilitated by a global investment bank. Investments may be arranged for most currencies including:-

> USD > GBP > EUR > CAD > HKD > SGD > JPY  
> NZD > THB > CHF and > SEK

Non-Australian Dollar investors can choose the term of their investment by selecting one or more of the investment terms below:<sup>8</sup>

- ▶ 12 Months
- ▶ 6 Months
- ▶ 3 Months
- ▶ 1 Month

The investor's investment term commences on the date the Manager settles the FFEC.

For clarification on hedging a specific currency or enquiries for other investment terms please contact the Manager.

Further details regarding each of the Fund's investment options are set out on pages 6 - 9 of this PDS.

<sup>6</sup> Since inception the returns paid to investors have outperformed cash rates. Past performance is not an indicator of future performance. Performance of the Fund is not guaranteed and the risks associated with an investment in the Fund are different to cash.

<sup>7</sup> Past performance is not an indicator of future performance.

<sup>8</sup> While the Manager considers any delays unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments. Refer to page 17 of this PDS ("How to Withdraw").



# LM First Mortgage Income Fund Australian Dollar Investment Options

## LM Flexi Account and Fixed Term Options

### ► Flexi Account

The Flexi Account option generally allows investors 30 day access to their funds.<sup>9</sup>

### ► Fixed Term Investment

The Fixed Terms offered by the Fund are as follows:<sup>9</sup>

> 4 years    > 3 years    > 2 years    > 13 months  
> 12 months    > 6 months    > 3 months    > 1 month

Investors may request different terms by applying to the Manager.

### Interest Distribution Rates

Interest distributions are variable, and will depend on income earned and expenses paid by the Fund from time to time, commission payable to advisers, and on the type of investment chosen. The most recent interest distribution rates paid by the Fund in respect of the Fund's Flexi Account, Fixed Term Investment and LM Savings Plan options can be obtained from an investor's adviser, by telephoning the Manager on +617 5584 4500 or from the Manager's website at [www.LMAustralia.com](http://www.LMAustralia.com).<sup>10</sup>

### Interest Distribution Payments for the Flexi Account and Fixed Term Options

Monthly interest distributions are automatically reinvested. However investors may choose to have their interest distribution:-

- paid by direct credit monthly or quarterly to the nominated financial institution account on the Application Form;
- paid to an investor's LM Cash Performance Fund investment account; or
- paid as a split interest distribution, which means that part of the interest distribution is paid to an investor's financial institution account and the balance reinvested. Further details are set out below.

If no instructions are given, interest distributions are automatically reinvested.

Interest distributions are calculated daily. Interest distributions are paid within 14 days after the end of the month. Quarterly interest distributions are paid within 10 business days of the quarterly anniversary of the investment date.

Interest distributions are paid by direct credit to the account nominated on the investor's Application Form.

### Split Interest Distributions for the Flexi Account and Fixed Term Options

Investors can elect to have a fixed portion of their monthly interest distribution amount paid monthly or quarterly to their nominated financial institution account with the balance interest distribution amount reinvested to their investment account.

This optional feature allows investors to properly plan and budget their financial affairs and is particularly useful for investors who are relying on investments to provide regular payments to meet everyday expenses.

To use the "Split Interest Distributions" feature please complete the appropriate section of the Application Form attached to this PDS.

### Additional Investments for the Flexi Account and Fixed Term Options

Investors can choose to make an additional investment or regular monthly, quarterly or semi-annual additional investments to their Flexi Account or Fixed Term investment account. See the heading "Adding to an Investment for Australian Dollar Investments Only" on page 16 of this PDS.

### LM First Mortgage Income Fund Fixed Term Commencement

An investment term generally commences on the day that the investor's properly completed Application Form (and relevant supporting documentation) and investment money are received and processed by the Manager. For example, if a properly completed Application Form, supporting documentation, and investment money are received and processed for a 12 month term on 15 January, then the investment term commences on 15 January and ends on 15 January of the following year.

### Flexi Account Withdrawal Notice

To withdraw all or part of a Flexi Account investors must give the Manager written notice. Payment of the withdrawal will generally occur within 30 days from receipt of the written notice.<sup>9</sup> Whilst the withdrawal is processed the investment continues to earn interest. The withdrawal is paid by direct credit to the investor's account nominated on the Application Form.

### Fixed Term Investment Withdrawal Notice

To withdraw all or part of a Fixed Term investment, investors must notify the Manager in writing at least 5 business days prior to the maturity date of the Fixed Term investment. Payment of the withdrawal will generally be made within 30 days after the maturity date.<sup>9</sup> Whilst the withdrawal is processed the investment continues to earn interest. The withdrawal is paid by direct credit to the investor's account nominated on the Application Form.

If no withdrawal notice or written notice to change the term, is received at least 5 business days prior to the maturity date the investment will automatically roll over for a further investment term of the same length.

<sup>9</sup> While the Manager considers any delays unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments. Refer to page 17 of this PDS ("How to Withdraw").

<sup>10</sup> Past performance is not an indicator of future performance.

# LM First Mortgage Income Fund Australian Dollar Investment Options

## LM Savings Plan Option

LM Savings Plan investors can start their savings plan with a minimum investment of \$100 and ongoing regular monthly investments of \$100 or more for at least the first 12 months.

Investors can choose to have their ongoing investments paid by direct debit on a weekly, fortnightly or monthly basis. The direct debit will be paid from the account nominated on the Application Form.

The minimum investment term for the LM Savings Plan is 12 months. To ensure that savings are maximised no withdrawals are allowed during the initial 12 month term.

After the initial 12 month period investors can make up to 4 withdrawals annually.

### Interest Distribution Payments for the LM Savings Plan

Interest distributions are calculated daily and reinvested monthly to an investor's LM Savings Plan investment account.

### LM Savings Plan Additional Investments

Investors can choose to make additional investments to their savings plan at any time. The minimum additional investment amount is \$100.

### LM Savings Plan Withdrawal Notice

Following the initial 12 month investment period investors can make up to 4 withdrawals annually by giving written notice to the Manager. Payment of the withdrawal will generally occur within 30 days from receipt of the written notice.<sup>11</sup> The withdrawal is by direct credit to the account nominated on the Application Form.

### LM Savings Plan Commencement

An investment term generally commences on the day that the investor's properly completed Application Form (and relevant supporting documentation) and investment money are received and processed by the Manager. For example, if a properly completed Application Form, supporting documentation, and investment money are received and processed for a 12 month term on 15 January, then the investment term commences on 15 January and ends on 15 January of the following year.

## Performance

The historical returns of the Fund to 29 February 2008 are set out below. Performance figures are calculated net of fees and assume all interest distributions are reinvested. The performance figures assume a fee of 1.1% pa (including GST) of net assets is paid to advisers. No performance figures are provided for the 1 Month Fixed Term option as it commenced at the date of this PDS, nor for the 13 Month Fixed Term option as it commenced on 20 March 2008. Investors can obtain updated details of the most recent interest distribution rates paid by the Fund in respect of particular investment options from their adviser, by telephoning the Manager on +617 5584 4500 or from the Manager's website at [www.LMaustralia.com](http://www.LMaustralia.com).<sup>12</sup>

Investment	6 mths	1 yr*	3 yrs*	5 yrs*	7 yrs*	8 yrs*
4 Years	3.83%	7.78%	N/A	N/A	N/A	N/A
3 Years	3.83%	7.78%	N/A	N/A	N/A	N/A
2 Years	3.83%	7.78%	7.75%	N/A	N/A	N/A
12 Month Term	3.70%	7.52%	7.50%	7.60%	7.92%	7.89%
6 Month Term	2.96%	6.00%	6.00%	6.05%	6.32%	6.49%
3 Month Term	2.47%	5.00%	5.00%	5.02%	5.30%	5.46%
LM Flexi Account	3.29%	N/A	N/A	N/A	N/A	N/A
LM Savings Plan	3.27%	6.52%	6.50%	N/A	N/A	N/A

*\*Effective annual interest distributions to 29 February 2008. Interest distribution rates may vary. Past performance is not an indicator of future performance.*

<sup>11</sup> While the Manager considers any delays unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments. Refer to page 17 of this PDS ("How to Withdraw").

<sup>12</sup> Past performance is not an indicator of future performance.

# LM First Mortgage Income Fund Non-Australian Dollar Currency Hedged Fixed Term Investment Options

## Non-Australian Dollar Currency Hedged Fixed Term Investment Options

Non-Australian dollar investments in the Fund are hedged in the respective currency against Australian dollar currency movements. The Fund currency hedges a non-Australian dollar investment through the use of Forward Foreign Exchange Contracts ("FFEC"). The FFEC's are facilitated by a global investment bank. Investments may be arranged for most currencies including:-

> USD > GBP > EUR > CAD > HKD > SGD > JPY  
> NZD > THB > CHF and > SEK

Non-Australian Dollar investors can choose the term of their investment by selecting one or more of the investment terms below:<sup>13</sup>

- 12 Months
- 6 Months
- 3 Months
- 1 Month

The investor's investment terms commences on the date the Manager settles the FFEC.

### Extended Investment Terms

Investors may apply to the Manager to invest in the Fund for an extended investment period for multiple 12 month investment terms e.g. if an investor wants to invest for a 2 year investment term the 2 year investment term will be conducted as 2 rolling 12 month investment terms. In this case the second investment term is dealt with in the same manner as an initial investment. If the Manager allows the extended investment term, the terms and conditions of the extended investment term will be the same as the Fund's investment terms outlined in the PDS in force at the time the extended term commences. Investors will need to contact their adviser or access our website at [www.LMaustralia.com](http://www.LMaustralia.com) or telephone us on +617 5584 4500 prior to the reinvestment term to obtain details of the most recent interest distribution rates and a copy of the PDS that will apply for the purpose of the reinvestment.<sup>14</sup>

### Non-Australian Dollar Currency Hedged Interest Rates

Interest distribution rates are variable, and will depend on income earned and expenses paid by the Fund from time to time, commission payable to advisers, and on the type of investment chosen. Investors can obtain details of the most recent interest distribution rates paid by the Fund in respect of particular currency investment options from their adviser, by telephoning the Manager on +617 5584 4500 or from the Manager's website at [www.LMaustralia.com](http://www.LMaustralia.com).<sup>14</sup>

### Currency Hedge

The Fund hedges a non-Australian dollar investment through the use of FFECs. Each FFEC requires agreement between the user (the Fund) and the provider (financial institution) on the following:-

- currencies to be exchanged;
- the value of each of the currencies to be exchanged;
- the maturity date of the contract; and
- the rate at which the exchange between currencies will occur.

The forward rate is determined by the spot rate (current market rate) and the interest rates of the relevant currencies and will change as these variables alter.

On acceptance of investment funds and the completed Application Form, the relevant currency is converted at the prevailing spot market rate into Australian dollars and units in the Fund issued. The Fund simultaneously enters into a FFEC. The FFEC requires the Fund to deliver an amount of Australian dollars in exchange for an amount of the relevant foreign currency at a specific time in the future (the specific time is equivalent to the investment term) at a predetermined exchange rate (forward rate). At the end of the investment period the Fund converts the earnings of the investor into the relevant foreign currency at the forward foreign exchange rate.

Both the spot and forward transactions are facilitated by a global investment bank.

This process allows the Fund to offer investors the opportunity to invest in the LM First Mortgage Income Fund and hedge their investment against currency movements.

### Currency Hedged Initial Investment

On receipt of the investment amount and the completed Application Form (including relevant supporting documentation) the Manager will confirm receipt with the investor's adviser.

The non-AUD investment amount is held in the subscription account until the Manager exchanges the foreign currency into Australian dollars and simultaneously hedges the relevant currency using FFECs.

Non-AUD investment terms for all currencies commence on the day the Manager settles the FFEC. For example, if the properly completed Application Form and supporting documentation for a 12 month term investment and investment monies are received by the Manager on 20 March and the FFEC settles on 22 March the commencement date will be 22 March and the maturity date will be 12 months later. The investment commences to earn interest from 22 March.

FFECs are settled on a daily basis with the global investment bank.

Investors will be notified by the Manager of the commencement date of their investment in writing.

<sup>13</sup> While the Manager considers any delays unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments. Refer to page 17 of this PDS ("How to Withdraw").

<sup>14</sup> Past performance is not an indicator of future performance.

# LM First Mortgage Income Fund Non-Australian Dollar Currency Hedged Fixed Term Investment Option

## **Interest Distribution Payments for Non-Australian Investments**

Interest distributions are calculated for the term of the investment and are reinvested at the end of the investment term unless the investor elects to have the interest distribution paid direct to the investor account nominated on the Application Form. The interest distribution is paid within 5 business days of maturity of the original and any subsequent investment term.

Investors should note that if they elect to have the interest distribution paid to the investor account nominated on the Application Form, financial institutions charge a remittance fee which will be deducted from their interest distribution.

## **Automatic Reinvestment Default Position**

If the investor has not ticked one of the boxes in Section 12 of the Application Form to either redeem or to rollover the investment for subsequent investment terms, the following default process will apply. At the end of the relevant investment term, the investor's original investment amount and interest distribution (unless the investor elects to have the interest distribution paid direct to the account nominated on the Application Form), are automatically reinvested and reheded in the originally nominated currency for further 1 month investment terms until the investor provides the Manager with longer investment term instructions or a written withdrawal notice.

Investors should complete the Maturity/Rollover Instructions in Section 12 of the Application Form to ensure that correct rollover/withdrawal instructions are provided to the Manager.

Investors should consult with their adviser to obtain details of the current PDS and most recent interest distribution rates prior to reinvestment.<sup>15</sup> The current PDS and most recent interest distribution rates are also available from the office of the Manager by telephoning +617 5585 4500 or by visiting the Manager's website at [www.LMaustralia.com](http://www.LMaustralia.com).<sup>15</sup>

## **Changing Rollover Investment Terms**

Investors can change the term of their investment by giving the Manager written notice at least 5 business days prior to the existing maturity date.

Investors should consult with their adviser to obtain details of the current PDS and most recent interest distribution rates prior to reinvestment.<sup>15</sup> The current PDS and most recent interest distribution rates are also available from the office of the Manager by telephoning +617 5585 4500 or by visiting the Manager's website at [www.LMaustralia.com](http://www.LMaustralia.com).<sup>15</sup>

## **Notice of Withdrawal**

To withdraw all or part of a currency hedged fixed term investment, investors must notify the Manager in writing at least 5 business days prior to the maturity date of the current investment term. Payment of the withdrawal will generally be made within 5 business days after the maturity date.<sup>16</sup> The withdrawal is by direct credit to the account nominated on the Application Form.

Please refer to the paragraph on this page headed "Automatic Reinvestment Default Position" for further details of the consequences of not providing the notice in writing at least 5 business days prior to the relevant maturity date.

<sup>15</sup> Past performance is not an indicator of future performance.

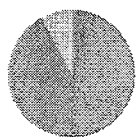
<sup>16</sup> While the Manager considers any delays unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals to protect all investments. Refer to page 17 of this PDS ("How to Withdraw").

# LM First Mortgage Income Fund Investments

## Assets of the LM First Mortgage Income Fund

The assets of the Fund are a diversified portfolio of Australian registered first mortgages over commercial, residential, industrial, retail, vacant land, interest bearing cash investments and "at call" securities.

The assets of the Fund as at 29 February 2008 totalled \$718,403,075 and were made up as follows:



- Australian Registered First Mortgage Securities 96%
- Cash & "At Call" Securities 4%

## Investment Strategy and Structure

The Manager's investment strategy is to provide competitive investment returns from Australian registered first mortgage securities, cash and "at call" securities. Risk management is a priority and the Manager follows a disciplined research driven approach to investment.

The Manager's Property Research and Analysis Committee ("PRAC"), specifically targets locations offering property growth opportunities and property sectors which are expected to perform. The Manager utilises the information provided by PRAC to review and assess its asset allocation strategy for the mortgage securities. As part of its asset allocation strategy the Manager diversifies the mortgage portfolio at a number of levels including, sector, geographic location, term and loan size.

All decision making in relation to the assets of the Fund is handled through a collaborative discussion forum of committee structures, rather than resting with one person. Both the broad base of expertise involved in committee discussions together with the objectivity offered by voting members of the committees is designed for the ultimate protection of investor funds. The Credit Committee is integral to the compliance and risk management processes utilised by the Manager with respect to the selection of registered first mortgage assets for the Fund. The Credit Committee calls for collaboration of a broad base of expertise from the property, finance, legal and accounting sectors when evaluating mortgage assets for the Fund. The formal structure and collaborative decision making process provided by the Credit Committee ensures an informed assessment and objective decision is made when selecting the first mortgage assets of the Fund. For more information in relation to the Credit Committee and the Manager's lending policies and procedures refer to the section headed "Lending Policies and Procedures of the LM First Mortgage Income Fund" on this page of the PDS.

To enhance investment returns from cash investments the Manager may, from time to time, invest a proportion of Fund's cash assets with other fund managers who specialise in income bearing cash investments, long and short term securities (including equity securities and derivatives on securities) or mortgage securities. Specialist fund managers are chosen following an extensive and rigorous research process that examines their investment style, expertise of their investment team and a range of other factors. The Manager reviews each specialist fund manager's performance on an ongoing basis, ensuring that they operate within the mandated expectations and guidelines. As at the date of this PDS, the Manager has a policy limiting the proportion of Fund assets invested with other specialist fund managers to 10%.

The Manager monitors and balances the Fund's portfolio of assets between cash, "at call" securities and Australian registered first mortgage securities, to ensure:-

- ▶ the delivery of consistent performance for investors;
- ▶ sufficient liquidity is available for investors redeeming their investment in the Fund<sup>17</sup>. The Manager has a liquidity policy that is monitored by the Board to adequately manage payment of withdrawals within the time period specified; and
- ▶ liquidity is available to service the requirements of both existing and new mortgage securities.

Since its inception in 1999, the Fund has settled approximately \$3.5 billion of first mortgages. To ensure a continued supply of loans for the portfolio, the Manager's Commercial Lending Department markets its property related expertise, experience and lending services throughout a network of Australian loan originators.

## Lending Policies and Procedures of the LM First Mortgage Income Fund

The Manager is selective in its choice of mortgages and adheres to prudent lending parameters. The Fund follows strict lending policies and procedures as detailed below:

- ▶ Assessment of the borrower - the Manager endeavours to meet every borrower to assess character and business acumen;
- ▶ All mortgages are subject to the Manager's rigorous due diligence process including approval by the Manager's Credit Committee;
- ▶ A first mortgage is always registered on property held as the primary security;
- ▶ The Manager has every security property valued by one of the Manager's panel valuers or by a valuer meeting the Manager's standards for inclusion on its panel and adhering to the Manager's valuation guidelines;
- ▶ The Manager does not accept valuations performed on the instruction of borrowers. The Manager requires that valuations be provided on the Manager's instructions, or that valuers confirm that their valuations adhere to the Manager's requirements;
- ▶ The valuer must have appropriate professional indemnity insurance;
- ▶ The valuer must certify that they are independent of both the borrower and security property;
- ▶ An updated valuation will generally be required where a loan term is extended or a loan is otherwise varied. An updated valuation will also generally be required for commercial loans at 24 month intervals and for construction loans at 12 month intervals. The requirement for an updated valuation may be waived where the Manager considers that an updated valuation would serve no useful purpose (eg where it is demonstrable that property values have increased or not changed in the locality of the property, where a property under construction is significantly presold, where a commercial property has long term leases in place, where a sale or refinance is imminent or where the loan to valuation ratio of the property is low);
- ▶ The Manager has a policy of diversifying mortgage securities geographically and by property type;
- ▶ The Manager has a policy of generally not exceeding the

<sup>17</sup> While the Manager considers any delays unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments. Refer to page 17 of this PDS ("How to Withdraw").

following loan to valuation ratios:-

- 66.67% for construction and development loans; and
- 75% for commercial loans;
- ▶ The constitution of the Fund does not allow the Manager to exceed a loan to valuation ratio of 85% for any one loan except in the event of default. This could occur for example, where interest is being capitalised while the security property is being marketed and sold, or where the Manager determines that expenditure should be incurred to improve the security property prior to sale (the Manager considers a loan to be in default when interest payments have not been received in breach of the loan agreement, or the loan term has expired without repayment of principal);
- ▶ One of the tools the Manager employs to enhance income into the Fund is to balance the assets of the mortgage portfolio between commercial loans and selective development loans;
- ▶ A serviceability analysis is performed to evaluate the financial capacity of each applicant borrower including checking the credit history of each borrower through a credit bureau.

Further information in relation to investment policies and lending criteria is outlined on page 31 of this PDS ("Additional Information").

To the extent that they may affect the value or performance of an underlying investment the Manager may take into account labour standards, or environmental, social or ethical considerations when making, retaining or realising an investment in the Fund. The Manager has no predetermined view about how far such matters will be taken into account, and the Manager will make a determination on such issues on a case by case basis.

## LM First Mortgage Income Fund Arrears Management

The Manager has documented arrears management processes which are implemented in the event that a mortgage loan goes into default. Arrears loans are managed by a team of experienced personnel. The documented processes include the following:

- ▶ Dishonoured payments or other defaults are referred to the Arrears Manager for actioning. The Arrears Manager immediately contacts the borrower to ascertain the circumstances of the default;
- ▶ If the default is short term, arrangements are made with the borrower to remedy the default;
- ▶ If the default is long term, a summary of the nature of the default is emailed to the Arrears Committee with recommendations;
- ▶ The Arrears Committee is comprised of the Executive Directors, the Portfolio Manager, the Risk Manager, the Arrears Manager and members of the Commercial Lending Department as appropriate;
- ▶ The Arrears Committee meets at least weekly. The Arrears Committee considers the recommendations for arrears loans and supervises the preparation of an arrears management plan for each arrears loan. Given the nature of loans within the loan portfolio, the Manager adopts a case by case approach to arrears management, reflected in the individual management plans for each arrears loan;
- ▶ Management plans are implemented by the Arrears Manager who maintains a separate arrears file for each

arrears loan;

- ▶ Reports on arrears loans are prepared and presented at Arrears Committee meetings. Management plans are considered and updated as necessary;
- ▶ In the formulation of a management plan the Arrears Committee considers the following factors:
  - Current value of the security property;
  - Whether an updated valuation ought to be obtained;
  - Current loan amount;
  - Current loan to valuation ratio;
  - A review of securities held;
  - A review of insurances held;
  - Issue of default notices;
  - For commercial loans:-
    - > tenancy status;
  - For construction loans:-
    - > status of construction;
    - > cost to complete;
    - > sales achieved;
    - > review of presales;
  - Current marketing and/or sales programs;
  - Credit assessment of the borrower and any guarantors;
  - Whether demands ought to be issued to any guarantors;
  - Any proposal by the borrower to remedy the default;
  - Status of any second or subsequent mortgages and status of priority arrangements;
  - Desirability of taking possession or appointing a receiver or agent for the mortgagee;
  - Compliance with statutory requirements (eg lodgement of notices, maintenance of controller accounts);
  - Any site-specific issues (eg planning, subdivision, contamination or heritage status);
  - Potential sales avenues;
  - Whether sales agent ought to be appointed/selection of agent;
- ▶ For all arrears loans, a detailed recoverability analysis is prepared and updated on a weekly basis as part of the arrears management plan;
- ▶ External consultants (valuers, lawyers, insolvency practitioners, sales consultants etc) are engaged where appropriate throughout the arrears management process;
- ▶ The Manager may from time to time foreclose on a security property as part of a realisation strategy. Foreclosure is a remedy available to a registered mortgagee by which the mortgagee becomes the absolute legal owner of the property free of any interest of the mortgagor. In the event of foreclosure, the Manager may hold, improve and/or sell the security property in order to achieve the best result for the Fund. The Manager may sell a property on which it has foreclosed to a related entity, in which case the sale price will be determined by valuation.

Arrears loans are managed in this way until the security is sold and/or all possible recovery action has been completed.

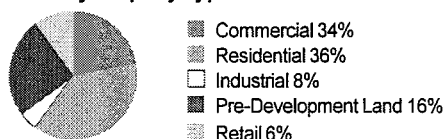
# Assets of the LM First Mortgage Income Fund

The assets of the Fund as at 29 February 2008 totalled \$718,403,075 and were made up as follows:

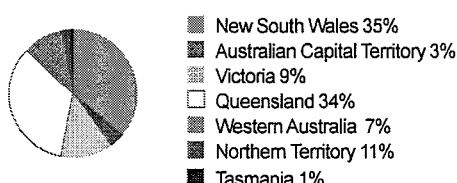


As at 29 February 2008 the mortgage allocation was as follows:

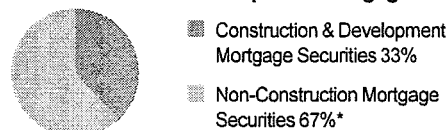
## Security Property Type Allocation



## Geographic Distribution of Security Property



## Construction and Development Mortgage Securities



\*Non-Construction Mortgage Securities includes pre-development land, completed developments and income generating commercial loans.

## Mortgage portfolio details as at 29 February 2008

Total amount of mortgage securities	\$687,494,654
Number of mortgages	74
% of mortgages with fixed interest rates	100%
Average loan to valuation ratio	63.89%
Smallest loan	\$94,672
Largest loan	\$85,523,929
Average loan size	\$9,290,468
Undrawn loan commitments over next 24 months	\$362,375,790
Average monthly undrawn loan commitments	\$15,098,991

The Manager maintains a detailed cash flow model which assesses the total Fund inflows and outflows including programmed loan repayments from borrowers and progressive loan draws. This model allows the Fund's Portfolio Manager to accurately assess Fund cash requirements to ensure sufficient liquidity for the Fund to meet its commitments at all times.<sup>18</sup>

As at 29 February 2008 there were 52 borrowers. Two borrowers had a mortgage that exceeded 5% of the mortgage portfolio. The Manager generally ensures that no single mortgage exceeds 10% of the Fund's assets.

One borrower may have an interest in several loan facilities by way of different entities. The Manager assesses the total

exposure to one borrower as including those related entities with different loan facilities.

## Mortgage securities by maturity profile as at 29 February 2008

Period maturing	% of Total	Value \$
0-6 months	38.42%	\$264,114,682
6-12 months	32.65%	\$224,434,036
12-18 months	17.19%	\$118,182,830
18-24 months	5.70%	\$39,203,830
24-36 months	3.37%	\$23,164,303
36-48 months	0%	\$0
48-60 months	2.67%	\$18,321,927

## Mortgage securities by interest rate profile as at 29 February 2008

For the month ended 29 February 2008 the average interest rate of the mortgage portfolio was 9.69%.

Interest rate %	% of Total	Value \$
= or < 7.00%	0.12%	\$816,519
7.01-7.50	1.57%	\$10,812,275
7.51-8.00	7.78%	\$53,467,988
8.01-8.50	11.13%	\$76,515,263
8.51-9.00	10.51%	\$72,213,890
9.01-9.50	15.67%	\$107,696,936
9.51-10.00	1.98%	\$13,630,474
10.01-10.50	5.45%	\$37,435,117
10.51-11.00	30.59%	\$210,310,344
11.01-11.50	9.66%	\$66,433,970
11.51-12.00	5.54%	\$38,088,833

## Status of Mortgage Loans

The Manager considers a loan to be in default when interest payments have not been received in breach of a loan agreement, or the loan term has expired without repayment of principal. Set out in the table below are details of Fund loans falling into the former category.

## LM First Mortgage Income Fund Loans in Arrears

Period	Principal	Unpaid Interest	No. of loans
60-90 days	\$10,436,287	\$609,953	1
90 days and over	\$34,685,533	\$6,165,154	7
Total	\$45,121,820	\$6,775,107	8

As at 29 February 2008 the percentage of mortgage securities in arrears was 7.49%.

All of the loans except for one in arrears were past their maturity date. As at 29 February 2008 one other loan was past its maturity date and it represents 0.6% of the mortgage portfolio.

The Manager utilises its property expertise and its Arrears Management Policies and Procedures to secure realisation and exit strategies for all arrears loans.

As at the date of this PDS the directors do not consider the arrears above will result in a capital loss for the Fund.

<sup>18</sup> While the Manager considers any delays unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments. Refer to page 17 of this PDS ("How to Withdraw").

## Unit Pricing

The price of units in the Fund has remained at \$1.00 since the inception of the Fund in October 1999. As per the Fund's constitution, the unit price is calculated monthly and determined by dividing the value of the adjusted net assets of the Fund by the number of units on issue on the last day of each month. The unit price may vary and may increase or decrease depending on the performance of the assets of the Fund.

The Manager has a Unit Pricing Policy which provides that Fund assets will be valued at cost or fair value, depending on the type of asset. The Manager will revalue an investment asset if the Manager determines that a particular investment has increased or decreased in value. A copy of the Unit Pricing Policy with any assessment provisions exercised by the Manager is available free of charge upon request.

## Updated Financial and Other Information

The current financial report for the Fund is available at [www.LMAustralia.com](http://www.LMAustralia.com) or by telephoning freecall 1800 062 919 (Australia only) or +617 5584 4500. The Manager will notify investors of any material adverse information in relation to the Fund. Information relevant to the Fund that is not materially adverse and that is subject to change from time to time (including information in relation to Fund's fund size, asset allocation, mortgage securities allocation e.g. geographic and property type allocation, average loan to valuation ratio, performance and arrears, including information contained in this PDS) will be updated by the Manager on its website and a paper copy of any updated information will be given to any person without charge on request.



# How to Invest

If a properly completed Application Form, investment funds and investor/s verification documentation and information (as required) arrive before 12 noon Queensland time on a business day at the Gold Coast, Queensland, the application will generally be accepted that day; if they arrive after that time, then that application will be accepted on the next business day.

1. Complete and sign the Application Form attached to this PDS.
2. Remit funds directly to the Fund by one of the methods outlined on pages 14 and 15.
3. Mail the Application Form plus the Direct Debit Request Form / Bpay Receipt / Electronic Direct Credit Receipt / copy of Telegraphic Transfer or Cheque, to the Manager at LM Investment Management Ltd, PO Box 485 Surfers Paradise Qld 4217.

## How to Remit Funds for Australian Dollar Investments

There are a number of ways to remit funds for the Australian dollar investment options in the Fund. Australian Dollar investors can:-

complete the **Direct Debit Request Form** attached to this PDS (for investors with Australian bank accounts only);

or

make a **cheque** payable to the custodian (for Australian bank account holders only):- **PTAL acf LM First Mortgage Income Fund**;

or

remit funds directly by **BPay** (for Australian bank account holders only). In this instance an investor must fax the Application Form to the Manager then telephone the Manager on freecall 1800 062 919 (Australia only) or +617 5584 4500 to receive their account number. On receipt of an account number the investor can proceed to BPay by using:

Biller Code	Reference No
53363	Your Account No

The Bpay receipt must be attached to the Application Form when mailed to the Manager;

or

remit funds directly by **electronic direct credit or telegraphic transfer**. In this instance once an investor has forwarded the electronic direct credit or telegraphic transfer to the Fund's bank account (details below) the investor must fax the completed Application Form and a copy of the electronic direct credit receipt or telegraphic transfer to the Manager and forward the original by mail;

### LM First Mortgage Income Fund

<b>Name of Account:</b>	PTAL acf LM First Mortgage Income Fund
<b>Bank:</b>	Suncorp Metway Ltd
<b>Swift Code:</b>	METWU4B
<b>Branch:</b>	Wickham Terrace, Brisbane
<b>BSB:</b>	484 799
<b>Account No:</b>	045 450 110

When remitting funds by electronic direct credit or telegraphic transfer please provide the electronic direct credit or telegraphic transfer reference code on the Application Form in Section 13 and attach a copy of the electronic direct credit receipt or telegraphic transfer to the Application Form. Investors making additional investments must complete the Additional Investment Form available from the Manager's website at [www.LMaustralia.com](http://www.LMaustralia.com). Investors should note that financial institutions may charge a remittance fee which will be deducted from their investment. We endeavour to ensure inter-financier transfer processes are effected promptly, but cannot be held accountable for any delays within the banking system;

or to make payment by **credit card** please complete the Credit Card Payment Form attached to this PDS and forward it with the Application Form to the Manager. The merchant fees charged by the credit card provider are deducted from the investment funds. The merchant service fee may vary from time to time, but as at the date of this PDS the merchant fees were 1.54% of the investment funds.

## How to Remit Funds for Non-Australian Dollar Currency Hedged Investments

Remit funds directly by telegraphic transfer. Telegraphic transfers can be arranged with an investor's overseas financial institution by providing it with the following details of the bank account to be credited (which is in the name of the custodian). Please provide the telegraphic transfer reference code on the Application Form in Section 13 and attach a copy of the telegraphic transfer to the Application Form.

New Zealand investors should note the alternative payment options referred to below under the heading "New Zealand Investors".

For currencies other than those shown on this page please contact the Manager to obtain bank account details for telegraphic transfers.

Please ensure that funds are remitted in the currency to be invested.

**Telegraphically transfer USD, GBP, EUR, CAD, JPY, SGD, HKD, CHF, THB, SEK, and other currencies (excluding NZD) to the account below:-**

Name of Account:	PTAL acf LM First Mortgage Income Fund
Bank:	Commonwealth Bank of Australia
Address:	48 Martin Street, Sydney
Swift Code:	CTBAU2S
Branch:	Sydney
Account No.	100642778 (plus the currency code for the currency you are sending e.g. 100642778 USD)

## New Zealand Investors

**Telegraphically transfer NZD to the account below:-**

Name of Account:	PTAL acf LM First Mortgage Income Fund
Bank:	ANZ
Address:	203 Queen Street, Auckland, New Zealand
Swift Code:	ANZBNZ22
Branch:	Auckland
Account No.	0102 0987918 00

As well as making NZD investments by telegraphic transfer, investors living in New Zealand can:-

- Arrange for NZD investments to be direct debited from their bank account. Please complete the Direct Debit Form in this PDS; or
- make a deposit in person at an ANZ bank or electronically direct credit investment funds to the ANZ NZD account referred to above. When remitting funds by direct credit please supply a copy of the direct credit receipt and banking reference number provided by the remitting bank in Section 13 of the Application Form.

After receipt of funds, currency hedged non-Australian dollar applications are processed in the manner detailed in the paragraph headed "Currency Hedged Initial Investment" on page 8 of this PDS.

Investors should note that financial institutions may charge a remittance fee which will be deducted from their investment. The Manager endeavours to ensure inter financier transfer processes are effected promptly, but cannot be held accountable for any delays within the banking system.

## Minimum Investment Amount:

Investment Option	Minimum Investment	Minimum Additional Investment/Monthly Contribution
<b>LM First Mortgage Income Fund</b>		
Flexi Account	\$1,000	Multiples of \$1,000
Fixed Terms	\$1,000	Multiples of \$1,000
LM Savings Plan	\$100	Minimum monthly contribution & additional investments \$100
Currency Hedged Non-Australian Dollar Fixed Terms	\$1,000	Multiples of \$1000

The Manager will, at its discretion, accept investments of amounts different to those set out above.

## Monthly Contributions to an LM Savings Plan Account

Investment In	When Debited	You can stop/restart
LM Savings Plan	Debited from the nominated account on the 24th of each month or next business day if the 24th falls on a weekend or public holiday unless a specific date is nominated on the Application Form.	After the minimum initial 12 month period an investor can stop and restart their LM Savings Plan at any time without incurring fees by simply contacting the Manager in writing.

If an investor has not made a monthly contribution in 12 months a new Direct Debit Request Form will have to be completed and forwarded to the Manager.

## Adding to an Investment for Australian Dollar Investments Only

When adding to an investment, please remember to:

- ▶ complete the Additional Investment Form available from the Manager's website at [www.LMaustralia.com](http://www.LMaustralia.com);
- ▶ provide the account number - if an investor is unsure of the account number please contact the Manager;
- ▶ state the full account name;
- ▶ stipulate the amount to be added – payment can be made by the methods outlined under "How to Remit Funds" on pages 14 and 15 of this PDS. Any queries please contact the Manager on +617 5584 4500 or freecall 1800 062 919 (Australia only);
- ▶ include a daytime telephone number;
- ▶ mail the Additional Investment Form plus the Direct Debit Request Form / Electronic Direct Credit Receipt / copy of Telegraphic Transfer or Cheque, to the Manager at LM Investment Management Ltd, PO Box 485 Surfers Paradise Qld 4217.

Please note that additional investments can be made at any time to existing Australian dollar investments however additional investments can only be added to existing currency hedged non-Australian dollar investments on rollover of the current investment term.

If you add to an existing fixed term investment (instead of starting a new fixed term investment) the new application moneys will be added to, and from that date will be treated as part of, the existing investment. For example, if a 12 month term investor makes an original investment of \$100,000 on 12 March and then in 6 months time adds another \$50,000 to the existing investment, the entire \$150,000 investment will mature 12 months after the initial \$100,000 investment was made.

If you are adding to an existing investment you should first obtain a copy of the current PDS for the Fund, as the additional investment will be made on the terms of that PDS. Investors can obtain a current copy of the PDS at any time from their adviser, our website at [www.LMaustralia.com](http://www.LMaustralia.com) or by calling us on freecall 1800 062 919 (Australia only).

## Cooling Off Period

A 14 day cooling off period generally applies to investments in the Fund. The cooling off period does not apply to additional investments or reinvestments of distributions.

During the 14 day cooling off period investors have the right to change their mind and withdraw their investment. This 14 day period commences on the earlier of 5 days from the date of issue of units in the Fund to the investor, or the investor receiving confirmation that their investment has been accepted and processed.

Investors wishing to withdraw must contact the Manager in writing at LM Investment Management Limited, PO Box 485, Surfers Paradise, Queensland 4217, by fax +617 5592 4116, or by email to [mail@LMaustralia.com](mailto:mail@LMaustralia.com). If the Manager receives a withdrawal request within the 14 day cooling off period, it will withdraw and refund the investment. The refund may be adjusted to reflect any changes in unit price (positively or negatively), any taxation incurred, and if the investment is a currency hedged fixed term investment, any fees incurred in relation to breaking the FFEC.

These cooling off rights do not apply to wholesale investors (as defined in the Corporations Act 2001) or if the Fund is not liquid for the purposes of Chapter 5C of the Corporations Act. Investors should contact their adviser or the Manager by telephoning +617 5584 4500 or by email to [mail@LMaustralia.com](mailto:mail@LMaustralia.com) if they have any questions about cooling off rights.

# How to Withdraw

When requesting a withdrawal, investors please remember to:-

- ▶ provide the name of the Fund and the investment account number. If you are unsure of the account number please contact the Manager;
- ▶ state the full investment account name;
- ▶ stipulate the amount to be withdrawn and how it is to be paid;
- ▶ include a daytime telephone number; and
- ▶ sign the request –
  - if it is a joint account both investors must sign the request;
  - if it is a company account either 2 directors, 1 director and company secretary, or sole director who is also the sole secretary must sign the request;
- ▶ You can send your signed withdrawal request by the following options:-
  - Faxing the signed withdrawal request to the Manager at +617 5592 4116 or
  - Scanning the signed withdrawal request and emailing it to the Manager at [investmentservices@LMAustralia.com](mailto:investmentservices@LMAustralia.com) or
  - Mailing the original signed withdrawal request to the Manager at PO Box 485, Surfers Paradise, Qld 4217 Australia.

If an investor requires withdrawal proceeds to be paid to an account other than the account nominated on the Application Form, then we may require further documentary evidence.

## Fax & Scanned Images - Terms and Conditions

You should understand that a person without your authority could send the Manager a fax or scanned image, and by pretending to be you, transfer or withdraw funds from your account for their own benefit or request any other changes to your account.

In using fax or scan facilities, you agree that the Manager is not responsible to you for any fraudulently completed communications and that the Manager will not compensate you for any losses.

You agree that should such a fraud take place you release and indemnify the Manager against any liabilities whatsoever arising from the Manager acting on any communication received by fax or scanned image in respect of your investment, to the extent permitted by law.

The Manager will not be liable for any loss or delay resulting from the non-receipt of any transmission. These terms and conditions are in addition to any other requirements that may form part of your giving instructions relating to the completion of a particular authority.

By sending the Manager a fax or scanned image you signify your acceptance of these conditions.

## Withdrawal Notice Period

Investment Option	Withdrawal request received by the Manager	Withdrawal is paid by the Manager*
<b>LM First Mortgage Income Fund</b>		
<b>Flexi Account Option</b>	Prior to 12 noon on any Gold Coast business day	Generally within 30 days from receipt of notice and is credited to the investor's financial institution account nominated on the Application Form
<b>Australian Dollar Fixed Term Investment</b>	5 business days prior to expiration of the fixed term	Generally within 30 days after maturity date by direct credit to the investor's financial institution account nominated on the Application Form.
<b>Currency Hedged Non-Australian Dollar Fixed Term Investment</b>	5 business days prior to expiration of the fixed term	Generally within 5 business days after maturity date by direct credit to the investor's financial institution account nominated on the Application Form.
<b>LM Savings Plan Option</b>	Following the initial 12 month investment period investors can make up to 4 withdrawals annually by giving written notice to the Manager.	Generally within 30 days after the Manager receives written notice of the withdrawal by direct credit to the account nominated on the Application Form.

## \*LM First Mortgage Income Fund - Withdrawal Delays

The Manager is generally required by the constitution to satisfy withdrawal requests within 180 days. In certain circumstances, that period may be extended to 365 days or the Manager may be entitled to suspend withdrawals. This facility allows for protection of investment funds. The Manager has a liquidity policy that is monitored by the Board to adequately manage payment of withdrawals within the time specified. For all non-Australian dollar investments, the Manager will continue to hedge (on a 1 monthly basis) the currency exposure of these investments. The time periods for withdrawals referred to above are the periods within which the Manager expects to be able to satisfy withdrawal requests, based on the withdrawal requests previously made in respect of the Fund. However, past experience is not an indicator of future circumstances, and there could be delays in meeting withdrawal requests, or a suspension of withdrawals. Refer to the paragraph headed "Withdrawal from the Fund" on page 31 of this PDS.

The withdrawal notice period commences from the time the notice is received by the Manager. Where a request for withdrawal is received on any day that is not a business day on the Gold Coast, Queensland, the request is deemed to have been received by us on the next business day.

### Minimum Withdrawal Amounts

Investment Option	Withdraw in multiples of	Minimum balance
- Flexi Account Option	\$1,000	\$1,000
- Fixed Term Options	\$1,000	\$1,000
- LM Savings Plan Option	\$100	\$100

If the investment amount remaining after a withdrawal is less than the minimum balance set out above, then the Manager may direct the withdrawal of the entire balance. The Manager has discretion to allow withdrawal amounts other than those set out above.

### Breaking a LM First Mortgage Income Fund Fixed Term Investment or LM Savings Plan

Partial or full withdrawals are NOT permitted:-

- ▶ during a fixed term investment;
- ▶ during the initial 12 month term of an LM Savings Plan investment or more than 4 withdrawals are not permitted in any 12 month period thereafter.

The Manager has complete discretion to allow a partial or full withdrawal during a fixed term investment or LM Savings Plan and generally only allows early withdrawal in the event of death or in cases of medical or financial hardship. If the Manager allows an early withdrawal, the Fund will charge:-

- ▶ a fee equal to the last three months' interest distributions paid or payable on the amount being withdrawn; and
- ▶ where an adviser is paid an upfront commission the Fund will charge an additional fee equal to the upfront commission paid, calculated on a pro-rata basis for the length of time remaining to maturity.

The above fees will be deducted from the investment amount.

Currency hedged fixed term investors should note that the above fees do not necessarily reflect the only impact of an early withdrawal. Other impacts (including fees and charges that may be payable to the financial institution which provides the FFEC) can only be calculated at the time the request for early withdrawal is made, because there are a number of variable factors, including currency market rates and length of time to maturity. Investors will need to contact the Manager if they want to withdraw early, and the Manager can at that time provide details of the total withdrawal costs, fees and other possible financial impacts.

Investors should note that the financial impacts on an investor who breaks a currency hedged fixed investment term with an early withdrawal are likely to result in the investor receiving less than the original amount invested.

### Overseas Remittance

Investors should note that financial institutions may charge a remittance fee which will be deducted from their investment. We endeavour to ensure inter-financier transfer processes are effected promptly, but are not responsible for any delays within the banking system.

# Adviser Access to Investment Information

## Advisers can Monitor an Investor's Investment

Advisers are provided with online access to full investment details and reporting on their clients' investments. For example, to check maturity dates for investments advisers can access the Maturing Investment Reports for their clients by logging on to the LM Information Exchange which is accessed from the home page on our website at [www.LMAustralia.com](http://www.LMAustralia.com). For access to the LM Information Exchange the adviser can contact the Manager on freecall 1800 162 919 (Australia only) or +617 5584 4500.

## Correspondence & Information from the Manager

To assist investors to keep track of their investment the Manager will send:-

- ▶ **On Receipt of Investment Funds and Application Form:**  
The Manager will email the adviser to confirm receipt of investment funds and Application Form.
- ▶ **On Investment:**  
On initial investment a Contract Note will be forwarded as requested by the investor on the Application Form (refer to Section 8 of the Application Form – which provides for correspondence to investor/s by email or post, or for correspondence to only be sent to the adviser).
- ▶ **Interest Distributions:**  
No correspondence is sent by the Manager. Interest distributions are reinvested unless the investor elects to have the interest distributions paid to their financial institution account. **Advisers can access Transaction Statements and Distribution Statements from the LM Information Exchange.**
- ▶ **LM First Mortgage Income Fund Fixed Investment Terms Maturity Notice**  
The Manager provides advisers access to the Maturing Investments Report for their clients from the LM Information Exchange. A notice of maturity is emailed to advisers prior to the maturity date for fixed investment terms.

**For Australian Dollar Fixed Term Investments** - on the maturity date the investment will automatically rollover for a further investment term of the same length unless the Manager receives written notice of withdrawal or of a change to the investment term at least 5 business days prior to the maturity date.

**For Currency Hedged Non-Australian Dollar Fixed Term Investments** – on the maturity date the investor's original investment amount and interest distribution (unless the investor has nominated for the interest distribution to be paid to their bank account) is automatically reinvested and rehedged in the originally nominated currency for the rollover term selected on the Application Form. If no rollover term is selected the investment will automatically rollover for further 1 month investment terms until the investor provides the Manager with longer investment term instructions or a written withdrawal notice.

Investors and their advisers will need to access the Manager's website or telephone us prior to the reinvestment term to access the most recent interest distribution rates and the current PDS that will apply for the purpose of the reinvestment.<sup>19</sup>

- ▶ **Rollover Confirmation**  
Within 5 business days following rollover of the investment a Rollover Confirmation Notice/Contract Note will be forwarded to advisers.
- ▶ **Transaction Statement is available to investors:**
  - from their financial adviser via the LM Information Exchange; or
  - by request to the Manager.
- ▶ **Exit Statement** with details of the investor's investment account will be sent to the investor within 6 months of withdrawal from the Fund.
- ▶ **Annual Periodic Statement** with details of the investor's investment account will be sent to the investor once a year by 31 December for the preceding financial year.
- ▶ **Annual Taxation Summary** will be sent to an investor or made available to their adviser on the LM Information Exchange by the end of September each year for the preceding financial year.
- ▶ **Annual Financial Statements of the Fund** will be available on the Manager's website at [www.LMAustralia.com](http://www.LMAustralia.com) by the end of September each year for the preceding financial year. Investors can choose to receive the annual statements free of charge by mail or email by marking the appropriate box in Section 8 of the Application Form.

## Changing Details

Investors can advise the Manager of their change of address, email or telephone number/s by telephoning the Manager on 1800 062 919 (Australia only) or +617 5584 4500 or emailing the Manager at [mail@LMAustralia.com](mailto:mail@LMAustralia.com).

All other changes including bank account details must be made by written request signed by the investor/s and sent to the Manager by:-

- **Faxing** the signed request to +617 5592 4116; or
- **Scanning** the signed request and emailing it to the Manager at [investmentservices@LMAustralia.com](mailto:investmentservices@LMAustralia.com) or
- **Mailing** the original signed request to the Manager at PO Box 485, Surfers Paradise, QLD, 4217 Australia..

Change of Details Forms can be obtained from the offices of the Manager or online at [www.LMAustralia.com](http://www.LMAustralia.com).

<sup>19</sup> Past performance is not an indicator of future performance.

*This page is intentionally blank.*

# Fees & Other Costs

Government regulations require all financial product issuers to include the standard consumer advisory warning set out below. The warning below is standardised across all product issuers and does not provide specific information on fees and charges for the LM First Mortgage Income Fund.

## CONSUMER ADVISORY WARNING

### DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your Fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and managements costs where applicable. Ask the Fund or your financial adviser.

### TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website ([www.fido.asic.gov.au](http://www.fido.asic.gov.au)) has a managed investment fee calculator to help you check out different fee options.

Refer to the table on page 22 of this PDS for information on the specific fees and charges that apply to the LM First Mortgage Income Fund.



This table shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Fund's assets as a whole. Taxes are set out on page 25 of this PDS.

You should read all of the information about fees and costs, because it is important to understand their impact on your investment.

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
<b>FEES WHEN YOUR MONEY MOVES IN OR OUT OF THE FUND.</b>		
<b>Establishment Fee :</b> The fee to open your investment.	Nil	Not applicable.
<b>Contribution Fee :</b> The fee on each amount contributed to your investment by you.	Nil	Not applicable.
<b>Withdrawal Fee :</b> The fee on each amount you take out of your investment.	<p>Nil for the Flexi Account, or where you take out your investment at the end of its Fixed Term, or in accordance with the terms of the LM Savings Plan, after giving the required notice.</p> <p>The Fund may charge a fee for early withdrawal equal to the last 3 months' interest distributions paid or payable on the amount withdrawn plus any upfront adviser commission paid in relation to the amount withdrawn, on a pro rata basis for the length of time remaining to maturity of the investment.</p> <p>For Currency Hedged Non-Australian dollar fixed investment terms there will be other financial impacts on you which can only be calculated at the time of the request for early withdrawal (due to a number of variable factors including currency market rates and the length of time to maturity). Further details are referred to under the heading "Dollar Fee Example for Early Withdrawal Fee Charged by the Fund" on page 24 of this PDS.</p>	LM First Mortgage Income Fund Fixed Term investments and LM Savings Plan only - Fees for early withdrawal are deducted from the amount withdrawn at the time of withdrawal.
<b>Termination Fee :</b> The fee to close your investment.	Nil	Not applicable.
<b>MANAGEMENT COSTS</b>		
Fees and costs for managing your investment. <sup>20</sup>	An amount estimated to be 3.5% pa of the net assets of the Fund (this comprises estimated Management Fees of 2.3% pa, estimated Fund expenses of 0.10% pa, and an estimated adviser fee of 1.1% pa). <sup>21</sup>	That part of the Fund's Management Costs which comprises the Manager's Management Fee is accrued daily and is currently paid monthly by being deducted from the assets of the Fund. That part of the Fund's Management Costs which comprises expenses of the Fund (other than the Management Fee) will be payable from the income or capital of the Fund, either monthly or as the expenses are incurred. That part of the Fund's Management Costs which comprises the Management Fee may be able to be negotiated with the Manager by a wholesale client as a differential fee. Further information is detailed under the heading "Additional Explanation of Fees and Costs" on page 23 of this PDS.
<b>SERVICE FEES</b>		
<b>Switching Fee :</b> The fee for changing investment options.	Nil	Not applicable.

<sup>20</sup> All amounts include GST (if applicable) and take into account any input tax credits or reduced tax credits that may be available to the Fund.

<sup>21</sup> The **adviser fee** may be negotiable, but that will depend on what arrangements you may have in place with your adviser. See the paragraph "adviser fees" under the heading "Additional Explanation of Fees and Costs" on page 23 of this PDS. Further information on the Management Costs is also detailed under that heading.

## ADDITIONAL EXPLANATION OF FEES AND COSTS

### Management Costs for the LM First Mortgage Income Fund

The Management Costs can only be estimated, as the actual costs are not yet known. However, the Management Costs for the Fund for the financial year ended 30 June 2007 were 1.55% pa of the net assets of the Fund, and based on current financial information the Manager considers 3.5% pa to be a reasonable estimate of the annual Management Costs. The Management Costs are made up of the following different fees and costs (and note that the following fees and costs are explanations of the components which make up the estimated 3.5% pa Management Costs, and are not additional fees or costs):-

- ▶ The **Management Fee** component of the Management Costs accrues daily and is paid monthly from the assets of the Fund. The constitution of the Fund allows the Manager to recover a Management Fee of up to 5.5% pa of the net assets of the Fund. At the date of this PDS, it is estimated that the Manager will only receive a Management Fee of 2.3% pa of the net assets of the Fund, and that the Manager will waive its entitlement to the higher fee. Note however the section "Changes to Fees and Costs" on this page of this PDS.
- ▶ The **custodian fees** for the Fund are currently the greater of 0.02% pa of the assets of the Fund and \$20,000 pa.
- ▶ **Adviser fees** are fees paid to your adviser for professional financial advice. They are negotiated between you and your adviser. These fees may be paid from the Fund as a lump sum and/or trail commission. If you choose not to use an adviser, your individual distribution rate will still be calculated as if a fee of 1.1% pa (including GST) of your investment amount was payable to an adviser. Any such amount not paid to an adviser will be used to meet Management Costs.  
  
The individual distribution rates payable to investors will vary dependent on the adviser fees paid by the Fund. This adviser fee is an expense of the Fund. The Manager's reasonable expectation is that such fees would be up to 1.1% pa (including GST) of your investment amount, but they could be higher. You should discuss the payment of this fee directly with your adviser.
- ▶ The Manager is reimbursed for all **expenses** properly and reasonably incurred in managing the Fund. This includes any bank and government fees, charges and duties levied in connection with payments to and by the Fund. The estimate of Management Costs referred to above is based on current financial information, but the actual expenses will depend on the amount incurred during each particular year.

### Bank and Government Fees and Charges

Some bank or government fees, charges and duties may be charged directly to you, rather than to the relevant Fund. For example, cheque dishonour fees, and processing or remittance fees charged by banks. These amounts have not been taken into account in the estimate of Management Costs referred to above, but are not expected to be significant amounts.

### Merchant Service Fees for the LM First Mortgage Income Fund

If you invest by credit card a merchant service fee may be charged by the credit card provider. That fee will vary from time to time, but at the date of this PDS is 1.54% of the investment funds. This amount is deducted from your investment funds at the time of investment. This amount has not been taken into account in the estimate of Management Costs referred to above.

### Tax (including Goods and Services Tax)

The fees quoted in this PDS are inclusive of GST where applicable. See the heading "Tax" on page 25 of this PDS for further details of tax that may be relevant to your investment.

### Differential Fees for the LM First Mortgage Income Fund

The Manager may negotiate differential fees with certain wholesale clients or employees of the Manager or of a related body corporate of the Manager, or relatives of those employees. Such differential fees will depend on individual negotiation, compliance with legal requirements, and any applicable ASIC policy. Where the differential fee arrangements involve the Manager paying rebates, the rebates will be paid from the Manager's own funds and will not affect other investors.

### Changes to Fees and Costs

As noted above, the constitution of the Fund allows the Manager to recover a Management Fee of up to 5.5% p.a. of the net assets of the Fund. The constitution also allows the Manager to waive all or part of its fee. The Manager's current intention is to waive its entitlement to part of its fee each month. The Manager will decide each month how much of the maximum 5.5% pa Management Fee it will be paid, but at the date of this PDS, it is estimated that the Manager will only be paid a Management Fee of 2.3% pa of the net assets of the Fund.

The Manager may decide to vary the amount of Management Fee it recovers, the amount of the other Management Costs, or the methods of payment of those amounts, in its absolute discretion, and without your consent (but subject to the limits in the constitution). The Manager will give investors notice of any such change which is material. In particular, the Manager will give 30 days written notice of any change to the Management Fees under this PDS. Any immaterial change can occur without notice.

### Marketing Fees

The Manager may pay properly authorised advisers a marketing reimbursement from time to time out of its own funds.

## LM First Mortgage Income Fund Fixed Term Investment and LM Savings Plan Early Withdrawal Fees Charged by the Fund

Partial or full withdrawals are NOT permitted during a fixed term investment, or during the initial 12 month term of an LM Savings Plan investment (and more than 4 withdrawals from an LM Savings Plan are not permitted in any 12 month period thereafter). The Manager has complete discretion to allow a partial or full withdrawal during a fixed term investment or LM Savings Plan and generally only allows early withdrawal in the event of death or in cases of medical or financial hardship. If the Manager allows:-

- ▶ an early withdrawal from a **fixed term investment**; or
- ▶ an **LM Savings Plan** investor to withdraw during the initial 12 month term or allows more than 4 withdrawals in any 12 month period thereafter;

the Fund may charge a fee equal to the last 3 months' interest distributions paid or payable on the amount being withdrawn, and where an adviser is paid an upfront commission the Fund will charge an additional fee equal to the upfront commission paid calculated on a pro-rata basis for the length of time remaining to maturity.

### Dollar Fee Example for Early Withdrawal Fee Charged by the Fund\*

Below is an example of the early withdrawal fees charged by the Fund if you are allowed to break an investment term. It assumes the investment term is 12 months, you withdraw \$50,000 6 months after the investment date, you make no other transactions during the year, the Fund paid total effective interest distributions of 8.00% pa, and the adviser is paid a 1.1% pa commission (including GST) upfront. This is not a forecast.

LM First Mortgage Income Fund Early Withdrawal Fee Example	Fee Calculation	Total Fee Paid to the Fund	How and When Paid
Assuming 12 month investment term and you withdraw \$50,000 prior to the maturity date and the adviser was paid an upfront commission of 1.1%	3 months interest distribution calculation – $\$50,000 \times (8.00\%/12 \times 3)$ Plus 1.1% pa for length of time remaining until maturity of the 12 month term calculation – $\$50,000 \times (1.1\%/12 \times 6)$	\$1,000.00 Plus \$550.00	Total fees of \$1,550.00 deducted from your investment at the time of withdrawal.

\* For **Currency Hedged Non-Australian Dollar Fixed Term Investments** you should note that the example of withdrawal fees outlined above does not necessarily reflect the only impact of an early withdrawal. Other impacts (including fees and charges that may be payable to the financial institution which provides the FFEC) can only be calculated at the time the request for early withdrawal is made, because there are a number of variable factors including currency market rates and length of time to maturity. You should note that the financial impacts on an investor who breaks an investment term with an early withdrawal are likely to result in the investor receiving less than the original amount invested.

### EXAMPLE OF LM FIRST MORTGAGE INCOME FUND ANNUAL FEES AND COSTS

This table gives an example of how the fees and costs of the Fund can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

#### Example of Annual Fees and Costs

##### Example – Balance of \$50,000 with a contribution of \$5,000 during the year

Contribution Fee	Nil	Not applicable
Plus: Management Costs	3.5% pa* (including GST)	For every \$50,000 you have in the Fund you will be charged \$1,750 each year.
Equals: Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of \$1,750**  What it costs will depend on the investment term option you choose and the fees you negotiate with the Fund or with your financial adviser.

\* This is an estimate only and not the actual Management Costs for your investment. Further information on the Management Costs is detailed under the heading "Additional Explanation of Fees and Costs" on page 23 of this PDS. This amount includes an estimated fee of 1.1% pa (including GST) of net assets payable to your adviser. (See the paragraph "adviser fees" under the heading "Additional Explanation of Fees and Costs" on page 23 of this PDS). The table above is just an example. In practice your investment balance and the value of the Fund will vary daily.

\*\*Additional fees may apply – if the Manager allows you to withdraw early you may also be charged early withdrawal fees as set out on page 24 of this PDS. Early withdrawal fees are deducted from your investment amount.

If the \$5,000 was invested for a full 12 months, you would be charged \$175 for that extra \$5,000.

# Tax

## Summary

Taxation law is constantly under review and changing. The comments below are accurate for Australian resident tax payers at the date of this PDS. Tax law is complex and each investor's circumstances are different. The Manager recommends all investors seek professional independent taxation advice on their investment before investing in the Fund.

## Taxable Interest Distributions

The Manager's policy is to distribute all net taxable income of the Fund to investors each financial year. Under the current income tax legislation, a trust operates as a flow through vehicle such that the income of the trust when distributed, retains its character as it 'flows through' the trust to the investor, and the Manager as trustee is not generally liable to pay tax with respect to the Fund.

This has the consequence for investors that they will be required to include their entitlement to the net income of the Fund in their income tax returns and this income should be included in the investors' taxation return when the investors' entitlement to that income arises. This entitlement arises irrespective of whether the investor receives the income during the year, after the end of the year, or if the income is reinvested as additional units in the Fund.

## Disclosure of Tax File Number

The Manager recommends Australian resident investors disclose their Tax File Number on the Application Form. The Manager will be required to withhold tax at the highest marginal rate (plus Medicare Levy) from interest distributions payable to all investors who have not advised the Manager of their Tax File Number or exemption details. It is not, however, against the law for an investor to choose not to quote their Tax File Number or exemption details. The collection of Tax File Numbers is authorised, and the use of such information is regulated by the tax laws and the Privacy Act.

## Capital Gains Tax

If the Fund disposes of an asset, any capital gain on the disposal must be included in the Fund's calculation of net capital gain. The net capital gain of the Fund will be distributed to investors as part of the investor's share of the Fund's taxable income for the year (in proportion to the investor's investment in the Fund).

Where the disposal of an asset results in a capital loss, the loss will be retained by the Fund and not distributed to investors. The capital loss will generally be available to the Fund to offset any future capital gains of the Fund.

If an asset of the Fund is disposed of after it has been owned by the Fund for more than 12 months, any capital gain derived by the Fund as a result of the disposal will potentially be reduced by 50% for the purposes of calculating the net capital gain of the Fund.

The Manager will send to each investor their annual taxation statement by the end of September each year. Investors should not complete their taxation returns until they receive this statement.

## Non-Resident Investors

If an investor is not an Australian resident for taxation purposes, the investor must (when completing the Application Form) provide their overseas residential address. Withholding tax will then be deducted from distributions before they are paid to investors. The tax rate will depend on which country the investor resides in\*. Non-resident investors may be entitled to claim a credit for withholding tax deducted in their country of residence. Investors should consult their taxation adviser for further specific advice.

\*Withholding tax is generally deducted at a rate of 10% from interest distributions for most countries, however some exceptions do apply. Please refer to the relevant Australian Double Taxation Treaty for further information. Investors should consult their taxation adviser for further specific advice.

Entities such as charities that hold tax exempt status will not incur any Australian tax, including withholding tax.

## Social Security

An investor's investment in the Fund will be classified as a financial investment by the Department of Veteran Affairs ("DVA") and Centrelink and therefore be included in the Income and Assets Tests by the DVA and Centrelink. Government policy in this area can often change and the Manager recommends investors consult with their financial adviser, the DVA or Centrelink for any further information on how their investment in the Fund may affect them.

## Goods and Services Tax

Goods and services tax ("GST") is not directly applicable to an investor's investment in the Fund when they invest or redeem their investment. The Fund may incur GST in respect to various expenses and the Fund may not be entitled to input tax credits with respect to all the GST the Fund incurs.

# Investment Risks

## Risk Management

All investments are subject to varying risks and the Manager actively manages the Fund with a view to balancing returns with security.

This is achieved by:

- ▶ employing experienced, professional personnel;
- ▶ maintaining a long term vision for the Funds;
- ▶ complying rigidly with its compliance program;
- ▶ actively monitoring and managing the assets of the Funds;
- ▶ continuing to set high performance benchmarks.

For any investor the key to managing their investment is to understand and be comfortable with:-

- ▶ the investment term;
- ▶ the level of risk; and
- ▶ potential volatility,

that accompanies an investment in the Fund. The Manager actively manages risk under its risk management program. These comments are intended as a guide only and we recommend that investors seek professional financial advice.

<b>Capital Risk</b>	The value of the investment might decline. Investments are not capital guaranteed. Should the Fund not achieve appropriate rates of return or suffer a capital loss then there is the possibility that the investor could suffer a loss. No losses of capital have occurred in the Fund since its inception in 1999, or are expected to occur as at the date of this PDS. Past performance is not an indicator of future performance.
<b>Unit Price</b>	The unit price is variable and may increase or decrease depending upon the performance of the investment portfolio of the Fund.  The Manager is constantly assessing various investment sectors in order to determine which sectors have the best potential in terms of income and/or capital security depending on the investment objective of the Fund.
<b>Interest Distribution Rate Risk</b>	This risk relates to the volatility of returns to investors. The Manager stabilises interest distribution rate risk as follows:  The Manager stabilises interest distributions risk as follows:- <ul style="list-style-type: none"> <li>▶ cash assets of the Fund are proactively monitored to ensure that investments at least move in line with market movements – investors should note that returns may not keep pace with inflation; and</li> <li>▶ mortgage securities in the Fund utilise a combination of fixed interest rate lending and short lending terms and the Manager utilises a policy of annual interest rate reviews on the anniversary of each of the mortgage securities.</li> </ul>
<b>Currency Risk</b>	Non-Australian dollar investments in the Fund are hedged in the relevant currency against Australian dollar currency movements. The Fund currency hedges a non-Australian dollar investment through the use of Forward Foreign Exchange Contracts ("FFEC"). Investors should however, be aware that any delay or shortfall in income or capital payments from the Fund may result in a loss for the Fund due to breaking a FFEC. In such an event, the investment will not be currency hedged and income and/or capital may be impacted.
<b>Property Market Risk</b>	Property market risk is the risk that negative movements in the property market may impact on the capacity to fully recover the amount owing on a mortgage.  The Manager manages this risk by strictly complying with its lending guidelines, loan to valuation ratio policies, compliance program and the efficiency of its collections systems. The average loan to valuation ratio as at 29 February 2008 was 63.89%. It is the Manager's policy not to exceed a loan to valuation ratio of 85% for any one loan. However in the event of a default the loan to valuation ratio of 85% may be exceeded. Mortgage securities are reviewed on an ongoing basis with updated valuations obtained in accordance with the Manager's valuations policies.
<b>Development or Construction Risk</b>	In development or construction mortgages held by the Fund there could be delays in payment of interest or repayment of capital due to the timing, completion and sale of the development.  The Manager's personnel have considerable experience in dealing with construction and development loans. For each loan an "as is" and an "on completion" valuation is obtained. Funding of the loan is controlled by the Manager on a "cost to complete basis". The Manager has specific procedures in place that are adhered to both prior to and during a project to ensure that the security is maintained and risks minimised.  Investors should also refer to the paragraph headed "Interest Capitalisation Risk" below as construction and development loans may have capitalised interest.
<b>Interest Capitalisation Risk</b>	Loans made from the Fund may require the interest to be paid periodically during the term of the loan or in the case of a construction and development loan a provision for interest may be built into the facility within the approved loan to valuation ratio. (Loan to valuation ratio is generally 66.67% for construction and development

	<p>loans). As a risk management measure, this provision for interest is built into the loan facility along with a contingency. This enables the Manager to control the interest payments and ensure that they are met within the approved loan to valuation ratio limit. In addition to this, a detailed financial analysis is conducted on each borrower to ensure that the borrower has sufficient resources to cover interest commitments if required.</p> <p>There is a risk that interest payments may not be recoverable because of:-</p> <ul style="list-style-type: none"> <li>▶ changed circumstances of the borrower;</li> <li>▶ changed circumstances of the security property; or</li> <li>▶ other economic conditions.</li> </ul> <p>Where this occurs there may be insufficient cashflow in the Fund to meet interest distributions or redemption requests. All loans are monitored by experienced personnel employed by the Manager in its mortgage management division. As at 29 February 2008 the percentage of mortgage loans in the Fund where interest payments were built into the loan facilities was 52.71 % of the mortgage portfolio.</p>
<b>Credit Risk</b>	<p>This is the risk that a borrower may not meet its obligations in full and/or on time to pay interest and repay capital financial obligations. The Manager mitigates this risk by utilising a conservative lending strategy in relation to the mortgages and following strict lending guidelines.</p>
<b>Liquidity Risk</b>	<p>A delay in meeting an investor's withdrawal request is possible where there are a significant number of withdrawal requests received at the same time, which absorb the cash reserves of the Fund and if assets of the Fund are not sufficiently liquid.</p> <p>Generally the Manager is required by the constitution to satisfy redemption requests within 180 days. In certain circumstances, that period may be extended to 365 days or the Manager may be entitled to suspend redemptions. The Manager has a liquidity policy that is monitored by the Board to adequately manage payment of withdrawals within the time period specified. Refer to the paragraph headed "Withdrawal from the Fund" on page 31 of this PDS for further details.</p> <p>The Manager has arranged a line of credit facility with the Commonwealth Bank of Australia for \$215 million which can be utilised in liquidity management or to allow the Manager to take advantage of competitive commercial lending opportunities for the Fund.</p>
<b>Arrears of the Fund's Mortgage Portfolio</b>	<p>The Manager utilises its property expertise and its Arrears Management Policies and Procedures to secure realisation and exit strategies for all arrears loans.</p> <p>Further details of the arrears management processes are outlined on page 11 of this PDS.</p>
<b>Share Market Risks</b>	<p>The Fund may invest in specialist managed funds which in turn hold income bearing cash investments, long and short term securities (including equity securities and derivatives on securities) which may be quoted on recognised stock exchanges. The value of these investments might decline for reasons including domestic and international economic conditions, changes in government fiscal, monetary and regulatory policies, changes in interest rates and currency exchange rates, the rate of inflation or changes in the circumstances of the companies or funds in which the specialist managed funds invest. A return on investments in the specialist managed funds or repayment of capital invested is not guaranteed. As at the date of this PDS, the Manager has a policy limiting the proportion of Fund's assets invested with other specialist fund managers to 10%.</p> <p>The Manager mitigates this risk by utilising specialist fund managers to invest the Fund's assets held in this sector. Each specialist is chosen following an extensive and rigorous research process that examines their investment style, the expertise of their investment team and a range of other factors. The Manager reviews each specialist fund manager's performance on an ongoing basis, ensuring that they operate within the mandated expectations and guidelines.</p>
<b>Borrowing risk</b>	<p>Under the constitution the Manager may borrow against the Fund assets on terms and conditions acceptable to the Manager. The Manager has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA") for \$215 million. This facility was put into place in order to allow the Manager to take advantage of competitive commercial lending opportunities, or to assist the Fund with managing liquidity, interest distributions or funding loan commitments. At the date of this PDS the amount owing to the CBA was \$155 million. As at the date of this PDS the interest rate of the facility is variable and is priced between 0.50% to 1.10% above the respective BBSY bid rate. The facility term is the subject of an annual review. The finance facility is secured by a fixed and floating charge over the assets of the Fund, providing the CBA as a secured lender with first priority over the assets and income of the Fund. The rights of investors to the income and assets of the Fund are secondary to the rights of the CBA. The facility will be repaid via investment inflows and inflows received from principal repayments from borrowers. This facility or a similar facility may be varied from time to time in order to manage the Fund. Insufficient income generated by the Fund to service the CBA debt, increases in the bank interest rate or an unforeseen refusal of the financier to extend the term of any facility could cause the Fund to default on its loan.</p>
<b>Government Policies</b>	<p>Investment performance may be affected by changes to government policy in relation to taxes, exchange rates, legislative changes, land tax, income tax and other government factors. These factors are generally beyond the control of the Manager.</p>

# About LM Investment Management Ltd

LM Investment Management Ltd ("the Manager") is an Australian funds manager operating internationally from offices on the Gold Coast, in Sydney, Hong Kong, New Zealand and London. In conjunction with its network of authorised financial adviser groups domestically and abroad, LM provides an established investment product with a range of flexible options, focused on achieving income and flexibility to the investing public.

Since inception in 1998, the Manager has become a growing presence in the financial services markets throughout Australia, Hong Kong, Asia, the Middle East, United Kingdom and New Zealand.

Recognised as a specialist funds manager within the AUD\$22 billion mainstream mortgage trust sector, LM Investment Management Ltd manages one of Australia's largest mortgage trusts, the LM First Mortgage Income Fund. The Manager's other funds under management include the LM Wholesale First Mortgage Income Fund, the LM Institutional Currency Protected Australian Income Fund, the LM Currency Protected Australian Income Fund and the LM Cash Performance Fund.

The Manager is licensed with the Australian Securities and Investments Commission ("ASIC") as a Responsible Entity and Australian Financial Services Licensee. Independent audits of its registered funds, their compliance plans and the Manager are conducted at least annually.

The Manager specialises in professional and responsive financial services, and is a highly regarded lending institution within Australia's business and property sectors.

## Management Principles

The Manager's corporate vision is to be recognised as a leading, innovative and prudential funds manager. The management team has a common understanding of business principles to ensure the vision is upheld. These principles include:-

- ▶ delivering a high level of service with clear communication and genuine empathy for clients;
- ▶ offering qualitative investment and lending products;
- ▶ using a research driven approach to anticipate market changes and seek new opportunities:-
  - to protect the delivery of income; and
  - to protect the delivery of a stable unit price.

The Manager's commitment to offering clients a competitive advantage with service is demonstrated by its use of information technology delivering 24 hour access to online investment reporting.

## Key Personnel

The Directors of the Manager collectively offer considerable years of experience and specialist knowledge from the finance, insurance, legal and property sectors. The Manager also carries a vast depth of professional property and business related experience across all business units.

The Manager's personnel are strategic thinkers with the foresight to identify quality investment opportunities, while keeping their fingers on the pulse of Australia's property and finance markets. The Manager blends this foresight with a sound investment philosophy to seek optimum results for investors.

The Directors encourage the key decision makers at LM Investment Management Ltd to take a 'hands-on' approach when seeking new investment opportunities and anticipating market changes.

Financial intermediaries and investors have direct access to a staff which provides prompt professional assistance. Our relationships are built on honest and open communication and a genuine appreciation of our clients' needs.

## Corporate Governance

The Board of LM Investment Management Ltd generally meets quarterly to discuss the strategic direction of LM and the monitoring of its funds. The Manager has a strong commitment to corporate governance, compliance and risk management. The Manager has a committee based structure for all major decision making processes to ensure ultimate protection of investor funds.

Executives and a representative of the Board meet weekly to discuss issues pertinent to the Manager and its funds. Each executive is responsible to the Board for the operation of their own business unit. The Funds Management Committee meets monthly to analyse and review performance of the funds. The Compliance Committee generally meets quarterly to monitor and review compliance systems and processes to ensure that they are in accordance with the Compliance Program and registered funds' compliance plans.

The Manager follows a disciplined research driven approach to investment. The Manager's Property Research and Analysis Committee ("PRAC"), specifically targets locations offering property growth opportunities and property sectors which are expected to perform.

The Board and management also have access to a range of independent and expert advisers to assist on particular technical issues.

As an unlisted public company, the Manager is the subject of yearly financial audits. The audits are a requirement under the Corporations Act 2001. These audits are performed by Ernst & Young, an international accounting firm. Ernst & Young also perform financial and compliance audits on the Manager's registered funds on a bi-annual and/or annual basis dependent on the relevant fund's compliance requirements.

# The Directors



## **Peter Charles Drake, Chairman and Chief Executive Officer**

As CEO Peter is principally responsible for the strategic vision, direction and the structured growth of LM Investment Management Ltd ("LM"). Peter has been involved in the financial services industry since 1978, and is particularly active in investment product design. Working closely with LM's Portfolio Manager to manage the growth of funds under management, Peter also plays an integral role in LM's Funds Management Committee, and Credit Committee. Peter's vision of an innovative and prudential funds manager holds true as LM continues its dynamic growth in the Australian financial services sector.



## **Lisa Maree Darcy, Executive Director**

Lisa joined LM Investment Management Ltd in 1998 and was appointed Executive Director in September 2003. Lisa is principally responsible for all accounting functions of both LM Investment Management Ltd and its registered schemes. She works closely with LM's Portfolio Manager, to manage the growth of funds under management. Lisa plays an integral role in LM's Funds Management Committee and Credit Committee. With more than 20 years experience in the banking and financial planning industry, including financial accounting and funds management, Lisa makes a valuable contribution to LM's ongoing management of investment funds and financial services. Lisa holds a Bachelor of Business from Griffith University.



## **Eghard van der Hoven, Executive Director, Portfolio Manager**

In 2003 Eghard joined LM Investment Management Ltd as Portfolio Manager, responsible for the monitoring and ongoing performance of LM's various funds. As Executive Director, Eghard's sound understanding of the investment industry spanning almost 20 years includes extensive experience in stock broking, auditing, investment analysis, business strategy and policy planning. As the Chair of LM's Funds Management Committee, Eghard is responsible for joint decisions in relation to the asset allocation, geographic spread allocation, cash flow, delivery rate forecasting and budgeting of LM's funds. Eghard also sits on the Credit Committee and the Arrears Management Committee. He holds a Master of Commerce, majoring in Economics, and a Bachelor of Commerce (Hons) in Economics, from University of Pretoria, South Africa.



## **Francene Maree Mulder, Executive Director, General Manager Distribution/Product**

Francene commenced with LM Investment Management Ltd in 1999, following a 20 year career in the commercial, legal and securities sectors. Prior to joining LM Investment Management Ltd, Francene held managerial positions focused on the areas of commercial mortgages, conveyancing and the property sector. Specific experience in mortgage securities and the marketing of financial products provided a solid background for Francene to successfully undertake her role within LM. As Executive Director, Francene is primarily responsible for the marketing and expansion of distribution of LM's products on a wholesale and retail basis, throughout Australia and international markets. Francene takes an active role in the direction of all client communication, company communication and service. Francene is also a member of the Property Research and Analysis Committee, Funds Management Committee, Credit Committee and Arrears Committee.



## **John Dillon, Non-Executive Director**

John holds more than 30 years strategic and managerial expertise in the business and development sectors domestically and abroad. As Non-Executive Director, John's experience complements the continued strategic growth of LM Investment Management Ltd as an Australian funds manager with international operations. John's previous managerial experience includes the strategic and financial growth of Vision Cabinets Pty Ltd, a specialist cabinetry business that services a range of residential and commercial clients nationally. Prior to Vision, John was Managing Director ASEAN of Occidental Chemicals, responsible for the administration, manufacture and distribution to the Association of South East Asian Nations (ASEAN). He also holds a Bachelor of Commerce from the University of New South Wales.



## **Val Llewellyn, Non-Executive Director**

Val holds over 30 years' management experience in the engineering, manufacturing, labour hire and training sectors in Australia, London and Wales. In 1982, Val emigrated with his family to Australia, establishing Axial Engineers, then later established Axial HR, an industrial labour hire operation to operate alongside Axial Engineers. In 1996, Val became sole shareholder and Director of the Axial group of companies, and in 1997 established Axial Training to train new apprentices, supervisors and managers in the manufacturing, engineering, mining, warehousing, food processing (butchery), retail and business sectors. The Axial Group currently operates from six locations throughout Queensland and also in Perth. Val is a qualified Chartered Accountant, admitted as a Member of the Institute of Chartered Accountants in England and Wales in 1972.



## **John O'Sullivan, Non-Executive Director**

John has over 20 years experience in funds management and investment advice in Europe, Asia and Australia. His previous roles have included CEO and Partner of a large advisory business in New Zealand, General Manager of Oceanic Life in New Zealand and Director of Oceanic Funds Management in Australia. When Oceanic was purchased by Sun Alliance, he was appointed New Zealand Manager of Sun Alliance Asset Management. He is currently Managing Director of his own distribution company, O'Sullivan Capital Management Ltd.



# Additional Information

## Payment and Other Instructions

Each investor releases, discharges and agrees to indemnify the Manager from and against all actions, proceedings, accounts, claims and demands whatsoever and howsoever arising from or in connection with or in any way related to the Manager in good faith accepting and acting on instructions received in writing, by facsimile transmission or by scanned image which are signed by or purported to be signed by an authorised signatory or signatories.

## Fax & Scanned Images - Terms and Conditions

You should understand that a person without your authority could send the Manager a fax or scanned image, and by pretending to be you, transfer or withdraw funds from your account for their own benefit or request any other changes to your account.

In using fax or scan facilities, you agree that the Manager is not responsible to you for any fraudulently completed communications and that the Manager will not compensate you for any losses.

You agree that should such a fraud take place you release and indemnify the Manager against any liabilities whatsoever arising from the Manager acting on any communication received by fax or scanned image in respect of your investment, to the extent permitted by law.

The Manager will not be liable for any loss or delay resulting from the non-receipt of any transmission. These terms and conditions are in addition to any other requirements that may form part of your giving instructions relating to the completion of a particular authority.

By sending the Manager a fax or scanned image you signify your acceptance of these conditions.

## Changes to Terms and Conditions

The fees that apply to investors' investment accounts can change from time to time. Investment terms and conditions can also be changed by the Manager giving notice of the changes. Investors will need to contact their adviser or the Manager, or access the Manager's website to find out the terms and conditions which apply from time to time.

## Appointment of Authorised Delegate

An 'authorised delegate' is any company, partnership or individual appointed by an investor to operate their account. The most common arrangement is to appoint an investor's financial adviser to enable him or her to better manage the investor's financial affairs.

An investor may appoint an authorised delegate by signing and dating the authority on the Application Form. The authorised delegate must also sign the authority. Where the authorised delegate is a corporation or a partnership, a duly authorised officer or partner of the authorised delegate must sign the authority. The Manager may require proof of authorisation.

The authorised delegate has the same powers as an investor to access investments, make further investments in the Fund on behalf of the investor or to make written requests for withdrawals from the Fund. Such withdrawal may only be paid to the account nominated on the Application Form. In the case of an authorised delegate which is a corporation or a partnership, the Manager may act on the instructions of any person it reasonably believes to be an authorised officer or partner, and any instruction given by such an officer or partner shall be deemed to have been given by the authorised delegate.

Investors may at any time, in writing, notify the Manager of the revocation of appointment of an authorised delegate. Such revocation however, will not be effective until the Manager has acknowledged the revocation in writing.

By signing the authority on the Application Form, an investor agrees to release, discharge and indemnify the Manager from and against all actions, proceedings, accounts, claims and demands arising from the release of information to the authorised delegate named on the Application Form, or in respect of any loss or liability arising out of any transaction or dealing made or purported to be made pursuant to an actual, purported or alleged direction or authority of an authorised delegate, notwithstanding the fact that the transaction or dealing was requested or received without the authorised delegate's or the investor's knowledge or authority.

## Joint Investors

If an investor's investment is held jointly with one or more other persons, the Manager can send notices, statements or other documents (including any changes to investment terms and conditions) by mailing them to any one of the joint holders (that is, the first investor or any of the other joint holders) at their nominated correspondence address. The investors will be deemed to have received the notice, statement or other document on the second business day after it is sent. If the Manager gives these notices, statements or other documents to any one of the joint holders, their authorised delegate or adviser, they will be deemed to have been received by all of the joint holders.

Applications signed by several parties are deemed to be signed as joint tenants and unless otherwise agreed all parties must sign to authorise a withdrawal.

## Privacy – use and disclosure of personal information

The privacy of an investor's personal information is important to the Manager. The purpose of collecting investor information on the Application Form is to process the application and manage an investor's investment in the Fund. If the information an investor gives is not complete or accurate, the Manager may not be able to provide the products and services applied for.

In processing the application and managing investors' investments in the Fund, the Manager may disclose personal information to other parties such as an investor's financial adviser and/or IT service providers of financial advisers, the financial adviser's licensee or as required by law.

Investors are entitled to request reasonable access to their personal information. The Manager reserves the right to charge an administration fee for collating the information requested.

For further details on the Manager's Privacy Policy please visit the Manager's website at [www.LMaustralia.com](http://www.LMaustralia.com).

## The Constitution for the Fund

The constitution for the Fund is a legal contract between the Manager as responsible entity and each investor. The constitution together with the Corporations Act and other relevant law governs the relationship between the Manager and investors, the Manager's duties as a responsible entity and the way the Manager must operate the Fund. The constitution includes provisions which deal with:-

- ▶ the rights of investors;
- ▶ the duties and obligations of the Manager as the responsible entity;
- ▶ investment and borrowing powers of the Manager;
- ▶ ability of the Manager to be indemnified by the Fund for all expenses, losses and liabilities arising in its capacity as responsible entity provided it has properly performed its duties;
- ▶ ability to remove the Manager;

- ▶ unit issue and redemption procedures;
- ▶ convening and conduct of the Fund's investor meetings;
- ▶ the duration and termination of the Fund; and
- ▶ rights to Fund interest distributions.

The terms and conditions of the constitution are binding on investors and the Manager as the responsible entity of the Fund.

The statements in this PDS only provide a summary of some of the provisions of the constitution. The Manager may change the constitution in accordance with the Corporations Act 2001. However any change that may adversely affect investors' rights must be approved by special resolution of the investors.

#### **Classes Of Units**

The Fund constitution authorises the Manager to issue different classes of units with special rights or restrictions as determined by the Manager from time to time. The interest distribution rate offered or paid to the different classes may vary. The Manager is required under the Corporations Act to treat all investors within a class of units equally and as between classes fairly. The Manager has created separate classes of units in the Fund representing each different type of investment. The Manager will only issue new classes of units where it considers it appropriate having regard to the interests of existing investors and in accordance with the Manager's obligations under the Corporations Act and the constitution.

#### **Invitation Only Wholesale Clients in the Fund**

The Manager may invite wholesale clients to invest in the Fund. Such an investor must provide 1 business day's notice of redemption of the investment to the Manager but is otherwise subject to the withdrawal provisions as outlined in the paragraph headed "Withdrawal from the Fund" on page 31 of this PDS. The interest distribution rate for such investors will be determined by the Manager from time to time. The Manager may waive the whole or part of its Management Fee in respect of such investors. The Manager may also waive the whole or part of its Management Fee in relation to investments by its employees, or employees of a related body corporate of the Manager.

The above arrangements constitute differential fee arrangements under ASIC Class Order 03/217 (as amended) and are offered to wholesale clients (within the meaning of section 761G of the Corporations Act 2001) or employees of the Manager, or of a related body corporate of the Manager.

The Manager also issues units to relatives of the Manager's employees, and waives the whole or part of its Management Fee for those members. Those members hold units of different classes to the units held by other members in the Fund.

#### **The Nature of Units of the Fund**

Each unit gives the holder an undivided interest in the Fund. However, a unit does not confer any interest in any particular asset of the Fund and does not entitle the holder to have any of the assets of the Fund transferred to them or to interfere with any of the Manager's rights or powers.

#### **Powers and Duties of the Responsible Entity**

All of the assets and undertakings of the Fund vest in the Manager to hold on trust for investors. In relation to the assets of the Fund the Manager has all of the powers of a natural person who is the absolute beneficial owner of the assets.

The Manager must act in accordance with the constitution and the Corporations Act 2001 and is responsible for administering the

Fund, determining investment policy, selecting and managing the investments, valuing the investments, sending notices and reports to investors, arranging investors' meetings, accepting or rejecting applications for investment, calculating the number of units to be issued or withdrawn, maintaining a register of investments, payments of interest distributions to investors, preparation and interest distribution of cheques, managing the Fund borrowings and ensuring that the Fund is carried on and conducted in a proper and efficient manner. The Manager is entitled to various indemnities under the constitutions.

#### **Withdrawal from the Fund**

Generally the Manager is required by the constitution to satisfy withdrawal requests within 180 days. In certain circumstances, that period may be extended to 365 days or the Manager may be entitled to suspend withdrawals in order to protect all investments. The Manager has a liquidity policy that is monitored by the Board to adequately manage payment of withdrawals within the time period specified. The Manager may suspend withdrawals where:

- (i) the Fund's cash reserves fall and remain below 5% for 10 consecutive Business Days; or
- (ii) if in any period of 90 days, the Manager receives net withdrawal requests equal to 10% or more of the Fund's issued units and, during the period of 10 consecutive days falling within the 90 day period, the Fund's cash reserves are less than 10% of the total assets; or
- (iii) it is not satisfied that sufficient cash reserves are available to pay the withdrawal price on the appropriate date and to pay all actual and contingent liabilities of the Fund; or
- (iv) any other event or circumstance arises which the Manager considers in its absolute discretion may be detrimental to the interests of the members of the Fund.

Historically, the Fund has successfully met all withdrawal requests on time and in full. This is due to the liquidity management of the Fund and the structure of the investment terms (although past performance is not an indicator of future performance).

The Manager does not expect that the Fund will be a managed investment scheme that is not liquid as that term is defined in the Corporations Act.

Part 5C.6 of the Corporations Act provides that a managed investment scheme is liquid if liquid assets account for at least 80% of the value of scheme property. Liquid assets would ordinarily include money in an account or on deposit with a bank, bank accepted bills, marketable securities, or any other property (including the mortgage loans of the Fund) which the Manager reasonably expects can be realised for its market value within the period specified in the Fund's constitution for satisfying withdrawal requests while the Fund is liquid. The liquidity of the Fund is therefore dependant on whether 80% of the Fund property (including the mortgage loans) can be realised for its market value within the period specified in the constitution for satisfying withdrawal requests while the Fund is liquid. In the unlikely event that the Fund is not liquid, an investor will only be able to withdraw their investment in the manner specified in s601KB to s601KE of the Corporations Act, which would include making written withdrawal offers to all investors (or all investors of a particular class) based on the units they hold in the Fund.

#### **Authorised Investments of the Fund**

The Manager may invest in "Authorised Investments" as defined in the constitution, which includes but is not limited to bank deposits,

investments in cash, stocks, bonds, notes or other securities or derivatives and options over securities or derivatives, loans and interests in any registered managed investment scheme (as defined in the Corporations Act 2001).

To the extent that they may affect the value or performance of an underlying investment the Manager may take into account labour standards, or environmental, social or ethical considerations when making, retaining or realising an investment in the Fund. The Manager has no predetermined view about how far such matters will be taken into account, and the Manager will make a determination on such issues on a case by case basis.

#### **Appointment and Removal of the Manager**

The Manager may retire in accordance with the Corporations Act 2001. Investors of the Fund by extraordinary resolution may remove the Manager and appoint a new responsible entity of the Fund.

#### **Borrowings of the Fund**

Under the constitution the Manager may borrow against the Fund assets on terms and conditions acceptable to the Manager.

The Manager has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA") for \$215 million. This facility was put into place in order to allow the Manager to take advantage of competitive commercial lending opportunities, or to assist the Fund with managing liquidity, interest distributions or funding loan commitments. At the date of this PDS the amount owing to the CBA was \$155 million. As at the date of this PDS the interest rate of the facility is variable and is priced between 0.50% to 1.10% above the respective BBSY bid rate. The facility term is the subject of an annual review. The finance facility is secured by a fixed and floating charge over the assets of the Fund, providing the CBA as a secured lender with first priority over the assets and income of the Fund. The rights of investors to the income and assets of the Fund are secondary to the rights of the CBA. The facility will be repaid via investment inflows and inflows received from principal repayments from borrowers. This facility or a similar facility may be varied from time to time in order to manage the Fund.

#### **The Manager's Indemnity**

To the extent allowed by law, the Manager is indemnified out of the Fund against any claim, action, damage, loss, liability, costs, expense or payment which the Manager incurs or is liable for in relation to the Fund, provided that it does not arise from the fraud, negligence or wilful default of the Manager or its employees.

#### **Expenses**

All expenses reasonably and properly incurred by the Manager in connection with managing the Fund are payable or able to be reimbursed out of the assets of the Fund. These expenses include:

- ▶ preparation, review, distribution and promotion of any offer document;
- ▶ the sale, purchase, insurance, custody and any other dealing with assets;
- ▶ any proposed investment;
- ▶ administration, management and promotion of the Fund;
- ▶ communicating with, or convening and holding meetings of and dealings with investors;
- ▶ tax (provided it is not on the personal account of the Manager) and bank fees;
- ▶ the engagement of experts and advisers;

- ▶ preparation and audit of the taxation returns and financial statements of the Fund;
- ▶ termination of the Fund and the retirement or removal of the Manager and the appointment of a new responsible entity; and
- ▶ any court proceedings, arbitration or other dispute concerning the operation of the Fund or any asset of the Fund.

Fees payable to an adviser of an investor will also be expenses of the Fund.

#### **Liability of Investors**

The constitution limits the liability of investors to the amount of their investment. However, the Manager cannot give an absolute assurance on this matter as the issue of the investor's liability has not been fully resolved by the courts.

#### **Compliance Plan**

As a responsible entity, the Manager is required to adhere to the compliance plan for the operation of the Fund. The compliance plan sets out compliance measures in relation to the conduct of the Fund and its business. The compliance plan is designed to document compliance risks, the monitoring process, and provide a basis for compliance adherence and auditing. The compliance plan is lodged with ASIC and is independently audited annually.

The Manager's Board and Compliance Committee monitor and review its compliance plans to ensure that all compliance systems are followed.

#### **Investment Procedures and Policies**

Investment procedures and policies of the Manager are reviewed on an ongoing basis. Outlined below is a broad overview of the investment and lending procedures that apply to the Fund.

#### **Investments by the Manager**

The Manager has policies in relation to investing the Fund's assets with specialised fund managers of registered managed investment schemes (as defined by the Corporations Act 2001). A specialist fund manager is only chosen if the Manager is fully satisfied with its due diligence conducted on the specialist fund manager which includes the investment style, expertise of their investment team and a range of other factors. The Manager constantly monitors and reviews each specialist fund manager's performance ensuring that they operate within mandated expectations and guidelines.

At the date of this PDS, the Manager has a policy of limiting investment with specialist fund managers that invest in income bearing cash investments, equity securities and options to 10% of the assets of the Fund.

#### **Lending Criteria of the Fund**

- ▶ The Manager has determined and documented lending policies for the approval and management of mortgages. Risk management is a priority, with mortgages diversified over a number of levels including geographic location, sector, loan size, interest rate and maturity profile.
- ▶ The type of real estate offered for security must be acceptable to the Manager. Typical mortgage securities will include commercial, industrial and residential real estate (including development loans across these sectors) secured by a registered first mortgage. A first mortgage must be registered on the primary security property.

- The value of the security property must be established in accordance with the valuations policy of the Manager.
- The ability of the borrower to service the facility must be established to the satisfaction of the Manager.

#### Development Loans

The following additional requirements are imposed in the case of development loans:

- The initial drawdown for the facility is arrived at after considering both the approved loan to valuation ratio on the "as is" valuation and the "cost to complete" formula. The initial drawdown must meet the loan to valuation ratio required and also allow sufficient funds to be available in the facility to complete the development. The project feasibility must reflect the "cost to complete" formula throughout the life of the project. The concept of a "cost to complete" formula is that the lender always retains sufficient funds within the loan facility to complete the development based on its assessment of the actual cost to complete the project.
- Additional development loan procedures are required throughout the development stages of the loan to ensure the development is adequately monitored.
- Where applicable a tripartite agreement is made between the Manager, the borrower and the builder. This enables the Manager, in the event of default by the borrower, to deal directly with the builder.

#### Credit Committee

The Credit Committee is an internal review committee for all mortgage investments and is independent from all other departments. The Credit Committee meets as required to consider proposed and actual investment opportunities. The Credit Committee contains a broad experience base and includes departmental team leaders for planning purposes.

New mortgage investment proposals are put forward by the commercial lending department for consideration with a written summary. The Credit Committee is responsible for setting the primary terms and conditions upon which subsequent approval will be based.

When mortgage investment proposals are completed in accordance with the Manager's credit standards they are required to be finally approved by the Credit Committee.

#### Valuations Policy

All real property assets of the Fund are required to be valued prior to settlement of each transaction. Valuations may only be carried out by the Manager's panel valuers or by a valuer meeting the Manager's standards for inclusion on its panel and must adhere to the Manager's valuation guidelines. The Manager has determined and documented valuation review procedures for guidance on each valuation.

Appropriate instructions must be given to the valuer having regard to the type of valuation required. In particular the instructions should indicate the type of valuation required eg. "as is" or "on completion".

The Manager, in accordance with its valuations review guidelines is responsible for the review of all valuations. Unresolved issues arising from a review must be referred to an executive director for discussion and determination.

As an internal checking mechanism, an independent property

report is obtained (where appropriate) from two real estate agents or an alternate valuers report whose normal trade area encompasses the property being valued.

The valuer must have appropriate professional indemnity insurance.

The valuer must certify they are independent of both the borrower and the security property.

The Manager does not accept valuations performed on the instruction of borrowers. The Manager requires that valuations be provided on the Manager's instructions, or that valuers confirm that their valuations adhere to the Manager's requirements.

An updated valuation will generally be required where a loan term is extended or a loan is otherwise varied. An updated valuation will also generally be required for commercial loans at 24 month intervals and construction loans at 12 month intervals. The requirement for an updated valuation may be waived where the Manager considers that an updated valuation would serve no useful purpose (eg where it is demonstrable that property values have increased or not changed in the locality of the property, where a property under construction is significantly presold, where a commercial property has long term leases in place, where a sale or refinance is imminent or where the loan to valuation ratio of the property is low).

#### Valuation Panel

Members of the valuation panel are appointed and removed in accordance with the Manager's valuation panel appointment guidelines. The Manager is responsible for approving the appointment or removal of a panel valuer.

#### Development Valuations

Separate valuations (may be within the one valuation report) are required in relation to "as is" and "on completion" valuations.

#### "As is" Valuation

The "as is" valuation is the market valuation of the property at the time of the initial drawdown. The loan to valuation ratio in this case must fall within the Manager's lending criteria.

#### "On Completion" Valuation

The "on completion" value is the market value of the property at the completion of development. The valuation methodology required is as follows:

- "feasibility analysis" including demolition, subdivisional, construction, and other development costs, allowances for sales and marketing expenses, interest and an allowance for profit and risk to arrive at a base value for the land. Any such analysis is based on the premise that the development approval has or will be obtained prior to settlement of the loan. Alternatively, the valuation must contain an adjustment for any uncertainty attaching to the development approval process. The requirement for a feasibility analysis may be satisfied, if appropriate, using alternate techniques such as discounted cash flows; and
- "gross realisation" based on comparable sales evidence for the individual components eg. houses, units, allotments etc.

The Manager will reasonably assess the appropriateness of the feasibility analysis within the valuer's report by comparison with cost estimates provided by a competent quantity surveyor selected from the Manager's panel.

The "on completion" value is the valuation figure used in the cost to complete calculations during the development phase. The "on completion" value may be revised during the term of development to reflect changes as approved by the Manager.

#### Complaints Procedure

If an investor has a complaint they should generally first contact their adviser. If the adviser is unavailable, unwilling, or unable to assist, or if the investor wishes to directly contact the Manager, and the complaint relates to the Fund or the Manager, then the investor should contact the Client Relations Department at the office of the Manager on free call 1800 062 919 (Australia only) or +617 5584 4500. Complaints may be made in writing or by telephone. The Manager will respond within 30 days of receiving the complaint. If complaints cannot be resolved internally the Manager will refer the complainant to the Financial Industry Complaints Service ("FICS"), an external industry complaints body which has been approved by ASIC and of which the Manager is a member.

Financial Industry Complaints Service Limited  
PO Box 576  
Collins Street  
MELBOURNE VIC 8007  
Telephone: 1800 335 405  
Facsimile: (03) 9621 2291  
email: fics@fics.asn.au

#### Interests of the Manager

Pursuant to the compliance plan, the Manager and the employees and officers of the Manager and the various investment schemes of the Manager, are entitled to apply for units in the Fund. The Manager will be a wholesale investor and may be offered a differential fee arrangement in these circumstances.

#### Related Parties

Peter Drake, a director of the Manager is the beneficial owner of LM Administration Pty Ltd, which has been engaged by LM Investment Management Ltd to provide administration services at a commercial arms-length fee. In addition to this LM Administration Pty Ltd provides administration and funds management services to the Fund and is paid a management fee direct from the Fund.

John O'Sullivan, a non-executive director of the Manager is the beneficial owner of O'Sullivan Capital Management Ltd. O'Sullivan Capital Management Ltd has been engaged by LM Investment Management Ltd to provide marketing services in New Zealand at a commercial arms-length fee. This fee is paid by the Fund.

The Fund may lend to related parties provided the loans are on commercial arms-length terms and are subject to review by the Board.

The Board of the Manager is responsible for reviewing and approving the structure and probity of commercial dealings between the Manager and any related parties. Fees issued to the account of the Fund by related parties, which are recoverable from the Fund must be on commercial arms-length terms and are subject to review by the Board.

#### Related Party Loans of the LM First Mortgage Income Fund

Name	Loan balance as at 29 February 2008	Interest rate	Percentage of total loan portfolio
Australian International Investment Services Pty Ltd*	\$7,779,519	10.5%	1%

\* Australian International Investment Services Pty Ltd is 100% owned by the LM Managed Performance Fund (a related investment fund), which has entered into a joint venture with a property developer to develop land in Canberra.

The Fund is lending money on commercial terms and conditions to Australian International Investment Services Pty Ltd.

The Manager received establishment fees of 1% of the total loan amount (\$7,779,519) for this loan.

#### Related Party Finance

The Manager is the Responsible Entity of the LM Managed Performance Fund. From time to time the LM Managed Performance Fund advances loans by way of second mortgages to borrowers who have first mortgage advances from the Fund. At 29 February 2008 there are 8 such loans by the LM Managed Performance Fund in the total amount of \$27,387,416. In these instances the Fund enters into Priority Deeds with the borrower as part of normal loan documentation procedures. The LM Managed Performance Fund generates fees, charges and interest rates all of which are paid by the borrower.

#### Conflicts of Interest Management

The Manager has a documented Conflicts Management Policy which deals with the identification, assessment and treatment of conflicts of interest and related party transactions. The Risk Manager has responsibility for conflicts and prepares conflict records for each conflict or related party transaction identified. Board approval is required for all related party transactions.

#### Manager's Liability

To the extent allowed by law the Manager is not liable for any loss or damage to any person (including any investor) arising out of any matter provided the Manager acts in good faith and in accordance with the constitution.

This PDS has been prepared by the Manager based on information within its own knowledge or provided to it by its advisers. Other than as required by law, no responsibility is taken by the Manager or any parties mentioned in this PDS for any statement made in relation to the Fund other than those statements made in this PDS. Neither the Manager, nor any other party gives any guarantee with respect to the performance of the Fund. The Manager has authorised the issue of this PDS. The Manager does not purport to advise investors in relation to this investment or their taxation position.

#### Custodian's Disclosures and Disclaimer

##### Interests of the Custodian

The custodian has no interest in relation to the Fund, and has not received any inducements other than the remuneration it is entitled to receive under the relevant custody agreement or constitution by way of custodian fees.

The custodian fees for the LM First Mortgage Income Fund are currently the greater of 0.02% pa of the assets of the LM First Mortgage Income Fund or \$20,000 pa.

It is the intention of the Manager to take over the role of custodian of the Fund during the life of this PDS. All legislative requirements will be adhered to by the Manager at that time.

#### **Custodian Disclaimer**

The role of the custodian is to hold the assets of the Fund and title documents as agent for the Manager. It is not the role of the custodian to protect the rights and interests of the Fund's investors.

The custodian does not guarantee the return of any investment, any tax deduction availability or the performance of the Fund.

#### **Consent by Auditors**

Ernst & Young, financial and compliance auditors, have consented to be named in this PDS in the form and context in which they appear. Ernst & Young is not responsible for, nor has it caused or authorised the issue of this PDS.

#### **Continuous Disclosure**

The Fund is a disclosing entity for Corporations Act purposes and as such is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office.

Investors have a right to obtain a copy of the following documents:

- ▶ the annual financial report for the Fund;
- ▶ any half-year financial report lodged with ASIC; and
- ▶ any continuous disclosure notices given by the Fund.

#### **Effect of International Accounting Standards**

Under AASB 132 "Financial Instruments: Disclosures and Presentations", contractual obligations are regarded as liabilities. As unitholders have the ability to redeem units from the Fund, all unitholders' funds are recognised as liabilities of the Fund, rather than equity. The result of this is to reduce the net assets of the Fund to zero. As interest distributions paid and payable make up a proportion of unitholders' funds, they will be classified as interest expenses in the Statement of Financial Performance.

AASB139 requires assets to be classified into one of four categories depending on the type of asset.

Investments are classified as either held to maturity investments or available for sale financial assets depending on the type of investment. Those investments that are held to maturity are measured at amortised cost using the effective interest rate method. The investments that are classified as available for sale are measured at a fair value basis each reporting period, with any movement in fair value being reflected through the equity reserve.

Under the Australian Equivalent of the International Financial Reporting Standards (AIFSR) the Fund is required to recognise all the derivative financial instruments at fair value on the balance sheet. Where possible, the Fund will adopt hedge accounting so that the gains and losses on the financial instrument are recognised in line with income recognition for the hedged term and the volatility in the profit and loss is minimised.

Where hedging accounting cannot be adopted the gains and losses on the financial instrument are recognised at fair value with changes in fair value recorded through the profit and loss.

Where fair value hedge accounting is used, fair value changes on

both the hedged item and the hedging instrument are recognised directly in the profit and loss. Where cash flow hedge accounting is used the carrying value of the hedged item is not adjusted and the fair value changes on the related hedging instrument are reflected in a separate equity reserve and are then transferred to the profit and loss at the time the hedged item is realised.

The Fund uses cash flow hedge accounting. As such there is a potential for volatility in the equity reserve.

#### **Electronic PDS**

This PDS is available in electronic form at [www.LMaustralia.com](http://www.LMaustralia.com). Any person receiving this PDS electronically will on request be sent a paper copy of the PDS (and attached Application Form) by the Manager free of charge during the period of the offer. Applications must be made by completing a paper copy of the Application Form which forms part of this PDS.

The Manager will not accept a completed Application Form if it has reason to believe that the applicant has not received a complete paper copy or electronic copy of the PDS or if it has reason to believe that the Application Form or electronic copy of the PDS has been altered or tampered with in any way. While the Manager believes that it is extremely unlikely that during the period of the offer the electronic version of the PDS will be tampered with or altered in any way, the Manager cannot give any absolute assurance that this will not occur. Any investor in doubt concerning the validity or integrity of an electronic copy of the PDS should immediately request a paper copy of the PDS direct from the Manager or their adviser.

# Anti-Money Laundering Procedures

The Australian Government has introduced anti-money laundering legislation to help combat money-laundering and the financing of terrorism. Under this legislation the Manager is required to collect more information from investors.

The Manager as Responsible Entity of the Fund needs to identify the underlying owner of each investment who has not previously been identified. For example, a private company will need to provide supporting documentation to identify the company as well as the usual account opening information. The Manager is also required to identify certain other parties to the investment such as a trustee or power of attorney.

If you hold an investment with the LM First Mortgage Income Fund which commenced prior to 31 January 2008 and are making an additional investment, then you may be required to provide us with verification documents. The Manager will contact you if required.

For wholesale investors e.g. master trusts or wrap services, please contact the Manager for the latest service agreement which includes Anti-Money Laundering details if not already completed.

## What Documentation Needs to be Submitted with an Application for an Australian or New Zealand Investor

Investors' financial advisers will be able to assist investors in providing the necessary verification documents. Below is an outline of the verification documents that may be required for an Australian or New Zealand investor only.

TYPE OF INVESTOR	INVESTMENT ACCOUNT MUST BE IN THE NAME OF	SIGNATURE(S) REQUIRED	VERIFICATION DOCUMENTS REQUIRED (IN SUPPORT OF THE APPLICATION FORM)
Individual Account and Sole Traders	The individual e.g. John Citizen	The individual's	Certified copy of any of the following that verify your name, date of birth and/or current address:- <b>Option 1:</b> Current Passport or Drivers Licence. <b>Option 2:</b> Either Birth Certificate, Citizenship Certificate or Pension Card <b>And</b> Notice issued by a government body within preceding 12 months or utility provider issued within the preceding 3 months.
Joint Account	Both or all joint applicants e.g. John Citizen and Jane Citizen	All joint applicants'	
Superannuation Fund	The trustee(s) of the fund and name of the Super Fund e.g. ABC Trustees atf John Citizen Super Fund	All trustees' or that number of trustees as required by the Trust Deed	Certified copy of the first page, schedule (and any relevant pages including the page that list details in relation to who can sign on behalf of the Trust) of the Trust Deed confirming name and trustee(s) signatures. For <b>one</b> individual trustee, please also provide the same type of information requested for an <b>Individual Account</b> . <b>Or</b> For <b>one</b> corporate trustee please also provide the same type of information requested for a <b>Company</b> . Regulated Australian Superannuation Funds only require a current search of ASIC, ATO or regulator's website confirming the fund name and that the fund is regulated.
Trust	The trustee(s) of the trust and name of the trust e.g. ABC Trustees atf John Citizen Trust		
Company	The name of the company e.g. ABC Pty Ltd	Two directors; or a director and a company secretary or if there is only one director, by that director	► Certified copy of the Certificate of Registration. <b>Or</b> ► ASIC (or equivalent regulatory body) search within the last 30 days confirming name, registration and identification number.
Partnership	All partners e.g. John Citizen and Jane Citizen	Two partners	► Certified copy or certified extract of a partnership agreement. <b>Or</b> ► Certified copy or certified extract of minutes of a meeting confirming partnership. <b>And</b> ► Confirmation of current membership if regulated by professional association by current membership certificate or confirmation from relevant association. For <b>one</b> individual partner, please also provide the same type of information requested for an <b>Individual Account</b> .

## Alternate Verification Documentation

For details of other verification documentation which is acceptable to the Manager other than outlined above or other entity types, please refer to the Anti-Money Laundering Form available from the Manager's website at [www.LMaustralia.com](http://www.LMaustralia.com) or by telephoning the Manager on +617 5584 4500.

## What Documentation Needs to be Submitted with an Application for an Investor other than an Australian or New Zealand Investor

Your financial adviser will be able to assist you in providing the necessary verification documents. In addition to completing the Application Form in the PDS investors will need to complete an Anti-Money Laundering Form applicable to the investor's classification (i.e. individual, company, trust, county the investor resides etc). These forms are located on the Manager's website at [www.LMaustralia.com](http://www.LMaustralia.com)

## Suitable Certifiers for Copies of Documents

Where an investor's identification documents need to be certified, the Manager suggests that the person certifying the document(s) for the investor use the following statement on the copy being certified:-

"I certify this to be a true and correct copy of the [Name of Document] the original of which, was produced to me at the time of signing and it is a true likeness of the identified (where there is a photo id)".

The document must also be dated and have the signature, printed name, occupation, employer and address of the person certifying the document.

Some of the persons who may certify copies of the original documents are:-

- ▶ a finance company officer with 2 or more continuous years of service with one or more finance companies (may include such professionals as financial adviser);
- ▶ an officer with 2 or more continuous years of service with one or more financial institutions;
- ▶ an officer with, or authorised representative of, a holder of an Australian financial services licence, having 2 or more continuous years of service with one or more licensees;
- ▶ a member of the Institute of Chartered Accountants in Australia, CPA Australia or the National Institute of Accountants with 2 or more years of continuous membership;
- ▶ a Justice of the Peace;
- ▶ a notary public (for the purposes of the Statutory Declaration Regulations 1993);
- ▶ a police officer;
- ▶ a legal practitioner who is on the roll of a Supreme Court of a State or Territory, or the High Court of Australia;
- ▶ a judge of a court;
- ▶ a magistrate;
- ▶ a chief executive officer of a Commonwealth court;
- ▶ a registrar or deputy registrar of a court;
- ▶ an agent of the Australian Postal Corporation who is in charge of an office supplying postal services to the public;
- ▶ a permanent employee of the Australian Postal Corporation with 2 or more years of continuous service;
- ▶ an Australian consular officer or an Australian diplomatic officer.

## Queries

Should you require information in relation to what documents need to be submitted with an application or if you are unsure which classification your application falls under please contact your financial adviser or the Manager on +617 5584 4500 prior to submitting an application.

## Incomplete Applications

An application cannot be processed by the Manager unless the appropriate verification documentation and information is supplied with the application or if the Manager is not satisfied with the legitimacy of the verification documentation or information supplied. The Manager takes no responsibility for any delay in processing an incomplete application. The Manager will contact advisers as soon as practicable and ask them to supply any necessary additional information for the investor in order for the application to be processed.

The Manager reserves the right to refuse or cancel applications at any time if it believes that the application breaches any anti-money laundering/counter-terrorism financing law or the money laundering or terrorism financing risk is unacceptable to the Manager. The Manager may also request any further information at any time throughout the investment from an investor that it considers necessary for it to satisfy any applicable anti-money laundering/counter-terrorism financing laws. If the Manager has requested an investor to provide further information, the processing of their application may be delayed until the information is received.

The directors of LM Investment Management Ltd have authorised and consented to the issue of this PDS.



*This page is intentionally blank.*

# Application Form Checklist

To ensure the Manager is able to process an investor's application quickly and efficiently please check the Application Form is completed as set out below and that all additional information in relation to Anti-Money Laundering requirements is provided.

**Section 1 –** Nominate the type of investment and type of investor/s to open a new account.

**Section 2 – Individual and Joint Investor/s Details** - Provide the investor/s' full name/s. Joint investors must each provide their full names and sign the Application Form. All correspondence about the investment (including interest distributions and withdrawals) may be sent to the first person named on the Application Form. Joint investors are treated as joint tenants. This means that if one of two joint investors dies, only the other joint investor will be recognised as having any claim to the investment.

**Section 3 – Sole Trader Investor Details**

**Section 4 – Company Investor Details**

**Section 5 – Superannuation Fund/Trust Investor Details** – only the trustee has rights and obligations under the Fund's constitution.

**Section 6 – Partnership or Association Investor Details**

**Section 7 – Politically Exposed Persons**

**Section 8 –** Provide contact details for the investor/s.

**Section 9 –** Provide the investor/s' residential street address or if applicable business street address.

**Section 10 –** Provide Tax File Number or Exemptions (refer below).

## ***Your alternatives to quoting a Tax File Number***

If the investor's Tax File Number or the Tax File Number Exemption details are not supplied, the Manager is required to withhold tax from your income distribution at the highest marginal tax rate (plus Medicare Levy).

### ***Exemptions:-***

- Pensioner - Write the name of your pension on the Exemption Line (eg Age Pension)
- Non-Resident - Write your country of residence on the line below the Tax File Number
- Non-Profit Organisation - If you are not required to lodge a tax return write "NL"

**Section 11 –** Nominate the investment option, amount to be invested and complete whether monthly returns are to be reinvested or not.

**Section 12 –** Select instructions for investment at maturity/rollover (for currency hedged investment terms only).

**Section 13 –** Nominate how the investment amount is to be paid.

- ▶ **Cheque** – If investing via cheque please cross your cheque "Not Negotiable" and make payable to "**PTAL acf LM First Mortgage Income Fund**".
- ▶ **Direct Debit** – For Australian dollar investors with Australian bank accounts or New Zealand dollar investors with New Zealand bank accounts only. If you are investing by direct debit please complete the relevant Direct Debit Form attached to the Application Form and complete the financial institution details in Section 15.
- ▶ **BPay** – Remit Australian dollar funds directly by BPay. In this instance you must fax the completed Application Form and a copy of your BPay receipt to the Manager (facsimile number +617 5592 4116) then telephone the Manager on +617 5584 4500 to receive your account number. Once you have your account number you can proceed to BPay your investment money by using the Biller Code No outlined in the "How to Invest" Section on Page 14 of this PDS and your account number as the reference number.
- ▶ **Electronic Direct Credit or Telegraphic Transfer** – Details of the financial institution account to be credited are contained in the "How to Invest" Section of this PDS on Pages 14 and 15. Once you have forwarded the electronic direct credit or telegraphic transfer you must fax the completed Application Form and copy of electronic direct credit receipt or telegraphic transfer (and forward the original by mail) to the Manager on facsimile number +617 5592 4116.
- ▶ **Credit Card** – Please complete the Credit Card Payment Form attached to this PDS and send the completed payment form with this Application Form to the Manager.

# Application Form Checklist (continued)

**Section 14** – Provide details of where the funds for this investment came from.

**Section 15** – Complete details of the investor/s financial institution account to which interest distributions and withdrawals will be paid. If you are investing by direct debit investment, funds will be deducted from this account unless otherwise specified.

**Section 16** – Please read this section for details on how the Manager can use the investor/s' personal information provided on the Application Form.

**Section 17 – Authorised Delegate or Power of Attorney** - If the Application Form is being signed under a Power of Attorney the Attorney must provide personal details in this section. If you wish to authorise another person to access and operate your investment (please read the section headed "Authorised Delegate" in the Additional Information Section of this PDS on Page 30), then:-

- ▶ complete the name of the authorised delegate;
- ▶ have the authorised delegate sign where indicated; and
- ▶ investor/s must also sign this section.

The appointment is limited to this Fund and the authorised delegate can only direct withdrawals to the nominated account or other existing investment accounts of the investor held by the Manager.

**Section 18** – Please read this section and execute the Application Form in acknowledgement. Ensure that **if you are investing under a Joint Account** all applicants have signed and dated the form. **If the investor is a company** please ensure that the Application Form is executed by either 2 directors, 1 director and company secretary, or the sole director who is also the sole secretary. **If the investor is a trust** please ensure the Application Form is executed by all trustees or the sole trustee if there is only one trustee. **If signing under a Power of Attorney**, please attach a certified copy of the Power of Attorney document together with a declaration by the attorney/s that the Power of Attorney has not been revoked and a certified copy of the Attorney/s' passport or driver's licence and forward with this Application Form to the Manager.

**Section 19** – Complete details of any special instructions including any amount of commission payable to the adviser in relation to this investment.

**Section 20** – Complete details of the investor's financial adviser (if any).

**Once you have completed and executed the Application Form**

Please send the form and your prescribed method of payment to either:-

Your financial adviser

or

The Manager:  
LM Investment Management Ltd  
PO Box 485  
Surfers Paradise Qld 4217

Units in the Fund will only be issued on receipt of this Application Form, issued together with the PDS for the Fund dated **10 April 2008**.

Please phone the Manager's Treasury Services Department on +617 5584 4500 or free call 1800 062 919(Australia only) or your adviser with any enquiries.

Office use only

Please complete this form using **BLACK INK** and print well within the boxes in **CAPITAL LETTERS**. Mark appropriate answer boxes with a cross like the following ☒. Start at the left of each answer space and leave a gap between words.

## 1. INVESTMENT DETAILS

Type of investment

☐ AUD Investment      ☐ Non -AUD Investment

☐ EXISTING INVESTOR - New Investment

**Existing Investor ID**

*If any of your details have changed please complete them below, otherwise go to **Section 11**.*

Investor Type

**Individual / Joint Investors** - complete details in section 2 and then go to Section 7 and complete all sections

**Sole Trader Investors** - complete details in section 3 and then go to Section 7 and complete all sections

**Company Investors** - complete details in section 4 and then go to Section 7 and complete all sections

☐ **Superannuation Fund/ Trust Investors** - complete details in section 5 and then go to Section 7 and complete all sections

**Partnership Investors** - complete details in section 6 and then go to Section 7 and complete all sections

**Please ensure** appropriate investor identity verification documents are attached to this Application Form – refer to the Anti-Money Laundering procedures on pages 36 - 37 of this PDS.

**If you are an investor from a country other than Australia or New Zealand please ensure the appropriate Anti-Money Laundering Form which is available from the Manager's website at [www.LMAustralia.com](http://www.LMAustralia.com) is completed with this Application Form.**

## 2. INDIVIDUAL/JOINT INVESTOR DETAILS

Investor 1 Title Mr Mrs Miss Other

First Name(s)

[illegible]

Last Name

[illegible]

Date of Birth

Gender

/   /   Male  Female

### Current Occupation

[illegible]

<b>Investor 2</b>	<b>Title</b>	<b>Mr</b>	<b>Mrs</b>	<b>Miss</b>	<b>Other</b>						
-------------------	--------------	-----------	------------	-------------	--------------	--	--	--	--	--	--

First Name(s)

[illegible]

**Last Name**

[illegible]

Date of Birth

Gender

/   /   Male  Female

### Current Occupation

[illegible]

## Full Business Name

**Australian Business Number or equivalent regulatory number (if applicable)**

#### 4. COMPANY INVESTOR DETAILS

## Full Organisation Name

Country in which the organisation was established

**If Entity is a Company-**

☐ Public ☒ Private ☐ Listed or ☐ Unlisted

Business/Type/Activity of Company

**If Regulated Company – provide the name of the Regulator and License number**

Australian Business Number or equivalent regulatory number (if applicable)

If listed company provide the name of the market/exchange

If majority-owned subsidiary of an Australian listed company – provide name of Australian listed company and name of market/exchange

If unregulated (not regulated by an Australian Commonwealth, State or Territory regulator) Proprietary Company provide Names and Residential or Principal addresses of Company Shareholders with over 25% ownership. If more that 2 Shareholders, attach list to this to Application Form.

## Shareholder 1

First Name(s)

**Last Name**

Residential or Principal Street addressSuburbStateCountry

### Shareholder 2

First Name(s)

**Last Name**

Residential or Principal Street addressSuburbStateCountry

[www.LMaustralia.com](http://www.LMaustralia.com) > LM First Mortgage Income Fund

If Proprietary Company provide Names of All Company Directors. If more than 2 Company Directors attach a list to this Application Form.

**Company Director 1**

First Name(s)

Last Name

**Company Director 2**

First Name(s)

Last Name

**5. SUPERANNUATION FUND / TRUST INVESTOR DETAILS**

Full Organisation Name of Trust/Superannuation Fund

Country in which the organisation was established

Type/Activity of Trust

Names and Residential or Principal addresses of All Trustee/s If more than 2 trustees, attach a list to this Application Form.

**Trustee 1**

First Name(s)

Last Name

Date of Birth

Gender

Residential or Principal Street Address

Suburb

State

Country

**Trustee 2**

First Name(s)

Last Name

Date of Birth

Gender

Residential or Principal Street Address

Suburb

State

Country

If the Trustee is a Company please complete the Company details in Section 4 of this Application Form.

Names of All Beneficiaries or class of beneficiaries of a Superannuation Fund /Trust (except for regulated Australian Superannuation Funds). If more than 2 Beneficiaries of a Superannuation Fund/Trust, attach a list to this Application Form.

**Beneficiary 1**

First Name(s)

Last Name

**Beneficiary 2**

First Name(s)

Last Name

Class of Beneficiaries (if applicable)

**6. PARTNERSHIP / OR ASSOCIATION INVESTOR CONTACT DETAILS**

Full Organisation Name of Partnership/Association

Country in which the organisation was established

Business/Type/Activity of Partnership /Association

If Regulated Partnership – provide name and membership details of professional association

Australian Business Number or equivalent regulatory number (if applicable)

Names and Residential or Principal addresses of All Partners / Association's 2 public officers. If more than 2 partners or public officers, attach a list to this Application Form.

**Partner 1**

First Name(s)

Last Name

Date of Birth

Gender

☐ Male ☐ Female

Residential or Principal Street Address

Suburb

State

Country

## First Name(s)

[illegible]

**Last Name**

Last Name	

Date of Birth

Gender

Date of Birth:   /   /   Gender: Male ☐ Female ☐

Residential or Principal Street Address

[illegible]

Suburb

[illegible]

State

[illegible]

Country

[illegible]

Are you or anyone named on this form or any of your or their close personal or business relationships, associates or family members politically exposed persons e.g. Heads of State, senior politicians, judicial or military officers, senior executives of state owned corporations?

Yes ☐ No ☐

If yes please provide details \_\_\_\_\_

## 8. INVESTOR CONTACT DETAILS

**Contact Name**

[illegible]

### Postal Address

[illegible]

Email

[illegible]

Phone (Business/Home)

Phone (Mobile)

Phone (Business Phone)								Phone (Home)							

**Please indicate your preferred method of receiving correspondence**

☐ Email ☐ Post OR ☐ All correspondence to Adviser only

Financial statements are available on the Manager's website.

Do you wish to receive financial statements of the Fund	Yes	No
---	-----	----

If Yes – do you wish to receive the financial statement by email	Yes	No
--	-----	----



**Individual investors must provide their residential street address and if sole trader their principal business address (if different). Company, partnership, superannuation fund, association or trust investors must provide their principal business street address and registered office address (if different). Post office boxes are not acceptable.**

## Residential / Principal Business Street

[illegible]

Suburb

[illegible]

## State

[illegible]

Country

[illegible]

## Residential / Principal Business Street

[illegible]

Suburb

[illegible]

State

[illegible]

Country

[illegible]

## INVESTOR 1 / COMPANY PARTNERSHIP / SUPERANNUATION FUND / TRUST

Tax File Number

--	--	--

**OR Exemption**

[illegible]

**If a foreign resident for tax purposes, specify country of residence**

[illegible]

## INVESTOR 2

Tax File Number

--	--	--

**OR Exemption**

[illegible]

**If a foreign resident for tax purposes, specify country of residence**

[illegible]

## LM FIRST MORTGAGE INCOME FUND AUSTRALIAN DOLLAR INVESTMENT OPTIONS

## FLEXIACCOUNT OPTION

[illegible]

## Investment Amount

[illegible]

► Reinvest Yes ☐ No ☐ If No please select one of the options below

- Credit my/our bank account monthly or quarterly (complete Section 15)      Monthly ☐      Quarterly ☐
- Pay to my/our LM Cash Performance Fund Account      Yes ☐      No ☐
- Pay the Split Interest Distribution set out below      Yes ☐      No ☐

[illegible]

Monthly ☐ Quarterly ☐

– Please complete the Direct Debit Request Form attached to this Application Form

[illegible]

Please nominate how often the additional investment is to be made e.g. monthly

**Please complete the Direct Debit Request Form attached to this Application Form**

**Ongoing Investment Amount  
(Minimum AUD\$100 / month)**

	<b>LM Savings Plan</b>	AUD\$							.			AUD\$					.			
--	------------------------	-------	--	--	--	--	--	--	---	--	--	-------	--	--	--	--	---	--	--	--

Please nominate how often the additional investment is to be made e.g. monthly

[www.LMaustralia.com](http://www.LMaustralia.com) > LM First Mortgage Income Fund

## LM FIRST MORTGAGE INCOME FUND CURRENCY HEDGED INVESTMENT OPTIONS

The investor may use this Application Form to select either one or a diversified range of currency investments. (Investment may be arranged for most currencies. For clarification on hedging a specific currency, contact the Manager.)

**Payment MUST be made to "PTAL acf LM First Mortgage Income Fund"**

## FIXED TERM INVESTMENT OPTIONS

**Specify Term – 1, 3, 6 or 12 Month Term**

[illegible]

**Interest distribution (Income Only) on Maturity of Investment Term (please tick appropriate box)**

► **Credit to my Fund Account**

Yes

No

**If No the interest distribution will be credited to the bank account nominated in Section 15**

## 12. MATURITY/ROLLOVER INSTRUCTIONS FOR CURRENCY HEDGED INVESTMENT TERMS ONLY

Please tick the appropriate instructions. NB if this section is not completed and no written instructions are received by the Manager at least 5 business days prior to this investment's maturity date then at maturity of each investment the investor's original investment and interest distribution is automatically reinvested in the original nominated currency for further 1 month investment terms until the investor notifies the Manager of a longer reinvestment term or a withdrawal notice is received.

- ☐ On maturity of each investment term continue to roll the investment and interest distribution (income) amount for further investment terms of the same length until notified otherwise by the investor by the appropriate notice.  
*EG On maturity of USD 12 Month Term the interest distribution will be credited to the investor's investment account and principal investment amount and the interest distribution will be rolled for further USD 12 Month Terms until notified otherwise by the investor.*
- ☐ On maturity of each investment term continue to roll the original investment amount on maturity for further investment terms of the same length until notified otherwise by the investor by the appropriate notice AND electronically credit the interest distribution (income) amount to the Investor's Account nominated in Section 15 of this Application Form.  
*EG On maturity of USD 12 Month Term the principal investment amount will be rolled for further USD 12 Month Terms and the interest distribution will be electronically credited to the investor's account nominated in Section 15 of the Application Form until notified otherwise by the investor.*
- ☐ On maturity redeem the investor's investment and interest distribution (income) amount and electronically credit the Investor's Account nominated in Section 15 of this Application Form.
- Note: See page 17 of this PDS ("How to Withdraw") for details of the notice periods required and the restrictions on breaking an investment term, which also apply to investment terms resulting from a rollover.
- Note: Investors should consult with their adviser to obtain details of the latest PDS prior to reinvestment. The latest PDS is also available from the Manager's website at [www.LMaustralia.com](http://www.LMaustralia.com) or by telephoning the Manager on +617 5584 4500.

### 13. PAYMENT DETAILS

How will this investment be made? NOTE: Cash is not acceptable

#### AUSTRALIAN DOLLAR PAYMENT OPTIONS:-

- Cheque** ☐ Make cheque payable to the Fund:- **PTAL acf LM First Mortgage Income Fund**;
- Direct Debit** ☐ Make sure you also complete the relevant Direct Debit Form for Australian Dollar Investments attached to this Application Form. Your investment will be directly debited from your nominated Australian financial institution account.
- BPay** ☐ Please attach a copy of the BPay receipt to the Application Form. For details on how to BPay Australian dollar investment funds please refer to Page 14 of this PDS.
- Electronic Direct Credit or Telegraphic Transfer** ☐ Please attach a copy of the electronic direct credit receipt or telegraphic transfer to the Application Form and provide the electronic direct credit reference code provided by the bank or telegraphic transfer reference code provided by the bank:- \_\_\_\_\_  
Please see details on how to electronically direct credit or telegraphically transfer investment funds on page 14 of this PDS.
- Credit Card** ☐ Make sure you complete the Credit Card Payment Form attached to this Application Form.

#### NON-AUSTRALIAN DOLLAR CURRENCY HEDGED PAYMENT OPTIONS:-

Payment must be made by telegraphic transfer.

Please attach a copy of the telegraphic transfer to the Application Form and provide the telegraphic transfer reference code provided by the bank:- \_\_\_\_\_. Please see details on how to telegraphically transfer investment funds on page 15 of this PDS.

##### NEW ZEALAND investors can also

- ▶ choose to have NZD investments direct debited from their bank account. Please complete the New Zealand Direct Debit Form that follows this Application Form

##### OR

- ▶ Investors living in New Zealand can make NZD deposits in person at an ANZ bank or electronically direct credit investment funds to the ANZ Bank (Bank details are shown on page 15 of this PDS).

**Direct Credit** – If funds are being remitted by direct credit please supply the banking reference number or copy of credit receipt provided by the remitting bank \_\_\_\_\_.

#### THIRD PARTY PAYMENTS

The Manager expects funds to come from the investor's own account. Please provide an explanation if payment is made from a third party. We may require additional information in respect of the third party payment if accepted.

---

---

---

### 14. SOURCE OF INVESTMENT FUNDS – Must be completed for Anti-Money Laundering Requirements

Please tick the appropriate box to provide information on where funds for this investment came from.

- ☐ Savings ☐ Sale of Assets ☐ Profit ☐ Other please specify e.g. gift, donation:- \_\_\_\_\_

Account Name																													
Bank Name																													
Bank Address																													
BSB Number (Australia Only)															Bank Account Number														
Currency			Swift Code												Sort Code														
Routing Code/Fedwire (US banks only)										IBAN Number																			
Intermediary Bank Name (For overseas bank accounts using an intermediary bank, if applicable)																													
Intermediary Bank Address																													
Intermediary Swift Code															Intermediary Sort Code														
Intermediary Account Number																													

The privacy of an investor's personal information is important to the Manager. The purpose of collecting investor information on the Application Form is to process the application and manage an investor's investment in the Fund. If the information an investor gives is not complete or accurate, the Manager may not be able to provide the products and services applied for.

In processing the application and managing investors' investments in the Fund, the Manager may disclose personal information to other parties such as an investor's financial adviser and/or IT service providers of financial advisers, the financial adviser's licensee or as required by law.

Investors are entitled to request reasonable access to their personal information. The Manager reserves the right to charge an administration fee for collating the information requested.

For further details on the Manager's Privacy Policy please visit the Manager website at [www.LMAustralia.com](http://www.LMAustralia.com).

## 17. APPOINTMENT OF AUTHORISED DELEGATE /POWER OF ATTORNEY

Please ensure an identity verification document (e.g. Certified copy of current Passport) for the Authorised Delegate/Attorney is attached.

### Name of Authorised Delegate

First Name(s)

Last Name

Date of Birth

Gender

☐ Male ☐ Female

Nationality

Current Occupation

Residential Street Address

Suburb

State

Country

Signature of Authorised Delegate and Investor must be provided below. Attorneys are not required to complete the balance of this section.

I/We have read the section on authorised delegates in this PDS under the section headed "Additional Information" and agree to its terms and conditions. I/We appoint the following authorised delegate:

Signature of Authorised Delegate

Date

I/We request that my/our authorised delegate receive access to my/our financial records in relation to my/our Fund/s investment/s and consistent with the Fund/s terms and conditions, agree that my/our authorised delegate has the same powers as I/we do to make further investments in or withdrawals from, the Fund/s. I/We release, discharge and agree to indemnify the Manager and the Custodian as provided in the "Additional Information" section of this PDS.

Signature of Investor 1/Company Officer (please nominate office held eg. Director)

Date

Signature of Investor 2/Company Officer (please nominate office held eg. Director)

Date

## 18. SIGNING AREA

I/We declare that:-

1. This Application Form is completed according to the declaration/appropriate statements in the Application Form and agree to be bound by the constitution/s and the terms, conditions and contents of the PDS of the Fund.
2. The return of this Application Form with the Application Money will constitute an offer to subscribe for units.
3. I/We acknowledge that I/we have read the PDS to which this application relates and any supplementary PDS.
4. I/We consent to the Manager collecting the information provided in this document and attachments and declare that the information is true and correct. I/We agree to provide the Manager with any further information required and confirm LM may obtain further information to confirm my/our or our organisation's identity for the purpose of my/our investment or for the purposes of compliance with any laws.
5. I declare that the money invested in the Fund is not part of any money laundering or terrorist financing schemes.

Signature of Investor 1/Company Officer (please nominate office held eg. Director)

Date

Signature of Investor 2/Company Officer (please nominate office held eg. Director)

Date

*If signed under Power of Attorney, the Attorney certifies that he or she has not received notice of revocation of that power. Trustees of trusts giving a power of attorney certify that they are authorised to do so by their trust deed. A certified copy of the power of attorney must be forwarded to the Manager with this Application Form including an express authority to grant the limited power of attorney as set out in this Application Form. If signing on behalf of a corporation, the party signing must indicate the capacity (i.e. director or secretary) after their signature in the above box.*

## 19. SPECIAL INSTRUCTIONS/COMMISSION INSTRUCTIONS

## 20. ADVISER/INTERMEDIARY DETAILS

Title Mr ☐ Mrs ☐ Miss ☐ Other ☐ ☐ ☐ ☐ ☐ ☐

First name(s)

Last Name

AFS Licensee

Adviser Email

Telephone Number (Business)

Facsimile Number

Mobile Telephone Number

AFS Licence No

LM Adviser ID No (Optional)

Adviser Stamp

Postal Address

### Australian Financial Adviser Investor Identity Verification Declaration

I certify that in accordance with the IFSA/FPA Industry Guidance Note 24 that:- (tick the appropriate box)

- ☐ 1. My licensee has an agreement in place with LM where I have collected, verified and retained the appropriate customer identification documentation to confirm the identity of all investors associated with this application to meet my obligations in respect of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 ('AML/CTF laws') and agree to provide access to these records as required.
- OR
- ☐ 2. My licensee has an agreement in place with LM and as such I have attached a copy of the industry "Customer Identification Form" which confirms that I have sighted and verified all of the documentation required to identify a customer under the AML/CTF laws.
- OR
- ☐ 3. I have attached a copy of the source documents from which I have identified the customer as required by the AML/CTF laws.

If no box is marked, I agree Option 3 applies.

Adviser Signature

Date



*This page is intentionally blank.*

# Direct Debit Request Form (AUD INVESTMENTS ONLY)

AUSTRALIAN BANK ACCOUNT HOLDERS ONLY

Please complete and sign this form to make your initial investment.

## Direct Debit Request Form

### REQUEST FOR DEBITING AMOUNTS TO ACCOUNTS BY THE DIRECT DEBIT SYSTEM

PLEASE READ ALL INSTRUCTIONS WHEN COMPLETING THIS FORM

If you are an existing investor please complete your Investor ID or LM Investment Account Number (if known)

Investor ID No.  LM Investment Account No.  Date  /  /

Name and address of financial institution at which your account is held:

Insert full name of investor: (Surname, Company Name or Business Name)

(Given Names, ACN or ABN)

Direct debit authorisation:-

I / we authorise LM Investment Management Ltd (ACPC User ID Number: 097695)

to arrange for funds to be debited from my/our account at the financial institution identified above and as prescribed through the bulk electronic clearing system (becs);

I/We have read the 'Direct Debit Customer Service Agreement' provided in this form and agree with its terms and conditions.

I/We request this arrangement remain in force in accordance with the details set out in the Schedule below and in compliance with the 'Direct Debit Customer Service Agreement'.

Signature of investor 1  
or company officer

Signature

Date

 /  / 

Print Name

Signature of investor 2  
or company officer

Signature

Date

 /  / 

Print Name

## The Schedule

Insert name of account which is to be debited

BSB No:\*

Account No:\*

\*Do not quote your ATM card or credit card number.

PLEASE NOTE: Direct Debiting is not available on the full range of accounts. If in doubt please refer to your financial institution.

# Credit Card Payment Form

Please complete and sign this form to make your initial investment and/or to make additional investments together with the relevant application form.

## REQUEST FOR PAYMENT BY CREDIT CARD

### PLEASE READ ALL INSTRUCTIONS WHEN COMPLETING THIS FORM

If you are an existing investor please complete your Client ID or LM Investment Account Number (if known)

Investor ID No.

LM Investment Account No.

Date

Insert full name of investor:

(Surname, Company Name or Business Name)

(Given Names, ACN or ABN)

Signature of investor 1  
or company officer

Signature

Date

Print Name

Signature of investor 2  
or company officer

Signature

Date

Print Name

### The Schedule

Please enter your initial investment/additional deposit/ monthly investment amount which is to be credited to:

Fund Name

Initial/Additional Investment Amount

\$AUD

LM Savings Plan or Regular Additional Investment

\$AUD

Consecutive investment amount

NB: The amount deducted will be the investment amount. The credit card merchant service fee of 1.54% of that amount (GST inclusive) will be deducted by the Manager from the investment amount. The credit card merchant service fee is subject to change at anytime in line with the Merchant Service Agreement. The charge of 1.54% is current as at the date of this PDS.

Payment details Credit Card (Tick one only)

☐

Master Card

☐

Visa

Insert name on Credit Card

Card No:

Expiry

Cardholder Telephone No:

Credit Check Value No:

I agree to accept the credit card merchant service fee passed on by LM Investment Management Ltd and understand that the deduction from my credit card will be the investment amount only and the credit card merchant charges of 1.54% (GST inclusive) will be deducted by the Manager from the investment amount. I also agree to accept that the credit card merchant service fee is subject to change at anytime in line with the Merchant Service Agreement.

Card Holder's Signature

The credit card merchant service fee may be passed onto the consumer in accordance with the Merchant Pricing Reform, 1 January 2003.

# Direct Debit Authority for NEW ZEALAND INVESTORS ONLY

NEW ZEALAND BANK ACCOUNT HOLDERS ONLY

Name of Account: \_\_\_\_\_

CUSTOMER TO COMPLETE BANK/BRANCH NUMBER AND  
ACCOUNT NUMBER AND SUFFIX OF ACCOUNT TO BE DEBITED

--	--	--	--	--	--

Bank Branch Number

--	--	--	--	--	--	--	--	--	--

Account Number

--	--	--

Suffix

**Authority  
to accept  
Direct Debits**

(Not to operate as an assignment or agreement)

To: The Manager (Please print full postal address clearly for window envelope)

BANK & BRANCH: \_\_\_\_\_

ADDRESS (PO BOX): \_\_\_\_\_

TOWN / CITY: \_\_\_\_\_

AUTHORISATION CODE

0	1	0	9	4	1	7
---	---	---	---	---	---	---

DATE: \_\_\_\_ / \_\_\_\_ / \_\_\_\_

I / We authorise you until further notice in writing to debit my / our account with you all amounts which

**L M Administration Pty Ltd**

(Hereinafter referred to as the Initiator)

the registered Initiator of the above Authorisation Code, may initiate by Direct Debit.

I / We acknowledge and accept that the Bank accepts this authority only upon the conditions listed on the reverse of this form

**INFORMATION TO APPEAR IN MY / OUR BANK STATEMENT (TO BE COMPLETED BY INITIATOR)**

PAYER PARTICULARS

L	M		F	M	I	F			
---	---	--	---	---	---	---	--	--	--

PAYER CODE

--	--	--	--	--	--	--	--	--	--

PAYER REFERENCE

L	M		F	M	I	F			
---	---	--	---	---	---	---	--	--	--

NAME OF ACCOUNT: \_\_\_\_\_

AUTHORISED SIGNATURE(S): \_\_\_\_\_

**Approved**

**FOR BANK USE ONLY**

DATE RECEIVED:

\_\_\_\_ / \_\_\_\_ / \_\_\_\_

RECORDED BY:

\_\_\_\_\_

CHECKED BY:

\_\_\_\_\_

**BANK STAMP**

**Original:** Retain at Branch.

**Copy:** Forward to Initiator in postage prepaid and addressed  
envelope provided by the Initiator

*This page is intentionally blank.*

# Australian Dollar Direct Debit Customer Service Agreement

## Our Responsibility

- ▶ The direct debit of your investment amount will be drawn immediately once LM Investment Management Ltd (the "Manager") receives this form or further written instructions from you. Please ensure your investment funds are cleared and available.
- ▶ The Manager will only debit your account for your initial investment amount as stated on the Application Form or additional investment amount as advised by you in further written instructions concerning additional deposits.
- ▶ The Manager reserves the right to cancel the direct debit arrangements if three or more drawings are returned unpaid by your nominated financial institution.
- ▶ Subject to its obligations at law, the Manager will keep all information pertaining to your nominated account at the financial institution private and confidential.
- ▶ Where the due date for a drawing falls on a non-business day, the Manager will draw the amount on the next business day.
- ▶ The Manager will investigate and deal promptly with any queries, claims or complaints regarding debits providing a response within 20 business days.

## Your Responsibility

- ▶ Where you consider that a drawing has been initiated incorrectly you should take the matter up directly with the Manager.
- ▶ It is your responsibility to ensure that the authorisation on the direct debit request is identical to the account signing instruction held by the financial institution of the nominated account.
- ▶ It is your responsibility to ensure at all times, that sufficient funds are available in the nominated account to meet a drawing on the due date for payment.
- ▶ It is your responsibility to advise the Manager if the account nominated by you to meet a drawing is altered, transferred or closed.
- ▶ It is your responsibility to arrange with the Manager a suitable alternate payment method if the drawing arrangements are stopped either by you or the nominated financial institution.
- ▶ It is your responsibility to meet any charges resulting from the use of the direct debit system. This may include fees charged by the Manager as a result of drawings being returned unpaid.

## Your Rights

- ▶ You may request or defer or alter the drawing authority, by giving written notice to the Manager. The Manager must receive such notice at least 5 business days prior to the date of the next drawing.
- ▶ You may cancel the direct debit arrangement at any time by giving written notice to the Manager. The Manager must receive such notice at least 5 business days prior to the date for the next drawing.
- ▶ All transaction disputes, queries, and claims should be raised directly with the Manager. The Manager will provide a verbal or written response within 20 business days from the date you notify the Manager. If the claim/dispute is successful the Manager will reimburse you by way of electronic credit to your nominated account.

# Terms and Conditions of the New Zealand Dollar Direct Debit Authority

## 1. The Initiator:

- (a) Has agreed to give written notice of the net amount of each Direct Debit no later than the Direct Debit is initiated.

This notice will be provided either:

- (i) in writing; or
- (ii) by electronic mail where the Customer has provided prior written consent to the Initiator.

The advance notice will include the following message:

The amount \$ \_\_\_\_\_, will be direct debited to your Bank account on (initiating date).

- (b) May, upon the relationship which gave rise to this Authority being terminated, give notice to the Bank that no further Direct Debits are to be initiated under the Authority. Upon receipt of such notice the Bank may terminate this Authority as to future payments by notice in writing to me/us.

## 2. The Customer may:

- (a) At any time, terminate this Authority as to future payments by giving written notice of termination to the Bank and to the Initiator.
- (b) Stop payment of any direct debit to be initiated under this authority by the Initiator by giving written notice to the Bank prior to the direct debit being paid by the Bank.

## 3. The Customer acknowledges that:

- (a) This authority will remain in full force and effect in respect of all direct debits made from me/our account in good faith notwithstanding my/our death, bankruptcy or other revocation of this authority until actual notice of such event is received by the Bank.
- (b) In any event this authority is subject to any arrangement now or hereafter existing between me/us and the Bank in relation to my/our account.
- (c) Any dispute as to the correctness or validity of an amount debited to my/our account shall not be the concern of the Bank except in so far as the direct debit has not been paid in accordance with this authority. Any other disputes lie between me/us and the Initiator.
- (d) Where the Bank has used reasonable care and skill in acting in accordance with this authority, the Bank accepts no responsibility or liability in respect of:
  - the accuracy of information about Direct Debits on Bank statements;
  - any variations between notices given by the Initiator and the amounts of Direct Debits.
- (e) The Bank is not responsible for, or under any liability in respect of the Initiator's failure to give written advance notice correctly nor for the non-receipt or late receipt of notice by me/us for any reason whatsoever. In any such situation the dispute lies between me/us and the Initiator.

## 4. The Bank may:

- (a) In its absolute discretion conclusively determine the order of priority of payment by it of any monies pursuant to this or any other authority, cheque or draft properly executed by me/us and given to or drawn on the Bank.
- (b) At any time terminate this authority as to future payments by notice in writing to me/us.
- (c) Charge its current fees for this service in force from time-to-time.

# Credit Card Customer Service Agreement

## Our Responsibility

- ▶ The credit card payment of your investment amount will be drawn immediately once LM Investment Management Ltd (the "Manager") receives this form or further written instructions from you. Please ensure your investment funds are cleared and available.
- ▶ The Manager will only debit your account for your initial investment amount as stated on the Application Form or additional investment amount as advised by you in further written instructions concerning additional deposits. The credit card merchant service fee will be deducted from your initial investment amount or additional investment amount/s.
- ▶ The Manager reserves the right to cancel the credit card arrangements if three or more drawings are returned unpaid by your nominated financial institution.
- ▶ Subject to its obligations at law, the Manager will keep all information pertaining to your nominated account at the financial institution private and confidential.
- ▶ Where the due date for a drawing falls on a non-business day, the Manager will draw the amount on the next business day.
- ▶ The Manager will investigate and deal promptly with any queries, claims or complaints regarding debits providing a response within 20 business days.

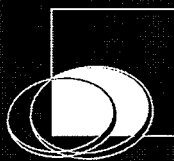
## Your Responsibility

- ▶ Where you consider that a drawing has been initiated incorrectly you should take the matter up directly with the Manager.
- ▶ It is your responsibility to ensure that the authorisation on the credit card payment request is identical to the account signing instruction held by the financial institution of the nominated account.
- ▶ It is your responsibility to ensure at all times that sufficient funds are available in the nominated account to meet a drawing on the due date for payment.
- ▶ It is your responsibility to ensure your bank will allow drawings on a credit card transaction without the card present.
- ▶ It is your responsibility to advise the Manager if the account nominated by you to meet a drawing is altered, transferred or closed.
- ▶ It is your responsibility to arrange with the Manager a suitable alternate payment method if the drawing arrangements are stopped either by you or the nominated financial institution.
- ▶ It is your responsibility to meet any charges resulting from the use of the credit card system. This may include fees charged by the Manager as a result of drawings being returned unpaid.

## Your Rights

- ▶ You may request or defer or alter the drawing authority, by giving written notice to the Manager. The Manager must receive such notice at least 5 business days prior to the date of the next drawing.
- ▶ You may cancel the credit card arrangement at any time by giving written notice to the Manager. The Manager must receive such notice at least 5 business days prior to the date for the next drawing.
- ▶ All transaction disputes, queries, and claims should be raised directly with the Manager. The Manager will provide a verbal or written response within 20 business days from the date you notify the Manager. If the claim/dispute is successful the Manager will reimburse you by way of electronic credit to your credit card account.





## LM Investment Management Ltd

- > **Manager and Responsible Entity**  
ABN 68 077 208 461  
Responsible Entity & AFSL No. 220281
  - > **AUSTRALIA HEAD OFFICE**  
Level 4 9 Beach Rd  
Surfers Paradise Qld 4217 Australia  
T +61 7 5584 4500 **Freecall** 1800 062 919  
F +61 7 5592 4116  
E [mail@LMaustralia.com](mailto:mail@LMaustralia.com)
  - > **SYDNEY**  
LM House 333 Sussex St  
Sydney NSW 2000 Australia  
T +61 2 8268 0100  
F +61 2 8268 0199  
E [sydney@LMaustralia.com](mailto:sydney@LMaustralia.com)
  - > **HONG KONG**  
Suite 2506 One International Finance Centre  
1 Harbour View St Central Hong Kong  
T +852 2501 0262  
F +852 2530 1076  
E [hongkong@LMaustralia.com](mailto:hongkong@LMaustralia.com)
  - > **LONDON**  
Golden Cross House  
8 Duncannon St London WC2N 4JF  
T +44 20 7 484 5054  
F +44 20 7 484 5100  
E [london@LMaustralia.com](mailto:london@LMaustralia.com)
  - > **NEW ZEALAND**  
Level 27 PWC Tower  
188 Quay St Auckland 1010 New Zealand  
T +64 9 363 2901 **Free Phone** 0800 255 628  
F +64 9 363 2938  
E [newzealand@LMaustralia.com](mailto:newzealand@LMaustralia.com)
- [www.LMaustralia.com](http://www.LMaustralia.com)
- Adviser's Stamp

**THIS DEED** is made the 30<sup>th</sup> day of JUNE 2003

**PARTIES:**

1. **LISA MAREE D'ARCY** of 22 Rouen Avenue, Paradise Point in the State of Queensland (the "settlor").
2. **LM ADMINISTRATION PTY LTD ACN 055 691 426** a company duly incorporated in the State of Queensland and having its registered office at Level 4, RSL Centre, 44a Cavill Avenue, Surfers Paradise in the State of Queensland (the "trustee").

**RECITES:**

- A. The settlor wishes to create a settlement to provide benefits for those who are named or are otherwise eligible to be or become beneficiaries hereunder or any one or more of them.
- B. The trustee has agreed to act as first trustee of the settlement.
- C. The terms upon which the settlement is established are as set out in this deed.

**THIS DEED WITNESSES:**

**Definitions and interpretation**

1. (1) In this deed the terms and words hereunder shall have the following meanings unless otherwise indicated by the context:

"the Act" means the Income Tax Assessment Act 1936 or the Income Tax Assessment Act 1997, as the case requires.

"Appointor" means the person entitled under the provisions of this deed to appoint or remove a trustee.

"beneficiary" means a person who may become entitled to income or capital of the trust fund.

"category" in relation to income or capital of the trust fund means that part or those parts of the income or capital which the trustee has separately identified, characterised, and recorded in the books of account of the Trust so that it may be separately distributed or dealt with as provided in clause 6.

"child", "children", "grandchildren" includes a legally adopted or exnuptial child or stepchild.

"default beneficiary" means a beneficiary referred to or coming within paragraph (d) of sub-clause 14(2).

"financial year" means the period from the date of this deed to midnight 30 June next, and thereafter each period of 12 months ending at midnight on 30 June, and if the termination date is not 30 June in any year the last financial year shall be the period commencing on 1 July prior to the termination date and ending on the termination date.

"income" of the Trust includes, except to the extent that the trustee may determine otherwise from time to time, all profits or gains taken into account in calculating the

net income of the Trust, as defined in Section 6-5 or 6-10, and exempt income, of the Act, notwithstanding that the whole or any part thereof may otherwise constitute capital of the Trust.

"minor" means a person under the age of 18 years.

"Nominee" means a nominee in accordance with clause 15.

"person" includes a company, legal entity or body of person.

"spouse" includes a defacto spouse.

"tax" means any income tax, capital gains tax, fringe benefits tax, consumption tax, value added tax, provisional tax, additional tax, penalty tax, stamp duty, fine for late payment, tax on deposit or withdrawal of funds from any account or other tax or imposition payable to any government or government instrumentality.

"termination date" means the date upon which the Trust is wound up in accordance with this deed.

"the Trust" means the settlement created by this deed.

"the trustee" means the trustee or any subsequent trustee for the time being of the Trust.

"the trust fund" means:

- (1) the money paid by the settlor to the trustee to establish the Trust; and
- (2) all other money and property which becomes subject to the rights and obligations of this deed.

Words importing any one gender shall be deemed and taken to include all genders and the singular to include the plural and the plural the singular unless the contrary as to gender or number is expressly provided.

A reference to a statutory enactment shall be a reference to such enactment as amended from time to time.

Headings shall not be taken into account in the construction of this deed.

The Trust shall be governed by, and this deed shall be construed in accordance with, the laws of Queensland.

#### **Establishment of trust**

2. (1) The trustee acknowledges having received from the settlor the sum of TEN DOLLARS (\$10.00) which the trustee agrees to hold upon the trusts and subject to the terms of this deed.
- (2) The Trust hereby created shall be known as LM ADMINISTRATION TRUST.

#### **Beneficiaries**

3. (1) The beneficiaries of the Trust shall comprise:

- (a) the following persons:

PETER CHARLES DRAKE

BELINDA JULIE DRAKE

DHANIKA DRAKE;

ARMANI DRAKE;

ZAVIER DRAKE.

- (b) (i) any person who shall at any time be or have been a spouse, parent, grandparent, child, grandchild, brother, sister, nephew, niece, uncle, aunt or cousin to the second degree of any one or more of the people listed in paragraph (a);
- (ii) any person who shall at any time be or have been a spouse of any person contemplated by sub-paragraph (i);
- (c) **Corporations:** Any company which, now or before the termination date, is incorporated anywhere in the world, of which a beneficiary by reason of a preceding paragraph of this sub-clause, is or was a director or former director, or person who beneficially owns or owned a share carrying a right to vote at general meetings;
- (d) **Secondary trust:** The trustee or trustees of any trust, whether now existing or hereafter created ("the secondary trust"), a beneficiary of which or discretionary object thereunder is or was a beneficiary;
- (e) **Benevolent objects:** The trustee of any charitable trust, and any person, officer or governing body of an association in their capacity as such, of any society, authority, institution, church, religious order or person or entity which at the time a distribution of income or capital of the Trust is to be made is exempt from income tax under the provisions of the Act or, if at such time a gift of money thereto is deductible against assessable income of the donor by virtue of the Act.

(2) **Additional beneficiaries**

- (a) A person (of whatever type and in whatever capacity) who is not a beneficiary under clause 3(1) may become a beneficiary, other than a default beneficiary, where the trustee with the consent of the Appointor in writing so determines and appoints, provided that any such appointment shall not be contrary to any express provision of this deed and neither the settlor nor any person whose appointment would result in infringement of any rule or law against perpetuities or vesting which may apply to the Trust shall be appointed as a beneficiary.
- (b) Additional default beneficiaries may be appointed in accordance with the procedures for amending the terms of this deed as contained in clause 10.

(3) **Deletion of beneficiaries**

- (a) A beneficiary other than a default beneficiary, shall cease to be a beneficiary:

- (i) if by deed or other instrument expressed to be irrevocable the beneficiary not being a minor unconditionally declares a determination to no longer be included as a beneficiary of the Trust and serves a properly executed copy of such instrument on the trustee; or
  - (ii) where the trustee with the consent of the Appointor by resolution or deed declares that a person or a class of persons is no longer to be included as a beneficiary and the deed or resolution is expressed to be irrevocable.
- (b) The provisions of sub-paragraph (ii) of paragraph (a) of this sub-clause shall be effective to exclude as a beneficiary a person under a legal disability, or more than one beneficiary, but shall not be effective where the same would result in there being less than two natural persons as beneficiaries of the Trust.
  - (c) A person who ceases to be a beneficiary shall not thereby be excluded from subsequently being re-appointed or becoming a beneficiary.
  - (d) Nothing in this sub-clause contained shall affect the rights of a person who has ceased to be a beneficiary to income or capital of the Trust to which such person became entitled prior to such cessation.
  - (e) A default beneficiary may only cease to be a beneficiary where a variation of this deed to such effect is made in accordance with the provisions of clause 10 and where there will remain at least one default beneficiary.

#### **Income of the trust fund**

##### **4. (1) Discretionary distribution**

The trustee shall stand possessed of the income of the trust fund of a financial year which is available for distribution upon trust to pay apply or set aside the same or any part or parts thereof to or for the benefit of the beneficiaries, other than a default beneficiary who is not otherwise a beneficiary, or any one or more of them exclusive of the other or others who shall be living or which shall be in existence at the time payment, application or setting aside of such income is made in such shares or proportions and from such category or categories of income as the trustee in its discretion may determine.

##### **(2) Accumulation**

- (a) The trustee may in its discretion before the end of a financial year resolve to accumulate the whole or any part of the income of that financial year whereupon such accumulation shall subject to paragraph (c) of this sub-clause form part of the capital of the trust fund.
- (b) A resolution to accumulate may be in respect of the whole or any part of one or more categories of income of the trust fund.
- (c) The trustee shall pay tax in respect of an accumulation out of the same or out of the capital of the trust fund.

##### **(3) Default**

If the trustee shall fail to effectively pay, apply or set aside the whole of the income of a financial year as provided in sub-clause (1) of this clause, or to effectively resolve to accumulate the same as provided in sub-clause (2), then to the extent to which some

income may not have been paid applied set aside or accumulated, the trustee shall hold the same on trust absolutely for the default beneficiaries named or described in paragraph (d) of clause 14(2) applied mutatis mutandis to such income.

**(4) Manner of allocation**

The payment application or setting aside of income of the trust fund may be effectively made as follows:

- (a) For a beneficiary who is not under a legal disability:
  - (i) by paying the same to the beneficiary or to such person on behalf of the beneficiary as the beneficiary may authorise or direct; or
  - (ii) by setting the same aside to a separate account in the books of the Trust in the name of the beneficiary but such moneys shall not bear interest or carry any further entitlement to the income or capital of the trust unless and to the extent that the trustee and the beneficiary otherwise agree.
- (b) For a beneficiary who is a minor or otherwise under a legal disability:
  - (i) by payment to an account with a bank or permanent building society in the name of the beneficiary or in the name of a person, who may be the trustee, operating such account on behalf of or in trust for the beneficiary;
  - (ii) by payment as the trustee may decide to a parent or guardian of the beneficiary to be applied for the benefit of the beneficiary;
  - (iii) by payment as the trustee may decide to any person to be applied directly for or towards the benefit in any way whatsoever of the beneficiary;
  - (iv) by setting aside income to a separate account in the books of the Trust in the name of the beneficiary on which shall accrue interest at such rate or rates (if any) as the trustee may from time to time decide, but which shall not otherwise carry any further entitlement to the income or property of the trust; or
  - (v) by paying the same to any person who by law is entitled to receive moneys on behalf of or to administer the property of the beneficiary.
- (c) Payment may be made to a beneficiary not being a natural person notwithstanding that such beneficiary may have a liquidator including a provisional liquidator, receiver, manager or receiver and manager appointed to it or in respect of its assets.
- (d) The trustee may unless otherwise precluded by law pay from an account referred to in sub-paragraph (iv) of paragraph (b), or an account in the name of the trustee under sub-paragraph (i) of that paragraph, moneys which are to be applied for the maintenance education or advancement of the beneficiary for whom the account is held.
- (e) The trustee may effect a distribution of income to a beneficiary by one, or partly by one and partly by any other of the methods of allocation provided in paragraphs (a) or (b).

**(5) Effect on trustee**

- (a) The payment, application or setting aside of income to or for a beneficiary under a legal disability in accordance with the provisions of this clause, shall be effective and constitute a full and final discharge therefor to the trustee whether the same is made with or without the obtaining of a receipt.
- (b) Where moneys are paid or set aside in accordance with the provisions of this clause, the trustee shall not be bound to see to the application thereof.
- (c) Where moneys are invested on behalf of a beneficiary who is under a legal disability in accordance with this clause, such investment shall without more constitute a discharge to the trustee in relation to such moneys from the trusts of this deed other than such as are stated to expressly apply to such investment.

**(6) Method of allocation**

- (a) The payment application or setting aside of income of the Trust to or for the benefit of a beneficiary may be by a determination or resolution of the trustee and upon such determination or resolution being made the beneficiary shall have an immediate vested indefeasible interest in and to that part or parts of the income of the trust fund so paid, applied or set aside for the financial year to which the determination or resolution relates.
  - (b) Any such determination or resolution may specify a category and the amount of income from that category to which a beneficiary is entitled, and such determination or resolution may provide to pay, apply or set aside income of the trust fund by reference to a specific sum or a percentage of the income or any category of income of a financial year.
- (7) A trust declared or effective in respect of income paid applied or set aside for a beneficiary shall not be affected by the subsequent exercise of any power of revocation or amendment of this deed.
- (8) Determinations or resolutions of the trustee allocating income as hereinbefore in this clause provided shall be irrevocable and the income of the trust fund shall be dealt with as required by such determination or resolution.

**(9) Tax**

- (a) Where the trustee is required by law to pay tax in respect of income of the trust allocated or distributed to a beneficiary or to any entitlement or benefit of a beneficiary out of the trust fund or moneys held by the trustee on trust for the beneficiary pursuant to the provisions of this deed, the trustee may pay the same out of income or capital to which the beneficiary is presently entitled or may deduct the same out of moneys which may then or thereafter come into the hands of the trustee or over which the trustee has control and to which the beneficiary is or becomes entitled.
- (b) Where the trustee is liable to pay tax on accumulation of income, it may pay the same out of such income or from capital of the trust as it may decide.

## **Capital**

### **5. (1) Meaning of capital**

In this clause, "capital" means so much of the trust fund as does not constitute income of the Trust.

### **(2) Distribution of capital**

Until the Trust is wound up, the trustee shall stand possessed of the capital of the Trust for the beneficiaries as follows:

- (a) on or prior to the termination date the whole or any part of the capital or of any category thereof including any capital gain shall be held for such one or more of the beneficiaries to the exclusion of the others as are then living or in existence and if more than one in such shares or proportions as the trustee in its discretion shall at any time or times determine in the manner provided in this clause;
- (b) on termination of the Trust, such capital available for distribution as shall not have been the subject of an effective determination of the trustee pursuant to paragraph (a) of this sub-clause, shall be held for the default beneficiaries named or described in paragraph (d) of clause 14(2) subject to the provisions thereof.

### **(3) Determination of the trustee**

A determination of the trustee pursuant to paragraph (a) of sub-clause (2) of this clause shall be either:

- (a) an irrevocable written declaration, instrument or resolution of the trustee; or
- (b) a written declaration, instrument or resolution of the trustee made prior to the termination date and expressed to be revocable during a period which expires prior to the termination date. Such determination shall become effective upon the expiration of the relevant period and the trustee failing to revoke the same. The period expressed in such revocable determination may be expressed as a fixed period or by reference to the occurrence of an event or by reference to the life of a person or the last survivor of the joint lives of two or more persons.

### **(4) Manner of distribution**

Capital to be distributed by way of a determination or to a default beneficiary pursuant to the provisions of this clause may be effected:

- (a) in any manner in which income of the fund is able to be paid, applied or set aside in accordance with the provisions of this deed; or
- (b) by the transfer in specie of any asset comprised in the trust fund at a valuation determined by or acceptable to the trustee.

### **(5) Effect of determination**

Once a determination of the trustee in favour of a beneficiary becomes irrevocable, the beneficiary shall have an immediate vested indefeasible interest in the capital the subject of such determination.



**(6) No resulting trust**

A determination of the trustee pursuant to this clause shall not be effective to the extent to which the same creates a trust in favour of:

- (a) the settlor;
- (b) a person who has transferred property to the trustee for other than full consideration;
- (c) a person who has gifted money to the trustee by way of accretion to the trust fund; or
- (d) where the resulting trust would result in a liability arising at any time under any applicable law on account of death or estate duties or an imposition or tax arising by reference to the death of a person.

**(7) Tax**

Where the trustee becomes liable to pay tax in respect of or arising out of a distribution of capital, it may deduct and pay the same out of such distribution, and to the extent to which the same may be insufficient to fully discharge such liability, the trustee may pay the same from other moneys or property which may be in or come to its possession or control as it may decide.

**Categories**

6. (1) The trustee may in the books of account and records of the Trust separately record each of the following categories of income received into the trust fund:

- (a) dividends which under the Act:
  - (i) are fully franked;
  - (ii) are unfranked;
  - (iii) to which a foreign tax credit attaches; or
  - (iv) any other separately identifiable taxation consequence or benefit is attached or arises.
- (b) income, including capital gains, which under the Act:
  - (i) has an Australian source;
  - (ii) has an ex-Australian source;
  - (iii) has a foreign tax or other credit attached; or
  - (iv) is exempt or otherwise liable not to be taxed;
  - (v) has or gives rise to any other separately identifiable taxation consequence or benefit.

- (2) The trustee may identify and separately record and maintain in the books of account and records of the Trust, income or capital having, or in respect of which there is

attached, individual or unique characteristics other than as referred to in the preceding sub-clause as the trustee by resolution shall determine.

- (3) (a) A resolution or determination of the trustee by which income of the trust fund is distributed or accumulated pursuant to the provisions of clause 4, may separately deal with the whole or part of the income of a category so that the same or any part thereof may be specifically paid, applied or set aside for the benefit of any one or more of the beneficiaries exclusive of the other or others or accumulated, to the extent to which income of the Trust is permitted to be accumulated by this deed and become part of the capital of the trust fund; and
- (b) The whole or any part of the income of a category which has been accumulated, and become part of the capital of the trust fund may at the discretion of the trustee be distributed in accordance with the provisions of clause 5.
- (4) Expenses and outgoings of the trust fund may at the discretion of the trustee be allocated against and deducted from income or capital of any one or more categories in such manner as the trustee may see fit.
- (5) In the event that the trustee shall not exercise its discretion as provided in the preceding sub-clause in respect of a financial year, outgoings and expenses of the trust fund for that year shall be allocated firstly against and deducted from income which is not income of a category and to the extent to which the same is not sufficient to absorb all such expenses and outgoings, then the part thereof which is not so absorbed shall be allocated in such manner as the trustee may decide against income of a category or categories to which a tax credit or rebate does not attach, and thereafter against the remaining income of the trust fund, as the trustee determines.
- (6) Income or capital of the trust fund to which a beneficiary becomes entitled and which can be identified from the books and records of the Trust as being of a category, shall retain its separate identity when the same passes to or is received by the beneficiary or when the beneficiary otherwise becomes entitled thereto.

#### **Appointment and removal of trustee**

7. (1) The power to appoint a new trustee in the place of an existing trustee or in addition to and jointly with an existing trustee and the power to remove a trustee shall subject to the following provisions of this clause be vested in PETER CHARLES DRAKE ("the original Appointor").
- (2) The power and authority vested in the Appointor (or in a person comprised in the Appointor) by this clause may at any time be relinquished by notice in writing given to the trustee in which event the Appointor (or such person) upon giving the notice shall cease to be and hold office as Appointor (or as a joint Appointor), and the following provisions shall then apply:
  - (a) subject to paragraph (b) of this sub-clause, where there are joint Appointors, the survivor or survivors shall be the Appointor or Appointors as the case may be; or
  - (b) the Nominee.
- (3) If at any time no person shall have the power to appoint a new trustee or an additional trustee, the power shall be vested in the trustee or trustees for the time being of the Trust.

- (4) Where a trustee or an additional trustee is appointed pursuant to the power of appointment in this clause contained, the trust fund shall vest in the person or jointly in them only on request by the new trustee, and until such request, the former or continuing trustee shall be custodian trustee for the trustees in accordance with section 19 of the Trusts Act 1973, and clause 9 of this deed.
- (5) The power to appoint a new trustee as in this clause contained shall not be exercised in favour of the settlor.
- (6) The power to appoint or remove a trustee may be exercised by memorandum under hand or by deed. Nothing within this deed shall be taken as limiting the right to appoint a corporation or a resident of a place outside Australia as a trustee or Appointor of the Trust.

Where there are joint Appointors, then subject to clause 7(2), their powers under this clause shall be exercised by them jointly.

#### **Books**

- 8. Upon the resignation, retirement or removal of a trustee, the trustee shall hand to the new trustee all books, records, documents and other material pertaining to the Trust.

#### **Provisions relating to trustee**

##### **9. (1) Restrictions on receipt of income**

Notwithstanding anything to the contrary contained in this deed, income or capital of the Trust shall not, in any circumstances, be paid or transferred beneficially to, or applied for the benefit of the settlor. No discretion or power hereby conferred shall be exercised, or be capable of being exercised, and no provision of this deed shall operate so as to confer, or be capable of conferring, any direct or indirect benefit in or out of the Trust to the settlor.

##### **(2) Remuneration**

- (a) The trustee, other than a corporate body in which the settlor may hold an interest, shall if the trustee so requires be entitled by way of remuneration for the trustee's services to such sum out of the income or capital of the trust fund, whether by way of periodical fee, salary, commission or otherwise, as the Appointor may determine from time to time.
- (b) The trustee may pay all costs, charges and expenses of administering the trust fund out of the same whether from the capital or income as the trustee may determine. Any trustee being an accountant, solicitor or other person engaged in any profession, but not being a company in which the settlor holds an interest, shall in addition to any entitlement under sub-clause (a) be entitled to charge and be paid from time to time all usual professional charges for business transacted, or time expended, or actions of the trustee or any employee or partner of the trustee, in connection with the trusts of this deed including any action which the trustee not being in a profession could have done personally.

##### **(3) Limitation of liability**

The trustee shall not be liable or answerable or accountable under this deed or in respect of the Trust for any loss other than a loss attributable to:

- (a) dishonesty of the trustee; or
- (b) the wilful commission of an act known by the trustee to be breach of trust.

**(4) Indemnity**

The Trustee and every former Trustee and every director and former director of the Trustee or a former Trustee has (as the case requires) a charge or lien or right of compensation, reimbursement, contribution or indemnity out of an asset or assets of the Trust Fund ("the right") in the following circumstances and in no other:

- (a) the liability in respect of which the right is claimed:
  - (i) did not arise from a breach of trust or duty in which the Trustee or former Trustee or director or former director:
    - (A) failed to act honestly in a matter concerning the Trust Fund; or
    - (B) intentionally or recklessly failed to exercise in relation to a matter affecting the Trust Fund, the degree of care and diligence that a trustee or director is required to exercise; and
  - (ii) is not a liability for a monetary penalty; and
- (b) any one of the following persons determines that the Trustee or former Trustee or director or former director is to have the right, that is to say:
  - (i) the Trustee (other than a trustee who, if an individual is or becomes bankrupt or enters into or otherwise becomes subject to an arrangement with creditors without sequestration under the *Bankruptcy Act 1966*, or if a company, is or becomes subject to external administration under the *Corporations Law* or is dissolved), or if either an individual or a company is or becomes insolvent, or has proceedings brought against it, or an order made against it under the *Family Law Act, 1975* in its capacity as Trustee (other than for the sole purpose of determining the validity of the trust or the rights or entitlements of the beneficiaries); or
  - (ii) any director of the Trustee or a former Trustee (other than a director or former director who is or becomes insolvent, and other than a director or former director claiming the right or making a similar claim); or
  - (iii) the Appointor; and
- (c) unless a person referred to in (b) decides otherwise:
  - (i) the property in respect of which the right is claimed is in the Trustee's or former Trustee's actual possession at the time the claim is made; and
  - (ii) the property in respect of which the right is claimed was in the possession of the Trustee or former Trustee at all times during the period when the events giving rise to the claim occurred.

Except as provided above, a Trustee or former Trustee or director or former director of a Trustee or former Trustee does not have any right of compensation, contribution, indemnity or other claim against the Trust Fund or any Beneficiary or any other person, because of the Trustee or former Trustee

Attn: Kerri Spainer

having accepted the office of Trustee or incurred any liability for the benefit of or at the request express or implied of that Beneficiary or other person or otherwise.

All persons claiming any beneficial interest in over or on the property subject to this Trust shall be deemed to take with notice of and subject to the protection conferred on the Trustee by this Deed.

Without limiting the Trustee's right of indemnity if the Trustee shall in any year make a loss in carrying on any business under this Deed that loss shall not be met out of corpus but shall be carried forward and met out of the income of future years.

**(5) Exercise of powers and discretions**

- (a) Every trustee being a company may exercise or concur in exercising any discretion or power conferred by this deed or other instrument in writing or by a resolution of its members in general meeting, or by a resolution of its board of directors or governing body, or may delegate the right and power to exercise or concur in exercising any such discretion or power to one or more of its board of directors or governing body appointed unanimously from time to time by the board of directors or governing body for that purpose and may by majority resolution of its directors terminate any such delegated authority.
- (b) All powers and discretions conferred upon a trustee by this deed or by law, may be exercised notwithstanding that the trustee, or any person being a director or shareholder of a corporate trustee, has or may have a direct, indirect, or personal interest, whether as shareholder, director, member, or partner of any company or partnership, or otherwise, in the manner or result of exercising such power or discretion (including as a beneficiary), or may benefit directly or indirectly as a result of the exercise of any such power or discretion (including as a beneficiary), and notwithstanding that the trustee for the time being is the sole trustee of the Trust and notwithstanding that the trustee for the time being is a beneficiary.
- (c) Unless a power or discretion which may be exercised by the trustee is, by the terms of this deed, required to be irrevocable, the trustee may release or revoke any power or powers conferred upon it by this deed. Any other person or persons upon whom any power is conferred by this deed may release or revoke any power or powers so conferred. Upon the exercise of any release or revocation pursuant to this paragraph the power to release or revoke shall be absolutely and irrevocably determined.

**(6) Professional advice**

The trustee may take and act upon the opinion of a solicitor or barrister. Where the trustee acts in reliance upon advice so obtained or given, it shall not be liable to any person beneficially interested in respect of any act done or omitted to be done by the trustee in accordance with such opinion. But nothing in this clause shall prohibit or impede the trustee from applying to a court having appropriate jurisdiction.

**(7) Manager**

The trustee shall not be bound to act personally and may employ a manager or other person to transact all or any business to be done or performed by the trustee,

including the receipt and payment of money, and the trustee may determine the remuneration to be paid to any such person.

(8) **Vacation of office**

The office of the Trustee shall be automatically vacated if the Trustee being an individual shall be found to be of unsound mind or a person whose personal estate is liable to be dealt with in any way under the law relating to mental health, or if the trustee shall be the subject of an application for a sequestration order, or become bankrupt, or make any arrangement under the *Bankruptcy Act 1966* with creditors generally, or if the Trustee being a company shall have a receiver appointed or be wound up or dissolved, whether compulsorily or voluntarily, or have an application for its winding up made to the Court, or pass a resolution for its winding up, or otherwise become subject to external administration under the *Corporations Law* (not being merely a scheme or arrangement for the purposes of amalgamation or reconstruction), or if proceedings are brought against it, or an order is made against it, under the *Family Law Act, 1975* in its capacity as trustee (other than for the purpose of determining the validity of the trust or the rights or entitlements of its beneficiaries), but the Appointor may reappoint that person to be Trustee.

**Custodian Trustee**

10. (1) It shall not be necessary for property including a security being part of the trust fund to be registered in the name of the trustee but the same may at the discretion of the trustee be registered in the name of a nominee without the necessity of disclosing that the nominee holds such property as nominee for and on behalf of the trustee.
- (2) The trustee may from time to time deposit the documents of title to property or securities for the time being subject to the Trust with a solicitor, accountant, bank, trust company, investment or stock broker or like institution in any part of the world in which the trust fund is invested or situated, and the trustee shall not be liable or responsible for any loss whatsoever not caused by its own fault which may in any manner occur in relation thereto or by reason thereof.

**Amendment**

11. (1) Subject to the provisions of sub-clauses 2 and 3 of this clause, at any time and from time to time prior to the termination date, the trustee with the written consent of the Appointor (if any) for the time being may:
  - (a) alter, vary or revoke any trust or provision hereunder; or
  - (b) appoint and resettlement the trust fund or any part thereof, and the income to arise therefrom in the manner and upon the trusts, subject to the conditions and in the proportions and with such powers and to such ends intents and purposes, to or among such one or more of the beneficiaries as the trustee may from time to time think fit.
- (2) No alteration, variation or revocation shall have the effect of diverting or modifying a vested interest of a beneficiary in the income or capital of the Trust or the investments representing the same or income derived from any such investment to which such beneficiary has become absolutely entitled pursuant to this deed.
- (3) No alteration, variation or revocation shall infringe any applicable law or rule against perpetuities or relating to remoteness of vesting or the period during which income

may be accumulated or otherwise extend the termination date or result in any provision of the Trust becoming void.

#### **Accounts**

- 12.(1) In each financial year the trustee shall have prepared by a qualified accountant, financial statements, including a profit and loss account and balance sheet as at the end of each financial year certified by such accountant to be a true and proper statement of the affairs of the trust fund setting out all:
  - (a) income of the trust fund;
  - (b) capital of the trust fund;
  - (c) costs and disbursements and other outgoings paid or payable out of the trust fund and chargeable against income;
  - (d) capital expenditure and liabilities chargeable to capital;
  - (e) investments and money comprised in the trust fund;
  - (f) amounts distributed by the trustee to each beneficiary;
  - (g) to the extent to which the trustee may require, the separate recording of any category of income or capital.
- (2) The trustee shall:
  - (a) establish and maintain proper accounts in book or computer form which shall accurately record all receipts and outgoings in relation to the trust fund;
  - (b) separately record income and capital of different categories as are provided by this deed as the trustee may decide.
- (3) The trustee from time to time shall at the request of the Appointor provide a copy or in the case of computer recording, a hard copy, of such financial statements certified as provided in sub-clause (1) of this clause and shall also give such information and explanations as the Appointor may require.
- (4) The Appointor may by notice in writing to the trustee given at any time, require the financial statements of the trust fund to be audited by an auditor nominated by the trustee and approved by the Appointor. The costs of such auditor shall be paid out of the trust fund. If the trustee shall fail to nominate an auditor within 14 days of the giving of a notice or has within 28 days of the giving of such notice failed to nominate an auditor who is approved by the Appointor, the Appointor may at any time thereafter appoint an auditor who shall continue to hold such office until removed by the trustee with the consent of the Appointor.

#### **Powers**

- 13.(1) Subject to any contrary provision of any other clause of this deed, the trustee shall have all the powers over and in respect of the trust fund and the investments thereof which it could exercise if it were the absolute and beneficial owner and shall exercise that diligence as an ordinary prudent man of business would exercise in conducting his own affairs.

- (2) The trustee shall have the power to apply or invest monies requiring or available to be invested hereunder in any investment of whatsoever kind or nature as the trustee in its discretion shall think fit, notwithstanding that any such investment is not by law authorised for the investment of trust monies, or that any such investment does not produce income, or that no dividend or interest is payable in respect thereof, and whether or not such investment shall involve waste or be subject to liability, with or without security, and otherwise upon any terms or conditions as the trustee shall in its absolute discretion think fit. Without restricting the generality of the foregoing, the trustee shall have the power to apply or invest monies requiring or available to be invested either alone or in partnership or co-ownership with any other person or persons:
- (a) **Authorised investments:** in any one or more of the investments from time to time sanctioned by law in Australia or elsewhere for the investment of trust monies;
  - (b) **Real and personal property:** in the acquisition of real or personal property or any interest therein, and without limiting the generality thereof, of any patent, copyright, design, formula, secret process, concession, trademark and other like right or privilege in Australia, or in any other country, and although the acquisition is not made primarily for the production of income;
  - (c) **Property development:** in developing and turning to account real or personal property or any interest therein, or any property right or interest which is or may be subject to these trusts, and in particular without limiting such generality by constructing, reconstructing, maintaining, or improving any buildings or by laying out and preparing land for subdivision, conversion to strata or similar title and for building;
  - (d) **Shares:** in the acquisition of fully or partly paid shares including; redeemable, preference or redeemable preference shares, stock debentures, debenture stock bonds, units, securities, or obligations or any interest, with or without deferred, restricted, qualified or special rights, and whether or not there is or is not a liability in respect of any shares, units, securities or interests, of or in any public proprietary or no liability company, association, firm, mutual fund or unit trust wherever incorporated or formed, whether carrying on business in Australia or in any other country, or in giving any guarantee or otherwise becoming a proprietor of a company limited by guarantee;
  - (e) **Options and rights:** in the acquisition of options, entitlements or rights to any of the securities mentioned in paragraph (d) of this subclause;
  - (f) **Deposit:** on fixed deposit or at call with any bank, savings bank, building society, company, corporation or firm, wherever incorporated or situated, and wherever carrying on business. Any deposit may be made free of interest to any company or corporation or firm in which a beneficiary shall be a shareholder or in which any part of the trust fund is invested in its shares;
  - (g) **Business:** in acquiring and carrying on any manufacturing, trading, primary production or other business in Australia or elsewhere;
  - (h) **Insurance:** in the acquisition of any policy of assurance or insurance of any kind whatsoever;



- (i) **Loans:** in making loans to any person or company whether executor, trustee, or otherwise, with or without interest, and whether secured or unsecured and for any period whatsoever fixed or otherwise;
  - (j) **Precious objects:** in the purchase of gold, silver, works of art, coins, stamps, furniture, ornaments, precious objects, jewellery and antiques;
  - (k) **Commodity contracts:** in the acquisition of foreign currencies, hedging contracts, commodity contracts, and also options or futures contracts of any kind which are quoted on a recognised stock exchange;
  - (l) **Permanent building society:** in the lodgment of monies with a permanent building society wherever situated by taking up shares or depositing funds;
  - (m) **Deferred property:** in the acquisition of any reversionary or deferred property or rights of any description.
- (3) The Trustee shall have the power, which it may exercise from time to time in its discretion, to change or vary any investment for the time being forming part of the trust fund made by it pursuant to the provisions of this deed or by law authorised.

(4) **General Powers**

In the administration of the trusts declared by this deed and in the exercise of the powers authorities and discretions conferred by this deed or by law, the trustee shall have the following powers. These powers shall be in addition to the powers, authorities and discretions vested in it by any other provision of this deed, or by law and which shall not limit or be limited by, or be construed so as to limit or be limited by the powers, authorities and discretions otherwise by this deed or by law vested in the trustee:

- (a) **Generally deal with trust fund:** to sell, call in, convert into money, grant options or rights to purchase, mortgage, charge, sub-charge, or otherwise deal with, dispose of, or transfer any item or asset comprising the whole or part of the trust fund, or otherwise held by the trustee under the terms of the Trust for such consideration and on such terms as in its discretion it may think fit.
- (b) **Real property:** to acquire, dispose of, exchange, mortgage, sub-mortgage, lease, sub-lease, let, grant release or vary any right or easement, or otherwise deal with real property or any estate or interest therein;
- (c) **Personal property:** to acquire, dispose of, exchange, hire, grant a lease, take on lease, let, mortgage or otherwise deal with personal property of any kind;
- (d) **Lease:** to rent premises from any person, acquire the interest of any lessee in any lease, purchase, hire, take on lease, grant leases, sub-leases, tenancies or rights of any nature whatsoever, in and to any realty, or estate or interest therein, or in and to motor vehicles, computer hardware and software, fixtures and fittings, furniture, utensils, plant and equipment and personality of any other description;
- (e) **To let:** to lease and let property forming part of the trust fund or held by the trustee pursuant to the provisions of this deed for such period at such rental and to any persons, upon terms and conditions as the trustee decides, and to accept surrenders from, make allowances to and arrangements with a lessee or tenant, with or without consideration, as the trustee may think fit;

- (f) **Employment:** to engage or employ persons including a person having an interest in or who is the holder of an office in the trustee, or obtain such other assistance as the trustee may deem requisite, to provide staff amenities and to vary and terminate any contract of employment;
- (g) **Engage experts:** to employ or engage agents or professionals in the execution of the trusts and powers. Instead of acting personally from time to time, to employ or engage and pay out of the trust fund such managers, agents, advisers, solicitors, barristers, auditors, accountants, brokers, surveyors or other persons to transact any business or to do any act required to be done in connection with the administration of the trusts and to act upon the opinion or advice of any such person without being responsible for any loss or damage occasioned by acting in accordance therewith;
- (h) **Power to lend:** to lend monies forming part of the trust fund or give credit to any person on such terms as may seem expedient and in particular, but without limiting the generality of the foregoing, to a beneficiary or person having an interest in or the holder of an office in the trustee. Any such lending or giving of credit may be made at call or for a period of time and may be made at a rate of interest or at no interest and may involve taking of security in any form whatsoever or without security;
- (i) **To borrow:** to raise or borrow moneys either alone or jointly with another or others from a bank or any person including a firm or company, by way of overdraft or otherwise, either bearing or free of interest and on terms and conditions and for purposes as the trustee may decide, and to secure the repayment of any monies or other indebtedness by mortgage, charge, security or other encumbrance over the whole or any part of the trust fund as the trustee in its discretion may decide; or to have the repayment secured over the property of a third party which may include property of a trustee or beneficiary, whether such third party collateral security is given alone or jointly with property of the trust fund. No lender shall be concerned to enquire as to whether the necessity for any such borrowing has arisen or as to the purpose for which it is required, or as to the application of monies borrowed;
- (j) **Commercial bills:** to draw, endorse, accept, guarantee or be a party in any way to a commercial bill or other bill of exchange, promissory note, letter of credit, hypothecation or other facility whatsoever involving the raising, borrowing or lending of monies by or to the trustee as trustee of the Trust;
- (k) **Credit:** to enter into alone or with others any agreement or arrangement for obtaining credit upon such terms and conditions as the trustee may see fit including but not limited to obtaining, upon deferred terms as to payment, goods, trading stock or other property or services of any nature whatsoever;
- (l) **Attorney:** whether the trustee (or a person comprised in the trustee) is an individual or corporation, at any time and from time to time by power of attorney or other written instrument (but in the case of a corporation, subject to the corporation's Memorandum of Association and Articles of Association) to appoint any person(s) whatsoever or wheresoever attorney or representative of the trustee (or of such person as a co-trustee) and to delegate to that person(s) (and if more than one then jointly, or jointly and severally) all or any of the powers or discretionary authorities hereby or by law conferred on the trustee (or on such person as a co-trustee) **AND** to revoke any such appointment **AND**, without derogating from the generality of the foregoing, a delegation hereunder

conferring on the delegatee(s) authority to do on behalf of the delegator anything which the delegator may pursuant hereto or by law do by an attorney under the Powers of Attorney Act 1998 (Queensland);

- (m) **Service entity:** to act as a service entity in providing office supplies and services, including professional or other employees, office furniture and equipment of all kinds, stationery, telephone and electricity services, management, administration and consultancy services and anything incidental thereto;
- (n) **Bank accounts:** to open in the name of the trustee or in the name of a person or corporation as nominee of the trustee, or in the joint names of the trustee and another, any cheque, savings or other account with any bank or financial institution wherever situated as the trustee thinks fit, with full power to operate on any such account including, but without limiting the generality of the foregoing, power to sign, draw and endorse cheques and other negotiable or transferable instruments on any such account and to close the same;
- (o) **Management expenses:** to pay out of the trust fund or the income thereof all costs, charges and expenses incidental to the management of the trust fund or to the exercise of any power, authority or discretion herein contained or in carrying out or performing the trusts of this deed which the trustee considers appropriate;
- (p) **Pay general expenses:** to pay insurance premiums, rates, taxes, rents and outgoings in connection with real or personal property of the trust fund, to manage such property and effect repairs thereto as the trustee may consider necessary or advisable. Where the trustee is unable to charge such expenditure against income of the trust fund it shall be at liberty to resort to capital;
- (q) **Corporate securities:** with respect to any company in which the trustee holds shares stocks debentures options convertible notes or is otherwise interested or concerned (in this sub-clause called "Securities") to exercise the following powers in addition to powers conferred by law:
  - (i) to pay calls on Securities or permit Securities to be forfeited and sold;
  - (ii) to purchase Securities and take up Securities of a new issue;
  - (iii) to attend meetings personally or by proxy, attorney or representative and vote at the discretion of the trustee;
  - (iv) to sell Securities at such price and upon such terms with or without security as the trustee thinks fit;
  - (v) to assent to or join in any arrangement relating to the sale, transfer or exchange of any Securities or modifying any rights, privileges or interests in relation thereto; to agree to any scheme or arrangement for the increase or reduction of the value or amounts of any shares or stock or of the capital of any company in which Securities form the whole or any part of the trust fund, or by which any such Securities are substituted or given in exchange either wholly or partly for other Securities, whether in the same company or not and for any such purpose to deposit, surrender or exchange any scrip or documents of title relating thereto; to pay out of the capital of the trust fund or property held in trust, pursuant to the provisions

of this deed, or the income thereof any contribution or incur any expense in connection with such scheme or arrangement and generally to manage and deal with any such Securities as if the trustee owned them beneficially; and

- (vi) to agree in respect of a winding up with the liquidator of the company or any member of the company or any other person in all things as the trustee shall think fit for the division or partition in kind or specie of the assets or property of whatsoever nature of the company; to accept any of such assets and property in payment or satisfaction of any interest of the trustee in the company with power to pay any monies by way of equality of division or partition.
- (r) **Unit trust interests:** to acquire units or sub-units of any fixed or flexible unit trust whatsoever either by way of application purchase or by way of settlement by the trustee in the establishment of such unit trust and to exercise all rights including voting rights and perform all obligations as a holder of any units in such trust and to accept all distributions by the trustee of such unit trust as income or capital of the trust fund;
- (s) **Franchise:** to acquire by means of purchase or otherwise and to sell, dispose, relinquish or otherwise deal in franchises, franchise agreements, licences or things of like nature relating to subject matters of all kinds;
- (t) **Subdivision of property:** to partition or agree to the partition of, or to subdivide or agree to the subdivision of property of any kind, which or any interest in which, may for the time being be subject to the trusts hereof and to pay monies by way of equality or partition;
- (u) **Development of property:** to enter into any contract, agreement or arrangement with any person for or with respect to the development and turning to account of any real or personal property or any interest therein and any other right, privilege or interest for the time being subject to these trusts or with respect to the construction of any buildings, laying out or preparing land for building purposes, or in developing or turning to account real or personal property or any rights, privileges or interests;
- (v) **Promotion of companies:** to establish, promote or acquire any company or join in the promotion or establishment of any company and to do anything which a person not being a trustee is authorised or empowered to do under any law relating to or governing any such company;
- (w) **Maintain property:** to maintain and preserve in good and substantial order and condition real or personal property of the trust fund or otherwise held by the trustee under the terms of this deed and to pay or defray the costs thereof;
- (x) **Guarantees and indemnities:** the power, whether with or without security and whether alone or jointly or severally or both jointly and severally with any other person, to guarantee, indemnify, secure by way of mortgage, charge or otherwise, over the whole or part of the trust fund, or undertake in any way the payment or repayment of money or debts (including any interest whether existing or to accrue) previously or then lent or to be advanced; or any existing or future duties, undertakings, liabilities or obligations incurred or which may at any future time be incurred by any person whether a beneficiary or not and to guarantee, indemnify or secure, with or without security, the due performance of any contract, agreement, covenant or obligation of any person whether a

beneficiary or not, and in any of such cases, whether or not such action is for the benefit, directly or indirectly, of the trust estate or any beneficiary;

- (y) **Power to set aside:** to set aside out of the income or capital of the trust fund from time to time such money as may in the opinion of the trustee be sufficient to meet any debt or obligation due or accruing;
- (z) **Superannuation and bonuses:** to pay bonuses gratuities or retirement benefits or to establish and support or aid in the establishment and support of schemes providing superannuation, death and retirement benefits or any one or more of such benefits in respect of employees or ex-employees of the trustee including in the case of a corporate trustee directors or other holder of any office of the company and the dependants of any of such persons and for the benefit of employees ex-employees and their dependants of any company or person associated with the trustee;
- (aa) **Futures contracts and options:** to engage brokers and commission agents, to vary and determine the terms of any such engagement and either directly or through any broker or agent in any market in any part of the world to buy, sell, open, close-out or otherwise deal in futures contracts of all kinds, to enter into, vary, exercise, abandon or sell any put or call option or rights, or to place bids, make offers, hedge and effect orders including buying, selling, straddle switch and stop-loss orders; to tender and take delivery of commodities and currencies which are the subject of any futures contract or option and otherwise to do and perform all things so as to operate on, utilise or deal with the facilities of any stock or futures exchange;
- (bb) **To mix funds:** to mix the trust fund including the income thereof and any other monies held from time to time by the trustee pursuant to the trusts created by this deed or any part of it with other monies held by the trustee pursuant to any provisions of this deed or under any other trust; to invest the monies so mixed in any investment, property, interest, arrangement or business or in any other mode or manner in which the trustee may by law or by powers, authorities and discretions with respect to the mixed fund which the trustee is by this deed or by law authorised to exercise with respect to the trust fund and in particular to make such arrangements with respect to the monies and their investment with any other person as the trustee would be authorised or empowered by law or by this deed to make or enter into;
- (cc) **Trustee's power to deal with itself:** notwithstanding any rule of law or equity to the contrary, to acquire as property of the trust fund real or personal property the beneficial interest in which is at the date of such acquisition the absolute property of the trustee PROVIDED THAT any property so acquired is acquired for a consideration being not greater than the current market value of the property and upon such acquisition the beneficial interest in and to the property shall be held by the trustee upon the trusts contained in this deed; in particular, the Trustee shall have power:-
  - (i) To sell transfer hire lease or dispose of any real or personal property of the Trust Fund or to lend or advance or otherwise provide any moneys to the trustee in its personal capacity or in its capacity as a trustee of other trust property or in any other capacity or to any company or partnership even though the trustee is a partner of the partnership;

- (ii) To buy transfer acquire hire lease or otherwise obtain the use of any real or personal property or to borrow any moneys from the trustee in its personal capacity or in its capacity as a trustee of other trust property or in any other capacity or from any partnership even though the trustee is a partner of the partnership;
- (iii) To carry on or carry out any profit-making undertaking or scheme in partnership or otherwise in association with the trustee in its personal capacity or in the capacity of the trustee as trustee of other trust property or in any other capacity or with any partnership even though the trustee is a partner of the partnership.
- (dd) **Policies:** to effect or acquire policies of life assurance of any kind on the life of any person or in respect of sickness, disability or accident to any person; and to pay premiums, transfer, surrender, change the situs of and deal with such policies in any manner whatsoever, whether or not such policies are individual policies on the life of one person or a group policy on the lives of two or more persons; to purchase or enter into insurance or investment bonds whether or not the bonds are linked to a policy over the life of any person;
- (ee) **Determination between capital and income:** to determine whether real or personal property or any increase or decrease in amount, number or value of any property or any receipt or payment from, for, or in connection with real or personal property shall be treated as and credited or debited to capital or income of the trust fund and generally to determine all matters as to which any doubt difficulty or question may arise under or in relation to the execution of this Trust and powers of this Trust; every determination of the trustee in relation to any of the above matters whether upon a question formally or actually raised or implied in any of the acts or proceedings of the trustee in relation to the trust fund shall bind all parties interested therein and shall not be objected to or questioned on any ground whatsoever;
- (ff) **Partnership and joint ventures:** to enter into partnership or joint venture with any person on such terms and conditions as the trustee shall think fit and to vary the terms of or terminate and be a party to the partition of assets of any such partnership or joint venture;
- (gg) **To permit beneficiary to use trust property:** to permit a beneficiary to reside in any house, flat, strata title lot or other residential unit or to use any personal property which, or the proceeds of sale of which, may for the time being be subject to the Trust with or without consideration and generally upon such terms as the trustee in its discretion shall think fit;
- (hh) **Agency and licences:** to apply for purchase and hold any permit, agency or licence which may be desirable or required to enable or facilitate the carrying on of any business or venture which the trustee is empowered by this deed to engage in and to surrender, relinquish, sell, vary or assign the same;
- (ii) **Choses-in-action:** to acquire choses-in-action including debts and obligations of all kinds for value or by way of gift or at a discount or at a premium and to assign, release, vary, relinquish or otherwise deal with the same in any way whatsoever on such terms and conditions as the trustee may see fit;
- (jj) **Advertise:** to adopt such means of making known and advertising any business which the trustee is empowered to carry on or in pursuing any power as may seem expedient or desirable;

- (kk) **Make gifts and donations:** to make gifts or donations out of the trust fund for any charitable scientific or educational purpose;
- (ll) **Receive gifts:** to receive property by gift inter vivos or by will or under the provisions of any other trust or otherwise from any person as an addition to the trust fund and whether subject to liabilities or not and to hold the same upon the trusts set forth in this deed and to administer such additions under these provisions;
- (mm) **Legal proceedings:** to institute, join in and defend proceedings at law or by way of mediation or arbitration and to proceed to the final end and determination and to compromise and settle any such dispute or proceedings for such consideration and upon such terms and conditions as the trustee may decide;
- (nn) **Intellectual property rights:** to apply for, purchase or otherwise acquire and to sell patents, patent rights copyright trade marks designs formulas licenses concessions know-how and the like conferring any exclusive or non-exclusive or limited right to use or any other intellectual property rights and to use exercise develop or grant licenses in respect of or otherwise turn to account property rights or information so acquired;
- (oo) **Power to appropriate trust fund in specie:** to appropriate in specie any portion of the trust fund or any investment representing the same to or towards the share or entitlement of a beneficiary under this deed and to charge any share or entitlement with such sum of money by way of equality as the trustee may think fit and for these purposes the trustee may fix the value of any real or personal property forming part of the trust fund and every such appropriation, charge and valuation shall be binding on all persons who may at any time be entitled under this deed to any interest in the trust fund;
- (pp) **Release of powers:** by deed irrevocable to renounce and release any power conferred on the trustee under the Trust in respect of the whole or part of the trust fund or the income or any part thereof and upon such renunciation and release such power or powers shall be deemed to be at an end and no longer exercisable by the trustee to the extent of such renunciation and release;
- (qq) **Incidental powers:** to do all other things as may be incidental to the exercise of the powers, rights, discretions and authorities hereby conferred on the trustee;
- (rr) **Carry on business:** from time to time to carry on alone or jointly with another or others any business or an interest in any business and use the trust fund or part thereof or assets included for the time being in the fund in carrying on such business as the trustee may decide, with power to charge against or pay or retain out of the trust fund all debts, costs, expenses or other outgoings incurred in carrying on such business or for the purpose of carrying it on or for the purpose of establishing a proposed business and without limiting the generality of the foregoing, the trustee shall have the following powers exercisable from time to time and at any time or times:
  - (i) to investigate and determine the feasibility or desirability of establishing or carrying on or acquiring any business or an interest in any business which the trustee proposes or considers establishing or carrying on or acquiring. It is hereby declared that the trustee shall be entitled to incur expenses in or in connection with any investigation and determination and to pay or recoup such expenses out of income or capital of the trust fund whether

or not pursuant to that investigation and determination the trustee proceeds to establish or carry on that business;

- (ii) to establish any business;
- (iii) to acquire the whole or part of the goodwill of an existing business;
- (iv) to acquire the assets or an interest in the assets of or used in any business;
- (v) to undertake to meet liabilities or contingent liabilities incurred or to be incurred by any person in or about the establishment or carrying on or acquisition of the whole or part of an existing business, the goodwill and assets of which, or any of which, are proposed to be acquired by the trustee and to give indemnities for, or enter into, guarantees of such liabilities and contingent liabilities or any of them;
- (vi) to acquire or join in acquiring chattels and stock in trade for use in, or in connection with, any business carried on or proposed to be carried on by the trustee or in which the trustee may acquire an interest;
- (vii) to make payments or incur expenses or liabilities (including donations) which the trustee considers to be for the benefit of any business carried on by, or proposed to be carried on by, the trustee or in which the trustee may have an interest or which the trustee considers will promote or facilitate such business, notwithstanding that the trustee may be under no legal or enforceable obligation to make such payments or incur such expenses or liabilities, and notwithstanding that such payments or the incurring of such expenses or liabilities do not produce any direct benefit to the trust fund;
- (viii) to sell the goodwill of any business;
- (ix) to enter into any covenant or agreement in restraint of trade;
- (x) to enter into contracts for importing or exporting goods and to enter into contracts for the shipping or other transportation of goods;
- (xi) to carry on any such business in the same manner and with the same powers and rights as the trustee would have in relation thereto if it were carrying it on in its own right and not as trustee. It is expressly declared that the trustee shall have power in its discretion in the course of, or in connection with, the carrying on of such business to transfer title with or without consideration to any property which it holds as trustee notwithstanding any limitation on such power which might otherwise by operation of law or under any other provision of this deed prevent such title being effectually or validly transferred by reason of it being trustee or the transferee having notice that it is a trustee. Any persons dealing with the trustee in or in connection with such business may contract with, and make payments to, the trustee without being required to enquire as to whether the trustee has power to deal with them under this deed or whether the trustee is properly exercising any power it may have in so dealing. No such person shall be obliged to enquire as to the proper application by the trustee of any payment so made or shall be accountable for the non-application thereof, notwithstanding that such person was on notice that the trustee was carrying on such business as a



trustee. The title of any person to whom property is transferred by the trustee whether with or without consideration in the course of or in connection with the carrying on of such business shall not be affected by any notice that the trustee held title to such property as a trustee and the receipt of the trustee shall be an absolute discharge for any payment made to the trustee;

**(5) Power to act as a director**

A trustee who is a natural person may become a director of any company in which monies forming part of the trust fund are from time to time invested and may receive the remuneration attached to such office without being liable to account.

**(6) Power to act notwithstanding personal interest**

The trustee may exercise or concur in exercising all powers and discretions hereby or by law given notwithstanding that it or any person being a director or shareholder of the trustee has or may have a direct or indirect interest in the mode or result of exercising such power or discretion or may benefit either directly or indirectly as a result of the exercise of any such power or discretion and notwithstanding that the trustee for the time being is the sole trustee.

**Winding-up of trust**

**14. (1) Termination date**

The Trust shall be wound up and terminate on the first to occur of:

- (a) the date which the trustee with the written consent of the Appointor determines;  
or
- (b) the date of expiration of the period of 80 years from the date of this deed.

**(2) Procedure on termination**

Subject to any provision of this deed which limits or restricts distributions of capital of the trust fund, the trustee shall at the termination date:

- (a) pay out or otherwise discharge and satisfy all debts and liabilities in relation to the Trust;
- (b) distribute or otherwise deal with the income of the Trust in any manner expressly provided by this deed and any income not so dealt with shall form part of the capital of the Trust;
- (c) distribute or otherwise deal with the capital of the Trust in any manner expressly provided in clause 5; and
- (d) to the extent to which the capital of the Trust shall not have been so distributed or dealt with, the trustee shall stand possessed of so much as remains of the trust fund for the following default beneficiaries as shall then be living and if more than one in equal shares as tenants in common:

(i) PETER CHARLES DRAKE

BELINDA JULIE DRAKE

DHANIKA DRAKE:

ARMANI DRAKE:

ZAVIER DRAKE.:

- (ii) in the event of a default beneficiary (named or referred to in sub-paragraph (i)) dying before the termination date, leaving a child or children living on that date, such child or children shall take (and if more than one in equal shares as tenants in common) the share to which his, her or their parent would otherwise have been entitled had that parent been living on the termination date and in the event of any such child dying before the termination date, leaving a child or children living on that date, such child or children shall take (and if more than one in equal shares as tenants in common) the share to which his, her or their parent would otherwise have been entitled had that parent been living on the termination date;
- (iii) in the event of the whole or any part of the trust fund failing to vest in any one or more beneficiaries as aforesaid, the trustee shall hold the same upon trust for the following charities in equal shares:

SOCIETY OF ST. VINCENT DE PAUL STATE COUNCIL OF QUEENSLAND  
THE SALVATION ARMY (QUEENSLAND) PROPERTY TRUST

And if any of such charitable objects shall not be in existence on the termination date, then upon trust for the remaining charitable object or objects and if more than one in equal shares. The receipt of the treasurer, secretary or other officer of the administrative body of such charitable object shall be a sufficient discharge to the trustee.

- (3) On the winding up of the Trust, the trustee may distribute property comprised in the trust fund in specie in satisfaction of any part of the trust fund to which a beneficiary may be entitled.

On the winding up of the Trust, the trustee shall have prepared financial statements as at the termination date which shall otherwise comply with the provisions of clause 11 and if at that time there shall be an Appointor, it shall make available to such Appointor a signed and certified copy of such financial statements in printed form which shall include particulars of all distributions of capital, and if there is no Appointor, a copy of all such statements and particulars shall be made available to each beneficiary entitled to receipt of income or capital of the Trust on the winding up.

#### **Nominee**

- 15. (a) The Appointor may appoint a person ("the Nominee") to be the Appointor's nominee in substitution for the Appointor, and may during the lifetime of the Appointor revoke that nomination. In the absence of any express appointment of a Nominee, the person named as executor in the Appointor's last valid and current will shall be taken to have been appointed Nominee. In the absence of the appointment of any other person, and of an executor, the Appointor's spouse, or if the Appointor has no spouse, the person who would be the Appointor's next of kin if the Appointor died on the day in question, shall be taken to have been appointed Nominee. That appointment may be expressed to take effect immediately or at some future time, but unless stated otherwise,

will come into effect on the death of the Appointor, or on the occurrence of any of the events referred to in sub-clause (d), whichever occurs first, but any act done by the Appointor shall not, unless the Nominee determines otherwise, be invalidated by the fact that the nomination took effect before the Appointor did that act. The Nominee may exercise all the powers of the Appointor, including the power to appoint a nominee and also to revoke that nomination;

- (b) On and from the death of the Appointor without a nominee surviving, the executor of the Appointor's will or administrator of the Appointor's estate shall be taken to be the Nominee;
- (c) In any other case, if the office of Appointor is vacant, the Trustee shall be taken to be the Nominee;
- (d) If the Appointor, being an individual, shall be found to be of unsound mind or a person whose personal estate is liable to be dealt with in any way under the law relating to mental health, or if the Appointor shall become bankrupt or make any arrangement under the *Bankruptcy Act 1966*, or if the Appointor, being a company, shall have a receiver appointed, or enter into official management or have an application for its winding up made to the court or pass a resolution for its winding up, or enter into a scheme of arrangement (not being merely for the purpose of amalgamation or re-construction), or be wound up, whether compulsorily or voluntarily or be dissolved or otherwise become subject to external administration under the *Corporations Law* or if the Appointor is either an individual or a company, the Appointor is or becomes insolvent, or if proceedings are brought against or an order is made against the Appointor as such under the *Family Law Act 1975* (other than for the purpose of determining the validity of the Trust or the rights or entitlements of the beneficiaries) then from the time of that event occurring and during the continuance of that state of affairs, the powers of the Appointor shall vest in the Nominee, but on the cessation of that state of affairs, then the powers of the Appointor shall re-vest in the Appointor;
- (e) Sub-clauses 15(a), (b), (c) and (d) shall apply *mutatis mutandis* to the Nominee;
- (f) If more than one person shall be named Appointor or be entitled to exercise the powers of the Appointor, then the powers conferred on those persons under this Deed shall be exercised by them jointly during their lifetimes and by the survivor or survivors of them on the death or deaths of any of them.
- (g) **Exercise of powers by will**
  - 1. The powers conferred by Clauses 4, 5, 6, 7, 8, 9 and 10, or any one or more of those powers:-
    - (a) may be exercised to the exclusion of the person referred to there by the Will of PETER CHARLES DRAKE or after his death by the Will of BELINDA JULIE DRAKE; or
    - (b) may be conferred by that Will on any person or persons as provided in the Will of the person then entitled to exercise the power contained in paragraph (a)

and that conferral shall take effect to the exclusion of the persons referred to in those clauses;

but in either case that exercise or conferral shall take effect only on the death of the person exercising that power.

EXECUTED AS A DEED

SIGNED SEALED AND DELIVERED by LISA )  
MAREE D'ARCY as Settlor in the presence of: )

) Signature of settlor

Donna Alexander  
[Signature of witness]

Donna Alexander  
[Insert full name of witness]

LM ADMINISTRATION PTY LTD ACN 055 691 426

EXECUTED by LM ADMINISTRATION PTY LTD  
ACN 055 691 426 in accordance with Section  
127 of the Corporations Act 2001

) Director

)

)

)

) Director/Secretary

# DEED OF VARIATION

LM ADMINISTRATION PTY LTD ACN 055 691 426

TRUSTEE

MONAGHAN LAWYERS

PO Box 315, Surfers Paradise Qld 4217  
Level 4, 9 Beach Road, Surfers Paradise Qld 4217  
P 5584 4550 F 5592 2505  
E [admin@monaghanlawyers.com.au](mailto:admin@monaghanlawyers.com.au)

This **DEED OF VARIATION** is made the      Day of May 2012

**BY:**

**LM ADMINISTRATION PTY LTD ACN 055 6914 426** a company duly incorporated in the State of Queensland and having its registered office at Level 4, RSL Centre, 44a Cavill Avenue, Surfers Paradise in the State of Queensland ("**the Trustee**") as Trustee for the LM Administration Trust.

**INTRODUCTION:**

- A. By a Deed of Trust dated 30 June 2003 between Lisa Maree Darcy (as Settlor) and LM Administration Pty Ltd ACN 055 6914 426 (as Trustee) (the "Trust Deed"), Lisa Maree Darcy paid \$10.00 to LM Administration Pty Ltd ACN 055 6914 426 to establish a trust to be known as the LM Administration Trust (the "Trust");
- B. Peter Charles Drake is the Appointor of the Trust.
- C. Pursuant to an Order of the Court dated 11 December 2006, it was ordered that Belinda Julie Drake relinquish and abandon all interest in the Trust with effect from 11 December 2006.
- D. Pursuant to clause 11 of the Trust Deed, the Trustee may vary the Trust Deed with the consent of the Appointor in accordance with the terms of that clause; and
- E. This Deed is to effect the amendment of the Trust Deed in accordance with the terms of this Deed.

**IT IS AGREED:**

**1. DEFINITIONS AND INTERPRETATION**

**1.1 Definitions**

In this Deed:

"Appointor" means Peter Charles Drake.

**1.2 Interpretation**

(a) Reference to:-

- i. one gender includes the others;
- ii. the singular includes the plural and the plural includes the singular;
- iii. a person includes a body corporate; and
- iv. a party includes the party's executors, administrators, successors and permitted assigns.

(b) Headings are for convenience only and do not form part of this deed or affect its interpretation.

**1.3 Parties**

- (a) If a party consists of more than 1 person, this deed binds each of them separately and any 2 or more of them jointly.

- (b) An obligation, representation or warranty in favour of more than 1 person is for the benefit of them separately and jointly.
- (c) A party which is a trustee is bound both personally and in its capacity as a trustee.

## 2. IRREVOCABLE DECLARATION

The Trustee hereby irrevocably declares that with effect from the date of this Deed Belinda Julie Drake is no longer included as a beneficiary of the Trust.

## 3. VARIATION OF TRUST DEED

3.1 The Trust Deed is amended by:-

- (i) the deletion of Belinda Julie Drake as a beneficiary of the Trust; and
- (ii) the deletion of the words "or after his death by the Will of BELINDA JULIE DRAKE" where they appear in Clause 15 (g)1.(a) on page 26 of the Trust Deed.

3.2 The amendment set out in clause 3.1 above takes effect as and from the date of this Deed.

3.3 Apart from the amendment described in clause 3.1, in all other respects the trusts, provisions, powers, covenants, terms conditions and stipulations contained in or otherwise arising under the Trust Deed are confirmed and remain unaltered and continue in full force and effect.

3.4 The Appointor consents to the declaration that is contained in clause 2 and to the variation of the Trust Deed as set out herein and signs this Deed of Variation to evidence that consent.

## 4. RECITALS

The Recitals (Introduction) form part of this Deed and are binding on the parties.

## 5. GOVERNING LAW AND JURISDICTION

4.1 The law of Queensland governs this Deed.

4.2 The parties submit to the non-exclusive jurisdiction of the courts of Queensland and the Federal Court of Australia.

EXECUTED as a deed on May 2012.

Executed by LM ADMINISTRATION PTY LTD ACN 055 691 426 in accordance with section 127 of the Corporations Act 2001 in the presence of:

  
Sole Director / Secretary

\_\_\_\_\_  
Witness

Signed, sealed and delivered by the  
Appointor PETER CHARLES DRAKE in  
the presence of

)



)

Peter Charles Drake



## ASIC & Business Names

### ORGANISATIONAL SEARCH ON LM INVESTMENT MANAGEMENT LIMITED

#### Historical Extract

This information was extracted from ASIC database on 24 May 2017 at 01:33PM

This extract contains information derived from the Australian Securities and Investment Commission's (ASIC) database under section 1274A of the Corporations Act 2001. Please advise ASIC of any error or omission which you may identify.

<b>077 208 461</b>	<b>LM INVESTMENT MANAGEMENT LIMITED</b>	<b>DOCUMENT NO.</b>
	077 208 461	
ABN	68 077 208 461	
Registered in	QLD	
Date Registered	31-Jan-1997	
Review Date	31-Jan-2018	

#### Current Organisation Details

Name	LM INVESTMENT MANAGEMENT LIMITED	7E5097309
Name Start	06-Aug-1998	
Status	EXTERNALLY ADMINISTERED	
	For information about this status refer to the documents listed under the heading "External Administration and/or Appointment of Controller", below.	
Type	AUSTRALIAN PUBLIC COMPANY	
Class	LIMITED BY SHARES	
Subclass	UNLISTED PUBLIC COMPANY	
Disclosing Entity	NO	

#### Ceased/Former Organisation Details

Details Start	06-Aug-1998	014236975
Details End	18-Mar-2013	
Name	LM INVESTMENT MANAGEMENT LIMITED	
Name Start	06-Aug-1998	
Status	REGISTERED	
Type	AUSTRALIAN PUBLIC COMPANY	
Class	LIMITED BY SHARES	
Subclass	UNLISTED PUBLIC COMPANY	
Disclosing Entity	NO	
Details Start	26-Mar-1997	011876588
Details End	05-Aug-1998	
Name	PLANNED PROPERTY SYNDICATION LTD	
Name Start	26-Mar-1997	
Status	REGISTERED	

Type	AUSTRALIAN PUBLIC COMPANY	
Class	LIMITED BY SHARES	
Subclass	UNLISTED PUBLIC COMPANY	
Disclosing Entity	NO	
Details Start	31-Jan-1997	011664971
Details End	25-Mar-1997	
Name	PLANNED PROPERTY SYNDICATION PTY LTD	
Name Start	31-Jan-1997	
Status	REGISTERED	
Type	AUSTRALIAN PROPRIETARY COMPANY	
Class	LIMITED BY SHARES	
Subclass	PROPRIETARY COMPANY	
Disclosing Entity	NO	

#### Current Registered Office

Address	22 MARKET STREET, BRISBANE, QLD, 4000	7E8301918
Start Date	07-Sep-2016	

#### Ceased/Former Registered Office

Address	FTI CONSULTING, 'CORPORATE CENTRE ONE' LEVEL 9, 2 CORPORATE COURT, BUNDALL, QLD, 4217	7E5105009
Start Date	29-Mar-2013	
End Date	06-Sep-2016	
Address	LEVEL 4 RSL CENTRE, 9 BEACH ROAD, SURFERS PARADISE, 010807638 QLD, 4217	
Start Date	10-Feb-1997	
End Date	28-Mar-2013	
Address	C/- TOP SHELF COMPANY SERVICES, SUITE 1, 31 CROMBIE AVENUE, BUNDALL, QLD, 4217	011664971
Start Date	31-Jan-1997	
End Date	09-Feb-1997	

#### Current Principal Place of Business

Address	LEVEL 4 RSL CENTRE, 9 BEACH ROAD, SURFERS PARADISE, QLD, 4217
Start Date	01-Jul-1998

#### Current Director

Officer Name	EGHARD VAN DER HOVEN	1F0109176
ABN	Not available	
Birth Details	21-Jan-1962 DURBAN SOUTH AFRICA	
Address	10 ROWES COURT, SORRENTO, QLD, 4217	
Appointment Date	22-Jun-2006	
Officer Name	FRANCENE MAREE MULDER	1F0069214

ABN	Not available
Birth Details	24-Apr-1961 SOUTHPORT QLD
Address	109 STRAWBERRY ROAD, MUDGEERABA, QLD, 4213
Appointment Date	30-Sep-2006

#### Ceased/Former Director

Officer Name	PETER CHARLES DRAKE	1E2914414
ABN	Not available	
Birth Details	23-Aug-1955 WHANGARA NEW ZEALAND	
Address	13 ALBATROSS AVENUE, NOBBY BEACH, QLD, 4218	
Appointment Date	31-Jan-1997	
Cease Date	09-Jan-2015	

Officer Name	KATHERINE JANE PHILLIPS	7E4588883
ABN	Not available	
Birth Details	21-Mar-1980 SOUTHPORT QLD	
Address	UNIT 1, 93-95 BIRRIGA ROAD, BELLEVUE HILL, NSW, 2023	
Appointment Date	13-Jul-2012	
Cease Date	20-Jun-2013	

Officer Name	JOHN FRANCIS O'SULLIVAN	7E4048590
ABN	Not available	
Birth Details	30-Nov-1951 TIMARU NEW ZEALAND	
Address	APARTMENT 1110 AL HALAWI, 18 THE SHORELINE PALM JUMERIAH, AL HALAWI DUBAI, UNITED ARAB EMIRATES	
Appointment Date	27-Nov-2007	
Cease Date	30-Sep-2012	

Officer Name	GRANT PETER FISCHER	7E4367220
ABN	Not available	
Birth Details	28-Nov-1968 SYDNEY NSW	
Address	UNIT 146, 1 MOORES CRESENT, VARSITY LAKES, QLD, 4227	
Appointment Date	14-Mar-2012	
Cease Date	12-Aug-2012	

Officer Name	SIMON JEREMY TICKNER	7E4097067
ABN	Not available	
Birth Details	05-Mar-1962 LONDON UNITED KINGDOM	
Address	2016 THE CIRCLE, SANCTUARY COVE, QLD, 4212	
Appointment Date	18-Sep-2008	
Cease Date	13-Jul-2012	

Officer Name	LISA MAREE DARCY	019612584
ABN	Not available	
Birth Details	16-Sep-1964 BULLI NSW	
Address	22 ROUEN AVENUE, PARADISE POINT, QLD, 4216	
Appointment Date	12-Sep-2003	
Cease Date	21-Jun-2012	

Officer Name	JOHN DILLON	7E1014532
ABN	Not available	
Birth Details	09-May-1950 URMSTON UNITED KINGDOM	
Address	15 FRANCIS STREET, MERMAID BEACH, QLD, 4218	
Appointment Date	08-Jun-2005	
Cease Date	28-Aug-2008	
Officer Name	JOHN VALLANDER LLEWELLYN	7E1139324
ABN	Not available	
Birth Details	14-Dec-1949 TREDEGAR UNITED KINGDOM	
Address	140 HONEYEATER DRIVE, BURLEIGH WATERS, QLD, 4220	
Appointment Date	01-Jun-2007	
Cease Date	30-Jun-2008	
Officer Name	MARTYN ANDREW CARNE	07720846M
ABN	Not available	(AR 2002)
Birth Details	18-Sep-1963 SYDNEY NSW	
Address	11 TIPPERARY AVENUE, KILLARNEY HEIGHTS, NSW, 2087	
Appointment Date	19-Jul-2002	
Cease Date	06-Jun-2006	
Officer Name	BRETT SAMUEL MCMAHON	020670882
ABN	Not available	
Birth Details	03-Jul-1957 SYDNEY NSW	
Address	UNIT 125 DEEPWATER POINT, 326-342 MARINE PARADE, LABRADOR, QLD, 4215	
Appointment Date	20-Aug-2004	
Cease Date	27-May-2005	
Officer Name	GEOFFREY MURRAY BLACK	014874140
ABN	Not available	
Birth Details	04-Aug-1960 CHRISTCHURCH NEW ZEALAND	
Address	46 EARL STREET, ROSEVILLE, NSW, 2069	
Appointment Date	31-Mar-1999	
Cease Date	20-May-2005	
Officer Name	PETER AUBORT	07720846M
ABN	Not available	(AR 2002)
Birth Details	06-Sep-1967 DUBBO NSW	
Address	1263 CURRUMBIN CREEK ROAD, CURRUMBIN VALLEY, QLD, 4223	
Appointment Date	25-Mar-1997	
Cease Date	12-Sep-2003	
Officer Name	JOHN WATSON QUINN	015964420
ABN	Not available	
Birth Details	28-Feb-1953 AUCKLAND NEW ZEALAND	
Address	15 SEAFARER COURT, SURFERS PARADISE, QLD, 4217	
Appointment Date	17-Nov-2000	
Cease Date	12-Feb-2002	

Officer Name	MICHAEL PATRICK DWYER	010808222
ABN	Not available	
Birth Details	01-May-1955 WARWICK QLD	
Address	14 YACHT STREET, SOUTHPORT, QLD, 4215	
Appointment Date	31-Jan-1997	
Cease Date	14-Dec-2001	

Officer Name	GEORGE STEPHENSON GILLTRAP	010807643
ABN	Not available	
Birth Details	20-Feb-1949 ROTORUA NEW ZEALAND	
Address	16 DOUBLEVIEW DRIVE, ELANORA, QLD, 4221	
Appointment Date	31-Jan-1997	
Cease Date	31-Jan-1997	

#### Ceased/Former Secretary

Officer Name	CAROLYN ANNE HODGE	1F0093922
ABN	Not available	
Birth Details	14-Jun-1963 SYDNEY NSW	
Address	47 PINNAROO STREET, HOPE ISLAND, QLD, 4212	
Appointment Date	23-Sep-2004	
Cease Date	04-Jul-2013	

Officer Name	PETER CHARLES DRAKE	010808222
ABN	Not available	
Birth Details	23-Aug-1955 WHANGARA NEW ZEALAND	
Address	OCEANVIEW EASEMENT, NOBBY BEACH, QLD, 4218	
Appointment Date	31-Jan-1997	
Cease Date	23-Sep-2004	

Officer Name	LISA MAREE DARCY	07720846M (AR 2002)
ABN	Not available	
Birth Details	16-Sep-1964 BULLI NSW	
Address	22 ROUEN AVENUE, PARADISE POINT, QLD, 4216	
Appointment Date	24-Jan-2003	
Cease Date	23-Sep-2004	

Officer Name	JOHN WATSON QUINN	014874940
ABN	Not available	
Birth Details	28-Mar-1953 AUCKLAND NEW ZEALAND	
Address	64 THOMAS DRIVE, SURFERS PARADISE, QLD, 4217	
Appointment Date	10-May-1999	
Cease Date	14-May-1999	

Officer Name	GEORGE STEPHENSON GILLTRAP	010807643
ABN	Not available	
Birth Details	20-Feb-1949 ROTORUA NEW ZEALAND	
Address	16 DOUBLEVIEW DRIVE, ELANORA, QLD, 4221	
Appointment Date	31-Jan-1997	

**Cease Date** 31-Jan-1997

**Current Appointed Auditor**

Officer Name	ERNST & YOUNG	020698531
Number	024870595	(FR 2004)
ABN	Not available	
Address	'WATERFRONT PLACE' LEVEL 1, 1 EAGLE STREET, BRISBANE, QLD, 4000	
Appointment Date	01-Oct-2003	

**Ceased/Former Appointed Auditor**

Officer Name	KPMG	016010134
Number	024510530	(FR 1999)
ABN	Not available	
Address	CORPORATE CENTRE ONE, CNR BUNDALL AND SLATER AVENUE, BUNDALL, QLD, 4217	
Appointment Date	21-Sep-1999	
Cease Date	21-Nov-2003	

Officer Name	MICHAEL JOHN SHEEHY	07720846H
ABN	Not available	(AR 1997)
Address	BUTLER MCMURTRIE, LEVEL 5 RSL CENTRE, 9 BEACH ROAD, SURFERS PARADISE, QLD, 4217	
Appointment Date	30-Nov-1997	
Cease Date	21-Sep-1999	

**Current Receiver Manager**

Officer Name	SAID JAHANI	7E7499212
ABN	Not available	
Address	GRANT THORNTON AUSTRALIA LIMITED, LEVEL 17, 383 KENT STREET, SYDNEY, NSW, 2000	
Appointment Date	16-Nov-2015	

Officer Name	SAID JAHANI	7E7499219
ABN	Not available	
Address	GRANT THORNTON AUSTRALIA LIMITED, LEVEL 17, 383 KENT STREET, SYDNEY, NSW, 2000	
Appointment Date	16-Nov-2015	

Officer Name	JOSEPH DAVID HAYES	7E8028043
ABN	Not available	
Address	MCGRATHNICOL, LEVEL 12, 20 MARTIN PLACE, SYDNEY, NSW, 2000	
Appointment Date	11-Jul-2013	

Officer Name	ANTHONY NORMAN CONNELLY	7E8533489
ABN	Not available	
Address	MCGRATHNICOL, LEVEL 7, 175 EAGLE STREET, BRISBANE, QLD, 4000	
Appointment Date	11-Jul-2013	

**Ceased/Former Receiver Manager**

Officer Name	GAYLE DICKERSON	7E7499212
ABN	Not available	
Address	LEVEL 17, 383 KENT STREET, SYDNEY, NSW, 2000	
Appointment Date	16-Nov-2015	
Cease Date	22-Mar-2017	

Officer Name	GAYLE DICKERSON	7E7499219
ABN	Not available	
Address	LEVEL 17, 383 KENT STREET, SYDNEY, NSW, 2000	
Appointment Date	16-Nov-2015	
Cease Date	22-Mar-2017	

**Current Appointed Liquidator (Creditors Voluntary Winding up)**

Officer Name	JOHN RICHARD PARK	7E8301988
ABN	Not available	
Address	FTI CONSULTING, 22 MARKET STREET, BRISBANE, QLD, 4000	
Appointment Date	01-Aug-2013	

Officer Name	JOHN RICHARD PARK	7E8301988
ABN	Not available	
Address	FTI CONSULTING, 22 MARKET STREET, BRISBANE, QLD, 4000	
Appointment Date	01-Aug-2013	

**Ceased/Former Appointed Liquidator (Creditors Voluntary Winding up)**

Officer Name	GINETTE DAWN MULLER	7E8296775
ABN	Not available	
Address	FTI CONSULTING, 22 MARKET STREET, BRISBANE, QLD, 4000	
Appointment Date	01-Aug-2013	
Cease Date	17-May-2017	

Officer Name	GINETTE DAWN MULLER	7E8296775
ABN	Not available	
Address	FTI CONSULTING, 22 MARKET STREET, BRISBANE, QLD, 4000	
Appointment Date	01-Aug-2013	
Cease Date	17-May-2017	

**Ceased/Former Administrator of a Company Under Administration**

Officer Name	JOHN RICHARD PARK	7E5097309
ABN	Not available	
Address	FTI CONSULTING, 'CORPORATE CENTRE ONE' LEVEL 9, 2 CORPORATE COURT, BUNDALL, QLD, 4217	
Appointment Date	19-Mar-2013	
Cease Date	01-Aug-2013	

Officer Name	GINETTE DAWN MULLER	7E5097309
ABN	Not available	
Address	FTI CONSULTING, 'CORPORATE CENTRE ONE' LEVEL 9, 2 CORPORATE COURT, BUNDALL, QLD, 4217	
Appointment Date	19-Mar-2013	
Cease Date	01-Aug-2013	

#### Current Issued Capital

Type	Current	7E2830546
Class	ORD ORDINARY	
Number of Shares/Interests issued	35	
Total amount paid/taken to be paid	\$1032012.56	
Total amount due and payable	\$0.00	

#### Ceased/Former Issued Capital

Type	Ceased/Former	07720846H
Class	F CLASS F SHARES	(AR 1997)
Number of Shares/Interests issued	3	
Total amount paid/taken to be paid	\$3.00	
Total amount due and payable	\$0.00	

Note: For each class of shares issued by a proprietary company, ASIC records the details of the twenty members of the class (based on shareholdings). The details of any other members holding the same number of shares as the twentieth ranked member will also be recorded by ASIC on the database. Where available, historical records show that a member has ceased to be ranked amongst the twenty members. This may, but does not necessarily mean, that they have ceased to be a member of the company.

#### Documents Relating to External Administration and/or Appointment

This extract may not list all documents relating to this status. State and territory records should be searched.

Received	Form Type	Processed	No. Pages	Effective	
17-May-2017 505R	505 NOTIFICATION OF RESIGNATION OR REMOVAL OF LIQUIDATOR/PROVISIONAL LIQUIDATOR	17-May-2017	2	17-May-2017	7E9059324
23-Mar-2017 505L	505 NOTIFICATION OF RECEIVER MANAGER CEASING TO ACT	23-Mar-2017	2	22-Mar-2017	7E8903471
10-Feb-2017 524N	524 PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF RECEIVER & MANAGER	10-Feb-2017	13	10-Jan-2017	7E8758304
01-Feb-2017 524J	524 PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF CREDITORS' VOLUNTARY WINDING UP	01-Feb-2017	8	31-Jan-2017	7E8729133
14-Dec-2016	524	14-Dec-2016	5	15-Nov-2016	7E8619169



524N	PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF RECEIVER & MANAGER				
14-Dec-2016	524	14-Dec-2016	5	15-Nov-2016	7E8619155
524N	PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF RECEIVER & MANAGER				
17-Nov-2016	506	17-Nov-2016	3	17-Nov-2016	7E8533489
506L	NOTIFICATION OF CHANGE OF ADDRESS OF NOTICE OF CHANGE OF ADDRESS OF EXTERNAL ADMINISTRATOR(ELEC)				
19-Oct-2016	1500	19-Oct-2016	7	31-Jul-2016	7E8444965
1500	ANNUAL REPORT TO CREDITORS				
31-Aug-2016	506	31-Aug-2016	2	31-Aug-2016	7E8301988
506L	NOTIFICATION OF CHANGE OF ADDRESS OF NOTICE OF CHANGE OF ADDRESS OF EXTERNAL ADMINISTRATOR(ELEC)				
31-Aug-2016	506	31-Aug-2016	2	31-Aug-2016	7E8301988
506L	NOTIFICATION OF CHANGE OF ADDRESS OF NOTICE OF CHANGE OF ADDRESS OF EXTERNAL ADMINISTRATOR(ELEC)				
31-Aug-2016	524	31-Aug-2016	8	31-Jul-2016	7E8299488
524J	PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF CREDITORS' VOLUNTARY WINDING UP				
30-Aug-2016	506	30-Aug-2016	2	30-Aug-2016	7E8296775
506L	NOTIFICATION OF CHANGE OF ADDRESS OF NOTICE OF CHANGE OF ADDRESS OF EXTERNAL ADMINISTRATOR(ELEC)				
30-Aug-2016	506	30-Aug-2016	2	30-Aug-2016	7E8296775
506L	NOTIFICATION OF CHANGE OF ADDRESS OF NOTICE OF CHANGE OF ADDRESS OF EXTERNAL ADMINISTRATOR(ELEC)				
01-Aug-2016	524	01-Aug-2016	13	10-Jul-2016	7E8208403
524N	PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF RECEIVER & MANAGER				
01-Aug-2016	524	01-Aug-2016	13	10-Jul-2016	7E8208238
524N	PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF RECEIVER & MANAGER Cancelled by 7E8 208 339				
14-Jun-2016	524	14-Jun-2016	5	15-May-2016	7E8048351
524N	PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF RECEIVER & MANAGER				
14-Jun-2016	524	14-Jun-2016	5	15-May-2016	7E8048329
524N	PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF RECEIVER & MANAGER				

06-Jun-2016 506L	506	06-Jun-2016	5	06-Jun-2016	7E8028043
NOTIFICATION OF CHANGE OF ADDRESS OF NOTICE OF CHANGE OF ADDRESS OF EXTERNAL ADMINISTRATOR(ELEC)					
25-Feb-2016 524J	524	25-Feb-2016	12	31-Jan-2016	7E7732426
PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF CREDITORS' VOLUNTARY WINDING UP					
08-Feb-2016 524N	524	08-Feb-2016	14	10-Jan-2016	7E7680279
PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF RECEIVER & MANAGER					
22-Dec-2015 507G	507	22-Dec-2015	19	16-Nov-2015	7E7581574
REPORT AS TO AFFAIRS FROM MANAGING CONTROLLER WHO IS ALSO A RECEIVER/MANAGER					
22-Dec-2015 507G	507	22-Dec-2015	19	16-Nov-2015	7E7581556
REPORT AS TO AFFAIRS FROM MANAGING CONTROLLER WHO IS ALSO A RECEIVER/MANAGER					
21-Dec-2015 507F	507	21-Dec-2015	13	17-Dec-2015	7E7576501
REPORT AS TO AFFAIRS FROM CONTROLLER UNDER S.429(2)(C)					
21-Dec-2015 507F	507	21-Dec-2015	13	17-Dec-2015	7E7576493
REPORT AS TO AFFAIRS FROM CONTROLLER UNDER S.429(2)(C)					
18-Dec-2015 507F	507	18-Dec-2015	13	11-Dec-2015	7E7569104
REPORT AS TO AFFAIRS FROM CONTROLLER UNDER S.429(2)(C)					
18-Dec-2015 507F	507	18-Dec-2015	13	11-Dec-2015	7E7569099
REPORT AS TO AFFAIRS FROM CONTROLLER UNDER S.429(2)(C)					
25-Nov-2015 504C	504	11-Dec-2015	4	16-Nov-2015	029448783
NOTIFICATION OF APPOINTMENT OF A BY APPOINTEE RE APPT OF CONTROLLER (OTHER THAN A RECEIVER)					
25-Nov-2015 504C	504	11-Dec-2015	4	16-Nov-2015	029448782
NOTIFICATION OF APPOINTMENT OF A BY APPOINTEE RE APPT OF CONTROLLER (OTHER THAN A RECEIVER)					
25-Nov-2015 505B	505	25-Nov-2015	14	16-Nov-2015	7E7499219
NOTIFICATION OF APPOINTMENT OF RECEIVER AND MANAGER					
25-Nov-2015 505B	505	25-Nov-2015	13	16-Nov-2015	7E7499212
NOTIFICATION OF APPOINTMENT OF RECEIVER AND MANAGER					
22-Oct-2015 1500	1500	22-Oct-2015	7	31-Jul-2015	7E7405798
ANNUAL REPORT TO CREDITORS					
19-Aug-2015 524J	524	19-Aug-2015	13	31-Jul-2015	7E7226815
PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF CREDITORS' VOLUNTARY WINDING UP					

10-Aug-2015	524	10-Aug-2015	16	10-Jul-2015	7E7202909
524N	PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF RECEIVER & MANAGER				
Altered by 029 296 876					
26-Feb-2015	524	26-Feb-2015	11	31-Jan-2015	7E6754368
524J	PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF CREDITORS' VOLUNTARY WINDING UP				
10-Feb-2015	524	10-Feb-2015	15	10-Jan-2015	7E6712227
524N	PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF RECEIVER & MANAGER				
23-Jan-2015	506	23-Jan-2015	2	23-Jan-2015	7E6673956
506L	NOTIFICATION OF CHANGE OF ADDRESS OF NOTICE OF CHANGE OF ADDRESS OF EXTERNAL ADMINISTRATOR(ELEC)				
30-Oct-2014	1500	30-Oct-2014	9	31-Jul-2014	7E6483251
1500	ANNUAL REPORT TO CREDITORS				
25-Aug-2014	524	25-Aug-2014	13	31-Jul-2014	7E6312669
524J	PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF CREDITORS' VOLUNTARY WINDING UP				
11-Aug-2014	524	11-Aug-2014	13	10-Jul-2014	7E6278230
524N	PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF RECEIVER & MANAGER				
26-Feb-2014	524	26-Feb-2014	13	31-Jan-2014	7E5867779
524J	PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF CREDITORS' VOLUNTARY WINDING UP				
10-Feb-2014	524	10-Feb-2014	12	10-Jan-2014	7E5824920
524N	PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF RECEIVER & MANAGER				
30-Sep-2013	507	30-Sep-2013	62	26-Sep-2013	7E5546426
507F	REPORT AS TO AFFAIRS FROM CONTROLLER UNDER S.429(2)(C)				
06-Sep-2013	507	06-Sep-2013	21	11-Jul-2013	7E5494220
507G	REPORT AS TO AFFAIRS FROM MANAGING CONTROLLER WHO IS ALSO A RECEIVER/MANAGER				
02-Sep-2013	524	02-Sep-2013	14	31-Jul-2013	7E5481607
524Z	PRESENTATION OF ACCOUNTS & STATEMENT PRESENTATION OF FINAL ACCOUNTS OF ADMINISTRATOR				
23-Aug-2013	5011	23-Aug-2013	6	31-Jul-2013	7E5462841
5011A	COPY OF MINUTES OF MEETING OF MEMBERS, CREDITORS, CONTRIBUTORIES OR COMMITTEE OF INSPECTION OTHER THAN UNDER				

S.436E OR S.439A

13-Aug-2013	5011	13-Aug-2013	43	01-Aug-2013	7E5436451
5011B	COPY OF MINUTES OF MEETING OF MEMBERS, CREDITORS, CONTRIBUTORIES OR COMMITTEE OF INSPECTION UNDER S.436E OR S.439A				
02-Aug-2013	505	02-Aug-2013	2	01-Aug-2013	7E5415403
505J	NOTIFICATION OF APPOINTMENT OF LIQUIDATOR (CREDITORS' VOLUNTARY WINDING UP)				
02-Aug-2013	509D	02-Aug-2013	2	01-Aug-2013	7E5415398
509DA	NOTICE UNDER S.446A OF SPECIAL RESOLUTION TO WIND UP COMPANY RESOLVED THAT COMPANY BE WOUND UP UNDER 439C(C)				
12-Jul-2013	505	12-Jul-2013	2	11-Jul-2013	7E5366580
505B	NOTIFICATION OF APPOINTMENT OF RECEIVER AND MANAGER				
11-Jul-2013	504	25-Jul-2013	4	11-Jul-2013	028593214
504B	NOTIFICATION OF APPOINTMENT OF A RECEIVER AND MANAGER				
13-May-2013	5011	13-May-2013	4	26-Apr-2013	7E5211783
5011A	COPY OF MINUTES OF MEETING OF MEMBERS, CREDITORS, CONTRIBUTORIES OR COMMITTEE OF INSPECTION OTHER THAN UNDER S.436E OR S.439A				
12-Apr-2013	5011	12-Apr-2013	45	02-Apr-2013	7E5149299
5011B	COPY OF MINUTES OF MEETING OF MEMBERS, CREDITORS, CONTRIBUTORIES OR COMMITTEE OF INSPECTION UNDER S.436E OR S.439A Altered by 028 521 226				
19-Mar-2013	505	19-Mar-2013	2	19-Mar-2013	7E5097309
505U	NOTIFICATION OF APPT OF ADMINISTRATOR UNDER S.436A, 436B, 436C, 436E(4), 449B, 449C(1), 449C(4) OR 449(6)				

**Charges**

ASIC Charge Number	692552	Charge status	Satisfied
Date registered	23-Apr-1999	Time registered	15:11:00
Charge type	Both Fixed & Floating		
Date Created	15-Mar-1999		
<b>Chargee</b>	<b>AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED</b> 005 357 522		

Lodged	Form Type	Processed	No. Pages	
01-Mar-2006	312	07-Apr-2006	1	021213391
312	NOTIFICATION OF			
312A	DISCHARGE			

ASIC Charge Number	732456	Charge status	Satisfied
Date registered	13-Jan-2000	Time registered	14:48:00
Charge type	Both Fixed & Floating		

Date Created 07-Dec-1999

Chargee EQUITY TRUSTEES LIMITED  
004 031 298

Lodged	Form Type	Processed	No. Pages
--------	-----------	-----------	-----------

07-Oct-2002	312	07-Oct-2002	1	018185734
312	NOTIFICATION OF			
312A	DISCHARGE			

ASIC Charge Number	734408	Charge status	Satisfied
Date registered	31-Jan-2000	Time registered	10:30:00
Charge type	Both Fixed & Floating		
Date Created	19-Jan-2000		

Chargee COMMONWEALTH BANK OF AUSTRALIA  
123 123 124

Lodged	Form Type	Processed	No. Pages
--------	-----------	-----------	-----------

14-Jan-2005	312	14-Jan-2005	2	020952408
312	NOTIFICATION OF			
312A	DISCHARGE			

ASIC Charge Number	770158	Charge status	Satisfied
Date registered	12-Oct-2000	Time registered	10:55:00
Charge type	Both Fixed & Floating		
Date Created	02-Oct-2000		

Chargee COMMONWEALTH BANK OF AUSTRALIA  
123 123 124

Lodged	Form Type	Processed	No. Pages
--------	-----------	-----------	-----------

15-Oct-2003	312	15-Oct-2003	2	019255683
312	NOTIFICATION OF			
312A	DISCHARGE			

ASIC Charge Number	867148	Charge status	Satisfied
Date registered	06-Jun-2002	Time registered	11:16:00
Charge type	Both Fixed & Floating		
Date Created	29-Apr-2002		

Chargee COMMONWEALTH BANK OF AUSTRALIA  
123 123 124

Lodged	Form Type	Processed	No. Pages
--------	-----------	-----------	-----------

09-Mar-2007	312	09-Mar-2007	1	023342173
312	NOTIFICATION OF			
312A	DISCHARGE			

ASIC Charge Number	872087	Charge status	Satisfied
Date registered	01-Jul-2002	Time registered	10:17:00
Charge type	Both Fixed & Floating		
Date Created	12-Jun-2002		

Chargee COMMONWEALTH BANK OF AUSTRALIA  
123 123 124

<b>Lodged</b>	<b>Form Type</b>	<b>Processed</b>	<b>No. Pages</b>	
04-Jun-2003	312	04-Jun-2003	1	017905730
312	NOTIFICATION OF			
312A	DISCHARGE			

ASIC Charge Number	892854	Charge status	Satisfied
Date registered	30-Sep-2002	Time registered	11:25:00
Charge type	Both Fixed & Floating		
Date Created	13-Sep-2002		

**Chargee**                    **ATLAS TRUST COMPANY JERSEY LIMITED**  
102 363 637

**Chargee**                    **FAIRBAIRN TRUST COMPANY LIMITED**  
102 363 655

**Chargee**                    **THE CHRISTINA LEE TRUST**  
102 363 673

**Chargee**                    **CRISP, PATSY FAY**

**Chargee**                    **REX, GM**

**Chargee**                    **MCGREGOR, MARGOT MG**

**Chargee**                    **MERSON, BRIAN**

**Chargee**                    **SCALLAN, GARY ANTON LISHER**

**Chargee**                    **SCALLAN, ROY**

**Chargee**                    **SCALLAN, PAULINE ANN**

**Chargee**                    **SAUNDERS, PYLLIS BEULAH**

<b>Lodged</b>	<b>Form Type</b>	<b>Processed</b>	<b>No. Pages</b>	
10-Oct-2003	312	10-Oct-2003	1	019255598
312	NOTIFICATION OF			
312A	DISCHARGE			

ASIC Charge Number	1055857	Charge status	Satisfied
Date registered	29-Jun-2004	Time registered	11:22:00
Charge type	Both Fixed & Floating		
Date Created	17-Jun-2004		

**Chargee**                    **COMMONWEALTH BANK OF AUSTRALIA**  
123 123 124

<b>Lodged</b>	<b>Form Type</b>	<b>Processed</b>	<b>No. Pages</b>	
30-Nov-2005	312	13-Dec-2005	2	022578527
312	NOTIFICATION OF			
312A	DISCHARGE			

ASIC Charge Number	1253327	Charge status	Satisfied
Date registered	12-Jan-2006	Time registered	11:33:00
Charge type	Both Fixed & Floating		
Date Created	02-Sep-2005		

**Chargee**                    **COMMONWEALTH BANK OF AUSTRALIA**  
123 123 124

<b>Lodged</b>	<b>Form Type</b>	<b>Processed</b>	<b>No. Pages</b>	
13-Jul-2010	312	03-Aug-2010	2	025130507
312	NOTIFICATION OF			
312A	DISCHARGE			

ASIC Charge Number	1489699	Charge status	Satisfied
Date registered	27-Jul-2007	Time registered	11:20:00
Charge type	Both Fixed & Floating		
Date Created	12-Jul-2007		

**Chargee**                      **THE TRUST COMPANY (PTAL) LIMITED**  
008 412 913

<b>Lodged</b>	<b>Form Type</b>	<b>Processed</b>	<b>No. Pages</b>	
28-Jul-2011	312	22-Aug-2011	2	027617168
312	NOTIFICATION OF			
312A	DISCHARGE			

ASIC Charge Number	1710979	Charge status	Satisfied
Date registered	27-Oct-2008	Time registered	12:10:00
Charge type	Both Fixed & Floating		
Date Created	22-Oct-2008		

**Chargee**                      **THE TRUST COMPANY (PTAL) LIMITED**  
008 412 913

<b>Lodged</b>	<b>Form Type</b>	<b>Processed</b>	<b>No. Pages</b>	
24-Feb-2009	312	25-Feb-2009	2	025382062
312	NOTIFICATION OF			
312A	DISCHARGE			

ASIC Charge Number	1759452	Charge status	Satisfied
Date registered	24-Feb-2009	Time registered	13:15:00
Charge type	Fixed		
Date Created	16-Feb-2009		

**Chargee**                      **THE TRUST COMPANY (PTAL) LIMITED**  
008 412 913

<b>Lodged</b>	<b>Form Type</b>	<b>Processed</b>	<b>No. Pages</b>	
23-Mar-2009	312	24-Mar-2009	2	025477873
312	NOTIFICATION OF			
312A	DISCHARGE			

ASIC Charge Number	1768753	Charge status	Satisfied
Date registered	23-Mar-2009	Time registered	14:45:00
Charge type	Both Fixed & Floating		
Date Created	20-Mar-2009		

**Chargee**                      **THE TRUST COMPANY (PTAL) LIMITED**  
008 412 913

<b>Lodged</b>	<b>Form Type</b>	<b>Processed</b>	<b>No. Pages</b>	
11-Jul-2011	312	25-Jul-2011	2	027651856

312 NOTIFICATION OF  
312A DISCHARGE

ASIC Charge Number	1850770	Charge status	Satisfied
Date registered	10-Sep-2009	Time registered	12:39:00
Charge type	Both Fixed & Floating		
Date Created	07-Sep-2009		

Chargee COMMONWEALTH BANK OF AUSTRALIA  
123 123 124

Lodged	Form Type	Processed	No. Pages	
13-Jul-2010	312	03-Aug-2010	2	025130506
312	NOTIFICATION OF			
312A	DISCHARGE			

Document Details

Received	Form Type	Processed	No. Pages	Effective	
03-Apr-2017	FS67	03-Apr-2017	1	03-Apr-2017	029944919
FS67	Order Suspending Afs Licence				
31-Aug-2016	484	31-Aug-2016	2	31-Aug-2016	7E8301918
484B	Change to Company Details Change of Registered Address				
01-Aug-2016	106	01-Aug-2016	2	01-Aug-2016	7E8208339
106	Notice of Cancellation or Revocation of a Lodged Document Cancels 7E8 208 238				
17-Aug-2015	902	28-Aug-2015	15	10-Jul-2015	029296876
902	Supplementary Document Alters 7E7 202 909				
10-Apr-2015	FS67	10-Apr-2015	1	10-Apr-2015	028731665
FS67	Order Suspending Afs Licence				
05-Aug-2013	484		0	05-Aug-2013	1F0478329
484E	Change to Company Details Appointment or Cessation of A Company Officeholder Document under requisition				
02-Aug-2013	484		0	02-Aug-2013	028687053
484E	Change to Company Details Appointment or Cessation of A				
484E	CHANGE TO COMPANY DETAILS APPOINTMENT OR CESSATION OF A COMPANY OFFICEHOLDER Document under requisition				
08-Jul-2013	484	29-Jul-2013	3	08-Jul-2013	1F0336384
484E	CHANGE TO COMPANY DETAILS APPOINTMENT OR CESSATION OF A COMPANY OFFICEHOLDER				
20-Jun-2013	484	20-Jun-2013	2	20-Jun-2013	7E5304606
484E	CHANGE TO COMPANY DETAILS APPOINTMENT OR CESSATION OF A COMPANY OFFICEHOLDER				



15-May-2013	FS90	15-May-2013	1	19-Mar-2013	7E5217844
FS90A	NOTICE THAT A PRODUCT IN A PDS HAS CEASED TO BE AVAILABLE - BY AFS LICENSEE				
01-May-2013	902	05-Jun-2013	47	02-Apr-2013	028521226
902	SUPPLEMENTARY DOCUMENT				
	Alters 7E5 149 299				
10-Apr-2013	FS67	10-Apr-2013	1	10-Apr-2013	028227992
FS67	ORDER SUSPENDING AFS LICENCE				
22-Mar-2013	484	22-Mar-2013	2	22-Mar-2013	7E5105009
484B	CHANGE TO COMPANY DETAILS CHANGE OF REGISTERED ADDRESS				
28-Feb-2013	5122	01-Mar-2013	1	28-Feb-2013	020500750
5122	NOTICE OF DECLARATION RE MANAGED INVESTMENT SCHEME				
17-Jan-2013	FS90	17-Jan-2013	1	16-Jan-2013	7E4965053
FS90A	NOTICE THAT A PRODUCT IN A PDS HAS CEASED TO BE AVAILABLE - BY AFS LICENSEE				
03-Dec-2012	FS90	03-Dec-2012	2	04-Oct-2012	7E4885393
FS90A	NOTICE THAT A PRODUCT IN A PDS HAS CEASED TO BE AVAILABLE - BY AFS LICENSEE				
28-Nov-2012	878	28-Nov-2012	1	28-Nov-2012	027957724
878	NOTICE OF AUSTRALIAN OFFER UNDER FOREIGN RECOGNITION SCHEME				
07-Nov-2012	FS88	07-Nov-2012	3	07-Nov-2012	7E4833611
FS88A	PDS IN-USE NOTICE - BY AFS LICENSEE				
02-Nov-2012	878	02-Nov-2012	2	02-Nov-2012	7E4824597
878	NOTICE OF AUSTRALIAN OFFER UNDER FOREIGN RECOGNITION SCHEME				
02-Nov-2012	FS88	02-Nov-2012	3	02-Nov-2012	7E4824598
FS88A	PDS IN-USE NOTICE - BY AFS LICENSEE				
22-Oct-2012	484	22-Oct-2012	2	22-Oct-2012	7E4797015
484E	CHANGE TO COMPANY DETAILS APPOINTMENT OR CESSATION OF A COMPANY OFFICEHOLDER				
05-Oct-2012	388	09-Nov-2012	44	30-Jun-2012	028208422
388A	FINANCIAL REPORT FINANCIAL REPORT - PUBLIC COMPANY OR DISCLOSING ENTITY				(FR 2012)
07-Sep-2012	484	07-Sep-2012	2	07-Sep-2012	7E4705266
484E	CHANGE TO COMPANY DETAILS APPOINTMENT OR CESSATION OF A COMPANY OFFICEHOLDER				
07-Sep-2012	FS02	07-Sep-2012	26	07-Sep-2012	0L0310250
FS02	COPY OF AFS LICENCE				
06-Sep-2012	FS90	06-Sep-2012	2	31-Aug-2012	7E4701411
FS90A	NOTICE THAT A PRODUCT IN A PDS HAS CEASED TO BE AVAILABLE - BY AFS LICENSEE				

27-Aug-2012	FS90	27-Aug-2012	2	18-Jul-2012	7E4678949
FS90A	NOTICE THAT A PRODUCT IN A PDS HAS CEASED TO BE AVAILABLE - BY AFS LICENSEE				
27-Aug-2012	FS90	27-Aug-2012	2	16-Aug-2012	7E4678937
FS90A	NOTICE THAT A PRODUCT IN A PDS HAS CEASED TO BE AVAILABLE - BY AFS LICENSEE				
27-Aug-2012	FS90	27-Aug-2012	2	21-Jun-2012	7E4678920
FS90A	NOTICE THAT A PRODUCT IN A PDS HAS CEASED TO BE AVAILABLE - BY AFS LICENSEE				
27-Aug-2012	FS90	27-Aug-2012	2	21-Jun-2012	7E4678906
FS90A	NOTICE THAT A PRODUCT IN A PDS HAS CEASED TO BE AVAILABLE - BY AFS LICENSEE				
27-Aug-2012	FS90	27-Aug-2012	2	18-Apr-2012	7E4678887
FS90A	NOTICE THAT A PRODUCT IN A PDS HAS CEASED TO BE AVAILABLE - BY AFS LICENSEE				
27-Aug-2012	FS90	27-Aug-2012	2	26-Apr-2012	7E4678876
FS90A	NOTICE THAT A PRODUCT IN A PDS HAS CEASED TO BE AVAILABLE - BY AFS LICENSEE				
27-Aug-2012	FS90	27-Aug-2012	2	15-Feb-2012	7E4678848
FS90A	NOTICE THAT A PRODUCT IN A PDS HAS CEASED TO BE AVAILABLE - BY AFS LICENSEE				
27-Aug-2012	FS90	27-Aug-2012	2	05-Dec-2011	7E4678833
FS90A	NOTICE THAT A PRODUCT IN A PDS HAS CEASED TO BE AVAILABLE - BY AFS LICENSEE				
27-Aug-2012	FS90	27-Aug-2012	2	04-Oct-2011	7E4677637
FS90A	NOTICE THAT A PRODUCT IN A PDS HAS CEASED TO BE AVAILABLE - BY AFS LICENSEE				
27-Aug-2012	FS88	27-Aug-2012	3	27-Aug-2012	7E4677593
FS88A	PDS IN-USE NOTICE - BY AFS LICENSEE				
09-Aug-2012	484	09-Aug-2012	2	09-Aug-2012	7E4644566
484E	CHANGE TO COMPANY DETAILS APPOINTMENT OR CESSATION OF A COMPANY OFFICEHOLDER				
13-Jul-2012	484	13-Jul-2012	2	13-Jul-2012	7E4588883
484E	CHANGE TO COMPANY DETAILS APPOINTMENT OR CESSATION OF A COMPANY OFFICEHOLDER				
05-Jul-2012	878	05-Jul-2012	1	05-Jul-2012	027956096
878	NOTICE OF AUSTRALIAN OFFER UNDER FOREIGN RECOGNITION SCHEME				
29-Jun-2012	878	29-Jun-2012	2	29-Jun-2012	7E4554303
878	NOTICE OF AUSTRALIAN OFFER UNDER FOREIGN RECOGNITION SCHEME				
29-Jun-2012	FS88	29-Jun-2012	3	29-Jun-2012	7E4554304

FS88A PDS IN-USE NOTICE - BY AFS LICENSEE					
15-Jun-2012	FS02	15-Jun-2012	26	15-Jun-2012	0L0310084
FS02	COPY OF AFS LICENCE				
04-Jun-2012	878	04-Jun-2012	1	04-Jun-2012	027954654
878	NOTICE OF AUSTRALIAN OFFER UNDER FOREIGN RECOGNITION SCHEME				
04-Jun-2012	878	04-Jun-2012	1	04-Jun-2012	027954653
878	NOTICE OF AUSTRALIAN OFFER UNDER FOREIGN RECOGNITION SCHEME				
01-Jun-2012	FS88	01-Jun-2012	3	01-Jun-2012	7E4492354
FS88A	PDS IN-USE NOTICE - BY AFS LICENSEE				
01-Jun-2012	878	01-Jun-2012	2	01-Jun-2012	7E4492353
878	NOTICE OF AUSTRALIAN OFFER UNDER FOREIGN RECOGNITION SCHEME				
01-Jun-2012	878	01-Jun-2012	2	01-Jun-2012	7E4492327
878	NOTICE OF AUSTRALIAN OFFER UNDER FOREIGN RECOGNITION SCHEME				
01-Jun-2012	FS88	01-Jun-2012	3	01-Jun-2012	7E4492328
FS88A	PDS IN-USE NOTICE - BY AFS LICENSEE				
30-May-2012	878	30-May-2012	1	30-May-2012	027954594
878	NOTICE OF AUSTRALIAN OFFER UNDER FOREIGN RECOGNITION SCHEME				
28-May-2012	878	28-May-2012	2	28-May-2012	7E4479732
878	NOTICE OF AUSTRALIAN OFFER UNDER FOREIGN RECOGNITION SCHEME				
28-May-2012	FS88	28-May-2012	3	28-May-2012	7E4479733
FS88A	PDS IN-USE NOTICE - BY AFS LICENSEE				
30-Mar-2012	878	30-Mar-2012	2	30-Mar-2012	7E4369372
878	NOTICE OF AUSTRALIAN OFFER UNDER FOREIGN RECOGNITION SCHEME				
30-Mar-2012	FS88	30-Mar-2012	3	30-Mar-2012	7E4369373
FS88A	PDS IN-USE NOTICE - BY AFS LICENSEE				
30-Mar-2012	878	30-Mar-2012	2	30-Mar-2012	7E4369336
878	NOTICE OF AUSTRALIAN OFFER UNDER FOREIGN RECOGNITION SCHEME				
30-Mar-2012	FS88	30-Mar-2012	3	30-Mar-2012	7E4369337
FS88A	PDS IN-USE NOTICE - BY AFS LICENSEE				
29-Mar-2012	484	29-Mar-2012	2	29-Mar-2012	7E4367220
484E	CHANGE TO COMPANY DETAILS APPOINTMENT OR CESSATION OF A COMPANY OFFICEHOLDER				
27-Jan-2012	878	27-Jan-2012	2	27-Jan-2012	7E4240824
878	NOTICE OF AUSTRALIAN OFFER UNDER FOREIGN RECOGNITION SCHEME				
27-Jan-2012	FS88	27-Jan-2012	3	27-Jan-2012	7E4240825

FS88A PDS IN-USE NOTICE - BY AFS LICENSEE

27-Jan-2012	878	27-Jan-2012	2	27-Jan-2012	7E4240743
878	NOTICE OF AUSTRALIAN OFFER UNDER FOREIGN RECOGNITION SCHEME				
27-Jan-2012	FS88	27-Jan-2012	3	27-Jan-2012	7E4240744
FS88A	PDS IN-USE NOTICE - BY AFS LICENSEE				
17-Nov-2011	484	17-Nov-2011	2	17-Nov-2011	7E4097067
484A1	CHANGE TO COMPANY DETAILS CHANGE OFFICEHOLDER NAME OR ADDRESS				
15-Nov-2011	878	15-Nov-2011	2	15-Nov-2011	7E4091788
878	NOTICE OF AUSTRALIAN OFFER UNDER FOREIGN RECOGNITION SCHEME				
15-Nov-2011	FS88	15-Nov-2011	3	15-Nov-2011	7E4091789
FS88A	PDS IN-USE NOTICE - BY AFS LICENSEE				
27-Oct-2011	484	27-Oct-2011	2	27-Oct-2011	7E4048590
484A1	CHANGE TO COMPANY DETAILS CHANGE OFFICEHOLDER NAME OR ADDRESS				
30-Sep-2011	388	13-Oct-2011	54	30-Jun-2011	026442958
388A	FINANCIAL REPORT FINANCIAL REPORT - PUBLIC COMPANY OR				(FR 2011)
388A	FINANCIAL REPORT FINANCIAL REPORT - PUBLIC COMPANY OR DISCLOSING ENTITY				
16-Sep-2011	878	16-Sep-2011	2	16-Sep-2011	7E3954068
878	NOTICE OF AUSTRALIAN OFFER UNDER FOREIGN RECOGNITION SCHEME				
16-Sep-2011	FS88	16-Sep-2011	3	16-Sep-2011	7E3954069
FS88A	PDS IN-USE NOTICE - BY AFS LICENSEE				
01-Sep-2011	878	01-Sep-2011	2	01-Sep-2011	7E3920691
878	NOTICE OF AUSTRALIAN OFFER UNDER FOREIGN RECOGNITION SCHEME				
01-Sep-2011	FS88	01-Sep-2011	3	01-Sep-2011	7E3920692
FS88A	PDS IN-USE NOTICE - BY AFS LICENSEE				
18-Jul-2011	878	18-Jul-2011	2	18-Jul-2011	7E3819934
878	NOTICE OF AUSTRALIAN OFFER UNDER FOREIGN RECOGNITION SCHEME				
18-Jul-2011	FS88	18-Jul-2011	3	18-Jul-2011	7E3819935
FS88A	PDS IN-USE NOTICE - BY AFS LICENSEE				
20-May-2011	FS89	20-May-2011	1	20-May-2011	7E3682315
FS89A	NOTICE OF CHANGE TO FEES AND CHARGES IN A PDS - BY AFS LICENSEE				
30-Mar-2011	5122	31-Mar-2011	1	30-Mar-2011	020500654
5122	NOTICE OF DECLARATION RE MANAGED INVESTMENT SCHEME				
30-Mar-2011	FS02	30-Mar-2011	26	30-Mar-2011	0L0309025
FS02	COPY OF AFS LICENCE				

10-Nov-2010	309	11-Nov-2010	33	22-Oct-2010	027320265
309A	NOTIFICATION OF DETAILS OF A CHARGE				
10-Nov-2010	309	11-Nov-2010	33	22-Oct-2010	027320264
309A	NOTIFICATION OF DETAILS OF A CHARGE				
01-Oct-2010	388	08-Nov-2010	63	30-Jun-2010	027353763
388A	FINANCIAL REPORT FINANCIAL REPORT - PUBLIC COMPANY OR DISCLOSING ENTITY				(FR 2010)
30-Jul-2010	350	03-Aug-2010	3	30-Jul-2010	026641595
350	CERTIFICATION OF COMPLIANCE WITH STAMP DUTIES LAW BY PROVISIONAL CHARGE				
	Alters 025 130 504				
13-Jul-2010	309	13-Jul-2010	36	01-Jul-2010	025130504
309A	NOTIFICATION OF DETAILS OF A CHARGE				
	Altered by 026 641 595				
02-Jul-2010	312	05-Jul-2010	6	02-Jul-2010	026600340
312C	NOTIFICATION OF RELEASE OF PROPERTY				
02-Jul-2010	312	05-Jul-2010	6	02-Jul-2010	026600337
312C	NOTIFICATION OF RELEASE OF PROPERTY				
02-Jul-2010	312	05-Jul-2010	3	02-Jul-2010	026600336
312C	NOTIFICATION OF RELEASE OF PROPERTY				
15-Apr-2010	FS88	15-Apr-2010	3	15-Apr-2010	7E2831759
FS88A	PDS IN-USE NOTICE - BY AFS LICENSEE				
15-Apr-2010	484	15-Apr-2010	2	15-Apr-2010	7E2830546
484	CHANGE TO COMPANY DETAILS				
484O	CHANGES TO SHARE STRUCTURE				
484G	NOTIFICATION OF SHARE ISSUE				
25-Mar-2010	484	26-Mar-2010	3	25-Mar-2010	1F0292823
484A1	CHANGE TO COMPANY DETAILS CHANGE OFFICEHOLDER NAME OR ADDRESS				
23-Mar-2010	FS02	23-Mar-2010	25	23-Mar-2010	0L0307664
FS02	COPY OF AFS LICENCE				
17-Mar-2010	2205	19-Mar-2010	7	30-Sep-2009	026421806
2205B	NOTIFICATION OF RESOLUTION RELATING TO SHARES CONVERT SHARES INTO LARGER OR SMALLER NUMBER				
12-Mar-2010	FS90	12-Mar-2010	2	12-Mar-2010	7E2762221
FS90A	NOTICE THAT A PRODUCT IN A PDS HAS CEASED TO BE AVAILABLE - BY AFS LICENSEE				
11-Nov-2009	5120	12-Nov-2009	7	11-Nov-2009	020500491
5120	NOTICE OF EXEMPTION RE MANAGED INVESTMENT SCHEME				
11-Nov-2009	5120	18-Nov-2009	0	11-Nov-2009	020500486

5120	NOTICE OF EXEMPTION RE MANAGED INVESTMENT SCHEME				
28-Oct-2009 350	350	29-Oct-2009	2	28-Oct-2009	024981690
	CERTIFICATION OF COMPLIANCE WITH STAMP DUTIES LAW BY PROVISIONAL CHARGE Alters 025 004 000				
30-Sep-2009 388A	388	27-Oct-2009	59	30-Jun-2009	023417762 (FR 2009)
	FINANCIAL REPORT FINANCIAL REPORT - PUBLIC COMPANY OR DISCLOSING ENTITY				
10-Sep-2009 312C	312	11-Sep-2009	3	10-Sep-2009	025003997
	NOTIFICATION OF RELEASE OF PROPERTY				
10-Sep-2009 311B	311	11-Sep-2009	29	04-Sep-2009	025003998
	NOTIFICATION OF CHANGE TO DETAILS OF CHARGE				
10-Sep-2009 309A	309	11-Sep-2009	43	07-Sep-2009	025004000
	NOTIFICATION OF DETAILS OF A CHARGE Altered by 024 981 690				
19-Aug-2009 878	878	07-Apr-2010	57	19-Aug-2009	026070205
	NOTICE OF AUSTRALIAN OFFER UNDER FOREIGN RECOGNITION SCHEME				
12-Jun-2009 FS89A	FS89	12-Jun-2009	1	12-Jun-2009	7E2239769
	NOTICE OF CHANGE TO FEES AND CHARGES IN A PDS - BY AFS LICENSEE				
27-May-2009 FS02	FS02	27-May-2009	26	27-May-2009	0L0501962
	COPY OF AFS LICENCE				
07-May-2009 FS88A	FS88	07-May-2009	3	06-May-2009	7E2173585
	PDS IN-USE NOTICE - BY AFS LICENSEE				
14-Apr-2009 5120	5120	08-May-2009	5	14-Apr-2009	024672203
	NOTICE OF EXEMPTION RE MANAGED INVESTMENT SCHEME				
14-Apr-2009 5122	5122	08-May-2009	5	14-Apr-2009	024672204
	NOTICE OF DECLARATION RE MANAGED INVESTMENT SCHEME				

**THERE ARE FURTHER DOCUMENTS LODGED BY THIS COMPANY.  
SELECT THE 'ORDER COMPANY DOCUMENTS' OPTION FROM THE  
ORGANISATIONAL SEARCH SUMMARY SCREEN TO OBTAIN A  
COMPLETE LIST OF COMPANY DOCUMENTS.**

#### Annual Returns

Year	Return Due Date	Extended Due Date	AGM Due Date	Extended AGM Due Date	AGM Held Date	Outstanding
1997	31-Jan-1998		31-Dec-1997			N
1998	31-Jan-1999					N
1999	31-Jan-2000					N
2000	31-Jan-2001					N
2001	31-Jan-2002					N
2002	31-Jan-2003					N

#### Financial Reports

Balance Date	Report Due Date	AGM Due Date	Extended AGM Due Date	AGM Held Date	Outstanding	
30-Jun-1999	31-Oct-1999	Unknown	Unknown	Unknown	N	016010134
30-Jun-2000	31-Oct-2000	Unknown	Unknown	Unknown	N	015964651
30-Jun-2001	31-Oct-2001	Unknown	Unknown	Unknown	N	017705919
30-Jun-2002	31-Oct-2002	Unknown	Unknown	Unknown	N	019168593
30-Jun-2003	31-Oct-2003	Unknown	Unknown	Unknown	N	019791166
30-Jun-2004	31-Oct-2004	Unknown	Unknown	Unknown	N	020698531
30-Jun-2005	30-Nov-2005	Unknown	Unknown	Unknown	N	022718227
30-Jun-2006	31-Oct-2006	Unknown	Unknown	Unknown	N	022755830
30-Jun-2007	31-Oct-2007	Unknown	Unknown	Unknown	N	024088738
30-Jun-2008	31-Oct-2008	Unknown	Unknown	Unknown	N	025509063
30-Jun-2009	31-Oct-2009	Unknown	Unknown	Unknown	N	023417762
30-Jun-2010	31-Oct-2010	Unknown	Unknown	Unknown	N	027353763
30-Jun-2011	31-Oct-2011	Unknown	Unknown	Unknown	N	026442958
30-Jun-2012	31-Oct-2012	Unknown	Unknown	Unknown	N	028208422

Section 146A of the *Corporations Act 2001* states 'A contact address is the address to which communications and notices are sent from ASIC to the company.'

Address	PO BOX 588, SURFERS PARADISE, QLD, 4217
Start Date	28-Jun-2003
End Date	02-Aug-2013

\*\*\* End of Extract \*\*\*

## ASIC & Business Names

### ORGANISATIONAL SEARCH ON LM ADMINISTRATION PTY LTD

#### Historical Extract

This information was extracted from ASIC database on 24 May 2017 at 01:33PM

This extract contains information derived from the Australian Securities and Investment Commission's (ASIC) database under section 1274A of the Corporations Act 2001. Please advise ASIC of any error or omission which you may identify.

055 691 426	LM ADMINISTRATION PTY LTD	DOCUMENT NO.
ABN	055 691 426 Not available	
Registered in	QLD	
Date Registered	03-Apr-1992	
Review Date	03-Apr-2018	

#### Current Organisation Details

Name	LM ADMINISTRATION PTY LTD	7E5097311
Name Start	01-Nov-1999	
Status	EXTERNALLY ADMINISTERED	
	For information about this status refer to the documents listed under the heading "External Administration and/or Appointment of Controller", below.	
Type	AUSTRALIAN PROPRIETARY COMPANY	
Class	LIMITED BY SHARES	
Subclass	PROPRIETARY COMPANY	
Disclosing Entity	NO	

#### Ceased/Former Organisation Details

Details Start	01-Nov-1999	014228127
Details End	18-Mar-2013	
Name	LM ADMINISTRATION PTY LTD	
Name Start	01-Nov-1999	
Status	REGISTERED	
Type	AUSTRALIAN PROPRIETARY COMPANY	
Class	LIMITED BY SHARES	
Subclass	PROPRIETARY COMPANY	
Disclosing Entity	NO	
Details Start	23-Jun-1995	009157495
Details End	31-Oct-1999	
Name	LAW MORTGAGE MANAGEMENT PTY LTD	
Name Start	23-Jun-1995	
Status	REGISTERED	



Type	AUSTRALIAN PROPRIETARY COMPANY	
Class	LIMITED BY SHARES	
Subclass	PROPRIETARY COMPANY	
Disclosing Entity	NO	
Details Start	03-Apr-1992	002403443
Details End	22-Jun-1995	
Name	C.M.M. AUSTRALIA PTY. LTD.	
Name Start	03-Apr-1992	
Status	REGISTERED	
Type	AUSTRALIAN PROPRIETARY COMPANY	
Class	LIMITED BY SHARES	
Subclass	EXEMPT PROPRIETARY COMPANY	
Disclosing Entity	NO	

#### Current Registered Office

Address	DAVID CLOUT & ASSOCIATES, 105A BOWEN STREET, SPRING HILL, QLD, 4000	7E6642691
Start Date	19-Jan-2015	

#### Ceased/Former Registered Office

Address	FTI CONSULTING, 'CORPORATE CENTRE ONE' LEVEL 9, 2 CORPORATE COURT, BUNDALL, QLD, 4217	7E5105027
Start Date	29-Mar-2013	
End Date	18-Jan-2015	

Address	LEVEL 4 RSL CENTRE, 9 BEACH ROAD, SURFERS PARADISE, QLD, 4217	010248517
Start Date	07-Feb-1997	(AR 1996)
End Date	28-Mar-2013	

Address	3 ALISON STREET, SURFERS PARADISE, QLD, 4217	05569142F
Start Date	07-Feb-1996	(AR 1995)
End Date	06-Feb-1997	

Address	BUTLER MCMURTRIE, LEVEL 5 RSL BUILDING, 9 BEACH ROAD, SURFERS PARADISE, QLD, 4217	007626662
Start Date	14-Jun-1994	
End Date	06-Feb-1996	

Address	C/- BUTLER MCMURTIE, 1ST LEVEL, 94 BUNDALL ROAD, BUNDALL, QLD, 4217	007626539
Start Date	26-May-1994	(AR 1993)
End Date	13-Jun-1994	

Address	C/- KPMG PEAT MARWICK, 12TH LEVEL TOWER ONE, 2 CORPORATE COURT, BUNDALL, QLD, 4217	002405213
Start Date	17-Apr-1992	
End Date	25-May-1994	

Address	43 REED STREET, ASHMORE, QLD, 4214	002403443
---------	------------------------------------	-----------

Start Date 03-Apr-1992  
End Date 16-Apr-1992

**Current Principal Place of Business**

Address 105A BOWEN STREET, SPRING HILL, QLD, 4000 7E6642691  
Start Date 23-Dec-2014

**Ceased/Former Principal Place of Business**

Address LEVEL 4 RSL CENTRE, 9 BEACH ROAD, SURFERS PARADISE, 010248517  
QLD, 4217  
Start Date 31-Jan-1997 (AR 1996)  
End Date 22-Dec-2014

Address SUITE 18 PARKRISE, 3 ALISON STREET, SURFERS  
PARADISE, QLD, 4217 007626539  
Start Date 30-Jun-1993 (AR 1993)  
End Date 30-Jan-1997

Address 43 REED STREET, ASHMORE, QLD, 4214 002403443  
Start Date 03-Apr-1992  
End Date 29-Jun-1993

**Ceased/Former Director**

Officer Name PETER CHARLES DRAKE 1E2918595  
ABN Not available  
Birth Details 23-Aug-1955 WHANGARA NEW ZEALAND  
Address 13 ALBATROSS AVENUE, NOBBY BEACH, QLD, 4218  
Appointment Date 03-Apr-1992  
Cease Date 09-Jan-2015

Officer Name MICHAEL PATRICK DWYER 05569142F  
ABN Not available (AR 1995)  
Birth Details 01-May-1955 WARWICK QLD  
Address 1A YACHT STREET, SOUTHPORT, QLD, 4215  
Appointment Date 28-Jun-1995  
Cease Date 20-Feb-2002

Officer Name BIRGIT ZAMMIT 005256309  
ABN Not available  
Birth Details 11-Nov-1958 ADELAIDE SA  
Address LEVEL 5 PARKRISE, 3 ALISON STREET, SURFERS PARADISE,  
QLD, 4217  
Appointment Date 31-Mar-1993  
Cease Date 28-Jun-1995

Officer Name CHRISTOPHER THOMAS JONES 002405214  
ABN Not available  
Birth Details 20-Nov-1962 LISMORE NSW

Address UNIT 3, 16 LATHER STREET, SOUTHPORT, QLD, 4215  
Appointment Date 03-Apr-1992  
Cease Date 31-Mar-1993

Officer Name MICHAEL PATRICK DWYER 002405214  
ABN Not available  
Birth Details 01-May-1955 WARWICK QLD  
Address 1A YACHT STREET, SOUTHPORT, QLD, 4215  
Appointment Date 03-Apr-1992  
Cease Date 31-Mar-1993

Officer Name BARRY REUBEN CANNELL 002405075  
ABN Not available  
Birth Details 06-Jan-1940 ESSEX UNITED KINGDOM  
Address 43 REED STREET, ASHMORE, QLD, 4214  
Appointment Date 03-Apr-1992  
Cease Date 03-Apr-1992

Officer Name CHRISTINE MARY CANNELL 002405075  
ABN Not available  
Birth Details 27-Nov-1941 MELTON UNITED KINGDOM  
Address 43 REED STREET, ASHMORE, QLD, 4214  
Appointment Date 03-Apr-1992  
Cease Date 03-Apr-1992

#### **Ceased/Former Secretary**

Officer Name PETER CHARLES DRAKE 1E2918595  
ABN Not available  
Birth Details 23-Aug-1955 WHANGARA NEW ZEALAND  
Address 13 ALBATROSS AVENUE, NOBBY BEACH, QLD, 4218  
Appointment Date 03-Apr-1992  
Cease Date 09-Jan-2015

Officer Name CHRISTINE MARY CANNELL 002405075  
ABN Not available  
Birth Details 27-Nov-1941 MELTON UNITED KINGDOM  
Address 43 REED STREET, ASHMORE, QLD, 4214  
Appointment Date 03-Apr-1992  
Cease Date 03-Apr-1992

#### **Current Appointed Liquidator (Creditors Voluntary Winding up)**

Officer Name DAVID LEWIS CLOUT 7E5398403  
ABN Not available  
Address DAVID CLOUT & ASSOCIATES, 'DAVID CLOUT & ASSOCIATES', 105A BOWEN STREET, SPRING HILL, QLD, 4000  
Appointment Date 26-Jul-2013

Officer Name	DAVID LEWIS CLOUT	7E5398580
ABN	Not available	
Address	DAVID CLOUT & ASSOCIATES, 'DAVID CLOUT & ASSOCIATES', 105A BOWEN STREET, SPRING HILL, QLD, 4000	
Appointment Date	26-Jul-2013	

**Ceased/Former Appointed Liquidator (Creditors Voluntary Winding up)**

Officer Name	LORRAINE DEBORAH SMITH	7E5398403
ABN	Not available	
Address	DAVID CLOUT & ASSOCIATES, 105A BOWEN STREET, SPRING HILL, QLD, 4000	
Appointment Date	26-Jul-2013	
Cease Date	13-Feb-2014	

Officer Name	LORRAINE DEBORAH SMITH	7E5398580
ABN	Not available	
Address	DAVID CLOUT & ASSOCIATES, 105A BOWEN STREET, SPRING HILL, QLD, 4000	
Appointment Date	26-Jul-2013	
Cease Date	13-Feb-2014	

**Ceased/Former Controller**

Officer Name	KORDAMENTHA PTY LTD	028643212
ACN	100 169 391	
ABN	Not available	
Address	12 CREEK STREET, BRISBANE, QLD, 4000	
Appointment Date	24-Jul-2013	
Cease Date	05-Jun-2015	

**Ceased/Former Administrator of a Company Under Administration**

Officer Name	JOHN RICHARD PARK	7E5097311
ABN	Not available	
Address	FTI CONSULTING, 'CORPORATE CENTRE ONE' LEVEL 9, 2 CORPORATE COURT, BUNDALL, QLD, 4217	
Appointment Date	19-Mar-2013	
Cease Date	26-Jul-2013	

Officer Name	GINETTE DAWN MULLER	7E5097311
ABN	Not available	
Address	FTI CONSULTING, 'CORPORATE CENTRE ONE' LEVEL 9, 2 CORPORATE COURT, BUNDALL, QLD, 4217	
Appointment Date	19-Mar-2013	
Cease Date	26-Jul-2013	

**Current Issued Capital**

Type	Current	007626539
Class	ORD	(AR 1993)

**ORDINARY**

Number of Shares/Interests issued	3
Total amount paid/taken to be paid	\$3.00
Total amount due and payable	\$0.00

Note: For each class of shares issued by a proprietary company, ASIC records the details of the twenty members of the class (based on shareholdings). The details of any other members holding the same number of shares as the twentieth ranked member will also be recorded by ASIC on the database. Where available, historical records show that a member has ceased to be ranked amongst the twenty members. This may, but does not necessarily mean, that they have ceased to be a member of the company.

**Current Members**

Class	ORD			1E2918595
No. Held	1			
Beneficially Owned	YES	Fully paid	YES	
Name	DRAKE, PETER CHARLES			
ABN	Not available			
Address	13 ALBATROSS AVENUE, NOBBY BEACH, QLD, 4218			
Joint Holding	NO			

Class	ORD			1E2918595
No. Held	2			
Beneficially Owned	YES	Fully paid	YES	
Name	DRAKE, PETER CHARLES			
ABN	Not available			
Address	13 ALBATROSS AVENUE, NOBBY BEACH, QLD, 4218			
Joint Holding	NO			

**Ceased/Former Members**

Class	ORD			05569142F
No. Held	1			(AR 1995)
Beneficially Owned	YES	Fully paid	YES	
Name	DWYER, MICHAEL PATRICK			
ABN	Not available			
Address	1A YACHT STREET, SOUTHPORT, QLD, 4215			
Joint Holding	NO			

Class	ORD			007626539
No. Held	1			(AR 1993)
Beneficially Owned	NO	Fully paid	YES	
Name	ZAMMIT, BIRGIT			
ABN	Not available			
Address	LEVEL 5 PARKRISE, 3 ALISON STREET, SURFERS PARADISE, QLD, 4217			

**Documents Relating to External Administration and/or Appointment**

This extract may not list all documents relating to this status. State and territory records should be searched.

Received	Form Type	Processed	No. Pages	Effective	
02-Feb-2017 524J	524 PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF CREDITORS' VOLUNTARY WINDING UP	02-Feb-2017	13	25-Jan-2017	7E8736007
24-Aug-2016 1500	1500 ANNUAL REPORT TO CREDITORS	24-Aug-2016	7	25-Jul-2016	7E8278737
09-Aug-2016 524J	524 PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF CREDITORS' VOLUNTARY WINDING UP	09-Aug-2016	13	25-Jul-2016	7E8231472
18-Feb-2016 524J	524 PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF CREDITORS' VOLUNTARY WINDING UP	18-Feb-2016	12	25-Jan-2016	7E7709546
16-Sep-2015 1500	1500 ANNUAL REPORT TO CREDITORS	16-Sep-2015	9	25-Jul-2015	7E7306050
30-Jul-2015 524J	524 PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF CREDITORS' VOLUNTARY WINDING UP	30-Jul-2015	11	25-Jul-2015	7E7175776
03-Jul-2015 524T	524 PRESENTATION OF ACCOUNTS & STATEMENT PRESENTATION OF FINAL ACCOUNTS OF CONTROLLER (OTHER THAN RECEIVER OR MANAGING CONTROLLER)	06-Aug-2015	9	05-Jun-2015	029315718
05-Jun-2015 505X	505 NOTIFICATION OF CESSATION OF CONTROLLER (OTHER THAN RECEIVER OR MANAGING CONTROLLER)	05-Jun-2015	2	05-Jun-2015	7E7013752
18-Feb-2015 524S	524 PRESENTATION OF ACCOUNTS & STATEMENT PRESENTATION OF ACCOUNTS OF CONTROLLER (OTHER THAN RECEIVER OR MANAGING CONTROLLER)	18-Feb-2015	11	23-Jan-2015	7E6735193
12-Feb-2015 524J	524 PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF CREDITORS' VOLUNTARY WINDING UP	12-Feb-2015	15	25-Jan-2015	7E6719475
02-Oct-2014 525	525 NOTICE OF DISCLAIMER OF ONEROUS PROPERTY	02-Oct-2014	3	02-Oct-2014	7E6415016
02-Oct-2014 5011A	5011 COPY OF MINUTES OF MEETING OF MEMBERS, CREDITORS,	02-Oct-2014	5	24-Sep-2014	7E6414902

CONTRIBUTORIES OR COMMITTEE OF INSPECTION OTHER THAN UNDER  
S.436E OR S.439A

08-Sep-2014 1500	1500	08-Sep-2014	9	25-Jul-2014	7E6348602
	ANNUAL REPORT TO CREDITORS				
07-Aug-2014 524S	524	07-Aug-2014	12	23-Jul-2014	7E6273411
	PRESENTATION OF ACCOUNTS & STATEMENT PRESENTATION OF ACCOUNTS OF CONTROLLER (OTHER THAN RECEIVER OR MANAGING CONTROLLER)				
01-Aug-2014 524J	524	01-Aug-2014	17	25-Jul-2014	7E6257560
	PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF CREDITORS' VOLUNTARY WINDING UP				
17-Mar-2014 524S	524	29-Apr-2014	9	22-Jan-2014	028896207
	PRESENTATION OF ACCOUNTS & STATEMENT PRESENTATION OF ACCOUNTS OF CONTROLLER (OTHER THAN RECEIVER OR MANAGING CONTROLLER)				
24-Feb-2014 524J	524	24-Feb-2014	17	25-Jan-2014	7E5858892
	PRESENTATION OF ACCOUNTS & STATEMENT ACCOUNTS OF CREDITORS' VOLUNTARY WINDING UP				
14-Feb-2014 505R	505	14-Feb-2014	2	13-Feb-2014	7E5839529
	NOTIFICATION OF RESIGNATION OR REMOVAL OF LIQUIDATOR/PROVISIONAL LIQUIDATOR				
17-Jan-2014 5011A	5011	17-Jan-2014	6	19-Dec-2013	7E5775524
	COPY OF MINUTES OF MEETING OF MEMBERS, CREDITORS, CONTRIBUTORIES OR COMMITTEE OF INSPECTION OTHER THAN UNDER S.436E OR S.439A				
13-Sep-2013 507D	507	13-Sep-2013	9	09-Sep-2013	7E5510840
	REPORT AS TO AFFAIRS BY DIRECTORS				
22-Aug-2013 507F	507	22-Aug-2013	22	02-Aug-2013	7E5458201
	REPORT AS TO AFFAIRS FROM CONTROLLER UNDER S.429(2)(C)				
12-Aug-2013 524Z	524	12-Sep-2013	18	26-Jul-2013	028666313
	PRESENTATION OF ACCOUNTS & STATEMENT PRESENTATION OF FINAL ACCOUNTS OF ADMINISTRATOR				
05-Aug-2013 5011A	5011	05-Aug-2013	4	26-Jul-2013	7E5418681
	COPY OF MINUTES OF MEETING OF MEMBERS, CREDITORS, CONTRIBUTORIES OR COMMITTEE OF INSPECTION OTHER THAN UNDER S.436E OR S.439A				
05-Aug-2013 5011B	5011	05-Aug-2013	23	26-Jul-2013	7E5418678
	COPY OF MINUTES OF MEETING OF MEMBERS, CREDITORS, CONTRIBUTORIES OR COMMITTEE OF INSPECTION UNDER S.436E OR S.439A				
05-Aug-2013	505	14-Aug-2013	6	24-Jul-2013	028643341

505T	NOTIFICATION OF APPT OF CONTROLLER (OTHER THAN RECEIVER/MANAGING CONTROLLER)				
31-Jul-2013 504C	504	09-Aug-2013	4	24-Jul-2013	028643212
	NOTIFICATION OF APPOINTMENT OF A BY APPOINTEE RE APPT OF CONTROLLER (OTHER THAN A RECEIVER)				
26-Jul-2013 509DA	509D	26-Jul-2013	2	26-Jul-2013	7E5399478
	NOTICE UNDER S.446A OF SPECIAL RESOLUTION TO WIND UP COMPANY RESOLVED THAT COMPANY BE WOUND UP UNDER 439C(C)				
26-Jul-2013 505Y	505	26-Jul-2013	2	26-Jul-2013	7E5399436
	NOTIFICATION OF RESIGNATION OR REMOVAL OF ADMINISTRATOR OF COMPANY UNDER ADMINISTRATION UNDER S.436E(4), 449B OR 449C				
26-Jul-2013 509DA	509D	26-Jul-2013	2	26-Jul-2013	7E5398742
	NOTICE UNDER S.446A OF SPECIAL RESOLUTION TO WIND UP COMPANY RESOLVED THAT COMPANY BE WOUND UP UNDER 439C(C)				
26-Jul-2013 505J	505	26-Jul-2013	2	26-Jul-2013	7E5398580
	NOTIFICATION OF APPOINTMENT OF LIQUIDATOR (CREDITORS' VOLUNTARY WINDING UP)				
26-Jul-2013 505J	505	26-Jul-2013	2	26-Jul-2013	7E5398403
	NOTIFICATION OF APPOINTMENT OF LIQUIDATOR (CREDITORS' VOLUNTARY WINDING UP)				
19-Jun-2013 5011A	5011	19-Jun-2013	6	03-Jun-2013	7E5298882
	COPY OF MINUTES OF MEETING OF MEMBERS, CREDITORS, CONTRIBUTORIES OR COMMITTEE OF INSPECTION OTHER THAN UNDER S.436E OR S.439A				
20-May-2013 5011A	5011	20-May-2013	4	30-Apr-2013	7E5228021
	COPY OF MINUTES OF MEETING OF MEMBERS, CREDITORS, CONTRIBUTORIES OR COMMITTEE OF INSPECTION OTHER THAN UNDER S.436E OR S.439A				
22-Apr-2013 5011A	5011	22-Apr-2013	4	16-Apr-2013	7E5168697
	COPY OF MINUTES OF MEETING OF MEMBERS, CREDITORS, CONTRIBUTORIES OR COMMITTEE OF INSPECTION OTHER THAN UNDER S.436E OR S.439A				
15-Apr-2013 5011B	5011	15-Apr-2013	15	02-Apr-2013	7E5152996
	COPY OF MINUTES OF MEETING OF MEMBERS, CREDITORS, CONTRIBUTORIES OR COMMITTEE OF INSPECTION UNDER S.436E OR S.439A				
19-Mar-2013 505U	505	19-Mar-2013	2	19-Mar-2013	7E5097311
	NOTIFICATION OF APPT OF ADMINISTRATOR UNDER S.436A, 436B, 436C, 436E(4), 449B, 449C(1), 449C(4) OR 449(6)				

#### Charges



ASIC Charge Number	569440	Charge status	Satisfied
Date registered	04-Dec-1996	Time registered	13:22:00
Charge type	Both Fixed & Floating		
Date Created	02-Aug-1996		

**Chargee**                      **CAPITAL OPPORTUNITIES PTY LTD**  
061 780 069

Lodged	Form Type	Processed	No. Pages	
24-Jun-1999	312	25-Jun-1999	1	015314905
312	NOTIFICATION OF			
312A	DISCHARGE			

ASIC Charge Number	605333	Charge status	Satisfied
Date registered	20-Aug-1997	Time registered	09:30:00
Charge type	Both Fixed & Floating		
Date Created	06-Aug-1997		

**Chargee**                      **AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED**  
005 357 522

Lodged	Form Type	Processed	No. Pages	
05-Jan-2010	312	06-Jan-2010	2	026198161
312	NOTIFICATION OF			
312A	DISCHARGE			

ASIC Charge Number	692551	Charge status	Satisfied
Date registered	23-Apr-1999	Time registered	15:11:00
Charge type	Fixed		
Date Created	15-Mar-1999		

**Chargee**                      **AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED**  
005 357 522

Lodged	Form Type	Processed	No. Pages	
17-Jun-2002	312	17-Jun-2002	1	017788582
312	NOTIFICATION OF			
312A	DISCHARGE			

ASIC Charge Number	700960	Charge status	Satisfied
Date registered	24-Jun-1999	Time registered	15:47:00
Charge type	Fixed		
Date Created	18-Jun-1999		

**Chargee**                      **DAIMLERCHRYSLER CAPITAL SERVICES (DEBIS)**  
**AUSTRALIA PTY LTD**  
074 134 437

Lodged	Form Type	Processed	No. Pages	
13-May-2010	312	17-May-2010	4	026419951
312	NOTIFICATION OF			
312A	DISCHARGE			

ASIC Charge Number	703332	Charge status	Satisfied
Date registered	08-Jul-1999	Time registered	09:57:00

Charge type Both Fixed & Floating  
Date Created 30-Jun-1999

Chargee COMMONWEALTH BANK OF AUSTRALIA  
123 123 124

Lodged	Form Type	Processed	No. Pages	
28-Aug-2006	312	28-Aug-2006	2	023096861
312	NOTIFICATION OF			
312A	DISCHARGE			

ASIC Charge Number 872079 Charge status Satisfied  
Date registered 01-Jul-2002 Time registered 10:17:00  
Charge type Both Fixed & Floating  
Date Created 12-Jun-2002

Chargee COMMONWEALTH BANK OF AUSTRALIA  
123 123 124

Lodged	Form Type	Processed	No. Pages	
28-Aug-2006	312	28-Aug-2006	2	023096863
312	NOTIFICATION OF			
312A	DISCHARGE			

ASIC Charge Number 948055 Charge status Satisfied  
Date registered 04-Jun-2003 Time registered 11:25:00  
Charge type Both Fixed & Floating  
Date Created 28-Oct-2002

Chargee COMMONWEALTH BANK OF AUSTRALIA  
123 123 124

Lodged	Form Type	Processed	No. Pages	
13-Jul-2010	312	13-Jul-2010	2	025130508
312	NOTIFICATION OF			
312A	DISCHARGE			

ASIC Charge Number 1169760 Charge status Satisfied  
Date registered 14-Jun-2005 Time registered 11:37:00  
Charge type Both Fixed & Floating  
Date Created 03-May-2005

Chargee AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED  
005 357 522

Lodged	Form Type	Processed	No. Pages	
05-Jan-2010	312	06-Jan-2010	2	026198160
312	NOTIFICATION OF			
312A	DISCHARGE			

#### Document Details

Received	Form Type	Processed	No. Pages	Effective	
12-Jan-2015	484	12-Jan-2015	2	12-Jan-2015	7E6642691
484	Change to Company Details				

484B	Change of Registered Address				
484C	Change of Principal Place of Business (Address)				
22-Mar-2013	484	22-Mar-2013	2	22-Mar-2013	7E5105027
484B	Change to Company Details Change of Registered Address				
11-Jan-2012	311	11-Jan-2012	3	01-Nov-2011	7E4207405
311A	Notification of Assignment of Charge				
23-Sep-2011	309	23-Sep-2011	5	09-Sep-2011	7E3971531
309A	Notification of Details of a Charge				
13-Jul-2010	312	13-Jul-2010	2	13-Jul-2010	025130508
312A	Notification of Discharge				
13-May-2010	312	17-May-2010	4	13-May-2010	026419951
312A	Notification of Discharge				
07-Apr-2010	312	09-Apr-2010	2	07-Apr-2010	026495319
312C	Notification of Release of Property				
29-Mar-2010	312	31-Mar-2010	2	29-Mar-2010	026246715
312C	Notification of Release of Property				
29-Mar-2010	312	31-Mar-2010	2	29-Mar-2010	026246714
312C	Notification of Release of Property				
05-Jan-2010	312	06-Jan-2010	2	05-Jan-2010	026198160
312A	Notification of Discharge				
05-Jan-2010	312	06-Jan-2010	2	05-Jan-2010	026198161
312A	Notification of Discharge				
05-Jan-2010	309	06-Jan-2010	25	22-Dec-2009	026198162
309A	Notification of Details of a Charge				
15-May-2007	311	16-May-2007	4	04-May-2007	023759510
311B	Notification of Change to Details of Charge				
14-Feb-2007	484	14-Feb-2007	2	14-Feb-2007	1E2918595
484	Change to Company Details				
484A1	Change Officeholder Name or Address				
484A2	Change Member Name or Address				
28-Aug-2006	312	28-Aug-2006	2	28-Aug-2006	023096863
312A	Notification of Discharge				
28-Aug-2006	312	28-Aug-2006	2	28-Aug-2006	023096861
312A	Notification of Discharge				
28-Aug-2006	312	28-Aug-2006	2	28-Aug-2006	023096862
312C	Notification of Release of Property				
08-Jul-2005	350	08-Jul-2005	1	08-Jul-2005	020965555
350	Certification of Compliance With Stamp Duties Law By Provisional Charge Alters 020 957 875				

14-Jun-2005	309	14-Jun-2005	31	03-May-2005	020957875
309A	Notification of Details of a Charge				
	Altered by 020 965 555				
03-Oct-2003	312	03-Oct-2003	1	03-Oct-2003	019255499
312C	Notification of Release of Property				
04-Jul-2003	312	17-Oct-2003	2	04-Jul-2003	019011364
312C	NOTIFICATION OF RELEASE OF PROPERTY				
04-Jun-2003	312	04-Jun-2003	1	04-Jun-2003	017905731
312C	NOTIFICATION OF RELEASE OF PROPERTY				
04-Jun-2003	309	04-Jun-2003	20	28-Oct-2002	017905729
309A	NOTIFICATION OF DETAILS OF A CHARGE				
20-Mar-2003	902	20-Mar-2003	1	20-Mar-2003	0E8703807
902	SUPPLEMENTARY DOCUMENT				
	Alters 0E8 567 142				
04-Feb-2003	316	20-Mar-2003	3	31-Jan-2003	0E8567142
316L	ANNUAL RETURN - PROPRIETARY COMPANY				(AR 2002)
	Altered by 0E8 703 807				
23-Aug-2002	309	23-Aug-2002	35	13-Jun-2002	018193490
309A	NOTIFICATION OF DETAILS OF A CHARGE				
01-Jul-2002	309	01-Jul-2002	20	12-Jun-2002	017919705
309A	NOTIFICATION OF DETAILS OF A CHARGE				
14-Mar-2002	370	20-Mar-2002	2	14-Mar-2002	017688371
370	NOTIFICATION BY OFFICEHOLDER OF RESIGNATION OR RETIREMENT				
	Updates 055 691 42F				
31-Jan-2002	316	11-Feb-2002	3	30-Jan-2002	05569142L
316L	ANNUAL RETURN - PROPRIETARY COMPANY				(AR 2001)
17-Jan-2001	316	27-Feb-2001	3	20-Dec-2000	05569142K
316L	ANNUAL RETURN - PROPRIETARY COMPANY				(AR 2000)
28-Jan-2000	316	14-Feb-2000	3	27-Jan-2000	05569142J
316L	ANNUAL RETURN - PROPRIETARY COMPANY				(AR 1999)
01-Nov-1999	205	01-Nov-1999	1	29-Oct-1999	014228127
205A	NOTIFICATION OF RESOLUTION CHANGING COMPANY NAME				
08-Jul-1999	309	08-Jul-1999	21	30-Jun-1999	015339426
309A	NOTIFICATION OF DETAILS OF A CHARGE				
24-Jun-1999	309	24-Jun-1999	15	18-Jun-1999	015314906
309A	NOTIFICATION OF DETAILS OF A CHARGE				
24-Jun-1999	312	25-Jun-1999	1	24-Jun-1999	015314904
312C	NOTIFICATION OF RELEASE OF PROPERTY				
23-Apr-1999	309	27-Apr-1999	19	15-Mar-1999	014825070
309A	NOTIFICATION OF DETAILS OF A CHARGE				

14-Dec-1998	316	14-Dec-1998	3	08-Dec-1998	05569142I (AR 1998)
316L	ANNUAL RETURN - PROPRIETARY COMPANY				
30-Jan-1998	316	09-Feb-1998	4	29-Jan-1998	05569142H (AR 1997)
316L	ANNUAL RETURN - PROPRIETARY COMPANY				
20-Aug-1997	309	20-Aug-1997	19	06-Aug-1997	012781959
309A	NOTIFICATION OF DETAILS OF A CHARGE				
31-Jan-1997	316	24-Mar-1997	4	31-Jan-1997	010248517 (AR 1996)
316	ANNUAL RETURN				
316A	CHANGE OF REGISTERED OFFICE ADDRESS				
316L	ANNUAL RETURN - PROPRIETARY COMPANY				
04-Dec-1996	309	05-Dec-1996	37	15-Jun-1996	011173086
309A	NOTIFICATION OF DETAILS OF A CHARGE				
31-Jan-1996	316	05-Jun-1996	4	30-Jan-1996	05569142F (AR 1995)
316	ANNUAL RETURN				
316A	CHANGE OF REGISTERED OFFICE ADDRESS				
316C	CHANGE TO OFFICEHOLDERS				
316L	ANNUAL RETURN - PROPRIETARY COMPANY				
	Updated by 017 688 371				
23-Jun-1995	245	23-Jun-1995	1	23-Jun-1995	009157496
245	CERTIFICATE OF REGISTRATION ON CHANGE OF NAME				
23-Jun-1995	205	23-Jun-1995	1	20-Jun-1995	009157495
205A	NOTIFICATION OF RESOLUTION CHANGING COMPANY NAME				
20-Jun-1995	410	20-Jun-1995	1	20-Jun-1995	009157432
410B	APPLICATION FOR RESERVATION OF A NEW NAME UPON CHANGE OF NAME				
06-Feb-1995	316	09-Feb-1995	4	31-Dec-1994	05569142E (AR 1994)
316L	ANNUAL RETURN				
07-Jun-1994	203	07-Jun-1994	1	01-Jun-1994	007626662
203A	NOTIFICATION OF CHANGE OF ADDRESS				
19-May-1994	316	19-May-1994	4	31-Dec-1993	007626539 (AR 1993)
316	ANNUAL RETURN				
316A	CHANGE OF REGISTERED OFFICE ADDRESS				
316L	ANNUAL RETURN				
30-Mar-1994	304	31-Mar-1994	2	31-Mar-1993	005256309
304A	NOTIFICATION OF CHANGE TO OFFICEHOLDERS OF AUSTRALIAN COMPANY				
17-Nov-1993	909	17-Nov-1993	1	15-Oct-1993	005951599
909	NOTICE OF ADDRESS OF BRANCH REGISTER				
28-Apr-1992	304	28-Apr-1992	1	03-Apr-1992	002406045
304A	NOTIFICATION OF CHANGE TO OFFICEHOLDERS OF AUSTRALIAN COMPANY				

24-Apr-1992	304	15-May-1992	1	03-Apr-1992	002405966
304A	NOTIFICATION OF CHANGE TO OFFICEHOLDERS OF AUSTRALIAN COMPANY				
10-Apr-1992	207	10-Apr-1992	2	03-Apr-1992	002405224
207B	NOTIFICATION OF ALLOTMENT OF SHARES REGARDING SUBSEQUENT ALLOTMENT				
10-Apr-1992	209	10-Apr-1992	1	03-Apr-1992	002405219
209	NOTICE OF REDEMPTION OF REDEEMABLE PREFERENCE SHARES				
10-Apr-1992	304	10-Apr-1992	2	03-Apr-1992	002405214
304A	NOTIFICATION OF CHANGE TO OFFICEHOLDERS OF AUSTRALIAN COMPANY				
10-Apr-1992	203	10-Apr-1992	1	03-Apr-1992	002405213
203A	NOTIFICATION OF CHANGE OF ADDRESS				
03-Apr-1992	204	03-Apr-1992	1	03-Apr-1992	002405098
204	CERTIFICATE OF REGISTRATION DIVISION 1 PT 2.2				
03-Apr-1992	215	03-Apr-1992	1	03-Apr-1992	002405075
215	NOTIFICATION OF INITIAL APPOINTMENT OF OFFICEHOLDERS				
03-Apr-1992	201	03-Apr-1992	4	03-Apr-1992	002403443
201C	APPLICATION FOR REGISTRATION AS A PROPRIETARY COMPANY				
01-Apr-1992	410	01-Apr-1992	1	01-Apr-1992	002404833
410A	APPLICATION FOR RESERVATION OF A NAME OF A NEW AUSTRALIAN COMPANY				

#### Annual Returns

Year	Return Due Date	Extended Due Date	AGM Due Date	Extended AGM Due Date	AGM Held Date	Outstanding
1993	03-Nov-1993		03-Oct-1993		31-Dec-1993	N
1994	31-Jan-1995		31-Dec-1994		31-Dec-1994	N
1995	31-Jan-1996					N
1996	31-Jan-1997					N
1997	31-Jan-1998					N
1998	31-Jan-1999					N
1999	31-Jan-2000					N
2000	31-Jan-2001					N
2001	31-Jan-2002					N
2002	31-Jan-2003					N

Section 146A of the *Corporations Act 2001* states 'A contact address is the address to which communications and notices are sent from ASIC to the company.'

Address PO BOX 588, SURFERS PARADISE, QLD, 4217  
 Start Date 23-Oct-2003

\*\*\* End of Extract \*\*\*

**Australian Securities and Investments Commission  
Corporations Act 2001 section 915B**

**Notice of Suspension of Australian Financial Services Licence**

To: LM Investment Management Limited ACN 077 208 461  
FTI Consulting  
Corporate Centre One  
Level 9  
2 Corporate Court  
BUNDALL QLD 4217

TAKE NOTICE that under s915B(3)(b) of the Corporations Act 2001 (**Act**), the Australian Securities and Investments Commission (**ASIC**) hereby suspends Australian financial services licence number 220281 held by LM Investment Management Limited ACN 077 208 461 (**Licensee**) until 2 October 2018.

Under s915H of the Act, ASIC specifies that the licence continues in effect as though the suspension had not happened for the purposes of the provisions of the Act specified in Schedule B regarding the matters specified in Schedule A.

**Schedule A**

The provision by the Licensee of financial services which are reasonably necessary for, or incidental, to the transfer to a new responsible entity, investigating or preserving the assets and affairs of, or winding up of,:

1. LM Cash Performance Fund ARSN 087 304 032;
2. LM First Mortgage Income Fund ARSN 089 343 288;
3. LM Currency Protected Australian Income Fund ARSN 110 247 875;
4. LM Institutional Currency Protected Australian Income Fund ARSN 122 052 868;
5. LM Australian Income Fund ARSN 133 497 917;
6. LM Australian Structured Products Fund ARSN 149 875 669;
7. The Australian Retirement Living Fund ARSN 162 406 162.

**Schedule B**

- (a) The provisions of Chapter 5C;
- (b) The provisions of Chapter 7, other than the provisions in Parts 7.2, 7.3, 7.4 and 7.5.

Dated this 31 March 2017

Signed .....  
Graeme Darcy Plath, a delegate of the Australian Securities and Investments Commission



**Australian Securities and Investments Commission  
Corporations Act 2001 — Subsections 111AT(1) and 601QA(1) — Exemption**

**Enabling legislation**

1. The Australian Securities and Investments Commission makes this instrument under subsections 111AT(1) and 601QA(1) of the *Corporations Act 2001* (the *Act*).

**Title**

2. This instrument is ASIC Instrument 16-0959.

**Commencement**

3. This instrument commences on the day it is signed.

**Exemption**

4. LM Investment Management Limited (in liquidation) (receivers appointed) ACN 077 208 461 in its capacity as the responsible entity (*Responsible Entity*) of LM First Mortgage Income Fund ARSN 089 343 288 (*Scheme*) does not have to comply with:
  - (a) the disclosing entity provisions in Part 2M.3 of the Act in relation to a financial year or half-year of the Scheme; and
  - (b) section 601HG of the Act in relation to a financial year of the Scheme.

**Conditions**

5. The Responsible Entity must comply with any obligation to which the exemption applies by no later than the last day of the deferral period.

**Where exemption applies**

6. The exemption applies where the Responsible Person does, or causes to be done (or, where the Responsible Person fails to do so, the Responsible Entity although not being required to do, within 28 days of becoming aware that the Responsible Person has failed to do so, does, or causes to be done), the following:
  - (a) publishes in a prominent place on the website maintained by the Responsible Person for the Scheme (or, in the case of the Responsible Entity, the Responsible Entity publishes on a website maintained by it for the purpose of providing information to members of the Scheme), a copy of this instrument accompanied by a notice explaining the relief granted by this instrument;
  - (b) prepares and makes available to members of the Scheme within 3 months after the end of each relevant period, a report for the relevant period which includes the following information unless disclosure of that information would be prejudicial to the winding up:

- (i) information about the progress and status of the winding up of the Scheme, including details (as applicable) of:
  - A. the actions taken during the period;
  - B. the actions required to complete the winding up;
  - C. the actions proposed to be taken in the next 12 months;
  - D. the expected time to complete the winding up; and
- (ii) the financial position of the Scheme as at the last day of the relevant period (based on available information);
- (iii) financial information about receipts for the scheme during the period; and
- (iv) the following information at the end of the period:
  - A. the value of scheme property; and
  - B. any potential return to members of the Scheme; and
- (c) maintains adequate arrangements to answer, within a reasonable period of time and without charge to the member, any reasonable questions asked by members of the Scheme about the winding up of the Scheme.

7. The exemption ceases to apply on 16 March 2018.

#### **Interpretation**

8. In this instrument:

***deferral period*** means the period starting on the date this instrument is signed and ending on 16 March 2018.

***disclosing entity provisions*** has the meaning given by section 111AR of the Act.

***relevant period***, in relation to a report, means each period of 6 months starting on 1 January 2016.

***Responsible Person*** means the person appointed under subsection 601NF(1) of the Act to take responsibility for ensuring that the Scheme is wound up in accordance with its constitution.

Dated this 29<sup>th</sup> day of September 2016.



Signed by Thomas Hough  
as a delegate of the Australian Securities and Investments Commission

"DW-48"

**LM FIRST MORTGAGE INCOME FUND**

**ABN: 66 482 247 488**

**Annual Report**

**For the year ended 30 June 2011**

# **LM FIRST MORTGAGE INCOME FUND**

**ABN: 66 482 247 488**

**Annual Report – 30 June 2011**

## **Contents**

DIRECTORS' REPORT .....	3
AUDITOR'S INDEPENDENCE DECLARATION .....	8
STATEMENT OF COMPREHENSIVE INCOME .....	10
STATEMENT OF FINANCIAL POSITION .....	11
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS .....	12
STATEMENT OF CASH FLOWS .....	13
NOTES TO THE FINANCIAL STATEMENTS .....	14
DIRECTORS' DECLARATION .....	51
INDEPENDENT AUDIT REPORT .....	52

The Responsible Entity of LM First Mortgage Income Fund is LM Investment Management Limited (ABN 68 077 208 461). The Responsible Entity's registered office is Level 4, RSL Building, 9 Beach Road, Surfers Paradise QLD 4217.

## LM FIRST MORTGAGE INCOME FUND

### Directors' Report

#### DIRECTORS' REPORT

The directors of LM Investment Management Limited, the Responsible Entity of the LM First Mortgage Income Fund, present their report of the LM First Mortgage Income Fund ("the Scheme") for the year ended 30 June 2011. The directors' report is not part of the financial report.

#### DIRECTORS

The following persons held office as directors of LM Investment Management Limited, during the year or since the end of the year and up to the date of this report:

Name	Period of directorship
Mr Peter Charles Drake	Appointed 31 January 1997
Ms Lisa Maree Darcy	Appointed 15 September 2003
Mr Eghard van der Hoven	Appointed 22 June 2006
Ms Francene Mulder	Appointed 30 September 2006
Mr John O'Sullivan	Appointed 27 November 2007
Mr Simon Tickner	Appointed 16 December 2008

#### PRINCIPAL ACTIVITIES

During the year, the Scheme continued the principal activity of investing unitholders' funds in existing registered mortgages and cash investments in Australia in accordance with the Scheme's Constitution and in accordance with the investment policy of the Scheme as outlined in the current product disclosure document.

There were no significant changes in the nature of the Scheme's activities during the year.

The Scheme did not have any employees during the year.

#### SCHEME INFORMATION

The Scheme is an Australian registered scheme and was constituted on 13 April 1999. The Responsible Entity of LM First Mortgage Income Fund is LM Investment Management Limited, who has been the Responsible Entity since registration of the Scheme.

The registered office and principal place of business of the Responsible Entity and the Scheme is Level 4, 9 Beach Road, Surfers Paradise, Queensland.

#### REVIEW OF RESULTS AND OPERATIONS

##### Results

During the year, the Scheme continued to invest in existing registered first mortgage loans secured by property in Australia.

The Responsible Entity determined from 3 March 2009 that the Scheme would not accept any applications for investment from any person who was not an existing member of the Scheme. The Scheme still accepts applications for investment from any person who is an existing member of the Scheme by way of rollover of investment term, including deemed applications as part of any reinvestment of distributions.

In order to protect the Scheme from the prevailing credit and liquidity constraints in the property and financial markets, and the Scheme's simultaneous obligation to repay its previous external financing facility, the Responsible Entity closed the Scheme to new investments and suspended withdrawals, with the exception of those approved under hardship provisions and feeder fund payments for distributions and expenses. Feeder funds are other registered managed investment schemes that have invested directly in the LM First Mortgage Income Fund.

## LM FIRST MORTGAGE INCOME FUND

### Directors' Report

#### REVIEW OF RESULTS AND OPERATIONS (Continued)

The resultant tightness in credit markets following the global financial crisis ("GFC") continues to influence timing in relation to the expected realisation of first mortgage assets due to borrower difficulties in obtaining finance and the accompanied slowdown in sales of property assets. Therefore the manager has determined that the Scheme remains closed to new investor applications and investor redemptions with the exception of approved hardship withdrawals.

On 1 July 2010, the directors were able to successfully refinance the Scheme's previous facility with the Commonwealth Bank of Australia. This was the first important milestone in realising the ultimate strategy for the Scheme.

The new financing facility with Deutsche Bank, allows the realisation of assets in a more timely and composed manner and the repayment of the facility is linked to the sales of assets rather than a fixed monthly repayment amount. In addition to this, the directors have renegotiated, in June 2011, a more favourable repayment schedule in order to maximise the available cash in the Scheme, which will greatly assist the Scheme achieve its four step action plan which is detailed below.

The strategy for the Scheme over the course of the GFC was to focus on the preservation of the unit price.

Following feedback from investors and advisers, during the year, the Responsible Entity announced a revised liquidity strategy to accelerate the rates of sales of identified assets. This was in order to commence the four step action plan below:

1. Catch up on payments of declared distributions and other Scheme expenses;
2. Announce a managed redemptions plan;
3. Re-lending into the current market in order to enhance returns; and
4. Re-open the Scheme to new investors.

As mentioned above, the Responsible Entity announced a liquidity strategy that identified certain completed assets which were to be actively marketed and sold. The cash proceeds from the sales campaign are to be applied to the four step action plan. Other specific assets were selected to remain in the Scheme as in the opinion of the directors they represent opportunities for growth over the medium to longer term. Subsequent to balance date, the Scheme has commenced step one and has now made two payments towards the catch-up program relating to distributions accrued for February and March 2010.

The Australian property market has performed well in comparison to other developed countries during the course of the GFC (in particular the affordable residential sectors), however some sectors of the market remain affected by the continued lack of credit in the marketplace, hence seeing a slowness continue in the rate of sales and some discounting apply in order for property sellers to realise cash.

During the course of the accelerated sales and marketing campaign, the manager accepted sales prices which have resulted in the fluctuation of the unit price. After assessment of this market evidence, the directors are of the opinion that some additional provisions were required in the accounts in order to reflect these values.

Importantly, these additional provisions do not represent actual bad debts which have been written off but the Responsible Entity's expectation as to the market value of the underlying securities held by the Scheme. Included within this additional provision is actual debts written off during the year of \$13.25 million (3.10% of the loan balance at 30 June 2011). The market will ultimately determine the value of the extent of the provision required to be utilised once the properties have been sold and settled. The assets which have been retained by the Scheme may provide outperformance over the medium to longer term (particularly those in the retirement sector) and in fact see the reversal of some of these provisions.

## LM FIRST MORTGAGE INCOME FUND

### Directors' Report

#### REVIEW OF RESULTS AND OPERATIONS (Continued)

The unit price of the Scheme as at 16 September 2011 is 80 cents (2010: \$1.00) due to a total provision raised for realised and unrealised losses of 20 cents per unit.

It should be noted that as at the date of this report only 5 cents of the total 20 cents has been realised, the additional provision of 15 cents has been provided and considers the Responsible Entity's expectation as to the current market value of the securities held by the Scheme. Should market conditions improve this additional provision may not be fully utilised by the Scheme.

The manager has significant resources in-house dedicated to the overall asset realisation programme and each individual first mortgage asset has a managed exit strategy. All non-construction assets are currently available for sale and the manager expects to continue to realise proceeds from these assets in an orderly fashion over the coming twelve months and beyond.

The Directors believe that this should allow, over time, the Scheme to continue its principal activity of investing in new registered first mortgages and cash within the Australian property market and provide investors with rates of return with the appropriate risk return margin over cash with a stable unit price.

The change in net assets attributable to the unitholders of the Scheme is presented in the Statement of Comprehensive Income. Net loss attributable to unitholders for the year ended 30 June 2011 was \$77,418,896 (2010: profit of \$23,507,438).

Distributions to unitholders declared during the year totalled \$14,295,925 (2010: \$24,770,380).

Total assets under management were \$454,724,799 as at 30 June 2011 (2010: \$575,066,439). Investor funds under management decreased during the year by \$104,824,211 (2010: decreased by \$7,328,655). Funds under management invested by related managed investment schemes in LM FMIF decreased by \$13,235,193 (2010: decreased by \$6,929,699) to \$210,378,505 (2010: \$223,613,698).

The performance of the Scheme, as represented by the results of its operations, was as follows:

	30 June 2011	30 June 2010
	\$	\$
Net operating income/(loss) before distributions	(77,418,896)	23,507,438
Financing costs: Distributions to unitholders	(14,295,925)	(24,770,380)
(Increase) / decrease in net assets attributable to unitholders	91,714,821	1,262,942
Net profit/(loss)	-	-

#### UNITHOLDER FUNDS

There were 476,355,743 units on issue at 30 June 2011 (2010: 487,146,613). During the year 12,180,254 of units were issued by the Scheme (2010: 20,893,238) and 24,218,932 of units were withdrawn (2010: 26,070,292).

#### SCHEME ASSETS

At 30 June 2011, the Scheme held assets to a total value of \$454,724,799 (2010: \$575,066,439). The basis for valuation of assets is disclosed in Note 2 to the financial statements.

## LM FIRST MORTGAGE INCOME FUND

### Directors' Report

#### FEES PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATED COMPANIES

The following fees were paid to LM Investment Management Limited and its associated companies out of Scheme property during the financial year, for funds management and administrative services provided on behalf of the Responsible Entity:

	2011	2010
	\$	\$
• Management fees paid or payable directly to LM Administration Pty Ltd	10,997,188	8,995,455
• Expenses incurred by the Responsible Entity and its associated entities which are reimbursed in accordance with the provisions of the Scheme's Constitution, including administration and custodian fees	791,164	879,091
• Loan management fees paid to the Responsible Entity for loan management and receivership services provided by the Responsible Entity on behalf of the Scheme in replacement of appointing external receivers. These fees are charged directly to the borrower to facilitate future possible recovery.	5,381,516	-

#### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors, there were no significant changes in the state of affairs of the Scheme that occurred during the financial year under review that are not otherwise disclosed in this report.

#### SIGNIFICANT EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

Other than the matters disclosed in Note 18 of the financial report there has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may affect, the Scheme's operations in future financial years, the results of those operations of the Scheme's state of affairs in future years.

#### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Further information on likely developments in the operation of the Scheme and the expected results of those operations has not been included in this report because the Responsible Entity believes it would likely result in unreasonable prejudice to the Scheme.



## **LM FIRST MORTGAGE INCOME FUND**

### **Directors' Report**

#### **ENVIRONMENTAL REGULATION AND PERFORMANCE**

The operations of the Scheme are not subject to any particular or significant environmental regulations under a law of the Commonwealth or a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Scheme.

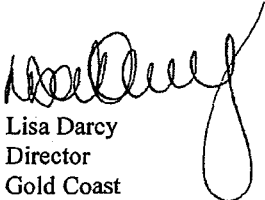
#### **INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of LM Investment Management Limited or the auditors of the Scheme. Provided the officers of LM Investment Management Limited act in accordance with the Scheme Constitution and the Law, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

#### **AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

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



Lisa Darcy  
Director  
Gold Coast

16 September 2011

## **Independent auditor's report to the unitholders of LM First Mortgage Income Fund**

### **Report on the Financial Report**

We have audited the accompanying financial report of LM First Mortgage Income Fund ('the Scheme'), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### ***Directors' Responsibility for the Financial Report***

The directors of the responsible entity of the Scheme are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the unitholders.

The directors' responsibility also includes such internal controls as the directors determine are necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Independence***

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



### **Opinion**

In our opinion:

- a. the financial report of LM First Mortgage Income Fund is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the Scheme's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

*Ernst & Young*

Ernst & Young

*PM Luskie*

Paula McLuskie  
Partner  
Brisbane  
16 September 2011

**LM FIRST MORTGAGE INCOME FUND**  
**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2011

	Notes	30 June 2011 \$	30 June 2010 \$
<b>Income</b>			
Interest revenue – mortgage loans		35,604,341	54,533,895
Interest revenue – cash assets		162,848	100,695
Realised foreign exchange gain on investor funds		37,375	1,056,978
Unrealised foreign exchange gain on investor funds		1,134,069	-
Unrealised foreign exchange gain on foreign exchange contracts		16,240	17,451
<b>Total revenue and other income</b>		<b>36,954,873</b>	<b>55,709,019</b>
<b>Expenses</b>			
Management fees	11	10,997,188	9,131,818
Finance costs	4(a)	14,072,789	12,252,878
Custodian fees		112,324	88,163
Advisor commissions		2,090,475	2,133,181
Impairment losses on mortgage loans	8(d)	84,873,703	6,582,816
Unrealised foreign exchange losses on investor fund		-	25,725
Realised loss on foreign exchange contracts		1,338,500	1,180,181
Legal fees		407,260	58,174
Other expenses	4(b)	481,530	748,645
<b>Total expenses excluding distributions to unitholders</b>		<b>114,373,769</b>	<b>32,201,581</b>
<b>Net profit/(loss) before distributions to unitholders</b>		<b>(77,418,896)</b>	<b>23,507,438</b>
Distributions paid/payable to unitholders	3(a)	(14,295,925)	(24,770,380)
<b>Net profit/(loss) after distributions to unitholders</b>		<b>(91,714,821)</b>	<b>(1,262,942)</b>
Other comprehensive income		-	-
<b>Changes in net assets attributable to unitholders</b>		<b>(91,714,821)</b>	<b>(1,262,942)</b>
Income tax expense		-	-
<b>Changes in net assets attributable to unitholders after income tax expense</b>		<b>(91,714,821)</b>	<b>(1,262,942)</b>

**LM FIRST MORTGAGE INCOME FUND**  
**STATEMENT OF FINANCIAL POSITION**

**As at 30 June 2011**

		30 June 2011	30 June 2010
		\$	\$
	Note		
<b>ASSETS</b>			
Cash and cash equivalents	13(a)	18,475,447	1,976,709
Receivables	12	1,753,449	1,669,826
Prepayments	11	8,656,894	8,401,148
Investments	7	-	1
Fair value of forward exchange contracts		33,691	17,451
Loans and receivables	8	425,805,318	563,001,304
<b>TOTAL ASSETS</b>		<u>454,724,799</u>	<u>575,066,439</u>
<b>LIABILITIES</b>			
Payables	9	3,702,723	2,618,154
Interest bearing loans and borrowings	10	62,399,788	81,014,217
Distributions payable	3(a)	6,434,965	4,422,534
<b>Total liabilities excluding net assets attributable to unitholders</b>		<u>72,537,476</u>	<u>88,054,905</u>
<b>NET ASSETS</b>	6	<u>382,187,323</u>	<u>487,011,534</u>
Represented by:			
<b>Net assets attributable to unitholders</b> (calculated in accordance with IFRS)		<u>382,187,323</u>	<u>487,011,534</u>

**LM FIRST MORTGAGE INCOME FUND**  
**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**  
**For the year ended 30 June 2011**

<b>TOTAL</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Opening balance	487,011,534	494,475,268
Units issued during the year	81,549	17,525,140
Units redeemed during the year	(24,184,932)	(26,070,292)
Units issued on reinvestment of distributions	12,098,705	3,368,098
Transfers to and from the statement of comprehensive income	(91,714,821)	(1,262,942)
Foreign exchange (gain)/loss on investor funds	(1,104,712)	(1,023,738)
<b>Closing Balance</b>	<b>382,187,323</b>	<b>487,011,534</b>

**LM FIRST MORTGAGE INCOME FUND**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 30 June 2011**

	Notes	30 June 2011 \$	30 June 2010 \$
<b>Cash flows from operating activities</b>			
Interest and distributions received		5,006,959	8,508,222
Management fees paid		-	(12,000,000)
Other operating expenses		(614,903)	(2,474,764)
Other income received		-	2,124,736
GST and withholding tax (paid)/received		-	(2,098,179)
Finance costs paid		(15,144,105)	(11,619,561)
<b>Net cash inflow/(outflow) from operating activities</b>	13(b)	(10,752,049)	(17,559,546)
<b>Cash flows from investing activities</b>			
Payments for secured mortgage loans		(15,897,472)	(15,461,041)
Receipts from settled mortgage loans		62,313,149	114,763,275
<b>Net cash inflow/(outflow) from investing activities</b>		46,415,677	99,302,234
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(81,014,217)	(51,985,783)
Proceeds from new facility		89,100,000	-
Repayment of new facility		(26,700,212)	-
Cash paid on realisation of foreign exchange contracts		-	(1,180,181)
Receipts from the issue of units		70,000	3,606,995
Distributions paid		-	(5,291,540)
Payment for redemption of units		(620,461)	(26,070,292)
<b>Net cash inflow/(outflow) from financing activities</b>		(19,164,890)	(80,920,801)
<b>Net increase/(decrease) in cash and cash equivalents</b>		16,498,738	821,887
<b>Cash and cash equivalents at beginning of the year</b>		1,976,709	1,154,822
<b>Cash and cash equivalents at the end of the year</b>	13(a)	18,475,447	1,976,709

## LM FIRST MORTGAGE INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

#### 1. CORPORATE INFORMATION

The financial report of LM First Mortgage Income Fund ("the Scheme") for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors of the Responsible Entity on 16 September 2011.

The Scheme is an Australian registered scheme, constituted on 13 April 1999. The Scheme will terminate on 13 April 2080 unless terminated earlier in accordance with the provision of the Scheme Constitution (as amended).

LM Investment Management Limited, the Responsible Entity of the Scheme, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 4, 9 Beach Road, Surfers Paradise, Queensland.

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

#### 2. 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 is a general purpose financial report that has been prepared in accordance with the Scheme Constitution, and the requirements of the *Corporations Act 2001*, which includes applicable Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements have been prepared under the historical cost convention, 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 presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items, in accordance with AASB 101 – *Presentation of Financial Statements*. All balances are expected to be recovered or settled within twelve months, except for loans and receivables and net assets attributable to unitholders. 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 Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.



## **LM FIRST MORTGAGE INCOME FUND**

**Notes to the Financial Statements for the year ended 30 June 2011**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **a) Basis of accounting (Continued)**

##### **Going Concern**

The financial statements have been prepared on the basis the Scheme is a going concern. During the year, Responsible Entity entered into a facility with an external financier on behalf of the Scheme that provides a facility of \$90 million for two years with an option to extend for an additional year, of which \$63 million was drawn on 30 June 2011.

The facility agreement requires the Scheme to make minimum repayments in priority to any redemptions, except for hardship provisions and feeder fund payments for investor distributions and fund expenses. In addition, where the Scheme realises assets or receives cash in settlement of secured loans it must repay to the external financier an agreed amount that varies based on each secured loan.

During the year, the directors of the Responsible Entity agreed an amendment to the facility that provides for \$7.5 million of repayments from the settlement of secured loans made in June 2011 to be available to complete development projects. As at the date of this report \$7.5 million of these funds remain available to the Scheme. See note 10 for details of the facility.

As a result of disruptions following the global financial crisis, there is significant volatility in the financial and property markets, and there has been uncertainty as to the Scheme's ability to access funding. This resulted in the Responsible Entity closing the Scheme in 2009 to new investors and suspending withdrawals, with the exception of those withdrawals approved under hardship provisions and feeder fund payments for distributions and expenses allowed under the facility agreement. From 1 January 2011 distributions were also suspended.

Since the year end the Scheme has commenced paying outstanding distributions and the Responsible Entity is considering options for a managed redemption plan for those investors with a redemption request lodged. The directors must also ensure that they protect those investors who wish to remain invested in the Scheme. The payment of redemptions is dependent on the ability of the Scheme to realise its loans and receivables, the timing of which in the current market remains uncertain. This uncertainty may impact the timing of payment of redemption requests from unitholders.

The directors believe the Scheme will be able to meet its obligations to unitholders and that the Scheme will be able to realise its loans and receivables in the normal course of business as a going concern at the amounts stated. On this basis the directors believe the Scheme is a going concern and hence the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Scheme not continue as a going concern.

## LM FIRST MORTGAGE INCOME FUND

### Notes to the Financial Statements for the year ended 30 June 2011

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 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 annual reporting period ended 30 June 2011. The impact of these standards and interpretations has been assessed and to the extent applicable to the Scheme are discussed below. Standards and Interpretations that are not expected to have a material impact on the Scheme have not been included.

##### **AASB 9 *Financial Instruments* and related amendment AASB 2009-11**

AASB 9 applies to annual reporting periods beginning on or after 1 January 2013 and will therefore apply to the Scheme from 1 July 2013. The Scheme does not intend to early adopt AASB 9 as permitted by the standard, and the actual impact on initial application will depend on certain elections as disclosed below.

AASB 9 requires all financial instruments to be measured at fair value unless the criteria for amortised cost are met. The application of the standard is not expected to change the measurement basis of any of the Scheme's current financial instruments, however, AASB 9 allows the Scheme to elect to present gains and losses on equity securities through other comprehensive income, which may impact the presentation of these gains and losses. The impact of the standard may also change if the nature of the Scheme's activities or investments changes prior to initial application.

##### c) Significant accounting judgements, estimates and assumptions

###### *(i) Significant accounting judgements*

In the process of applying the Group's accounting policies, management has made judgements, apart from those involving estimations, which have had an impact on the amounts recognised in the financial statements. No judgements have been determined to be individually significant.

###### *(ii) Significant accounting estimates and assumptions*

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

###### *a. Allowance for impairment loss on loans and receivables*

The Scheme determines whether loans are impaired on an ongoing basis. This requires an estimation of the value of future cash flows through a "on completion" valuation or the property based on an "as is" valuation.

## **LM FIRST MORTGAGE INCOME FUND**

Notes to the Financial Statements for the year ended 30 June 2011

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **c) Significant accounting judgements, estimates and assumptions (continued)**

##### **b. Fair value of financial instruments**

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The judgments include considerations of liquidity and model inputs such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instrument (without modification or repackaging) or based on any available observable market data.

##### **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 consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

##### **e) Distribution income**

Distribution income is recognised when the unitholders' right to receive the payment is established.

##### **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.

##### **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.

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2011

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### j) Finance costs

Interest on borrowings is recognised in the statement of comprehensive income in the period to which it relates. Issue costs associated with borrowings are capitalised and amortised over the term of the borrowing to which they relate using the effective interest method.

#### k) Financial Instruments

Financial instruments in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets and 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) Fair value of financial assets and liabilities through profit and loss

Financial assets held for trading included forward exchange contracts. These assets are acquired principally for the purpose of mitigating the risk of movements in the value of non-Australian Dollar investor funds and facilitating forecasting of future cash flows. During the period, all derivatives are classified as held for trading. Derivative financial instruments entered into by the Scheme do not meet the hedge accounting criteria as defined by AASB139. Consequently, hedge accounting is not applied by the Scheme in the 2011 financial year.

##### ii) 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 the loans and 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 has been recognised in relation to a 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.

The amount provided for impairment of loans is determined by management of the Scheme and the Credit Committee. 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.

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2011

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### k) Financial Instruments (Continued)

##### ii) Loans and receivables (Continued)

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.

Where possible, the Fund seeks to restructure loans to have loans fully performing, however the fund will take possession of the collateral where necessary. The renegotiation may involve extending payment terms and arrangement of new loan conditions. Once the terms have been renegotiated any impairment is measured the same way as performing loans. The renegotiated loans continue to be assessed individually and collectively for impairment.

“Restructured loans” arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms and new terms are not comparable to the revised terms. These loans are removed from ‘restructure loans’ after a period of 12 months of performance against loan revised terms and conditions. Loans with revised terms are included in ‘loans in arrears’ when impairment provisions are required.

When the Responsible Entity determines interest is not recoverable on certain impaired loans, the interest is suspended and not brought into income. Should the Responsible Entity’s analysis of the collectability subsequently change the interest will be brought into income at the time it is determined to be collectible.

#### l) Advisor Commissions

Advisor commissions may be paid to the unitholders’ investment advisors and are calculated as a percentage of funds invested in the Scheme. These commissions are paid monthly in arrears and are brought to account on an accrual basis. The Scheme ceases to pay advisor commissions when the related units are redeemed.

#### m) Payables

Payables are carried at amortised cost and represent liabilities for goods and services provided to the Scheme prior to the end of the financial 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 recognised separately on the statement of financial position as unitholders are presently entitled to the distributable income as at 30 June 2011 under the Scheme’s Constitution.

## **LM FIRST MORTGAGE INCOME FUND**

**Notes to the Financial Statements for the year ended 30 June 2011**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **n) 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.

#### **o) Distributions**

In accordance with the Scheme's Constitution, the Scheme fully distributes its distributable income to unitholders. Distributions are payable monthly. Such distributions are determined by reference to the net taxable income of the Scheme. Distributable income includes capital gains arising from the disposal of investments. Unrealised gains and losses on investments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

#### **p) 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 75%.

Hence 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 receivable in the statement of financial position. Cash flows relating to GST are 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.

#### **q) 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 of 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.

## **LM FIRST MORTGAGE INCOME FUND**

**Notes to the Financial Statements for the year ended 30 June 2011**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **r) 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).

The price of a unit is based upon market values of underlying assets and thus may include a share of unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax. Realised capital losses are not distributed to unitholders but are retained in the Scheme to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

#### **s) 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.

#### **t) Capital management**

The Responsible Entity manages the Scheme's net assets attributable to unitholders as capital, not withstanding net assets attributable to unitholders is classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications and redemptions at the discretion of unitholders.

The Responsible Entity monitors the level of daily applications and redemptions relative to the liquid assets in the Scheme.

The Scheme is not subject to any externally imposed capital requirements.

#### **u) Derivative financial instruments**

The Scheme uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Derivatives are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to valuations provided by the financial institutions with which the forward exchange contracts are held.

## **LM FIRST MORTGAGE INCOME FUND**

**Notes to the Financial Statements for the year ended 30 June 2011**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **v) Foreign currency translations**

The Scheme's transactions in foreign currencies comprise applications and withdrawals of foreign currency unitholder funds and payment of distributions. Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liability denominated in foreign currencies are retranslated at the rate of exchange prevailing at the balance sheet date, and exchange rate gains and losses recognised in the Statement of Comprehensive Income.

#### **w) 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 traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by 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.

Refer to Note 16 to the financial statements for the methods and assumptions applied in determining fair value for each class of financial instrument.



## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2011

### 3. INCOME AND DISTRIBUTIONS TO UNITHOLDERS

#### a) Distributions to unitholders

	2011	2010
	\$	\$
Distributions paid/reinvested	8,006,619	20,347,846
Distributions payable	6,289,306	4,422,534
	<u>14,295,925</u>	<u>24,770,380</u>

#### b) Distributions paid and payable

Class A	5,304,007	9,869,689
Class B	8,836,041	14,416,030
Class C	155,877	484,661
	<u>14,295,925</u>	<u>24,770,380</u>

As at 30 June 2011, \$6,289,306 (2010: \$2,127,691) of distributions payable related to distributions that were requested to be paid under the Scheme's Constitution prior to 30 June 2011. Distributions have been suspended from 1 January 2011. Subsequent to balance date, \$1,039,826 of distributions have been paid relating to February and March 2010.

### 4. EXPENSES

	2011	2010
	\$	\$
<b>a) Finance costs</b>		
Interest on bank loans	13,519,294	9,965,991
Facility fees	553,495	2,286,887
	<u>14,072,789</u>	<u>12,252,878</u>
<b>b) Other expenses</b>		
Auditor's remuneration	415,880	401,984
Other expenses	65,650	347,945
	<u>481,530</u>	<u>749,929</u>

### 5. AUDITOR'S REMUNERATION

	2011	2010
	\$	\$
Audit and review of the financial reports	388,480	370,680
Other regulatory audit services	27,400	31,304
	<u>415,880</u>	<u>401,984</u>

These expenses have been included within 'Other Expenses' in the Statement of Comprehensive Income.

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2011

### 6. CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

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

	2011 \$	2010 \$
<b>Net assets attributable to unitholders</b>		
<b>Class A</b>		
Opening balance	253,713,032	252,479,887
Units issued during the year	11,549	660,314
Units redeemed during the year	(547,888)	(2,489,991)
Units issued upon reinvestment of distributions	1,656,038	3,062,822
<b>Closing Balance</b>	<u>254,832,731</u>	<u>253,713,032</u>
<b>Class B</b>		
Opening balance	223,613,698	230,543,397
Units issued during the year	70,000	16,282,761
Units redeemed during the year	(23,610,149)	(23,212,460)
Units issued upon reinvestment of distributions	10,317,456	-
<b>Closing Balance</b>	<u>210,391,005</u>	<u>223,613,698</u>
<b>Class C</b>		
Opening balance	10,641,784	11,146,022
Units issued during the year	-	582,065
Units redeemed during the year	(26,895)	(367,841)
Units issued upon reinvestment of distributions	125,211	305,276
Foreign exchange (gain)/loss on investor funds	(1,104,712)	(1,023,738)
<b>Closing Balance</b>	<u>9,635,388</u>	<u>10,641,784</u>
Movement in changes net assets attributable to unitholders	<u>(92,671,801)</u>	<u>(956,980)</u>
<b>Total assets attributable to unitholders</b>	<u>382,187,323</u>	<u>487,011,534</u>

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:

- Flexi Account investment option;
- Fixed Term Investment option; and
- LM Savings Plan investment option.

Class B consists of related Scheme unitholders. The distribution rate will be determined by the Funds Committee which is appointed by the Responsible Entity. The Responsible Entity has the discretion to waive the whole or part of the 1% trailing commission and the whole or part of its management fee for this class of unit holders.

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2011

### 6. CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (Continued)

Class C consist of unitholders who have invested in foreign currencies and are entitled to receive the declared distribution rate. The class C product is Non-Australian Dollar Currency Hedged Fixed Term Investment Option. This consists of various terms and currency products.

All unitholders are entitled to receive distributions as declared from time to time and are entitled to one vote per unit at unitholders' meetings. In the event of winding up of the Scheme, all unitholders rank after creditors and are equally entitled to the proceeds of liquidation.

#### Status of investment in fund

During the 2009 year, the Responsible Entity closed the Scheme to new investors and suspended withdrawals, with the exception of those approved under hardship provisions and feeder fund payments for distributions and expenses. Feeder funds are other registered managed investment schemes that have invested directly in the LM First Mortgage Income Fund. Redemptions are generally to be paid within 365 days of the investment maturity term, however, redemptions have been suspended, per the constitution, as the Responsible Entity considers the suspension of withdrawals to be in the best interest of the members of the Scheme.

At 30 June 2011, \$291,228,754 (2010: \$308,295,443) of redemptions had been requested by unitholders but not yet paid. Of the total requested redemptions \$870,215 (2010: \$448,589) related to requests occurring within thirty days of year end. \$143,311,487 (2010: \$153,007,642) had been requested more than 30 days prior to year end. Redemptions also rank behind repayment of external financing facilities as detailed in Note 2(a). Of the above, \$147,917,267 (2010: \$154,839,212) of redemptions had been requested by unitholders of the feeder funds.

From 1 January 2011, the decision was made to suspend distributions of the Scheme and its feeder funds. Since year end, \$1,039,826 of distribution has been paid, relating to distributions accrued for February and March 2010.

### 7. INVESTMENTS

	2011	2010
	\$	\$
Investment in subsidiary	-	1
	-	1

The Scheme owned 100% of the issued share capital of \$1 of LM MIF Investments Pty Limited. This company was wound up during the period.

# LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2011

## 8. LOANS AND RECEIVABLES

	2011	2010
	\$	\$
Secured mortgage loans	490,866,174	556,766,225
Secured mortgage loans – 2 <sup>nd</sup> priority	11,365,047	9,205,379
Other unsecured loans – related party	-	1,829,700
Provision for impairment	(76,425,453)	(4,800,000)
Net loans and advances	<u>425,805,768</u>	<u>563,001,304</u>

Secured mortgage loans of \$11,365,047 (2010: \$9,205,379) have second priority over the security held. The first priority is held by another party that is entitled to \$5,000,000 (2010: \$5,000,000) of the security.

### a) Aggregate amounts receivable from related parties

	2011	2010
	\$	\$
Directors and director-related entities - secured	7,849,604	7,849,604
Related managed investment schemes – secured	2,243,485	31,731,087
Related managed investment schemes – unsecured	-	1,829,700
	<u>10,093,089</u>	<u>41,410,391</u>

### b) Maturity analysis – Secured Mortgage Loans

	2011	2010
	\$	\$
Less than 3 months	282,809,146	474,335,296
3-6 months	-	80,149,902
6-12 months	7,849,604	11,486,406
12-18 months	11,365,047	-
18-24 months	-	-
24-36 months	-	-
	<u>302,023,797</u>	<u>565,971,604</u>

The above maturity analysis is the contractual maturity of secured non-construction loans. Secured construction loans will be realised through cash flows which in years one and two will be reinvested to meet construction costs, and which are expected to realise a net cash inflow in three to five years. The carrying value of these loans at 30 June 2011 was \$200,207,424.

# LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2011

## 8. LOANS AND RECEIVABLES (Continued)

### c) Concentration of risk

There are four counterparties with which the Scheme's credit exposure exceeds 10% of the net assets attributable to unitholders as at 30 June 2011. The total value of loans, before taking into account collateral or other credit enhancements, is \$190,025,272 (2010: \$178,910,561).

For concentration of risks relating to mortgage type and geographical location refer to Note 15.

### d) Provisions for impairment

The impairment loss expense relating to loans and receivables comprises:

	2011 \$	2010 \$
<i>Specific provision</i>		
Opening balance	4,800,000	2,667,000
Impairment losses provided for during the year	84,360,301	3,560,000
Impairment losses realised during the year	(12,734,848)	(1,427,000)
Closing balance	76,425,453	4,800,000
<i>Collective provision</i>		
Opening balance	-	-
Impairment losses provided for during the year	-	-
Closing balance	-	-
<b>Total Provision for impairment</b>	<b>76,425,453</b>	<b>4,800,000</b>
<i>Changes to operating profit/(loss) before tax for impairment losses on loans and receivables comprises:</i>		
Specific provision	71,625,453	2,133,000
Collective provision	-	-
Impairment losses recognised directly in Statement of Comprehensive Income	13,248,250	4,449,816
	<b>84,873,703</b>	<b>6,582,816</b>

# LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2011

## 8. LOANS AND RECEIVABLES (Continued)

### d) Provisions for impairment (Continued)

The collective provision for impairment is calculated by placing loans into pools with similar risk characteristics and collectively assessing for impairment.

	2011 \$	2010 \$
<i>Movement in Default loans</i>		
Gross default loans opening balance	332,894,902	331,473,714
New and increased default loans	170,613,998	39,849,820
Balances written off	(13,248,250)	(1,333,416)
Returned to performing or repaid	(60,827,696)	(37,095,216)
	<hr/>	<hr/>
Gross default loans closing balance	429,432,954	332,894,902
Specific provision	(76,425,453)	(3,493,000)
	<hr/>	<hr/>
<b>Net default loans</b>	<b>353,007,501</b>	<b>329,401,902</b>

At 30 June 2011, the balance of loans that were past due but not impaired was \$157,695,871 (2010: \$248,106,127). As per the Scheme's policy, loans are past due once they exceed 90 days overdue.

At 30 June 2011, \$323,137,094 of loans were individually impaired, with a total impairment loss of \$76,425,453.

Loans are secured by land, development property or completed construction property. The fair value of security over loans that are past due but not impaired at 30 June 2011 was \$170,064,593 (2010: \$326,365,696).

Interest on arrears loans is suspended and not brought to account when the Responsible Entity considered that the amounts are not ultimately recoverable from the sale proceeds of the property. The amount of suspended interest at 30 June 2011 totalled \$87,077,591 (2010: \$20,031,170).

## 9. PAYABLES

	2011 \$	2010 \$
Foreign currency awaiting investment	-	195
Other payables	3,702,723	2,617,959
	<hr/>	<hr/>
	<b>3,702,723</b>	<b>2,618,154</b>

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2011

### 10. INTEREST BEARING LOANS AND BORROWINGS

	2011	2010
	\$	\$
Secured bank loan	<u>62,399,788</u>	<u>81,014,217</u>

On 1 July 2010, the Directors of the Responsible Entity of the Scheme, LM Investment Management Limited, entered into a new facility with another external financier.

The existing bank agreement provides a \$90 million facility for two years with an option to extend for an additional year with interest at 15% per annum increasing to 18% if the loan term is extended. In the event that the repayment is not made in accordance with the repayment plan mentioned below, the interest rate payable is increased to BBSY +5.0%.

The Scheme is also required to hold a minimum cash balance of \$6 million under this facility.

The facility agreement requires the Scheme to make minimum repayments as detailed below. These minimum repayments must be made in priority to any redemptions, except for hardship provisions and feeder fund payments for investor distributions and fund expenses.

	<b>Minimum repayment</b>
31 December 2011	\$11,000,000
30 June 2012	\$13,500,000 if facility extended or any remaining balance

In addition, where the Scheme realises assets or receives cash in settlement of secured loans it must repay to the external financier an agreed amount that varies based on each secured loan.

Where the Scheme has made repayments in excess of the minimum repayments required, the facility allows the Scheme to redraw funds to complete agreed development projects or establish new loans subject to prior approval from the external financier.

The facility is secured by a fixed and floating charge over the assets of the Scheme, providing Deutsche Bank, as secured lender with first priority over the assets of the Scheme.

As at the date of this report, the Scheme is in compliance with all loan covenants in the facility agreement and the current balance of the facility at the date of this report is \$59,791,622. The Scheme's financing facilities contain various financial covenants. During the financial period certain of those covenants (including the minimum cash balance) were breached. The Scheme's bank provided the Scheme with temporary waivers of those covenants to ensure that there was no event of default triggered under the facilities. However, from 1 February 2011 to 3 May 2011 the Scheme paid penalty interest at 18%. Since 4 May 2011, the Scheme has been paying interest at 15% (refer to Note 2).

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2011

### 11. RELATED PARTIES

#### *Responsible Entity*

The Responsible Entity of LM First Mortgage Income Fund is LM Investment Management Limited (ABN 68 077 208 461). Administration and funds management services are provided to the Scheme on behalf of the Responsible Entity by LM Administration Pty Limited, an associate of the Responsible Entity. LM Administration Pty Limited is paid a management fee directly from the Scheme.

The Scheme's arrangement in relation to management fees is such that LM Investment Management Limited is required to be paid up to \$1 million per month for administration and fund management services, with any monthly management fee in excess of \$1 million to be paid to LM Administration Pty Limited for administration services provided on behalf of LM Investment Management Limited.

#### *Custodian*

The Custodian of the Scheme is LM Investment Management Limited.

#### *Directors*

The names of each person holding the position of director of LM Investment Management Limited during the financial year are disclosed in Note 14.

#### *Directors' remuneration*

No amounts are paid by the Scheme directly to the directors of the Responsible Entity. The amount of remuneration paid by the Responsible Entity and its related parties to directors of the Responsible Entity in connection with their responsibilities for the Scheme is separately identified in Note 14.

#### *Directors' holdings of units*

The interests of LM Investment Management Limited and its associates in the Scheme at year-end are set out below.

	2011 \$	2010 \$
- LM Investment Management Limited	-	-
- Directors and director related entities	-	-
- Other Associates of LM Investment Management Limited	167,378,018	223,613,698

#### *Investing activities*

The Scheme may purchase and sell units in other approved schemes or investment entities operated by LM Investment Management Limited or its associates in the ordinary course of business at application and redemption prices calculated in accordance with the constitutions of those schemes. At 30 June 2011 the Scheme had no investments in other schemes operated by LM Investment Management Limited or its affiliates (2010: nil).



## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2011

### 11. RELATED PARTIES (Continued)

#### *Other transactions with the Scheme*

From time to time the directors of LM Investment Management Limited, or their director-related entities, may invest or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors. Apart from the details disclosed in this note, no director has entered into a material contract with the Scheme since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year-end. All transaction was approved on an arm's length basis and is on normal terms and conditions.

Administration and funds management services are provided to the Scheme on behalf of the Responsible Entity by LM Administration Pty Limited, an associate of the Responsible Entity. LM Administration Pty Limited is paid a management fee for these services directly from Scheme assets. The Scheme's arrangement in relation to management fees is such that LM Investment Management Limited is required to be paid up to \$1 million per month for administration and fund management services, with any monthly management fee in excess of \$1 million to be paid to LM Administration Pty Limited for administration services provided on behalf of LM Investment Management Limited.

During the year, management fees of \$10,997,188 (2010: \$8,995,455) were paid or payable by the Scheme. Of these fees, \$10,997,188 (2010: \$8,995,455) was paid or payable to LM Administration Pty Limited.

During the year, loan origination fees received from borrowers within the Scheme was nil (2010: \$2,769,913). These fees are charged when new borrowings are undertaken or existing borrowings are rolled over to non-default conditions.

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2011

### 11. RELATED PARTIES (Continued)

#### *Other transactions with the Scheme (Continued)*

On 28 August 2008, it was resolved by the Board of Directors of the Responsible Entity, to transfer three mortgage loans to the value of \$33,513,345 and the related first mortgage security to a related scheme, LM Managed Performance Fund ('LM MPF'). There is a fixed charge over these two specific secured properties plus a floating charge over the remaining assets of LM MPF to provide security to the Scheme in the event of default by the LM MPF. This loan between the Scheme and LM MPF is interest bearing at 7%, with the interest being capitalised. On 30 May 2011, this receivable was successfully repaid in full by LM MPF.

The Scheme has advanced funds to LM MPF to finance a joint venture entered into with a borrower of the Scheme. At 30 June 2011, the balance of the loan LM MPF Scheme was fully paid (2010: \$9,563,238), which is secured by first mortgage of the assets of the unrelated borrower and by a guarantee from the LM MPF. This loan had been subject to the normal credit approval review procedures of the Scheme and was a fully serviced loan with interest being paid monthly.

The LM MPF has second mortgages on loans that are first mortgages of the Scheme totalling \$46,158,276 (2010: \$53,631,982). LM MPF may on occasion pay development and construction costs on those related loans. As part of its role as second mortgagee, LM MPF will fund interest payments from time to time within approved loan facility limits. During the 30 June 2011 year, interest payments totalling \$915,954 (2010: \$413,722) were paid by LM MPF on behalf of borrowers.

At 30 June 2008, management assigned a \$5,100,000 receivable within the Scheme from LM Investment Management Limited to LM MPF. The loan accrued interest at 10% per annum and was repaid in full on 31 August 2010.

	2011	2010
	\$	\$
<b><i>Responsible Entity remuneration received or due and receivable</i></b>		
• Management fees for the year paid or payable directly from LM Administration Pty Limited	10,997,188	8,995,455
• Expenses including administration expenses incurred by the Responsible Entity and its associated entities, which are reimbursed in accordance with the provisions of the Constitution.	791,164	879,091
• Loan management fees paid to the Responsible Entity for loan management and controllership services provided by the Responsible Entity on behalf of the Scheme in replacement of appointing external receivers. These fees are charged directly to the borrowers to facilitate possible future recovery.	5,381,516	-
<b><i>Custodian's remuneration</i></b>		
• Custodian's fees paid by the Scheme	112,324	88,163

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2011

### 11. RELATED PARTIES (Continued)

#### *Other transactions with the Scheme (Continued)*

<i>Balance with related parties</i>	2011	2010
Aggregate amounts receivable from related parties by the Scheme were as follows:		
• LM Administration Pty Limited (management fees prepaid by the Scheme)(i)	8,200,000	8,200,000
• Australian International Investments Pty Limited (ii)	7,849,604	7,849,604
• LM Managed Performance Fund (iii)	-	31,357,590
Aggregate amounts payable to related parties from the Scheme were as follows:		
• John O'Sullivan (iv)	162,609	66,984

i). These amounts are included in prepayments of \$8,200,000 at 30 June 2011 (2010: \$9,131,818). No amounts are payable to related parties by the Scheme. The average monthly balance of prepayments during the year was \$8,200,000 (2010: \$6,183,333) which was non-interest bearing. Interest foregone on the above amount if calculated at the weighted average cash rate of 4.02% (2010: 3.57%) would have been \$329,640 (2010: \$220,745). If this revenue had been collected, the sum foregone would have been paid to LM Administration Pty Limited as management fees or reduction in change in net assets attributable to unitholders during the year.

- This prepaid management fee will be recovered through LM Administration Pty Limited's Agreement to offset future payable management fees or through guarantee from a director, Peter Charles Drake.

ii). Peter Charles Drake is a director and guarantor of Australian International Investment Services Pty Limited which is a joint borrower in a secured loan facility outstanding to the Scheme as at 30 June 2011 for \$7,849,604 (2010: \$7,849,604). This transaction was approved on an arm's length basis and is on normal terms and conditions.

iii). During August 2008, three mortgage loans were assigned from the Scheme to LM Managed Performance Fund ('LM MPF') as LM MPF's mandate was more appropriate to take over the future development on behalf of the original borrowers. This assignment was done on commercial terms and conditions on an arm's length basis. This loan between the Scheme and LM MPF is interest bearing at 7%. The amount of interest being charged on the loan during the period was \$1,030,712.

LM MPF has successfully settled the full value of these loans as at 30 June 2011 (2010: \$29,527,890).

LM MPF has settled the amount, including interest charged during the period through:

- 1) Cash settlement of \$1,251,039;
- 2) payments of the Scheme's fund expenses, management fees and net settlements on foreign currency trades on behalf of the Scheme totalling \$13,166,399;
- 3) payments on behalf of the feeder funds have been settled by the feeder funds through redemption of their investment in the Scheme (see table below);

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2011

### 11. RELATED PARTIES (Continued)

#### *Other transactions with the Scheme (Continued)*

- 4) payments on behalf of the Scheme in relation to loan management fees paid to the Responsible Entity for loan management and receivership services provided the Responsible Entity on behalf of the Scheme in replacement of appointing external receivers totalling \$3,284,002. These are reflected with the loans and advances balance; and
- 5) payments on behalf of the Scheme in relation to loan redraws totalling \$765,738. These are reflected within the loans and advances balance.

The payments made on behalf of the Scheme relating to fund expenses and management fees have been reflected in the Scheme's Statement of Comprehensive Income.

The payments made by LM MPF on behalf of the feeder funds have been settled by the feeder funds through redemption of their investment in the Scheme. These redemptions of units in the Scheme were not settled in cash, but as a reduction in the Scheme's receivable.

The Scheme's external financier has approved this arrangement to settle the Scheme's receivable from LM MPF.

Scheme	Amount
LM Currency Protected Australian Income Fund	\$10,878,396
LM Institutional Currency Protected Australian Income Fund	\$1,433,117
LM Wholesale First Mortgage Income Fund	\$67,296
<b>Total</b>	<b>\$12,378,809</b>

- iv). John O'Sullivan is the beneficial owner of O'Sullivan Capital Management Limited, which has been engaged by LM Investment Management Limited to provide marketing services in New Zealand. For the year ended 30 June 2011, \$95,645 (2010: \$121,541) in adviser marketing commission has been earned, with \$162,609 (2010: \$66,984) remaining payable. This engagement is on normal commercial terms and at arm's length.

# LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2011

## 11. RELATED PARTIES (Continued)

### Unitholder investing activities

Details of holdings in the Scheme by LM Investment Management Limited, its affiliates including directors and director related persons or other schemes managed by LM Investment Management Limited are set out below:

Entity	Investment at year end \$	Interest held in the scheme at year end %	Units issued during the year #	Units redeemed during the year #	Distributions paid and payable \$
<b>30 June 2011</b>					
LM Currency Protected Australian Income Fund	84,319,198	22.21%	7,264,994	19,905,996	5,945,879
LM Institutional Currency Protected Australian Income Fund	6,377,442	1.68%	520,651	2,328,849	430,529
LM Wholesale First Mortgage Income Fund	76,681,193	20.20%	2,953,480	3,578,488	2,459,271
Dhani Darcy	185	0.00%	5	-	-
<b>Total</b>	<b>167,378,018</b>	<b>44.09%</b>	<b>10,739,130</b>	<b>25,813,333</b>	<b>8,835,679</b>

Entity	Investment at year end \$	Interest held in the scheme at year end %	Units issued during the year #	Units redeemed during the year #	Distributions paid and payable \$
<b>30 June 2010</b>					
LM Currency Protected Australian Income Fund	118,040,000	24.12%	10,282,468	18,917,468	8,971,025
LM Institutional Currency Protected Australian Income Fund	9,780,000	2.00%	1,237,550	1,526,550	675,503
LM Wholesale First Mortgage Income Fund	96,476,500	19.71%	4,767,643	2,768,443	4,769,522
Dhani Darcy	226	0.00%	10	-	-
<b>Total</b>	<b>224,296,726</b>	<b>45.83%</b>	<b>16,287,671</b>	<b>23,212,461</b>	<b>14,416,050</b>

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2011

### 12. RECEIVABLES

	2011	2010
	\$	\$
Mortgage interest receivable	929,706	1,285,212
Penalty interest receivable	132,446	174,998
GST receivable	674,721	176,815
Other	16,576	32,801
	<u>1,753,449</u>	<u>1,669,826</u>

During the year, the penalty interest receivable was capitalised onto the secured mortgage loan balance. Refer Note 8 Loans and Receivables.

### 13. CASH AND CASH EQUIVALENTS

#### a) Reconciliation of cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise:

	2011	2010
	\$	\$
- Cash at bank and in hand	<u>18,475,447</u>	<u>1,976,709</u>

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is \$18,475,447 (2010: \$1,976,709).

As at 30 June 2011, \$351,071 (2010: \$388,736) of cash at bank was held in foreign exchange margin accounts and was not available for use by the Scheme.

The Scheme's borrowing agreement requires the Scheme to hold a minimum cash balance of \$6 million across two bank accounts, one of which is a restricted account. The Scheme's financier is required to authorise cash outflows from the restricted account (into which loan settlement proceeds are received) and in the event that the minimum cash balance is breached, the financier is required to authorise all cash outflows, including those from the unrestricted account which receipts interest from borrowers.

At the date of this report, the Scheme is in compliance with this requirement.

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2011

### 13. CASH AND CASH EQUIVALENTS (Continued)

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

	2011	2010
	\$	\$
Change in net assets attributable to unitholders	(90,886,748)	(1,262,942)
<i>Adjustments for:</i>		
Non-cash impairment expense	83,974,954	6,582,816
Non-cash interest income	(31,158,288)	(50,847,584)
Distributions to unitholders	14,295,925	24,770,380
(Gains)/loss on foreign exchange contracts	(1,134,069)	1,162,730
(Gains)/loss on investor funds	1,338,500	(1,031,253)
(Increase)/decrease in interest receivable	398,057	331,742
(Increase)/decrease in other receivables	10,065,637	1,167,780
Increase/(decrease) in payables	2,353,983	1,566,785
Net cash flows from/(used in) operating activities	<u>(10,752,049)</u>	<u>(17,559,546)</u>

#### c) Reinvestment of distributions

During the financial year, the Scheme issued \$12,098,705 (2010: \$3,368,098) as a result of reinvestment of distributions by unitholders. These transactions have not been included in the Statement of Cash Flows.

#### d) Financing and investing activities - non-cash settlement of related party receivables

During the financial year, the Scheme received full settlement of its receivable from a related entity LM Managed Performance Fund ("LM MPF"). LM MPF settled the amount owing to the Scheme by directly paying the Scheme's fund expenses, management fees and net settlements on foreign currency trades. These payments have been reflected as a reduction of the loan receivable from LM MPF and are therefore excluded from the Statement of Cash Flows.

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2011

### 14. KEY MANAGEMENT PERSONNEL DISCLOSURES

#### (a) Details of Key Management Personnel

##### (i) Key Management Personnel

The Key Management Personnel ("KMP") of the Scheme were deemed to be the Directors of the Responsible Entity. The Directors of the Responsible Entity during the year were:

##### *Executive directors*

Mr Peter Charles Drake	Appointed 31 January 1997
Ms Lisa Maree Darcy	Appointed 15 September 2003
Mr Eghard van der Hoven	Appointed 22 June 2006
Ms Francene Maree Mulder	Appointed 30 September 2006
Mr Simon Tickner	Appointed 16 December 2008

##### *Non-executive directors*

Mr John O'Sullivan	Appointed 28 November 2007
--------------------	----------------------------

#### (b) Compensation of Key Management Personnel

##### (i) Compensation Policies and Principles

Remuneration of KMP is paid by LM Administration Pty Limited, appointed by LM Investment Management Limited as per its service agreement with that entity. The KMP do not receive any remuneration directly from the Scheme and there are no agreements in place between the KMP and the Scheme. The remuneration of KMP as disclosed below has been allocated based on the each KMP's cost of remuneration applicable to the Scheme. The principles used to allocate these costs (for disclosure purposes only) are discussed below.

##### (ii) Executive Directors

The Executive Directors of the Board of the Directors of LM Investment Management Limited are responsible for determining and reviewing compensation arrangements for the KMP of the Responsible Entity. The Executive directors assess the appropriateness of the nature and amount of emoluments of the KMP on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Responsible Entity.

It is the Executive Directors' policy that employment agreements shall only be entered into with the Executive Directors of the Responsible Entity, but with no other parties.

##### (iii) Non-executive directors

Fees paid to non-executive directors are based on decisions made by the Executive Directors. This takes into account workload requirements and responsibilities of each Director. Fees for duties as Directors are not paid to executive Directors as their remuneration is provided as part of their normal terms and conditions.



## **LM FIRST MORTGAGE INCOME FUND**

**Notes to the Financial Statements for the year ended 30 June 2011**

### **14. KEY MANAGEMENT PERSONNEL DISCLOSURES**

#### *(iv) Principles of KMP Remuneration Allocations*

For all schemes managed by the Responsible Entity, the cost of total KMP remuneration has been allocated to each scheme. The Responsible Entity has estimated the amount of time spent by each KMP performing responsibilities and duties to individual schemes, and on a percentage basis, has allocated the remuneration cost to each scheme. Where a KMP has not spent time specifically on a scheme, but rather has acted in a role as KMP of the Responsible Entity only, remuneration cost has been allocated evenly across all schemes.

# LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2011

## 14. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

(i) Remuneration of KMP allocated to this fund

2011 Specified KMP	Salary & Fees \$	Primary		Non Monetary Benefits \$	Post Employment			TOTAL	Total performance related %
		Cash Bonus \$	Retirement Benefits \$		Super	Equity \$	Other \$		
Drake, PC*	-	-	-	-	-	-	-	-	-
Darcy, LM**	54,525	42,500	-	-	4,817	-	-	101,842	-
Van der Hoven, E**	40,678	21,635	-	-	3,621	-	-	65,934	-
Mulder, F**	35,052	21,635	-	-	3,096	-	-	59,783	-
Tickner, S	38,564	21,635	-	-	3,440	-	-	63,639	-
O'Sullivan, J	43,543	-	-	-	-	-	-	43,543	-
	212,362	107,405	-	-	14,974	-	-	334,741	-

2010 Specified KMP	Salary & Fees \$	Primary		Non Monetary Benefits \$	Post Employment			TOTAL	Total performance related %
		Cash Bonus \$	Retirement Benefits \$		Super	Equity \$	Other \$		
Drake, PC*	-	-	-	-	-	-	-	-	-
Darcy, LM**	46,501	27,654	-	-	5,535	-	-	79,690	-
Van der Hoven, E**	34,910	15,929	-	-	4,178	-	-	55,017	-
Mulder, F**	29,770	17,357	-	-	3,857	-	-	50,984	-
Tickner, S	33,088	15,929	-	-	4,023	-	-	53,040	-
O'Sullivan, J	7,143	-	-	-	-	-	-	7,143	-
	151,412	76,869	-	-	17,593	-	-	245,874	-

\* Peter Charles Drake is the beneficial owner of 100% of the ordinary shares of the Responsible Entity. No salary and wages are paid to Peter Drake directly from the company or any of the schemes. \*\* As executives of the Responsible Entity, LM Darcy, E van der Hoven and F Mulder are entitled to a termination benefit that is payable on cessation of employment or a significant change in ownership of the company. No amount has been reflected in the above disclosures in relation to this potential future benefit.

## LM FIRST MORTGAGE INCOME FUND

### Notes to the Financial Statements for the year ended 30 June 2011

#### 14. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

##### Compensation by category: Key Management Personnel

	2011	2010
	\$	\$
Short term	319,767	228,281
Post employment	14,974	17,593
Other long term	-	-
Termination benefits	-	-
Equity based payment	-	-
Other	-	-
	<u>334,741</u>	<u>245,874</u>

##### Loans to Specified KMP

The Scheme has not made, guaranteed or secured, directly or indirectly any loans to the KMP or their related entities during the period.

##### (c) Other Transactions and Balances with Specified KMP

Other than those items disclosed in the related party Note 11, the Scheme has no other transactions and balances with specified KMP.

#### 15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

##### a) Financial Risk Management Objectives, Policies, and Processes

Risks arising from holding financial instruments are inherent in the Scheme's activities, and are managed through a process of ongoing identification, measurement, and monitoring. The Scheme is exposed to credit risk, liquidity risk, and market risk.

Financial instruments of the Scheme comprise investments in financial assets for the purpose of generating a return on the investment made by unitholders, in addition to derivatives, cash and cash equivalents, net assets attributable to unitholders, and other financial instruments such as trade debtors and creditors, which arise directly from its operations.

The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Scheme from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Responsible Entity. These mandate limits reflect the investment strategy and market environment of the Scheme, as well as the level of risk that the Scheme is willing to accept.

## LM FIRST MORTGAGE INCOME FUND

### Notes to the Financial Statements for the year ended 30 June 2011

#### 15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

This information is prepared and reported to relevant parties within the Responsible Entity on a regular basis as deemed appropriate, including the fund manager, compliance manager, other key management, Risk and Investment Committees, and ultimately the Board of Directors of the Responsible Entity.

As part of its risk management strategy, the Scheme uses foreign exchange contracts to manage exposures resulting from changes in foreign currencies.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, and other conditions.

In order to avoid excessive concentrations of risk, the Scheme monitors its exposure to ensure concentrations of risk remain within acceptable levels and either reduces the exposure or uses derivative instruments and collateral to manage the excessive concentrations when they arise.

##### b) Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Scheme to incur a financial loss.

With respect to credit risk arising from the financial assets of the Scheme, other than derivatives, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

The Scheme minimises credit risk by:

- undertaking credit assessment procedures on prospective borrowers;
- dealing with Australian regulated banks for cash balances; and
- obtaining independent valuations for all loans.

As at year end, 80.85% (2010: 61%) of the mortgage loans were secured by a combination of completed development projects (industrial 8.05% (2010: 14%) and residential 33.12% (2010: 41%) and land 3.62% (2010: 6%)), 19.15% (2010: 18%) were secured by commercial property and 36.05% (2010: 21%) of the mortgage loans were secured on construction and development projects in the residential and retirement sectors.

The carrying amount of renegotiated loans which would have been past due or impaired at 30 June 2011 was \$21,465,636.

## LM FIRST MORTGAGE INCOME FUND

### Notes to the Financial Statements for the year ended 30 June 2011

#### 15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

##### *Risk concentrations of credit risk*

Concentrations of credit risk are managed by counterparty and by geographical region. The percentage of loans secured by property in different geographical locations is as follows:

	2011	2010
Within 40km of Sydney CBD	1.85%	2.53%
New South Wales – Other	17.42%	26.30%
Within 40km of Melbourne CBD	4.34%	3.56%
Victoria – Other	-	2.68%
Queensland – Other	65.83%	55.99%
Canberra – Other	1.56%	1.39%
Western Australia	8.18%	6.92%
Tasmania	0.82%	0.63%
	100.00%	100.00%

The maximum credit risk exposure at year end in relation to mortgage loan is the carrying value of the assets as indicated in the Statement of Financial Position.

The Scheme has a concentration of credit risk relating to the derivative instruments as all foreign currency swaps are entered into with the same counterparties.

##### *Credit quality of mortgage loans*

The credit quality of financial assets is managed by the Scheme using internal risk rating categories in accordance with the investment mandate of the Scheme. The Scheme's exposure in each category is monitored on a daily basis. This review process allows the Responsible Entity to assess the potential loss as a result of risks and take corrective action.

As at 30 June 2011, the Scheme was mortgage in possession of security relating to loans in default of \$405.2 million (2010: \$332.9 million) and had taken possession of assets offered as collateral security valued at \$415.2 million (2010: \$401million).

#### c) Liquidity risk

Liquidity risk is the risk that the Scheme may not be able to meet its obligations in relation to investment activities or funding unitholder redemptions.

The nature of the investments entered into by the Scheme commands that liquidity be managed cautiously and aligned to the redemptions policy outlined within the constitution of the Scheme. At 30 June 2011, the redemptions requested from unitholders but not paid was \$144,181,702 (2010: \$153,456,231). An additional \$147,917,267 (2010: \$154,839,212) of redemptions had been requested by unitholders of the feeder funds – refer to Note 6.

## LM FIRST MORTGAGE INCOME FUND

### Notes to the Financial Statements for the year ended 30 June 2011

#### 15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

##### c) Liquidity risk (Continued)

During the 2009 year, the Responsible Entity closed the Scheme to new investors and suspended withdrawals, with the exception of those approved under hardship provisions and feeder fund payments for distributions and expenses. Feeder funds are other registered managed investment schemes that have invested directly in the LM First Mortgage Income Fund. Redemptions are generally to be paid within 365 days of the investment maturity term, however, redemptions have been suspended, per the constitution, as the Responsible Entity considers the suspension of withdrawals to be in the best interest of the members of the Scheme.

As at 16 September 2011, \$143,683,209 of redemptions had been requested by unitholders but not yet paid. Redemptions also rank behind repayment of external financing facilities as detailed in Note 2(a).

The Responsible Entity employs risk management strategies to ensure that the Scheme is able to meet its obligations as above. The liquidity risk associated with the need to satisfy unitholders requests for redemptions are mitigated by offering fixed term investment periods for investors and by maintaining sufficient cash funds to satisfy usual levels of demand for at-call investments.

In order to minimise liquidity risk, management assesses and monitors the liquidity requirements of both unitholder redemptions and investment activities and ensures that at all times the Scheme has adequate cash and cash equivalents to cover fund obligations and that liquidity is managed within the Scheme's policies and limits.

##### *Maturity Analysis of Financial Liabilities*

Financial liabilities of the Scheme comprise trade and other payables, distributions payable, net assets attributable to unitholders, fair value of foreign exchange contracts and the secured bank loan. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days. Foreign exchange contracts mature within 12 months of year end.

Net assets attributable to unitholders mature over the following periods:

Period from 30 June 2011	Value
Due and payable*	144,181,702
< 12 months	299,131,116
12-24 months	7,161,251
24-36 months	617,873
36-48 months	678,545
>48 months	-
<b>Total</b>	<b>451,770,487</b>

## LM FIRST MORTGAGE INCOME FUND

### Notes to the Financial Statements for the year ended 30 June 2011

#### 15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

\* This balance represents redemptions requested but not paid at 30 June 2011 of \$292,791,534 (2010: \$155,401,717).

The secured bank loan is repayable by 30 June 2012, as detailed in Note 2(a) and 10. When drawn, the loan is secured by the assets of the Scheme.

#### d) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

#### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Scheme has established limits on investments in interest bearing assets, which are monitored on a daily basis.

The Scheme's exposure to interest rate risk and the effect weighted average interest rate for classes of financial assets and financial liabilities is set out below:

# LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2011

## 15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### SCHEME

	Note	Weighted average interest rate		Floating Interest Rate		Fixed interest rate		Securities contracted to		Securities contracted to		Total	
		2011	2010	2011	2010	2011	2010	Securities contracted to mature in less than 1 year	2011	Securities contracted to mature in more than 1 year but less than 5 years	2010	2011	2010
Cash and cash equivalents	13(a)	4.02	3.57	18,475,447	1,976,709	-	-	-	-	-	-	18,475,447	1,976,709
Secured mortgage loans (gross)	8	6.61	9.36	-	-	7,849,604	19,214,651	19,214,651	11,365,047	-	-	19,214,651	19,214,651
Unsecured loan	8	10.0	10.0	-	-	-	1,829,700	1,829,700	-	-	-	-	1,829,700
Loan facility	10	16.82	9.39	-	(81,014,217)	(62,399,788)	-	-	-	-	-	(62,399,788)	(81,014,217)
<b>Total</b>				<b>18,475,447</b>	<b>(79,037,508)</b>	<b>(54,550,184)</b>	<b>21,044,351</b>	<b>21,044,351</b>	<b>11,365,047</b>	<b>-</b>	<b>-</b>	<b>(24,709,690)</b>	<b>(57,993,157)</b>

All other financial assets and liabilities are non-interest bearing.



## LM FIRST MORTGAGE INCOME FUND

### Notes to the Financial Statements for the year ended 30 June 2011

#### 15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The following table demonstrates the sensitivity of the Scheme's Statement of Comprehensive Income to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity of the Statement of Comprehensive Income is the effect of the assumed changes in interest rates on the interest income for one year, based on the financial instruments held at 30 June 2011.

##### *Accounting assumptions*

The basis points sensitivity is based on the historical volatility of changes in interest rates.

#### 2011

	Change in basis points		Sensitivity of interest income (\$000's)	
	<i>Increase</i>	<i>Decrease</i>	<i>Increase</i>	<i>Decrease</i>
Financial Instruments	50	50	2,700	2,700
	100	100	5,401	5,401

#### 2010

	Change in basis points		Sensitivity of interest income (\$000's)	
	<i>Increase</i>	<i>Decrease</i>	<i>Increase</i>	<i>Decrease</i>
Financial instruments	50	50	2,825	2,825
	100	100	5,650	5,650

##### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Scheme enters into foreign exchange contracts principally to hedge the foreign exchange risk implicit in the value of the investor funds denominated in foreign currencies and to secure a particular exchange rate for a planned purchase or sale of investments. The term of the contracts rarely exceeds twelve months.

The fair value of forward exchange contracts held at 30 June 2011 was \$33,691 (2010: \$17,451).

The nominal Australian dollar value of forward exchange contracts held at 30 June 2011 was \$10,570,860 (2010: \$10,266,314).

The table below indicates the currencies to which the Scheme had significant exposure at 30 June 2011 on its monetary assets and liabilities and forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Australian Dollar on the Statement of Comprehensive Income, with all other variables held constant.

##### *Foreign currency*

Investments in the fund are hedged in the relevant currency against Australian dollar currency movements. The fund manages foreign currency risk through the use of forward foreign exchange contracts (FFEC).

# LM FIRST MORTGAGE INCOME FUND

## Notes to the Financial Statements for the year ended 30 June 2011

### 15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The FFECs are facilitated by several banking firms. This reduces currency exposure to the fund and investors. The below table is only applicable if the FFEC facilitator is unable to meet its obligation and the fund therefore seeks an alternative party to transact the FFEC.

#### *Accounting Assumptions- Variability of foreign currency*

The sensitivity is based on the volatility of changes in global currency.

	2011				
Currency	AUD equivalent in exposure by currency (000's)	Change in currency rate in %		Effect on net assets attributable to unitholders (000's)	
		Increase	Decrease	Increase	Decrease
CAD	5	10	10	0	1
EUR	1,376	10	10	125	153
GBP	1,889	10	10	172	210
HKD	903	10	10	90	90
JPY	-	10	10	-	-
NZD	4,652	10	10	443	493
SGD	196	10	10	18	22
THB	29	10	10	3	3
TRY	146	10	10	13	16
USD	1,375	10	10	127	150

	2010				
Currency	AUD equivalent in exposure by currency (000's)	Change in currency rate in %		Effect on net assets attributable to unitholders (000's)	
		Increase	Decrease	Increase	Decrease
CAD	14	10	10	1	2
EUR	1,432	10	10	130	159
GBP	2,139	10	10	194	238
HKD	8	10	10	1	1
JPY	140	10	10	13	16
NZD	4,720	10	10	445	505
SGD	212	10	10	19	24
THB	33	10	10	3	4
TRY	187	10	10	17	21
USD	1,381	10	10	126	153

#### *Equity Risk*

The Scheme is not subject to equity risk at 30 June 2011.

## LM FIRST MORTGAGE INCOME FUND

### Notes to the Financial Statements for the year ended 30 June 2011

#### 16. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Scheme's financial assets and liabilities included in the Statement of Financial Position are carried at their fair value as disclosed by class of financial instruments or at amounts that approximate their fair values.

Refer to Note 2 for the methods and assumptions adopted in determining fair values for investments.

Disclosed below is the fair value of the Scheme's financial instruments.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

*Fair value:* The Scheme uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets;

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

	Fair Value				Carrying Amount
2011	Level 1 \$	Level 2 \$	Level 3 \$	Total \$	\$
<b>Financial Assets</b>					
Forward currency contracts	-	33,691	-	33,691	33,691
<b>Total Financial Assets</b>	-	33,691	-	33,691	33,691
<b>Financial Liabilities</b>					
Forward currency contracts	-	-	-	-	-
<b>Total Financial Liabilities</b>	-	-	-	-	-

	Fair Value				Carrying Amount
2010	Level 1 \$	Level 2 \$	Level 3 \$	Total \$	\$
<b>Financial Assets</b>					
Forward currency contracts	-	17,451	-	17,451	17,451
<b>Total Financial Assets</b>	-	17,451	-	17,451	17,451
<b>Financial Liabilities</b>					
Forward currency contracts	-	-	-	-	-
<b>Total Financial Liabilities</b>	-	-	-	-	-

The fair values of currency exchange contracts (forwards and swaps) are calculated by reference to current exchange rates for contracts with similar maturity and risk profiles.

## **LM FIRST MORTGAGE INCOME FUND**

### **Notes to the Financial Statements for the year ended 30 June 2011**

#### **17. COMMITMENTS AND CONTINGENCIES**

There are no material contingent assets and liabilities or commitments as at 30 June 2011

#### **18. EVENTS AFTER THE STATEMENT OF BALANCE DATE**

No significant events have occurred since balance date which would impact on the financial position of the Scheme disclosed in the balance sheet as at 30 June 2011 or on the results and cash flows of the Scheme for the year ended on that date, other than those detailed below:

##### **(a) Status of distributions payable**

As at 30 June 2011, \$6,289,306 of distributions payable related to distributions that were required to be paid under the Scheme's Constitution prior to 30 June 2011. In addition, \$5,384,075 of distributions payable as at 16 September 2011 that were required to be paid under the Scheme's Constitution remain payable. These distributions relate to the months of March 2010 to December 2010. Since year end, \$1,039,826 in distributions payable has been paid relating distributions accrued for the month of February and March 2010 (see to Note 3).

## LM FIRST MORTGAGE INCOME FUND

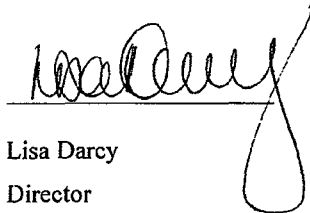
### DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of LM Investment Management Limited, I state that:

- a) The financial statements and notes of the Registered Scheme set out on pages 8 to 50 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards and the Corporation Regulations 2001; and
  - (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2011, and of its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date.
  - (iii) the financial statements and notes to the financial statements are prepared in compliance with the International Financial Reporting Standards as made by the International Accounting Standards Board.
- b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable; and
- c) the financial statements are in accordance with the provisions of the Scheme's Constitution.

On behalf of the Board

LM Investment Management Limited.



Lisa Darcy

Director

Gold Coast

16 September 2011



1 Eagle Street  
Brisbane QLD 4000 Australia  
GPO Box 7878 Brisbane QLD 4001  
Tel: +61 7 3011 3333  
Fax: +61 7 3011 3100  
www.ey.com/au

## **Auditor's Independence Declaration to the Directors of LM Investment Management Limited as Responsible Entity for LM First Mortgage Income Fund**

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

*Ernst & Young*

Ernst & Young

*PMcLuskie*

Paula McLuskie  
Partner  
Brisbane  
16 September 2011

**LM FIRST MORTGAGE INCOME FUND**

**ABN: 66 482 247 488**

**Annual Report**

**For the year ended 30 June 2012**

# LM FIRST MORTGAGE INCOME FUND

ABN: 66 482 247 488

Annual Report – 30 June 2012

## Contents

DIRECTORS' REPORT .....	3
AUDITOR'S INDEPENDENCE DECLARATION .....	7
STATEMENT OF COMPREHENSIVE INCOME .....	8
STATEMENT OF FINANCIAL POSITION .....	9
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS .....	10
STATEMENT OF CASH FLOWS .....	11
NOTES TO THE FINANCIAL STATEMENTS .....	12
DIRECTORS' DECLARATION .....	47
INDEPENDENT AUDIT REPORT .....	48

The Responsible Entity of LM First Mortgage Income Fund is LM Investment Management Limited (ABN 68 077 208 461). The Responsible Entity's registered office is Level 4, RSL Building, 9 Beach Road, Surfers Paradise QLD 4217.



## LM FIRST MORTGAGE INCOME FUND

### Directors' Report

#### DIRECTORS' REPORT

The directors of LM Investment Management Limited, the Responsible Entity of the LM First Mortgage Income Fund, present their report of the LM First Mortgage Income Fund ("the Scheme") for the year ended 30 June 2012. The directors' report is not part of the financial report.

#### DIRECTORS

The following persons held office as directors of LM Investment Management Limited, during the year or since the end of the year and up to the date of this report:

##### Name

Mr Peter Charles Drake	Appointed 31 January 1997
Ms Lisa Maree Darcy	Appointed 15 September 2003 – Resigned 21 June 2012
Mr Eghard van der Hoven	Appointed 22 June 2006
Ms Francene Maree Mulder	Appointed 30 September 2006
Mr John O'Sullivan	Appointed 27 November 2007 – Resigned 12 August 2012
Mr Simon Tickner	Appointed 18 September 2008 – Resigned 13 July 2012
Mr Grant Fischer	Appointed 14 March 2012 – Resigned 12 August 2012
Ms Katherine Phillips	Appointed 13 July 2012

#### PRINCIPAL ACTIVITIES

During the year, the Scheme continued the principal activity of investing unitholders' funds in existing registered mortgages and cash investments in Australia in accordance with the Scheme's Constitution and in accordance with the investment policy of the Scheme as outlined in the current product disclosure document.

There were no significant changes in the nature of the Scheme's activities during the year.

The Scheme did not have any employees during the year.

#### SCHEME INFORMATION

The Scheme is an Australian registered scheme and was constituted on 13 April 1999. The Responsible Entity of LM First Mortgage Income Fund is LM Investment Management Limited ("LM"), which has been the Responsible Entity since registration of the Scheme.

The registered office and principal place of business of the Responsible Entity and the Scheme is Level 4, 9 Beach Road, Surfers Paradise, Queensland.

#### REVIEW OF RESULTS AND OPERATIONS

##### Results

Since the closure of the fund in 2009, the Responsible Entity's prime focus has been to see the repayment of all loans to create the cash flow required to effect the progressive repayment of the fund's line of credit facility and to realise distribution of capital for investors. The Responsible Entity has followed this strategy, avoiding a fire sale of assets and managing and maintaining assets for best value outcomes when ultimately sold.

The financial crisis and market factors saw the fund close and at that time LM's prime focus was to seek repayment of the fund's loan from its borrowers at their respective maturity dates. Due to general liquidity constraints in the market the majority of borrowers defaulted at maturity when unable to repay the loan, and on behalf of the fund, LM took possession of the collateral over which the loan was secured to protect investor interests.

## LM FIRST MORTGAGE INCOME FUND

### Directors' Report

LM has managed an orderly asset sales process since the fund's closure. When it closed, there were 55 loan assets. Since that time 28 of loans have been repaid through an ongoing asset sales process. LM is driving the orderly sale of the remaining 27 number of loans.

The original credit facility balance was \$133 million at time of closure. The current Deutsche Bank credit facility balance is now \$29.4 million. Since the fund closed, LM has managed a total credit facility reduction of \$103.6 million.

The nature of all the properties in which the fund enforced its rights to security was varied in terms of sector type and the loans provided a broadly diversified geographic exposure across the Australian property market.

Since the fund closed, LM has completed significant work on assets to bring them to a point of sale, ensuring value by: attending to general maintenance and presentation of the properties for sale, completing works to enhance longer term value, obtaining relevant development and or building approvals to increase property value and entering into presales marketing campaigns where benefit existed in completing further staged development work on various properties.

Since the fund's closure the Responsible Entity considered different strategies to realise best outcomes for investors, including that of offering investors the choice of selling or holding their investment.

In this reporting period, the Responsible Entity has sought further feedback from investors in this regard and has announced that the fund will not re-open. The Responsible Entity is driving a continual orderly sell down of all remaining assets to see the recommencement of capital distributions to investors as quickly as possible. All investors will share pro-rata in capital distributions as the sales progress.

In addition, the Responsible Entity has announced that as the work of bringing the assets to the point of sale is completed, it will be returning to its historic fee levels, capping the management fee at 1.5% pa.

Approved investor hardship withdrawals will continue as the sales proceed.

In assessing sales prices for assets in today's market, contemplating the sales of all remaining assets, the directors have taken additional provisions resulting in a unit value of 59 cents as at 16 November 2012. We note that the market value at the future point of asset sale will determine the unit value ultimately realised as investors receive progressive capital distributions.

The change in net assets attributable to the unitholders of the Scheme is presented in the Statement of Comprehensive Income. Net loss attributable to unitholders for the year ended 30 June 2012 was \$88,615,577 (2011: loss of \$77,418,896).

Distributions to unitholders declared during the year totalled \$17,024,389 (2011: \$14,295,925).

Total assets under management were \$343,976,757 as at 30 June 2012 (2011: \$454,724,799). Investor funds under management decreased during the year by \$93,206,695 (2011: decreased by \$104,824,211). Funds under management invested by related managed investment schemes in LM FMIF Increased by \$14,484,434 (2011: decreased by \$13,222,693) to \$224,862,439 (2011: \$210,378,005).

## LM FIRST MORTGAGE INCOME FUND

### Directors' Report

The performance of the Scheme, as represented by the results of its operations, was as follows:

	30 June 2012	30 June 2011
	\$	\$
Net operating income/(loss) before distributions	(88,615,577)	(77,418,896)
Financing costs: Distributions to unitholders	(17,024,389)	(14,295,925)
(Increase) / decrease in net assets attributable to unitholders	105,639,966	91,714,821

#### UNITHOLDER FUNDS

There were 488,787,330 units on issue at 30 June 2012 (2011: 476,355,743). During the year 18,971,927 of units were issued by the Scheme (2011: 12,180,254) and 6,666,198 of units were withdrawn (2011: 24,218,932).

#### SCHEME ASSETS

At 30 June 2012, the Scheme held assets to a total value of \$343,976,757 (2011: \$454,724,799). The basis for valuation of assets is disclosed in Note 2 to the financial statements.

#### FEES PAID TO AND INTEREST HELD BY THE RESPONSIBLE ENTITY AND ASSOCIATED COMPANIES

The following fees were paid to LM Investment Management Limited and its associated companies out of Scheme property during the financial year, for funds management and administrative services provided on behalf of the Responsible Entity:

	2012	2011
	\$	\$
• Management fees paid or payable directly to LM Administration Pty Ltd	9,103,864	10,997,188
• Expenses incurred by the Responsible Entity and its associated entities which are reimbursed in accordance with the provisions of the Scheme's Constitution, including administration and custodian fees	29,983	791,164
• Expenses including administration expenses incurred by the Responsible Entity and its associated entities, which are not reimbursed	38,524	-
• Loan management fees paid to the Responsible Entity for loan management and receivership services provided by the Responsible Entity on behalf of the Scheme in replacement of appointing external receivers. These fees are charged directly to the borrower to facilitate future possible recovery.	4,817,414	5,381,516

The Responsible Entity will be returning to its low historic fee levels, capping the management fee at 1.5% pa, as of 1 November 2012.

The interests in the Scheme held by the Responsible Entity and its associates as the end of the year are disclosed in Note 10 to the financial statements.

## **LM FIRST MORTGAGE INCOME FUND**

### **Directors' Report**

#### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

In the opinion of the directors, there were no significant changes in the state of affairs of the Scheme that occurred during the financial year under review that are not otherwise disclosed in this report.

#### **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

Other than the matters disclosed in Note 18 of the financial report there has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may affect, the Scheme's operations in future financial years, the results of those operations of the Scheme's state of affairs in future years.

#### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

Further information on likely developments in the operation of the Scheme and the expected results of those operations has not been included in this report because the Responsible Entity believes it would likely result in unreasonable prejudice to the Scheme.

#### **ENVIRONMENTAL REGULATION AND PERFORMANCE**

The operations of the Scheme are not subject to any particular or significant environmental regulations under a law of the Commonwealth or a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Scheme.


#### **INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of LM Investment Management Limited or the auditors of the Scheme. Provided the officers of LM Investment Management Limited act in accordance with the Scheme Constitution and the Law, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

#### **AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

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



Peter Drake  
Director  
Gold Coast

16 November 2012

## Auditor's Independence Declaration to the Directors of LM Investment Management Limited as Responsible Entity for LM First Mortgage Income Fund

In relation to our audit of the financial report of LM First Mortgage Income Fund for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

PMcLuskie

Paula McLuskie  
Partner  
Brisbane  
16 November 2012

**LM FIRST MORTGAGE INCOME FUND**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 30 June 2012

	Note	30 June 2012 \$	30 June 2011 \$
<b>Income</b>			
Interest revenue – mortgage loans		31,608,319	35,604,341
Interest revenue – cash assets		420,812	162,848
Realised foreign exchange gain on investor funds		69,271	37,375
Unrealised foreign exchange gain on investor funds		-	1,134,069
Unrealised foreign exchange gain on foreign exchange contracts		-	16,240
<b>Total revenue and other income</b>		<b>32,098,402</b>	<b>36,954,873</b>
<b>Expenses</b>			
Management fees	11	9,103,864	10,997,188
Finance costs	4(a)	8,593,798	14,072,789
Custodian fees		77,904	112,324
Advisor commissions		2,165,236	2,090,475
Impairment losses on mortgage loans	7(e)	99,144,122	84,873,703
Unrealised foreign exchange losses on investor fund		167,394	-
Unrealised foreign exchange loss on foreign exchange contracts		145,432	-
Realised loss on foreign exchange contracts		36,203	1,338,500
Legal fees		523,012	407,260
Other expenses	4(b)	757,014	481,530
<b>Total expenses excluding distributions to unitholders</b>		<b>120,713,979</b>	<b>114,373,769</b>
<b>Net (loss) before distributions to unitholders</b>		<b>(88,615,577)</b>	<b>(77,418,896)</b>
Distributions paid/payable to unitholders	3(a)	(17,024,389)	(14,295,925)
<b>Net (loss) after distributions to unitholders</b>		<b>(105,639,966)</b>	<b>(91,714,821)</b>
Other comprehensive income		-	-
<b>Net loss after distributions to unitholders</b>		<b>(105,639,966)</b>	<b>(91,714,821)</b>
Income tax expense		-	-
<b>Changes in net assets attributable to unitholders after income tax expense</b>		<b>(105,639,966)</b>	<b>(91,714,821)</b>

**LM FIRST MORTGAGE INCOME FUND**

**STATEMENT OF FINANCIAL POSITION**

**As at 30 June 2012**

		30 June 2012	30 June 2011
		\$	\$
	<b>Note</b>		
<b>ASSETS</b>			
Cash and cash equivalents	12(a)	8,123,428	18,475,447
Receivables	11	1,279,828	1,753,449
Prepayments		-	8,656,894
Financial assets at fair value through profit or loss		-	33,691
Loans and receivables	7	334,573,501	425,805,318
<b>TOTAL ASSETS</b>		<u>343,976,757</u>	<u>454,724,799</u>
<b>LIABILITIES</b>			
Management fee Payable	10	2,470,000	-
Financial assets at fair value through profit or loss		129,192	-
Payables	8	7,980,824	3,702,723
Interest bearing loans and borrowings	9	39,610,078	62,399,788
Distributions payable	3(a)	4,806,035	6,434,965
<b>Total liabilities excluding net assets attributable to unitholders</b>		<u>54,996,129</u>	<u>72,537,476</u>
<b>NET ASSETS</b>	6	<u>288,980,628</u>	<u>382,187,323</u>
Represented by:			
<b>Net assets attributable to unitholders</b>		<u>288,980,628</u>	<u>382,187,323</u>
(calculated in accordance with IFRS)			

**LM FIRST MORTGAGE INCOME FUND**  
**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**  
For the year ended 30 June 2012

<b>TOTAL</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Opening balance	382,187,323	487,011,534
Units issued during the year	3,012,163	81,549
Units redeemed during the year	(6,666,198)	(24,184,932)
Units issued on reinvestment of distributions	15,959,774	12,098,705
Changes in net assets attributable to unitholders	(105,639,966)	(91,714,821)
Foreign exchange (gain)/loss on investor funds	127,532	(1,104,712)
<b>Closing Balance</b>	<u><u>288,980,628</u></u>	<u><u>382,187,323</u></u>



# LM FIRST MORTGAGE INCOME FUND

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	Note	30 June 2012 \$	30 June 2011 \$
<b>Cash flows from operating activities</b>			
Interest and distributions received		404,955	5,006,959
Management fees paid		(5,180,443)	-
Other operating expenses		(759,450)	(614,903)
Other income received		-	-
GST and withholding tax (paid)/received		-	-
Finance costs paid		(8,143,798)	(15,144,105)
<b>Net cash inflow/(outflow) from operating activities</b>	12(b)	(13,678,736)	(10,752,049)
<b>Cash flows from investing activities</b>			
Payments for secured mortgage loans		(16,924,379)	(15,897,472)
Receipts from settled mortgage loans		46,822,765	62,313,149
<b>Net cash inflow/(outflow) from investing activities</b>		29,898,386	46,415,677
<b>Cash flows from financing activities</b>			
Repayment of borrowings		-	(81,014,217)
Proceeds from facility		-	89,100,000
Repayment of facility		(22,789,710)	(26,700,212)
Cash paid on realisation of foreign exchange contracts		(69,271)	-
Receipts from the issue of units		2,312,382	70,000
Distributions paid		(2,424,725)	-
Payment for redemption of units		(3,600,345)	(620,461)
<b>Net cash inflow/(outflow) from financing activities</b>		(26,571,669)	(19,164,890)
<b>Net increase/(decrease) in cash and cash equivalents</b>		(10,352,019)	16,498,738
<b>Cash and cash equivalents at beginning of the year</b>		18,475,447	1,976,709
<b>Cash and cash equivalents at the end of the year</b>	12(a)	8,123,428	18,475,447

## LM FIRST MORTGAGE INCOME FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### 1. CORPORATE INFORMATION

The financial report of LM First Mortgage Income Fund ("the Scheme") for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors of the Responsible Entity on 16 November 2012.

The Scheme is an Australian registered scheme, constituted on 13 April 1999. The Scheme will be terminated on 13 April 2080 unless terminated earlier in accordance with the provision of the Scheme Constitution (as amended).

LM Investment Management Limited, the Responsible Entity of the Scheme, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 4, 9 Beach Road, Surfers Paradise, Queensland.

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

#### 2. BASIS OF PREPARATION AND 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 is a general purpose financial report that has been prepared in accordance with the Scheme Constitution, and the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for 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 on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and does not distinguish between current and non-current items. All balances are expected to be recovered or settled within twelve months, except for loans and receivables and net assets attributable to unitholders. 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 Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

## **LM FIRST MORTGAGE INCOME FUND**

### **Notes to the Financial Statements for the year ended 30 June 2012**

#### **2. BASIS OF PREPARATION AND 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, with the exception of those approved under hardship provisions and feeder fund payments for distributions and expenses. Feeder funds are other registered managed investment schemes that have invested directly in the LM First Mortgage Income Fund. Redemptions are generally to be paid within 365 days of the investment maturity term, however, redemptions have been suspended, per the constitution, as the Responsible Entity considers the suspension of withdrawals to be in the best interest of the members of the Scheme.

Since the closure of the Scheme, LM has managed an orderly asset sales process. When it closed, there were 55 loan assets. Since that time 28 of loans have been repaid through an ongoing asset sales process. LM is driving the orderly sale of the remaining 27 number of loans.

The nature of all the properties the fund took control of the security was varied in terms of sector type and the loans provided a broadly diversified geographic exposure across the Australian property market.

In this reporting period, the Responsible Entity has sought further feedback from investors in this regard and has announced that the fund will not re-open. All investors will share pro-rata in capital distributions as the sales progress.

Approved investor hardship withdrawals will continue as the sales proceed.

###### **Going Concern**

The financial statements have been prepared on the basis the Scheme is a going concern. The Responsible Entity entered into a facility with its external financier on behalf of the Scheme that provided a facility of \$90 million for two years with an option, that was exercised, to extend the facility for an additional year up to 30 June 2013, the loan balance was \$39.6 million as at 30 June 2012 (30 June 2011: \$62.4million).

The facility agreement requires the Scheme to make minimum repayments in priority to any redemptions, except for hardship provisions and feeder fund payments for investor distributions and fund expenses. In addition, where the Scheme realises assets or receives cash in settlement of secured loans it must repay to the external financier an agreed amount that varies based on each secured loan.

As a result of disruptions following the global financial crisis, there is significant volatility in the financial and property markets which may impact the timing of future cash flows in relation to the Scheme's realisation of assets or receipt of cash in settlement of secured assets that is required to repay this facility and the ability of the Scheme to realise its loans and receivables at the amounts stated in the accounts. In the event that funding beyond 30 June 2013 is unable to be obtained from financiers, or cash receipts from asset sales are delayed and/or less than currently envisaged and the Scheme is unable to continue to comply with repayment obligations, the Scheme may not be able to continue as a going concern.

This uncertainty may impact the ability of the Scheme to realise these loans and receivables at the amounts stated in the accounts. As described in Note 2(c), significant judgement has been applied in determining the carrying value of loans and receivable amounts.

## LM FIRST MORTGAGE INCOME FUND

### Notes to the Financial Statements for the year ended 30 June 2012

#### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

##### a) Basis of accounting (Continued)

The directors believe the Scheme will be able to meet its obligations under the repayment plan through repayment of existing loans including the refinancing of existing loans with alternative financing providers, the repayment of loans from related entities, or the continued support from the external financier.

The directors expect that based on progress to date in meeting the repayment obligations and the status of negotiations with potential financiers, the Scheme will be in a position to secure additional funding or redraw on the amended facility to complete development projects valued on an "on completion basis".

The Responsible Entity is also considering options for a managed redemption plan restructure for those investors with a redemption request lodged. The directors must also ensure that they protect those investors who wish to remain invested in the Scheme.

As a result of the above, the directors believe that the Scheme will be able access funding, and be able to realise its loans and receivables in the normal course of business as a going concern at the amounts stated. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and the amounts and classification of liabilities that might be necessary should the Scheme not continue as a going concern.

##### 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 annual reporting period ended 30 June 2012. The impact of these standards and interpretations has been assessed and to the extent applicable to the Scheme are discussed below. Standards and Interpretations that are not expected to have a material impact on the Scheme have not been included.

##### **AASB 9 *Financial Instruments* and related amendment AASB 2009-11**

AASB 9 applies to annual reporting periods beginning on or after 1 January 2013 and will therefore apply to the Scheme from 1 July 2013. The Scheme does not intend to early adopt AASB 9 as permitted by the standard, and the actual impact on initial application will depend on certain elections as disclosed below.

AASB 9 requires all financial instruments to be measured at fair value unless the criteria for amortised cost are met. The application of the standard is not expected to change the measurement basis of any of the Scheme's current financial instruments, however, AASB 9 allows the Scheme to elect to present gains and losses on equity securities through other comprehensive income, which may impact the presentation of these gains and losses. The impact of the standard may also change if the nature of the Scheme's activities or investments changes prior to initial application.

##### **AASB 10 *Consolidated Financial Statements* and related standards AASB 11, AASB 12**

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and AASB Interpretation 112 *Consolidation – Special Purpose Entities*. The standard is not applicable until 1 January 2013, but is available for early adoption. The Scheme does not intend to early adopt AASB 10. Management does not

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2012

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### b) New accounting standards and interpretations (Continued)

expect the adoption of AASB 10 to lead to any change to the presentation of consolidated financial statements based on the Scheme's current investment strategy.

#### c) Significant accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has made judgements and estimations which have had an impact on the amounts recognised in the financial statements. The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

##### *a. 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 that is where the Scheme does not expect to receive all of the cash flows contractually due. Individually assessed provisions are made against individual facilities. The provisions are established based primarily on estimates of the realisable (fair) value of collateral taken and are measured as the difference between a financial asset's carrying amount and the present value of the expected future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short term balances have not been discounted.

##### *b. Fair value of financial instruments*

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The judgments include considerations of liquidity and model inputs such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instrument (without modification or repackaging) or based on any available observable market data.

#### 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 consist of 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 the income is established.

## LM FIRST MORTGAGE INCOME FUND

### Notes to the Financial Statements for the year ended 30 June 2012

#### 2. 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.

##### 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) Finance costs

Interest on borrowings is recognised in the statement of comprehensive income in the period to which it relates. Issue costs associated with borrowings are capitalised and amortised over the term of the borrowing to which they relate using the effective interest method.

##### k) Financial Instruments

Financial instruments in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets and 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) Fair value of financial assets and liabilities through profit and loss

Financial assets held for trading included forward exchange contracts. These assets are acquired principally for the purpose of mitigating the risk of movements in the value of non-Australian Dollar investor funds and facilitating forecasting of future cash flows. During the period, all derivatives are classified as held for trading. Derivative financial instruments entered into by the Scheme do not meet the hedge accounting criteria as defined by AASB139. Consequently, hedge accounting is not applied by the Scheme in the 2012 financial year.

## LM FIRST MORTGAGE INCOME FUND

### Notes to the Financial Statements for the year ended 30 June 2012

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### k) Financial Instruments (Continued)

###### *ii) 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 the loans and receivables are derecognised or impaired, as well as through the amortisation process.

###### *ii) Loans and receivables (Continued)*

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 has been recognised in relation to a 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.

The amount provided for impairment of loans is determined by management of the Scheme and approved by the Board of Directors. 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.

Where possible, the Scheme seeks to restructure loans to have loans fully performing, however the fund will take enforce its rights to security where necessary. The renegotiation may involve extending payment terms and arrangement of new loan conditions. Once the terms have been renegotiated any impairment is measured the same way as performing loans. The renegotiated loans continue to be assessed individually and collectively for impairment.

"Restructured loans" arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms and new terms are not comparable to the original terms. These loans are removed from 'restructure loans' after a period of 12 months of performance against loan revised terms and conditions. Loans with revised terms are included in 'loans in arrears' when impairment provisions are required.

When the Responsible Entity determines interest is not recoverable on certain impaired loans, the interest is suspended and not brought into income. Should the Responsible Entity's analysis of the collectability subsequently change the interest will be brought into income at the time it is determined to be collectible.

## **LM FIRST MORTGAGE INCOME FUND**

### **Notes to the Financial Statements for the year ended 30 June 2012**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **l) Advisor Commissions**

Advisor commissions may be paid to the unitholders' investment advisors and are calculated as a percentage of funds invested in the Scheme. These commissions are paid monthly in arrears and are brought to account on an accrual basis. The Scheme ceases to pay advisor commissions when the related units are redeemed.

##### **m) Payables**

Payables are carried at amortised cost and represent liabilities for goods and services provided to the Scheme prior to the end of the financial 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 recognised separately on the statement of financial position as unitholders are presently entitled to the distributable income as at 30 June 2012 under the Scheme's Constitution.

##### **n) 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.

##### **o) Distributions**

In accordance with the Scheme's Constitution, the Scheme fully distributes its distributable income to unitholders. Distributions are payable monthly. Such distributions are determined by reference to the net taxable income of the Scheme. Distributable income includes capital gains arising from the disposal of investments. Unrealised gains and losses on investments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

##### **p) 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 75%.

Hence 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 receivable in the statement of financial position. Cash flows relating to GST are 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.



## **LM FIRST MORTGAGE INCOME FUND**

### **Notes to the Financial Statements for the year ended 30 June 2012**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **q) 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 of 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.

##### **r) 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).

The price of a unit is based upon market values of underlying assets and thus may include a share of unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax. Realised capital losses are not distributed to unitholders but are retained in the Scheme to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

##### **s) 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.

##### **t) Capital management**

The Responsible Entity manages the Scheme's net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders is classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications and redemptions at the discretion of unitholders.

The Responsible Entity monitors the level of daily applications and redemptions relative to the liquid assets in the Scheme.

The Scheme is not subject to any externally imposed capital requirements.

##### **u) Derivative financial instruments**

The Scheme uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Derivatives are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

## **LM FIRST MORTGAGE INCOME FUND**

### **Notes to the Financial Statements for the year ended 30 June 2012**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **u) Derivative financial instruments (Continued)**

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to valuations provided by the financial institutions with which the forward exchange contracts are held.

##### **v) Foreign currency translations**

The Scheme's transactions in foreign currencies comprise applications and withdrawals of foreign currency unitholder funds and payment of distributions. Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liability denominated in foreign currencies are retranslated at the rate of exchange prevailing at the balance sheet date, and exchange rate gains and losses recognised in the Statement of Comprehensive Income.

##### **w) 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 traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by 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.

Refer to Note 15 to the financial statements for the methods and assumptions applied in determining fair value for each class of financial instrument.

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2012

### 3. INCOME AND DISTRIBUTIONS TO UNITHOLDERS

#### a) Distributions to unitholders

	2012	2011
	\$	\$
Distributions paid/reinvested	12,218,354	7,860,960
Distributions payable	4,806,035	6,434,965
	<u>17,024,389</u>	<u>14,295,925</u>

#### b) Distributions paid and payable

Class A	-	5,304,007
Class B	16,904,211	8,836,041
Class C	120,178	155,877
	<u>17,024,389</u>	<u>14,295,925</u>

As at 30 June 2012, \$5,572,054 (2011: \$6,289,306) of distributions payable related to distributions that were requested to be paid under the Scheme's Constitution prior to 30 June 2012. Distributions have been suspended from 1 January 2011. Subsequent to balance date, \$1,039,826 of distributions have been paid relating to February and March 2011.

As noted in Note 6, the Scheme has three classes of unitholders. Distributions of \$16,904,211 were declared to Class B Unitholders. These distributions were declared to enable the feeder funds to recognise distribution income to match expenses incurred. All feeder funds have reinvested back into the Scheme during the period. Compliance with the Trust Deed and Corporations Act in relation to these distributions is a matter of legal interpretation and the Responsible Entity believes it has an arguable position to support the declaration of these distributions as being fair and reasonable to all classes of unitholders.

### 4. EXPENSES

	2012	2011
	\$	\$
<b>a) Finance costs</b>		
Interest on bank loans	8,143,798	13,519,294
Facility fees	450,000	553,495
	<u>8,593,798</u>	<u>14,072,789</u>
<b>b) Other expenses</b>		
Auditor's remuneration	559,905	415,880
Other expenses	197,109	65,650
	<u>757,014</u>	<u>481,530</u>

### 5. AUDITOR'S REMUNERATION

	2012	2011
	\$	\$
Audit and review of the financial reports	534,258	388,480
Other regulatory audit services	25,647	27,400
	<u>559,905</u>	<u>415,880</u>

These expenses have been included within 'Other Expenses' in the Statement of Comprehensive Income.

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2012

### 6. CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

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

	2012 \$	2011 \$
<b>Net assets attributable to unitholders</b>		
<b>Class A</b>		
Opening balance	254,832,731	253,713,032
Units issued during the year	-	11,549
Units redeemed during the year	(2,072,000)	(547,888)
Units issued upon reinvestment of distributions	-	1,656,038
<b>Closing Balance</b>	<u>252,760,731</u>	<u>254,832,731</u>
<b>Class B</b>		
Opening balance	210,391,005	223,613,698
Units issued during the year	3,004,385	70,000
Units redeemed during the year	(4,497,306)	(23,610,149)
Units issued upon reinvestment of distributions	15,964,355	10,317,456
<b>Closing Balance</b>	<u>224,862,439</u>	<u>210,391,005</u>
<b>Class C</b>		
Opening balance	9,635,388	10,641,784
Units issued during the year	-	-
Units redeemed during the year	(47,739)	(26,895)
Units issued upon reinvestment of distributions	-	125,211
Foreign exchange (gain)/loss on investor funds	87,878	(1,104,712)
<b>Closing Balance</b>	<u>9,675,527</u>	<u>9,635,388</u>
Cumulative movement in changes net assets attributable to unitholders	<u>(198,318,069)</u>	<u>(92,671,801)</u>
<b>Total assets attributable to unitholders</b>	<u>288,980,628</u>	<u>382,187,323</u>

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:

- Flexi Account investment option;
- Fixed Term Investment option; and
- LM Savings Plan investment option.

Class B consists of related Scheme unitholders. The distribution rate will be determined by the Funds Committee which is appointed by the Responsible Entity. The Responsible Entity has the discretion to waive the whole or part of the 1% trailing commission and the whole or part of its management fee for this class of unit holders.

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2012

### 6. CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (Continued)

Class C consist of unitholders who have invested in foreign currencies and are entitled to receive the declared distribution rate. The class C product is Non-Australian Dollar Currency Hedged Fixed Term Investment Option. This consists of various terms and currency products.

Subject to the comments relating to the status of the Scheme in Note 2, all unitholders are entitled to receive distributions as declared from time to time and are entitled to one vote per unit at unitholders' meetings. In the event of winding up of the Scheme, all unitholders rank after creditors and are equally entitled to the proceeds of liquidation.

### 7. LOANS AND RECEIVABLES

	2012	2011
	\$	\$
Secured mortgage loans	467,528,292	490,865,724
Secured mortgage loans – 2 <sup>nd</sup> priority	13,310,672	11,365,047
Other unsecured loans – related party	-	-
Provision for impairment	(146,265,463)	(76,425,453)
Net loans and advances	<u>334,573,501</u>	<u>425,805,318</u>

As part of a structured exit strategy for a loan the Manager may subordinate the priority of a first mortgage. As at 30 June 2012 there is one loan which has been subordinated as an exit and recovery strategy. The total amount of the loan is \$13,310,672 and the combined first and second loans constitute 63% of the value of the property held as security

#### a) Aggregate amounts receivable from related parties

	2012	2011
	\$	\$
Directors and director-related entities – secured <sup>1</sup>	8,209,841	7,849,604
Related managed investment schemes – secured	1,708,151	2,243,485
Related managed investment schemes – unsecured	-	-
	<u>9,917,992</u>	<u>10,093,089</u>

No impairment provision has been raised in relation to amounts receivable to related parties.

#### b) Maturity analysis – Secured Mortgage Loans

	2012	2011
	\$	\$
Less than 3 months	264,566,390	282,809,146
3-6 months	-	-
6-12 months	-	7,849,604
12-18 months	-	11,365,047
18-24 months	-	-
24-36 months	-	-
	<u>264,566,390</u>	<u>302,023,797</u>

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2012

### 7. LOANS AND RECEIVABLES (Continued)

#### b) Maturity analysis – Secured Mortgage Loans (Continued)

The above maturity analysis is the contractual maturity of secured non-construction loans. Secured construction loans will be realised through cash flows which in years one and two will be reinvested to meet construction costs, and which are expected to realise a net cash inflow in three to five years (see Note 7(c)).

#### c) Loans secured by construction assets

The Scheme's loans and receivables include loans of \$216.3 million (30 June 2011: \$200.2 million) secured on assets under construction where the loan will be repaid through the cash flows of the project. The Scheme is required to access external funding to complete these projects and the Responsible Entity is negotiating with current and alternate financiers to secure the financing to complete these projects (refer Note 2a).

The Scheme has assessed impairment on these assets based on an "on complete basis", being the difference between a financial asset's carrying amount and the present value of the expected future cash flows of the project, discounted at the financial asset's original effective interest rate. There is significant uncertainty as to the Scheme's ability to access external funding to complete these projects. This uncertainty may impact the ability of the Scheme to realise these loans and receivables at the amounts stated in the accounts.

#### d) Concentration of risk

There are four (2011: four) counterparties with which the Scheme's credit exposure exceeds 10% of the net assets attributable to unitholders as at 30 June 2012. The total value of loans, before taking into account collateral or other credit enhancements, is \$188,144,853 (2011: \$190,025,272).

For concentration of risks relating to mortgage type and geographical location refer to Note 14.

#### e) Provisions for impairment

The impairment loss expense relating to loans and receivables comprises:

	2012	2011
	\$	\$
<i>Specific provision</i>		
Opening balance	76,425,453	4,800,000
Impairment losses provided for during the year	99,144,122	84,360,301
Impairment losses realised during the year	(29,304,112)	(12,734,848)
Closing balance	<u>146,265,463</u>	<u>76,425,453</u>
<b>Total Provision for impairment</b>	<u><b>146,265,463</b></u>	<u><b>76,425,453</b></u>

*Changes to operating profit/(loss) before tax for impairment losses on loans and receivables comprises:*

Specific provision	69,840,010	71,625,453
Impairment losses recognised directly in Statement of Comprehensive Income	<u>29,304,112</u>	<u>13,248,250</u>
	<u><b>99,144,122</b></u>	<u><b>84,873,703</b></u>

## LM FIRST MORTGAGE INCOME FUND

### Notes to the Financial Statements for the year ended 30 June 2012

#### 7. LOANS AND RECEIVABLES (Continued)

##### e) Provisions for impairment (Continued)

The Scheme determines when loans are impaired on an individual basis and therefore no collective provision is made.

	2012	2011
	\$	\$
<i><b>Movement in Default loans</b></i>		
Gross default loans opening balance	481,037,628	332,894,902
New and increased default loans	67,271,669	170,613,998
Balances written off	(29,304,112)	(13,248,250)
Returned to performing or repaid	(61,394,886)	(60,827,696)
	<hr/>	<hr/>
Gross default loans closing balance	457,610,299	429,432,954
Specific provision	(146,256,463)	(76,425,453)
	<hr/>	<hr/>
<b>Net default loans</b>	<u>311,344,836</u>	<u>353,007,501</u>

At 30 June 2012, the balance of loans that were past due but not impaired was \$41,699,026 (2011: \$157,695,871). As per the Scheme's policy, loans are past due once they exceed 90 days overdue.

At 30 June 2012, \$415,911,274 of loans were individually impaired, with a total impairment loss of \$146,265,463.

Interest on arrears loans is suspended and not brought to account when the Responsible Entity considered that the amounts are not ultimately recoverable from the sale proceeds of the property. The amount of suspended interest at 30 June 2012 totalled \$119,557,492 (2011: \$87,077,591).

8. PAYABLES	2012	2011
	\$	\$
Loan Management Fee payable	2,073,206	-
Accounts payables	5,907,618	3,702,723
	<hr/>	<hr/>
	<u>7,980,824</u>	<u>3,702,723</u>

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2012

### 9. INTEREST BEARING LOANS AND BORROWINGS

	2012 \$	2011 \$
Secured bank loan	39,610,078	62,399,788

On 1 July 2010, the Directors of the Responsible Entity of the Scheme, LM Investment Management Limited, entered into a new facility with an external financier. The facility agreement provided a \$90 million facility for two years with an option to extend for an additional year with interest at 15% per annum increasing to 18% if the loan term was extended. On the 29 February 2012, the responsible Entity exercised this option and extended the facility to 30 June 2013.

In the event that repayments are not made in accordance with the repayment plan mentioned below, the interest rate payable is increased by 3% for the first six months and 5% thereafter.

The Scheme is also required to hold a minimum cash balance of \$6 million, in the event that the minimum cash balance falls below this threshold the Scheme has 90 days to rectify the cash position.

The facility agreement requires the Scheme to make minimum repayments over the term of the facility. These minimum repayments must be made in priority to any redemptions, except for hardship provisions and feeder fund payments for investor distributions and fund expenses. The Scheme has met all the required repayments.

In addition, where the Scheme realises assets or receives cash in settlement of secured loans it must repay to the external financier an agreed amount that varies based on each secured loan.

Where the Scheme has made repayments in excess of the minimum repayments required, the facility allows the Scheme to redraw funds to complete agreed development projects or establish new loans subject to prior approval from the external financier.

The facility is secured by a fixed and floating charge over the assets of the Scheme, providing Deutsche Bank, as secured lender, with first priority over the assets of the Scheme.

The Scheme's financing facilities contain various financial covenants. The Scheme has complied with all loan covenants in the facility agreement during the period and remains in compliance the current balance of the facility at the date of this report is \$29,409,490. The facility is required to be fully repaid by the 30 June 2013, see Note 2a.



## LM FIRST MORTGAGE INCOME FUND

### Notes to the Financial Statements for the year ended 30 June 2012

#### 10. RELATED PARTIES

##### *Responsible Entity*

The Responsible Entity of LM First Mortgage Income Fund is LM Investment Management Limited (ABN 68 077 208 461). Administration and funds management services are provided to the Scheme on behalf of the Responsible Entity by LM Administration Pty Limited, an associate of the Responsible Entity. LM Administration Pty Limited is paid a management fee directly from the Scheme.

##### *Custodian*

The Custodian of the Scheme is The Trust Company (PTAL) Limited.

##### *Directors*

The names of each person holding the position of director of LM Investment Management Limited during the financial year are disclosed in Note 13.

##### *Directors' remuneration*

No amounts are paid by the Scheme directly to the directors of the Responsible Entity. The amount of remuneration paid by the Responsible Entity and its related parties to directors of the Responsible Entity in connection with their responsibilities for the Scheme is separately identified in Note 13.

##### *Directors' holdings of units*

The interests of LM Investment Management Limited and its associates in the Scheme at year-end are set out below.

	2012	2011
	\$	\$
- LM Investment Management Limited	-	-
- Directors and director related entities	-	-
- Other Associates of LM Investment Management Limited	166,333,219	167,378,018

##### *Investing activities*

The Scheme may purchase and sell units in other approved schemes or investment entities operated by LM Investment Management Limited or its associates in the ordinary course of business at application and redemption prices calculated in accordance with the constitutions of those schemes. At 30 June 2012 the Scheme had no investments in other schemes operated by LM Investment Management Limited or its affiliates (2011: nil).

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2012

### 10. RELATED PARTIES (Continued)

#### *Other transactions with the Scheme*

From time to time the directors of LM Investment Management Limited, or their director-related entities, may invest or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors. Apart from the details disclosed in this note, no director has entered into a material contract with the Scheme since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year-end. All transactions were approved on an arm's length basis and on normal terms and conditions.

Administration and funds management services are provided to the Scheme on behalf of the Responsible Entity by LM Administration Pty Limited, an associate of the Responsible Entity. LM Administration Pty Limited is paid a management fee for these services directly from Scheme assets.

During the year, management fees of \$9,103,864 (2011: \$10,997,188) was paid or payable by the Scheme. Of these fees, \$9,103,864 (2011: \$10,997,188 ) were paid or payable to LM Administration Pty Limited.

During the year, loan origination fees received from borrowers within the Scheme were \$112,000 (2011: nil). These fees are charged when new borrowings are undertaken or existing borrowings are rolled over to non-default conditions.

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2012

### 10. RELATED PARTIES (Continued)

#### *Other transactions with the Scheme (Continued)*

The LM Managed Performance Fund (LM MPF) has second mortgages on loans that are first mortgages of the Scheme totalling \$60,281,381 (2011: \$46,158,276). LM MPF may on occasion pay development and construction costs on those related loans. As part of its role as second mortgagee, LM MPF will fund interest payments from time to time within approved loan facility limits. During the 30 June 2012 year, interest payments totalling \$635,999 (2011: \$915,954) were paid by LM MPF on behalf of borrowers.

	2012	2011
	\$	\$
<b><i>Responsible Entity remuneration received or due and receivable</i></b>		
• Management fees for the year paid or payable directly from LM Administration Pty Limited	9,103,864	10,997,188
• Expenses including administration expenses incurred by the Responsible Entity and its associated entities, which are reimbursed in accordance with the provisions of the Constitution	28,983	791,164
• Expenses including administration expenses incurred by the Responsible Entity and its associated entities, which are not reimbursed	38,524	-
• Loan management fees paid to the Responsible Entity for loan management and controllership services provided by the Responsible Entity on behalf of the Scheme in replacement of appointing external receivers. These fees are charged directly to the borrowers to facilitate possible future recovery.	4,817,414	5,381,516
<b><i>Custodian's remuneration</i></b>		
• Custodian's fees paid by the Scheme	77,904	112,324
<b><i>Balance with related parties</i></b>		
Aggregate amounts receivable from related parties by the Scheme were as follows:		
• LM Administration Pty Limited (management fees prepaid by the Scheme)(i)	-	8,200,000
• Australian International Investments Pty Limited (ii)	8,209,841	7,849,604
• LM Managed Performance Fund (iii)	1,708,151	-
Aggregate amounts payable to related parties from the Scheme were as follows:		
• LM Administration Pty Limited (management fees payable by the Scheme) (i)	2,470,000	-
• John O'Sullivan (iv)	109,157	162,609

## LM FIRST MORTGAGE INCOME FUND

### Notes to the Financial Statements for the year ended 30 June 2012

#### 10. RELATED PARTIES (Continued)

##### *Other transactions with the Scheme (Continued)*

- i). These amounts are included in management fee payables of \$2,470,000 at 30 June 2012 (2011: prepayment of \$8,200,000). The average monthly balance of prepayments during the year was \$153,808 (2011: \$8,200,000) which was non-interest bearing. Interest foregone on the above amount if calculated at the weighted average cash rate of 4.15% (2011: 4.02%) would have been \$6,383 (2011: \$329,640). If this revenue had been collected, the sum foregone would have been paid to LM Administration Pty Limited as management fees or reduction in change in net assets attributable to unitholders during the year. As at 30 June 2012, there was payable of \$2,470,000 to LM Administration Pty Limited for management fees.
- ii). Peter Charles Drake is a director and guarantor of Australian International Investment Services Pty Limited which is a joint borrower in a secured loan facility outstanding to the Scheme as at 30 June 2012 for \$8,209,841 (2011: \$7,849,604). This transaction was approved on an arm's length basis and is on normal terms and conditions. Peter Charles Drake has no ability to derive financial benefit from this mortgage loan.
- iii). The Scheme has a loan with LM MPF that is interest bearing at 11%. This loan is a performing asset and is well secured.
- iv). John O'Sullivan is the beneficial owner of O'Sullivan Capital Management Limited, which has been engaged by LM Investment Management Limited to provide marketing services in New Zealand. For the year ended 30 June 2012, \$88,703 (2011: \$95,645) in adviser marketing commission has been earned, with \$109,157 (2011: \$162,609) payable. This engagement is on normal commercial terms and at arm's length and remains in place after John O'Sullivan's resignation as director.

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2012

### 10. RELATED PARTIES (Continued)

#### *Unitholder investing activities*

Details of holdings in the Scheme by LM Investment Management Limited, its affiliates including directors and director related persons or other schemes managed by LM Investment Management Limited are set out below:

Entity	Investment at year end \$	Interest held in the scheme at year end %	Units issued during the year #	Units redeemed during the year #	Distributions paid and payable \$
<b>30 June 2012</b>					
LM Currency Protected Australian Income Fund	87,470,115	24.75%	13,241,691	2,176,302	10,748,362
LM Institutional Currency Protected Australian Income Fund	6,698,013	1.90%	1,271,368	481,008	1,039,548
LM Wholesale First Mortgage Income Fund	72,164,922	20.42%	6,268,761	3,264,195	5,116,301
Dhani Darcy	169	0.00%	-	-	-
<b>Total</b>	<b>166,333,219</b>	<b>47.07%</b>	<b>20,781,820</b>	<b>5,921,505</b>	<b>16,904,211</b>

Entity	Investment at year end \$	Interest held in the scheme at year end %	Units issued during the year #	Units redeemed during the year #	Distributions paid and payable \$
<b>30 June 2011</b>					
LM Currency Protected Australian Income Fund	84,319,198	22.21%	7,264,994	19,905,996	5,945,879
LM Institutional Currency Protected Australian Income Fund	6,377,442	1.68%	520,651	2,328,849	430,529
LM Wholesale First Mortgage Income Fund	76,681,193	20.20%	2,953,480	3,578,488	2,459,271
Dhani Darcy	185	0.00%	5	-	-
<b>Total</b>	<b>167,378,018</b>	<b>44.09%</b>	<b>10,739,130</b>	<b>25,813,333</b>	<b>8,835,679</b>

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2012

### 11. RECEIVABLES

	2012	2011
	\$	\$
Mortgage interest receivable	972,381	929,706
Penalty interest receivable	181,131	132,446
GST receivable	120,451	674,721
Other	5,865	16,576
	<u>1,279,828</u>	<u>1,753,449</u>

During the year, the penalty interest receivable was capitalised onto the secured mortgage loan balance. Refer Note 7 Loans and Receivables.

### 12. CASH AND CASH EQUIVALENTS

#### a) Reconciliation of cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise:

	2012	2011
	\$	\$
- Cash at bank and in hand	<u>8,123,428</u>	<u>18,475,447</u>

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

The fair value of cash and cash equivalents is \$8,123,428 (2011: \$18,475,447).

As at 30 June 2012, \$317,967 (2011: \$351,071) of cash at bank was held in foreign exchange margin accounts and was not available for use by the Scheme.

The Scheme's borrowing agreement requires the Scheme to hold a minimum cash balance of \$6 million across two bank accounts, one of which is a restricted account. The Scheme's financier is required to authorise cash outflows from the restricted account (into which loan settlement proceeds are received) and in the event that the minimum cash balance is breached, the financier is required to authorise all cash outflows, including those from the unrestricted account which receives interest from borrowers.

As at 30 June 2012 the Scheme held \$3,687,652 across these two bank accounts and therefore was below the minimum cash balance required under the facility. Since the year-end and within the 90 day allowable period for rectification the minimum cash balance has been met.

# LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2012

## 12. CASH AND CASH EQUIVALENTS (Continued)

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

	2012	2011
	\$	\$
Change in net assets attributable to unitholders	(105,340,982)	(90,886,748)
<i>Adjustments for:</i>		
Non-cash impairment expense	98,845,139	83,974,954
Non-cash interest income	(31,526,951)	(31,158,288)
Non-cash Management fees	(4,228,333)	-
Distributions to unitholders	16,533,426	14,295,925
(Gains)/loss on foreign exchange contracts	(145,432)	(1,134,069)
(Gains)/loss on investor funds	(167,394)	1,338,500
(Increase)/decrease in interest receivable	(97,225)	398,057
(Increase)/decrease in other receivables	11,731,431	10,065,637
Increase/(decrease) in payables	717,585	2,353,983
Net cash flows from/(used in) operating activities	<u>(13,678,736)</u>	<u>(10,752,049)</u>

### c) Reinvestment of distributions

During the financial year, the Scheme issued \$16,904,211 (2011: \$12,098,705) as a result of reinvestment of distributions by unitholders. These transactions have not been included in the Statement of Cash Flows.

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2012

### 13. KEY MANAGEMENT PERSONNEL DISCLOSURES

#### (a) Details of Key Management Personnel

##### (i) Key Management Personnel

The Key Management Personnel ("KMP") of the Scheme were deemed to be the Directors of the Responsible Entity. The Directors of the Responsible Entity during the year were:

##### *Executive directors*

Mr Peter Charles Drake	Appointed 31 January 1997
Ms Lisa Maree Darcy	Appointed 15 September 2003 – Resigned 21 June 2012
Mr Eghard van der Hoven	Appointed 22 June 2006
Ms Francene Maree Mulder	Appointed 30 September 2006
Mr Simon Tickner	Appointed 18 September 2008 – Resigned 13 July 2012
Mr Grant Fischer	Appointed 14 March 2012 – Resigned 12 August 2012

##### *Non-executive directors*

Mr John O'Sullivan	Appointed 27 November 2007 – Resigned 19 September 2012
--------------------	---

#### (b) Compensation of Key Management Personnel

##### (i) Compensation Policies and Principles

Remuneration of KMP is paid by LM Administration Pty Limited, appointed by LM Investment Management Limited as per its service agreement with that entity. The KMP do not receive any remuneration directly from the Scheme and there are no agreements in place between the KMP and the Scheme. The remuneration of KMP as disclosed below has been allocated based on the each KMP's cost of remuneration applicable to the Scheme. The principles used to allocate these costs (for disclosure purposes only) are discussed below.

##### (ii) Executive Directors

The Executive Directors of the Board of the Directors of LM Investment Management Limited are responsible for determining and reviewing compensation arrangements for the KMP of the Responsible Entity. The Executive directors assess the appropriateness of the nature and amount of emoluments of the KMP on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Responsible Entity.

It is the Executive Directors' policy that employment agreements shall only be entered into with the Executive Directors of the Responsible Entity, but with no other parties.

##### (iii) Non-executive directors

Fees paid to non-executive directors are based on decisions made by the Executive Directors. This takes into account workload requirements and responsibilities of each Director. Fees for duties as Directors are not paid to executive Directors as their remuneration is provided as part of their normal terms and conditions.



## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2012

### 13. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

#### (iv) *Principles of KMP Remuneration Allocations*

For all schemes managed by the Responsible Entity, the cost of total KMP remuneration has been allocated to each scheme. The Responsible Entity has estimated the amount of time spent by each KMP performing responsibilities and duties to individual schemes, and on a percentage basis, has allocated the remuneration cost to each scheme. Where a KMP has not spent time specifically on a scheme, but rather has acted in a role as KMP of the Responsible Entity only, remuneration cost has been allocated evenly across all schemes.

**LM FIRST MORTGAGE INCOME FUND**  
Notes to the Financial Statements for the year ended 30 June 2012

**13. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)**

(i) *Remuneration of KMP allocated to this fund*

<b>2012</b> <b>Specified KMP</b>	<b>Primary</b>		<b>Post Employment</b>		<b>Equity</b>	<b>Other</b>	<b>TOTAL</b>	<b>Total performance related %</b>
	<b>Salary &amp; Fees</b>	<b>Cash Bonus</b>	<b>Monetary Benefits</b>	<b>Super Retirement Benefits</b>				
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	
Drake, PC*	-	-	-	-	-	-	-	-
Darcy, LM**	40,678	59,197	926	3,612	-	-	104,413	-
Van der Hoven, E**	30,506	29,598	-	2,716	-	-	62,820	-
Mulder, F**	26,098	29,598	-	2,322	-	-	58,018	-
Tickner, S**	28,492	29,598	-	2,580	-	-	60,670	-
O'Sullivan, J	38,923	-	-	-	-	-	38,923	-
Fischer, G**	23,023	29,598	-	2,064	-	-	54,685	-
	<b>187,720</b>	<b>177,589</b>	<b>926</b>	<b>13,294</b>	<b>-</b>	<b>-</b>	<b>379,529</b>	<b>-</b>

<b>2011</b> <b>Specified KMP</b>	<b>Primary</b>		<b>Post Employment</b>		<b>Equity</b>	<b>Other</b>	<b>TOTAL</b>	<b>Total performance related %</b>
	<b>Salary &amp; Fees</b>	<b>Cash Bonus</b>	<b>Monetary Benefits</b>	<b>Super Retirement Benefits</b>				
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	
Drake, PC*	-	-	-	-	-	-	-	-
Darcy, LM**	54,525	42,500	-	4,817	-	-	101,842	-
Van der Hoven, E**	40,678	21,635	-	3,621	-	-	65,934	-
Mulder, F**	35,052	21,635	-	3,096	-	-	59,783	-
Tickner, S	38,564	21,635	-	3,440	-	-	63,639	-
O'Sullivan, J	43,543	-	-	-	-	-	43,543	-
	<b>212,362</b>	<b>107,405</b>	<b>-</b>	<b>14,974</b>	<b>-</b>	<b>-</b>	<b>334,741</b>	<b>-</b>

\* Peter Charles Drake is the beneficial owner of 100% of the ordinary shares of the Responsible Entity. No salary and wages are paid to Peter Drake directly from the company or any of the schemes.

\*\* As executives of the Responsible Entity, LM Darcy, E van der Hoven, F Mulder, S Tickner and G Fischer are entitled to a termination benefit that is payable on cessation of employment or a significant change in ownership of the company. No amount has been reflected in the above disclosures in relation to this potential future benefit.

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2012

### 13. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

#### Compensation by category: Key Management Personnel

	2012	2011
	\$	\$
Short term	366,235	319,767
Post employment	13,294	14,974
Other long term	-	-
Termination benefits	-	-
Equity based payment	-	-
Other	-	-
	<u>379,529</u>	<u>334,741</u>

#### Loans to Specified KMP

The Scheme has not made, guaranteed or secured, directly or indirectly any loans to the KMP or their related entities during the period.

#### (c) Other Transactions and Balances with Specified KMP

Other than those items disclosed in the related party Note 10, the Scheme has no other transactions and balances with specified KMP.

### 15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### a) Financial Risk Management Objectives, Policies, and Processes

Risks arising from holding financial instruments are inherent in the Scheme's activities, and are managed through a process of ongoing identification, measurement, and monitoring. The Scheme is exposed to credit risk, liquidity risk, and market risk.

Financial instruments of the Scheme comprise investments in financial assets for the purpose of generating a return on the investment made by unitholders, in addition to derivatives, cash and cash equivalents, net assets attributable to unitholders, and other financial instruments such as trade debtors and creditors, which arise directly from its operations.

The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Scheme from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Responsible Entity. These mandate limits reflect the investment strategy and market environment of the Scheme, as well as the level of risk that the Scheme is willing to accept.

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2012

### 14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### a) Financial Risk Management Objectives, Policies, and Processes (Continued)

This information is prepared and reported to relevant parties within the Responsible Entity on a regular basis as deemed appropriate, including the fund manager, compliance manager, other key management, Risk and Investment Committees, and ultimately the Board of Directors of the Responsible Entity.

As part of its risk management strategy, the Scheme uses foreign exchange contracts to manage exposures resulting from changes in foreign currencies.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, and other conditions.

In order to avoid excessive concentrations of risk, the Scheme monitors its exposure to ensure concentrations of risk remain within acceptable levels and either reduces the exposure or uses derivative instruments and collateral to manage the excessive concentrations when they arise.

#### b) Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Scheme to incur a financial loss.

With respect to credit risk arising from the financial assets of the Scheme, other than derivatives, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

The Scheme minimises credit risk by:

- undertaking credit assessment procedures on prospective borrowers;
- dealing with Australian regulated banks for cash balances; and
- obtaining independent valuations for all loans.

As at year end, mortgage loans were secured as follows:

- a) A combination of completed development projects, industrial 4.46% (2011: 8.05%) and residential 38.57% (2011: 33.12%);
- b) Land 6.00% (2011: 3.62%);
- c) Commercial property 16.65% (2011: 19.15%); and
- d) Construction and development projects in the residential and retirement sectors 34.32% (2011: 36.05).

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2012

### 14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### b) Credit Risk (Continued)

##### *Risk concentrations of credit risk*

Concentrations of credit risk are managed by counterparty and by geographical region. The percentage of loans secured by property in different geographical locations is as follows:

	2012	2011
Within 40km of Sydney CBD	1.29%	1.85%
New South Wales – Other	14.95%	17.42%
Within 40km of Melbourne CBD	7.57%	4.34%
Victoria – Other	-	-
Queensland – Other	66.16%	65.83%
Canberra – Other	2.16%	1.56%
Western Australia	6.65%	8.18%
Tasmania	1.22%	0.82%
	100.00%	100.00%

Counterparty concentration has been disclosed at Note 7(d).

The maximum credit risk exposure at year end in relation to mortgage loan is the carrying value of the assets as indicated in the Statement of Financial Position.

The Scheme has a concentration of credit risk relating to the derivative instruments as all foreign currency swaps are entered into with the same counterparties.

##### *Credit quality of mortgage loans*

The credit quality of financial assets was managed by the Scheme using internal risk rating categories in accordance with the investment mandate of the Scheme. The Scheme currently monitors credit quality through active management of the underlying security to maximise recovery.

As at 30 June 2012, the Scheme enforced its rights to security relating to loans in default of \$403.6 million (2011: \$405.2 million) and had taken possession of assets offered as collateral security valued at \$306.2 million (2011: \$415.2 million).

#### b) Liquidity risk

Liquidity risk is the risk that the Scheme may not be able to meet its obligations in relation to investment activities or funding unitholder redemptions.

The nature of the investments entered into by the Scheme commands that liquidity be managed cautiously and aligned to the redemptions policy outlined within the constitution of the Scheme. At 30 June 2012, the redemptions requested from unitholders but not paid was \$133,308,960 (2011: \$144,181,702). An additional \$120,270,451 (2011: \$147,917,267) of redemptions had been requested by unitholders of the feeder funds – refer to Note 6.

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2012

### 14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### c) Liquidity risk (Continued)

During the 2009 year, the Responsible Entity closed the Scheme to new investors and suspended withdrawals, with the exception of those approved under hardship provisions and feeder fund payments for distributions and expenses. Feeder funds are other registered managed investment schemes that have invested directly in the LM First Mortgage Income Fund. Redemptions are generally to be paid within 365 days of the investment maturity term, however, redemptions have been suspended, per the constitution, as the Responsible Entity considers the suspension of withdrawals to be in the best interest of the members of the Scheme.

As at 25 October 2012, \$133,510,949 of redemptions had been requested by unitholders but not yet paid. Redemptions also rank behind repayment of external financing facilities as detailed in Note 2(a).

#### *Maturity Analysis of Financial Liabilities*

Financial liabilities of the Scheme comprise trade and other payables, distributions payable, net assets attributable to unitholders, fair value of foreign exchange contracts and the secured bank loan. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days. Foreign exchange contracts mature within 12 months of year end.

Net assets attributable to unitholders mature over the following periods:

Period from 30 June 2012	Value
Due and payable*	266,495,793
< 12 months	94,506,469
12-24 months	8,255,443
24-36 months	714,757
36-48 months	321,641
>48 months	-
<b>Total</b>	<b>370,294,103</b>

\* This balance represents redemptions requested but not paid at 30 June 2012 of \$253,579,411 (2011: \$292,791,534).

The secured bank loan is repayable by 30 June 2013, as detailed in Note 2(a) and 10. When drawn, the loan is secured by the assets of the Scheme.

## **LM FIRST MORTGAGE INCOME FUND**

**Notes to the Financial Statements for the year ended 30 June 2012**

### **14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

#### **d) Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

#### ***Interest rate risk***

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Scheme has established limits on investments in interest bearing assets, which are monitored on a daily basis.

The Scheme's exposure to interest rate risk and the effect weighted average interest rate for classes of financial assets and financial liabilities is set out below:

# LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2012

## 14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### d) Market risk (Continued)

#### Interest rate risk (Continued)

#### SCHEME

	Note	Weighted average interest rate		Floating Interest Rate		Fixed interest rate		Total	
		average interest rate		Securities contracted to		Securities contracted to			
		2012	2011	2012	2011	mature in less than 1 year	mature in more than 1 year but less than 5 years		
		%	%						
Cash and cash equivalents	13(a)	4.15	4.02	8,123,428	18,475,447	-	-	8,123,428	18,475,447
Secured mortgage loans (gross)	8	6.21	6.61	-	-	480,838,964	490,865,724	11,365,047	502,230,771
Loan facility	10	15.82	16.82	-	-	(39,610,078)	(62,399,788)	-	(62,399,788)
Total				8,123,428	18,475,447	441,228,886	428,465,936	11,365,047	438,306,430

All other financial assets and liabilities are non-interest bearing.



## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2012

### 14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### d) Market risk (Continued)

##### *Interest rate risk (Continued)*

The following table demonstrates the sensitivity of the Scheme's Statement of Comprehensive Income to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity of the Statement of Comprehensive Income is the effect of the assumed changes in interest rates on the interest income for one year, based on the financial instruments held at 30 June 2012.

##### *Accounting assumptions*

The basis points sensitivity is based on the historical volatility of changes in interest rates.

2012

	Change in basis points		Sensitivity of interest income (\$'000's)	
	<i>Increase</i>	<i>Decrease</i>	<i>Increase</i>	<i>Decrease</i>
Financial Instruments	50	50	2,596	2,596
	100	100	5,192	5,192

2011

	Change in basis points		Sensitivity of interest income (\$'000's)	
	<i>Increase</i>	<i>Decrease</i>	<i>Increase</i>	<i>Decrease</i>
Financial instruments	50	50	2,700	2,700
	100	100	5,401	5,401

##### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Scheme enters into foreign exchange contracts principally to hedge the foreign exchange risk implicit in the value of the investor funds denominated in foreign currencies and to secure a particular exchange rate for a planned purchase or sale of investments. The term of the contracts rarely exceeds twelve months.

The fair value of forward exchange contracts held at 30 June 2012 was a payable of \$129,192 (2011: receivable of \$33,691).

The nominal Australian dollar value of forward exchange contracts held at 30 June 2012 was \$8,512,056 (2011: \$10,570,860).

The table below indicates the currencies to which the Scheme had significant exposure at 30 June 2012 on its monetary assets and liabilities and forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Australian Dollar on the Statement of Comprehensive Income, with all other variables held constant.

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2012

### 14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### *Foreign currency*

Investments in the fund are hedged in the relevant currency against Australian dollar currency movements. The fund manages foreign currency risk through the use of forward foreign exchange contracts (FFEC).

The FFECs are facilitated by several foreign exchange dealers. This reduces currency exposure to the fund and investors. The below table is only applicable if the FFEC facilitator is unable to meet its obligation and the fund therefore seeks an alternative party to transact the FFEC.

#### *Accounting Assumptions- Variability of foreign currency*

The sensitivity is based on the volatility of changes in global currency.

Currency	FFEC AUD equivalent in exposure by currency (000's)	2012			
		Change in currency rate in %		Effect on net assets attributable to unitholders (000's)	
		Increase	Decrease	Increase	Decrease
CAD	-	10	10	-	-
EUR	976	10	10	88	108
GBP	1,559	10	10	142	173
HKD	656	10	10	66	66
JPY	-	10	10	-	-
NZD	3,849	10	10	366	408
SGD	149	10	10	14	17
THB	224	10	10	20	25
TRY	92	10	10	8	10
USD	1,007	10	10	93	110

Currency	FFEC AUD equivalent in exposure by currency (000's)	2011			
		Change in currency rate in %		Effect on net assets attributable to unitholders (000's)	
		Increase	Decrease	Increase	Decrease
CAD	5	10	10	0	1
EUR	1,376	10	10	125	153
GBP	1,889	10	10	172	210
HKD	903	10	10	90	90
JPY	-	10	10	-	-
NZD	4,652	10	10	443	493
SGD	196	10	10	18	22
THB	29	10	10	3	3
TRY	146	10	10	13	16
USD	1,375	10	10	127	150

#### *Equity Risk*

The Scheme is not subject to equity risk at 30 June 2012.

## LM FIRST MORTGAGE INCOME FUND

Notes to the Financial Statements for the year ended 30 June 2012

### 15. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Scheme's financial assets and liabilities included in the Statement of Financial Position are carried at their fair value as disclosed by class of financial instruments or at amounts that approximate their fair values.

Refer to Note 2 for the methods and assumptions adopted in determining fair values for investments.

Disclosed below is the fair value of the Scheme's financial instruments.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

*Fair value:* The Scheme uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets;

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

	Fair Value				Carrying Amount
2012	Level 1 \$	Level 2 \$	Level 3 \$	Total \$	\$
<b>Financial Assets</b>					
Forward currency contracts	-	-	-	-	-
<b>Total Financial Assets</b>	-	-	-	-	-
<b>Financial Liabilities</b>					
Forward currency contracts	-	129,192	-	129,192	129,192
<b>Total Financial Liabilities</b>	-	129,192	-	129,192	129,192

	Fair Value				Carrying Amount
2011	Level 1 \$	Level 2 \$	Level 3 \$	Total \$	\$
<b>Financial Assets</b>					
Forward currency contracts	-	33,691	-	33,691	33,691
<b>Total Financial Assets</b>	-	33,691	-	33,691	33,691
<b>Financial Liabilities</b>					
Forward currency contracts	-	-	-	-	-
<b>Total Financial Liabilities</b>	-	-	-	-	-

The fair values of currency exchange contracts (forwards and swaps) are calculated by reference to current exchange rates for contracts with similar maturity and risk profiles.

## **LM FIRST MORTGAGE INCOME FUND**

### **Notes to the Financial Statements for the year ended 30 June 2012**

#### **16. COMMITMENTS AND CONTINGENCIES**

There are no material contingent assets and liabilities or commitments as at 30 June 2012.

#### **17. EVENTS AFTER THE STATEMENT OF BALANCE DATE**

No significant events have occurred since balance date which would impact on the financial position of the Scheme disclosed in the balance sheet as at 30 June 2012 or on the results and cash flows of the Scheme for the year ended on that date, other than those detailed below:

##### **(a) Status of distributions payable**

As at 30 June 2012, \$4,799,833 of distributions payable related to distributions that were required to be paid under the Scheme's Constitution prior to 30 June 2012. In addition, \$4,655,395 of distributions payable as at 16 November 2012 that were required to be paid under the Scheme's Constitution remain payable. These distributions relate to the months of July, August and September. Since year end, \$0 in distributions payable has been paid relating distributions accrued in the previous period (see to Note 3).

## LM FIRST MORTGAGE INCOME FUND

### DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of LM Investment Management Limited, I state that:

- a) The financial statements and notes of the Registered Scheme set out on pages 8 to 46 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards and the Corporation Regulations 2001; and
  - (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2012, and of its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date.
  - (iii) the financial statements and notes to the financial statements are prepared in compliance with the International Financial Reporting Standards as made by the International Accounting Standards Board.
- b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable; and
- c) the financial statements are in accordance with the provisions of the Scheme's Constitution.

On behalf of the Board

LM Investment Management Limited.



---

Peter Drake

Director

Gold Coast

16 November 2012

## **Independent auditor's report to the unitholders of LM First Mortgage Income Fund**

### **Report on the Financial Report**

We have audited the accompanying financial report of LM First Mortgage Income Fund ('the Scheme'), which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### ***Directors' Responsibility for the Financial Report***

The directors of the responsible entity of the Scheme are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Independence***

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

### Auditor's Opinion

In our opinion:

1. the financial report of LM First Mortgage Income Fund is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the Scheme at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2(a) in the financial report which indicates that the Scheme has financing facilities that expire on 30 June 2013. As a result there is significant uncertainty whether the Scheme will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Scheme not continue as a going concern.

### Material Uncertainty Regarding Access to External Funding To Finance Projects

Without qualifying our opinion, we draw attention to Note 7 which indicates that the Scheme is currently in negotiations with external financiers to access the funding required to complete projects on which loans and receivables are secured. As a result of these matters there is significant uncertainty whether the Scheme will be able to complete these projects and realise its assets at the amounts stated in the financial report. In addition, the forecast cashflows from these projects are subject to significant risks in relation to timing and amount. This as an area of significant uncertainty and judgement and accordingly, we bring it to your attention.

### Material Uncertainty Regarding Declared Distributions

During the period, the Scheme declared distributions of \$16,904,211 to Class B unitholders (the Feeder Funds), as described in Note 3. These distributions have been fully reinvested back into the Scheme by the Feeder Funds during the period. Compliance with the Trust Deed and *Corporations Act 2001* in relation to these distributions is a matter of legal interpretation and the Responsible Entity believes it has an arguable position to support the declaration of these distributions as being fair and reasonable to all classes of unitholders. This as an area of significant judgement and accordingly, we bring it to your attention.

Ernst & Young

Ernst & Young

Paula McLuskie

Paula McLuskie  
Partner  
Brisbane  
16 November 2012