

**TO THE INVESTOR AS ADDRESSED**

16 October 2014

**LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)  
ARSN 089 343 288 ('the Fund' or 'FMIF')**

I refer to my previous reports and now provide my seventh update to investors in relation to the winding up of the Fund, as follows.

**1. Position of the Secured Creditor and the potential claim by KordaMentha, the trustee of the LM Managed Performance Fund ("MPF")**

As previously advised, despite the secured creditor having been repaid in full, the Receivers and Managers appointed by the secured creditor have advised that they are not in a position to retire until the potential claim by KordaMentha as the new trustee of the MPF is resolved.

Since issuing my last report, the solicitors acting for KordaMentha have responded to my letter of 28 July 2014. They have advised me that:

- i. KordaMentha are still in the process of obtaining all of the MPF's books and records which are being transferred pursuant to an agreement with the Liquidators of LM Investment Management Ltd (In Liquidation) (Receivers and Managers Appointed) ("LMIM) and other parties.
- ii. 38,000 records have been transferred and reviewed. These records do not disclose any actions that affect Deutsche Bank.
- iii. LMIM have objected to releasing a further 227,000 documents; 36,000 because they also contain information confidential to other LM funds and 191,000 documents they identify as "unknown" where they are unsure if they relate to the MPF. KordaMentha are trying to resolve the situation, however, it may be necessary for the Trustees to make a further application to the Court.

KordaMentha's solicitors have further advised that they have instructed Queen's Counsel in respect of two matters that involve potential claims against the assets of FMIF and that they are investigating further potential claims. The amount of the potential claims has not been disclosed to me.

I will continue to liaise with both KordaMentha and the Receivers and Managers in order to facilitate a resolution of this position.

In the meantime, I will also continue to work with the Receivers and Managers to achieve an appropriate outcome, so that investors are not disadvantaged and any duplication of costs are kept to a minimum.

## 2. Realisation of Assets

In my report dated 4 August 2014, I provided a summary of the assets to be realised. In the tables below, I summarise the assets realised since then and those remaining to be realised.

### Assets with partial realisations

Location	Description of asset	
QLD	90 strata titled hotel rooms. Since my last report which included the position as at 30 June 2014, when 14 units remained, with 6 under contract at that time, a further 7 units have settled with 7 remaining.	On the market
WA	The development has been subdivided into three super lots. The first lot was sold in January 2014. A second lot was under contract however the conditions of the contract were not met and therefore it was terminated. The two remaining lots are currently on the market.	On the market
QLD	The development is an eight stage project to provide 116, 3 or 4 bedroom townhouses. Of the 14 completed lots from stage 7, a further 8 have been sold since the date of my last report with 2 remaining to be sold. All 12 lots in the final stage 8 are under contract with settlements to take place in October & November 2014.	On the market/under contract
QLD	Residential land subdivision. 80 lots with operational works approval and additional land (approx. 57ha) with or pending development approval together with one residential property are currently on the market.	On the market
NSW	The development comprises of 83 strata titled office lots with 63 of these units charged to the Fund. Of the 63 units, 59 remained as at 30 November 2013. Since that time, a further three units have been sold. Following an extensive marketing campaign in June/July this year, an offer was received to purchase the remaining units in one line. This is due to settle in late November 2014.	Under contract
NSW	The security is comprised of 4 units within a larger purpose built commercial building. Two adjoining units are occupied by a dance and yoga studio with the other two units unoccupied. A sale of the occupied units was completed in June 2013. Since my last report, an offer has been accepted for one of the remaining units, this is due to settle on 27 October 2014. The remaining vacant unit is currently being marketed.	On the market/under contract
QLD	72 strata titled unit resort complex with management rights. At the time of my appointment, 57 units remained. Following a marketing campaign in June/July this year, a further 8 units have settled since my last report and 3 are due to settle in late October 2014.	Legal action in course/under contract/on the market

### Assets to be realised

Location	Description of asset	Status
QLD	A supported living community, comprising of 64 independent living units with the proposed development of a further 76 units. Of the current 64 units, 21 are vacant.	Expression of interest close on 18 November 2014
NSW	A supported living community, with 83 completed independent living units. 27 units are currently vacant.	Expression of interest close on 18 November 2014
QLD	A supported living community, with 37 completed independent living units plus balance land for further development. 3 units are currently vacant. There are also a further 7 completed detached dwellings and a partly constructed subdivision of c.100 townhouse/small dwelling lots under community title plus residual land.	Expression of interest close on 18 November 2014
QLD	Two supported living communities. One currently has 62 completed units (12 vacant) with a further 106 proposed. The other has 110 completed units, with 16 units currently vacant.	Borrower in control of assets
VIC	A supported living community, with 66 completed independent living units (7 vacant) with a further 3 units under construction and a further 129 proposed.	Expression of interest close on 18 November 2014
TAS	A supported living community, with 29 completed independent living units (3 vacant) and a further 15 proposed.	Expression of interest close on 18 November 2014

### **3. Other Potential Recoveries/Legal Actions**

My previous report identified various matters which required additional investigation to determine whether there were any potential legal actions for dealings which occurred prior to my appointment as Receiver. I provide an update in relation to investigations undertaken to date and further work to be done, as follows:

#### **3.1 Public Examination**

I confirm that:

- I have been successful in obtaining the approval from ASIC as an eligible applicant under the Corporations Act 2001 (the Act) to conduct a Public Examination (PE) pursuant to section 597 of the Act. As an eligible applicant, I may now make application for a PE of directors and other relevant parties and subpoena the production of documents to assist with my investigations into potential legal actions against several parties;
- Matters identified from the PE may be brought to the attention of ASIC as appropriate;

- I have instructed my solicitors to commence preparation of an application for a PE.

My solicitors have commenced preparation for a PE. I expect that an application for the PE will be filed shortly.

### **3.2 Bellpac Proceedings**

#### **3.2.1 Settlement of Gujarat proceedings**

I confirm that:

- In November 2010, proceedings against Gujarat NRE Minerals Limited (Gujarat) were settled for a total amount of approximately \$45.6M;
- As MPF funded the majority of the costs of the litigation, the settlement proceeds received in 2011, were shared between the funds on the basis of a 65%/35% split with FMIF receiving \$32.9M and MPF \$12.7M;
- According to the security held by FMIF and MPF over the property the subject of the litigation, FMIF held first priority to all of the proceeds of the settlement;
- LMIM appears to have preferred the interests of the MPF over the FMIF in splitting the proceeds of sale. Therefore there may be a claim against LMIM and/or the MPF in relation to this transaction.

Further developments are as follows:

- i. I obtained a significant quantity of paper and electronic Bellpac legal files from FMIF's former solicitors on certain agreed terms with MPF and reviewed those files to facilitate my investigations;
- ii. These documents have been forwarded to my solicitors for review.

I have undertaken extensive investigations in relation to this potential claim and I continue to take legal advice in relation to same. As my investigations are on-going I am not presently in a position to disclose the nature of those investigations any further at this time.

#### **3.2.2 Other Bellpac litigation**

##### **a. \$2 million of Wollongong Coal Ltd (WCL) - Convertible Bonds**

I confirm that:

- FMIF has first ranking security over the assets of Bellpac which is now in liquidation;
- In August 2008 \$10 million of Bonds were issued by WCL to Bellpac however, Bellpac then issued these Bonds to another party and then they were further transferred to other parties;
- The proceedings by Bellpac and its Liquidators in regard to \$2 million Bonds (still in the name of Bellpac) commenced in January 2010. In 2012 Bellpac was successful in obtaining Orders that Bellpac is the true owner of the Bonds;
- The decision was appealed by the defendants in the Full Federal Court and the High Court which were unsuccessful;
- Wollongong Coal Limited is a publicly listed company and was formerly called Gujarat NRE Minerals Ltd;
- A demand was made by the Liquidators against WCL for \$2.44 million representing the face value of Bonds with a nominal value of \$1.5 million plus interest. The Liquidators applied for

conversion of the balance of the Bonds with a face value of \$500,000 into shares which was due to occur by 7 August 2014;

- If the Liquidators are successful in realising the Bonds, FMIF will be the beneficiary of the funds recovered, after costs. FMIF is funding the Liquidators' care and preservation costs of realising the Bonds for the benefit of investors.

Further developments are as follows:

- i. WCL failed to convert the remaining Bonds into shares by the due date. The Bellpac Liquidators have made a demand against WCL for the face value of the \$500,000 Bonds plus interest totalling \$817,685 which remains unpaid;
  - ii. The Bellpac Liquidators and I met with representatives of WCL in Sydney in late August 2014 to discuss the payment of Bellpac's claims against WCL totalling \$3.25 million. At the meeting, WCL agreed to make a formal proposal to the Liquidators in regard to the payment of the claims;
  - iii. An offer was received from WCL in September 2014 however, it has been rejected as it was too low;
  - iv. The remaining Liquidator (one of the joint Liquidators has resigned) is in the process of commencing legal proceedings for the recovery of the outstanding sum;
- b. \$8 million of WCL Convertible Bonds

I confirm that:

- The proceedings by Bellpac and its Liquidators commenced in July 2012 seeking orders that Bellpac is the true owner of the \$8 million Bonds and the recovery of \$4.7 million transferred by Bellpac (pre Liquidation) to two of the defendants;
- If the Liquidators are successful in obtaining a declaration from the Court that Bellpac is the true owner of the Bonds, FMIF will be the beneficiary of the funds recovered from realising the Bonds, after costs. In order to protect the interest of FMIF in Bellpac's claim to title to the Bonds, FMIF is continuing to fund the Liquidators' in the proceedings.
- A directions hearing was held on 30 July 2014, a timetable was set by the Court requiring the filing of certain documentation by a number of the defendants and a further directions hearing was set down for 7 October 2014.

Further developments are as follows:

- i. Certain of the defendants filed an amended defence and further affidavit evidence prior to the Directions Hearing on 7 October 2014;
  - ii. At the Directions Hearing on 7 October 2014, the Court allocated a date for a five day trial to commence in March 2015.
- c. Proceedings against Bellpac Receivers, LMIM and The Trust Company Ltd ("the Parties")

I confirm that:

- In February 2013, parties including the second mortgagee of Bellpac (plaintiffs) commenced proceedings against the Parties in relation to the alleged sale of the Bellpac property at an

undervalue. The property that was sold formed part of the settled proceedings outlined at Section 3.2.1 above;

- A directions hearing was held on 31 July 2014 at which a timetable was set down to address the intended security for costs applications by LMIM and other defendants with documentation to be filed by all parties by early October 2014

Further developments are as follows:

- i. LMIM as RE for FMIF and the other respondents have filed applications seeking security for costs from the applicants;
- ii. The applicants have filed (late) an affidavit in reply; and
- iii. The hearing of the security for costs applications is set down for 23 October 2014.

### **3.3 Other Potential Claims against LMIM and related Parties**

#### **3.3.1 Management Service Agreements with LM Administration Pty Ltd (in Liquidation) (LMA)**

I confirm the following:

- The audited accounts for the FMIF show that a total of approximately \$10.2M was paid to LMA (for the years ended 30 June 2011 and 30 June 2012) for loan management fees in replacement of appointing external receivers;
- Amounts totalling approximately \$2M were paid to LMA for the period from 1 July 2012 to 19 March 2013;
- Legal and accounting advice was received by LMIM in relation to the charging of these fees

I have continued to undertake investigations in relation to these matters and am taking legal advice in relation to the outcome of these further investigations. As my investigations are on-going I am not presently in a position to disclose the nature of those investigations any further at this time.

#### **3.3.2 Distribution to Class B Unit Holders**

I confirm the following:

- During the financial year ended 30 June 2012 distributions of approximately \$16.9M were made to Class B unit holders at a time when class A and C unit holders did not receive any distributions, apart from hardship distributions;
- Class B unit holders, relate to the three feeder funds of FMIF;
- I am unaware of any rights of Class B unit holders which would entitle them to a priority distribution over other classes of unit holders in the Fund;
- The auditors qualified the financial statements in regard to this transaction;
- As a result of the distribution and reinvestment of a major portion of that distribution into units in FMIF, Class B unit holders increased their units in the fund from 44.33% to 46.14% at the expense of the Class A & C unit holders. This will result in the Class B unit holders receiving a greater amount in the winding up of the Fund

Further developments are as follows:

- i. Based on my further investigations, I have ascertained that during the financial year ended 30 June 2013 (prior to the capital distributions in February and June 2013), the Feeder funds received further distributions of approximately \$2.6 million;
- ii. The calculation of the percentage interest of the feeder funds in FMIF as stated in the 30 June 2012 audited financial statements has to date not been reconciled however, we expect this to be clarified once the auditors working papers and or LM's records are obtained in due course via the proposed public examination or otherwise.

I continue to undertake investigations in relation to the above matters and I am taking legal advice in relation to same. As my investigations are on-going, I am not presently in a position to disclose the nature of those investigations any further at this time.

### **3.3.3 Changes to Constitution**

I confirm the following:

- The fund's constitution was amended several times since its initial execution on 24 August 1999;
- The terms of the constitution stipulate that it may be modified or repealed or replaced with a new constitution, by:
  - Special resolution of the members of the scheme; or
  - The Responsible Entity, if the Responsible Entity reasonably considers the change will not affect Members' rights.
- I am not currently aware of any special resolutions passed by members resolving to amend the terms of the constitution;
- I am aware of several changes to the permitted loan to valuation ratio ('LVR') of the fund commencing with an LVR of no more than 66.66% (Constitution dated 24 August 1999) to an LVR permitted not to exceed 85% of the value of the security property (after a loan has settled and where the RE considers it is in the best interests of the members)
- Further investigation is required to determine the effect of these amendments and whether or not there may be potential legal claims arising from that;

I continue to undertake investigations in relation to these matters and I am taking legal advice in relation to same. As my investigations are on-going I am not presently in a position to disclose the nature of those investigations any further at this time.

### **3.3.4 Fund Valuation Policy**

I confirm the following:

- A review of the fund's compliance plan dated 16 March 2011 details the following regarding the fund's valuation policy:
  - Valuations may only be carried out by panel valuers; and
  - An updated valuation will generally be required for commercial loans at 24 month intervals and construction loans at 12 month intervals.

- From my preliminary enquiries, it appears that the Responsible Entity did not generally obtain updated professional valuations after the initial advance was made. Instead, in the majority of cases, they relied upon discounted cash flows prepared by management on the feasibility of a project.

As my investigations are on-going I am not presently in a position to disclose the nature of those investigations any further at this time.

### 3.3.5 External Valuations

I have commenced a review of the loans where material losses have occurred to ascertain whether the valuations relied on were too high and if there was negligence by the valuer which contributed to the losses.

My investigations are continuing and there are no material developments to report at this stage.

### 3.4 Auditors

I confirm that I have not at this stage been able to progress my investigations due to an inability to gain access to the auditor's working papers and all relevant FMIF records. My investigations will be facilitated by undertaking the proposed public examination.

Once my investigations are complete in relation to each of the above matters, I will update investors accordingly.

## 4. Estimated Return to Investors

Based on the professional valuations and offers received since March 2013 for the properties charged to the Fund, I provide an estimated return to Investors of between 12 and 17 cents in the dollar as at 30 September 2014, calculated as follows:

	Low	High
	\$	\$
Cash at Bank	21,085,294	21,085,294
Funds held in trust	1,528,587	1,528,527
Estimated selling prices of properties to be sold	51,731,682	67,941,511
<i>Less:</i>		
Selling costs (2.5% of sale price)	(1,293,292)	(1,698,538)
Land tax & rates	(334,664)	(334,664)
Other unsecured creditors	(8,791,228)	(3,854,363)
FTI Fees & legal costs claimed (subject to approval)	(3,269,013)	(3,269,013)
Receivers and Managers' Fees (McGrathNicol)	(63,769)	(63,769)
Receiver's fees & outlays (BDO)	(979,025)	(979,025)



Estimated net amount available to investors as at 30 September 2014	59,614,571	80,356,020
Total investor units	478,478,997	478,478,997
Estimated return in the dollar	0.12	0.17

The above table does not take into account future operating costs, future Receivers fees and future rates and land tax. It also excludes any legal recoveries against borrowers, valuers or other third parties.

Please note that the distribution to Investors will take place after paying secured creditors, land tax, rates, Receivers fees and the unsecured creditors who rank ahead of Investors' interests.

#### Reduction in unit Price

I continue to receive queries from investors in relation to the fall in the unit price and the reasons why this occurred. I have addressed this in previous reports however summarise below the main reasons for the drop in value:

- Prior to the appointment of FTI as Administrators on 19 March 2013 and contrary to the Compliance Plan in place for the Fund, the responsible entity (RE) changed the methodology in valuing the Fund. The Compliance Plan states that generally independent professional valuations on development projects should be obtained every 12 months and on other properties no more than every 24 months. The RE ceased obtaining valuations and instead relied on internally prepared feasibility studies to determine the Net Present Value of development projects. In my view, this grossly overvalued the Fund with a number of the feasibility studies assumptions being seriously flawed and not capable of being realised.
- Following the appointment of FTI and McGrathNicol they obtained independent valuations of the property assets on an "as is" basis. These valuations and offers received for the assets were then used as the basis of valuing the Fund resulting in a significant drop in value from 59 cents as at 31 December 2012 to between 13 and 19 cents as at 30 November 2013. I refer to section 6 of my report dated 4 December 2013 in this respect. A copy of all investor reports are available on the website [www.lmfimf.com](http://www.lmfimf.com).
- Section 4 of my report dated 19 February 2014 provided investors with a detailed explanation of how the unit price had fallen from 59 cents to 17 cents. The factors which have contributed to the loss in value, include:
  - the methodology used in the valuation of the Fund;
  - interest on loans granted to borrowers not being paid and being capitalised into the loan amount resulting in an increase in the loan to value ratio;
  - substantial fees being paid to the Responsible Entity of the Fund;
  - the Fund borrowing money from banks to increase funding available to borrowers;
  - borrowers not paying interest and defaulting on loans with interest still having to be paid to the external financier; and

- the Fund having to meet costs not paid by the defaulting borrowers in respect of operating costs of the assets and statutory obligations including rates and land tax. Some of these costs have been substantial. For example three operating businesses have had trading shortfalls of up to approximately \$5m per annum funded so that these businesses can be sold as going concerns.

I trust this sufficiently clarifies the position however if investors have any further queries, please contact my office as detailed at section 12 of this report.

#### **5. Reduction in Operating Costs**

As part of the winding up process, and in conjunction with McGrathNicol, we are reducing the costs of managing the fund. Prior to the appointment of FTI as Administrators in March 2013, the management fees charged by the Responsible Entity (LMIM) averaged \$14M per annum for the five years ended 30 June 2012.

The current costs of managing the fund are the costs of the Receivers and Managers (McGrathNicol), the Court Appointed Receiver (BDO), the costs of employing staff and consultants to assist in managing down the loan book, plus premises and equipment costs.

The staff and consultants costs have been reduced from in excess of \$5M per annum at the time of FTI's appointment as Administrators in March 2013 to around \$1.3M per annum with the combined cost of McGrathNicol and BDO being approximately \$200,000 per month (\$2.4M per annum) and premises and equipment costs of \$500,000 per annum.

The current overall position is that costs are running at about \$4.2M per annum compared to the \$14M previously. These costs will continue to reduce as the loan book reduces.

#### **6. Distributions to Investors**

As previously advised, I am on notice from KordaMentha that the MPF potentially have a breach of trust claim against the Fund. In addition, the Receivers and Managers who were appointed to Bellpac have put me on notice not to distribute funds until the proceedings mentioned at section 3.2.2 above are resolved and also due to the MPF position, the secured creditor has not yet released its charge or retired its Receivers.

Once the Receivers and Managers have retired and funds released to me, I will be required to retain certain funds to meet the liabilities of the Fund, including contingent claims that may arise from the Bellpac litigation, the funds received for the loan/lease agreements of the aged care facilities (which totals approximately \$10 million) and potentially in relation to the KordaMentha claims.

I may have to seek the directions of the Court before proceeding with the next distribution.

I will update investors as to the expected timing of a distribution as these matters become clearer.

#### **7. Fees claimed by LM Investment Management Ltd (In Liquidation) ("LMIM") (by its liquidators, FTI Consulting)**

The liquidators of LMIM, Mr Park and Ms Muller, have submitted invoices from LMIM, made out to the Fund, totalling \$3,301,603 excluding GST for payment in relation to their remuneration and out of pocket expenses for the period from 19 March 2013 to 30 June 2014.

The claim can be broken down into the following three categories:

- Category 1 relates to time spent working on specific fund matters;
- Category 2 is in respect of LMIM's role as the Responsible Entity of the Fund with the time spent by the liquidators and their staff being allocated across all Funds under their control based on a percentage of funds under management;
- Category 3 in relation to the appointments of LMIM as Controllers of a number of assets and where they are acting as agent for the mortgagee in possession.

	Paid to date (GST exclusive) \$	Outstanding (GST exclusive) \$
Direct time charged to work undertaken for the Fund - including outlays (category 1)		1,590,887
Allocation of Responsible Entity time (category 2)		1,649,647
Time charged in respect of the Controllerships (category 3)	242,181	
	<b>242,181</b>	<b>3,240,534</b>

As previously advised, both McGrathNicol and I have raised legal questions as to whether certain work done by the liquidators of LMIM can properly be charged to the Fund, as well as questions as to the quantum claimed.

Since my last report to investors, I have met with FTI to discuss certain aspects of their claim and we are currently in the process of agreeing a framework for determining their claim. It is proposed that directions are sought from the Court as to their entitlement to claim under various categories and that their claim be reviewed and adjudicated on by an independent expert.

#### 8. Management Accounts

I am currently preparing the management accounts for the year ended 30 June 2014. These accounts have been prepared in accordance with the relevant accounting standards and will be posted on the website [www.lmfmf.com](http://www.lmfmf.com) when finalised.

#### 9. Tax Statements

It is not our intention to issue taxation statements for the year ended 30 June 2014 to investors. However, I enclose a letter confirming the unit price as at 30 June 2014 and that no distributions were paid to investors during the 2013/2014 financial year.

Should investors wish to receive a transaction statement please contact the Investor Relations team on +61 7 55844500 or [mail@lmaustralia.com](mailto:mail@lmaustralia.com).

## 10. Ongoing Reporting to Investors

Reports will be distributed to investors in accordance with the preferred method of correspondence recorded for each investor on the Fund's database. In order to assist in reducing distribution costs, it would be appreciated if as many investors as possible could provide an email address in this respect. Please use the details in section 12 below to advise us in this regard.

My next report to investors will be issued by 31 January 2014.

## 11. Receiver's Remuneration and Expenses

As previously advised, an application was made to Court on 2 May 2014 for approval of my remuneration for the period from 8 August 2013 to 31 March 2014 in the amount of \$702,480.35 inclusive of GST.

The hearing for the above application took place on 28 August 2014. The Court approved the remuneration sought of \$702,480.35 (inclusive of GST).

I am currently in the process of preparing my next court application for remuneration approval for the period from 1 April 2014 to 30 September 2014. During this period I have incurred remuneration of \$923,522.50 plus outlays of \$55,502.05 plus GST as detailed in the attached summary.

My application will include an affidavit summarising the tasks undertaken in the relevant period together with detailed narrations of all work done by task and employee. This will be placed on the website [www.lmfimf.com](http://www.lmfimf.com) and investors will be advised accordingly when the application has been lodged and the hearing date of same.

## 12. Queries

Should unit holders require further information, please contact either Investor Relations or BDO on the details provided below.

### Investor Relations

Phone: +61 7 5584 4500  
Fax: +61 7 5592 2505  
Email: [mail@lmaustralia.com](mailto:mail@lmaustralia.com)

### BDO

GPO Box 457  
Brisbane QLD 4001  
Phone: +61 7 3237 5999  
Fax: +61 7 3221 9227  
Email: [enquiries@lmfmif.com](mailto:enquiries@lmfmif.com)

Yours faithfully



David Whyte  
Receiver

REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 April 2014 to 30 September 2014  
LM First Mortgage Income Fund

Employee	Position	Rate	Totals		Task Area											
			hrs	\$	Assets		Creditors		Employees		Trade On		Investigations		Administration	
					hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$
David Whyte	Partner	560	406.3	227,528.00	197.2	110,432.00	7.8	4,368.00			81.7	45,752.00	31.4	17,584.00	88.2	49,392.00
Matthew Joiner	Partner	560	0.2	112.00			0.2	112.00								
Andrew Fielding	Partner	560	1.9	1,064.00											1.9	1,064.00
Eric Leeuwendal	Director	495	286.2	141,669.00	22.2	10,989.00	11.7	5,791.50					226.8	112,266.00	25.5	12,622.50
Craig Jenkins	Partner	485	25.3	12,270.50						25.3	12,270.50					
Clark Jarrold	Partner	485	0.2	97.00						0.2	97.00					
Eric Leeuwendal	Director	480	127.6	61,248.00	0.4	192.00	0.1	48.00					123.3	59,184.00	3.7	1,776.00
John Keating	Partner	475	2.3	1,092.50						2.3	1,092.50					
Margaux Beauchamp	Associate	470	133.2	62,604.00	133.2	62,604.00										
Margaux Beauchamp	Associate	460	40.3	18,538.00	40.3	18,538.00										
Eric Leeuwendal	Director	460	0.3	138.00												
John Somerville	Senior Manager	440	19.2	8,448.00	0.2	88.00	0.3	132.00			17.0	7,480.00			1.7	748.00
John Somerville	Senior Manager	425	2.4	1,020.00						1.1	467.50				1.1	467.50
Charles Haines	Senior Manager	425	65.3	27,752.50	8.6	3,655.00	0.1	42.50					31.9	13,557.50	24.7	10,497.50
Joanne Garcia	Manager	400	349.7	139,880.00	27.7	11,080.00	34.4	13,760.00	0.4	160.00	259.4	103,760.00	2.9	1,160.00	24.9	9,960.00
Michelle Matchett	Associate	390	48.8	19,032.00						46.0	17,940.00				2.8	1,092.00
Joanne Garcia	Manager	390	286.2	111,618.00	5.7	2,223.00	12.7	4,953.00			135.9	53,001.00	0.7	273.00	131.2	51,168.00
Michelle Matchett	Associate	370	5.0	1,850.00	5.0	1,850.00										
Ashleigh Simpson-Wade	Supervisor	360	0.2	72.00			0.2	72.00								
Gita Kumar	Senior Manager	360	22.0	7,920.00						22.0	7,920.00					
Michael Dharmaratne	Senior Accountant I	320	17.2	5,504.00	1.2	384.00	12.5	4,000.00					0.2	64.00	3.3	1,056.00
Daniel Tipman	Senior Accountant I	320	2.7	864.00	0.8	256.00	0.5	160.00			1.0	320.00			0.4	128.00
Michael Dharmaratne	Senior Accountant I	310	9.9	3,069.00	1.2	372.00	7.6	2,356.00					0.2	62.00	0.9	279.00
Daniel Tipman	Senior Accountant I	310	2.5	775.00			1.8	558.00							0.7	217.00
Gita Kumar	Senior Manager	305	21.0	6,405.00						21.0	6,405.00					
Dean Michalk	Senior Accountant II	270	0.1	27.00											0.1	27.00
Nicola Kennedy	Accountant I	225	11.6	2,610.00	7.1	1,597.50	0.3	67.50					1.2	270.00	3.0	675.00
Margot Charlton	Senior Accountant II	215	7.2	1,548.00						7.2	1,548.00					
Rycko Taniran	Accountant I	200	54.0	10,800.00	54.0	10,800.00										
Sarah Cunningham	Team Assistant	195	5.5	1,072.50						5.0	975.00				0.5	97.50
Dermot O'Brien	Undergraduate	195	22.6	4,407.00											22.6	4,407.00
Luke O'Connor	Accountant II	195	0.7	136.50											0.7	136.50
Ainsley Watt	Accountant II	195	3.3	643.50			3.3	643.50								
Nicola Kennedy	Accountant II	190	7.5	1,425.00											7.5	1,425.00
Pei Wun Han	Accountant II	185	66.9	12,376.50	66.9	12,376.50										
Dale Ludwig	Accountant I	185	117.1	21,663.50						117.1	21,663.50					
Rycko Taniran	Accountant II	175	7.5	1,312.50	5.0	875.00									2.5	437.50
Pei Wun Han	Accountant II	175	9.0	1,575.00	9.0	1,575.00										
Dermot O'Brien	Undergraduate	160	1.0	160.00	0.2	32.00									0.8	128.00
Nicole Jackson	Team Assistant	155	12.3	1,906.50			8.9	1,379.50							3.4	527.00
Dermot O'Brien	Undergraduate	155	3.2	496.00											3.2	496.00
Sharon Aranha	Secretary	130	0.5	65.00	0.5	65.00										
Maira Hattingh	Team Assistant	80	7.0	560.00											7.0	560.00
Ashley Richardson	Junior Practice Assistant	80	2.0	160.00											2.0	160.00
Maira Hattingh	Team Assistant	75	0.1	7.50											0.1	7.50
TOTALS			2,215.0	923,522.50	586.7	250,122.00	102.6	38,528.50	0.4	160.00	742.3	280,740.00	418.6	204,420.50	364.4	149,551.50
GST				92,352.25												
TOTAL INC GST				1,015,874.75												
AVERAGE HOURLY RATE				417		426		376		400		378		488		410

Note: All amounts exclude GST unless otherwise noted

**Disbursements for the period 1 April 2014 to 30 September 2014**  
**LM First Mortgage Income Fund**

Expense Type	Amount (\$ ex GST)
Postage	7,227.58
Printing	5739.62
Parking	144.31
Travel/Taxi	116.28
Searches	887.63
Photocopying	6,511.51
Mileage	1,237.56
Courier	47.74
Copying	138.00
Accommodation	10.45
Airfares	893.67
Advertising	26,491.00
General	6,056.70
<b>TOTAL</b>	<b>55,502.05</b>
<b>GST</b>	<b>5,550.21</b>
<b>TOTAL INC GST</b>	<b>61,052.26</b>



Tel: +61 7 3237 5999  
Fax: +61 7 3221 9227  
www.bdo.com.au

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

**TO WHOM IT MAY CONCERN**

15 October 2014

**LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)  
ARSN 089 343 288 ('the Fund' or 'FMIF')**

I refer to my appointment as the Receiver of the Fund's assets and the person responsible for ensuring the winding up of the Fund in accordance with the terms of its constitution by Order of the Supreme Court of Queensland on 8 August 2013.

I provide an update on the estimated unit price of the fund as at 30 June 2014, calculated as follows:

	\$000's
Total Value of Fund Assets as at 30 June 2014 (net of land tax and rates)	86,063
Less Creditors and Other Payables	(14,748)
<b>Total Net Value of Fund Assets</b>	<b>71,314</b>
<b>Total Number of Units as at 30 June 2014</b>	<b>478,479</b>
<b>Unit Price</b>	<b>0.15</b>

I confirm that no distributions were paid to investors during the 2014 financial year. This letter should be retained by investors for income tax purposes if required.

Should you have any queries in respect of the above, please contact Nicola Kennedy of my office on (07) 3237 5785.

Yours faithfully

David Whyte  
Receiver