

TO THE INVESTOR AS ADDRESSED

29 September 2023

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

1. Introduction

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 now provide my 43rd update report to investors. This report is prepared in accordance with the relief granted by the Australian Securities and Investments Commission (ASIC Exemption) in relation to financial reporting obligations of the Fund. In this regard, the ASIC Exemption requires a report to be made available to investors for each period of six months starting on 1 January 2022, within three months of the end of each 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 Fund, 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; and
 - D. The expected time to complete the winding up.
- (ii) The financial position of the Fund as at the last day of the relevant period (based on available information);
- (iii) Financial information about receipts (and payments) of the Fund during the period; and
- (iv) The following information at the end of the period:
 - A. The value of the Fund's property; and
 - B. The potential return to investors.

This report covers, the period 1 January 2023 to 30 June 2023 (the Period).

2. Progress and Status of the Winding Up

2.1 Legal Actions/Potential Recoveries

2.1.1 Proceedings against the MPF, LMIM and the Directors of LMIM

I refer to my previous reports to members in relation to this proceeding (BS12317/14), which I caused LMIM as RE of the FMIF to commence against the trustee of the MPF, LMIM and a number of former directors of LMIM.

As advised in my last report to members on 30 June 2023, costs were awarded in favour of the first to fourth, sixth and seventh defendants in respect of the proceeding, and the appeal (Costs). The costs of the seventh defendant, the Liquidators of LMIM, were paid in a fixed amount from the assets of the FMIF pursuant to the Orders of the Court dated 28 February 2020.

On 11 November 2022, a settlement was reached with the first to fourth, and sixth defendants in respect of the Costs (the Settlement).

On 11 November 2022, I notified the Liquidator of LMIM, John Park and advised him of the Settlement and that I intended to make payment of the settlement sum out of the assets of the FMIF, and that if he objected to this payment being made, he was required to bring an application to prevent this from occurring.

On 17 November 2022, the Liquidator caused LMIM in its own right, and in its capacity as the Responsible Entity of the FMIF, the LM Institutional Currency Protected Australian Income Fund and the LM Currency Protected Australian Income Fund, to bring an application in the Supreme Court of Queensland against me in my capacity as the Court Appointed Receiver of the FMIF (the Application).

The Application, as amended on 23 December 2022, sought final substantive relief to the following effect:

- I. declaratory relief that LMIM is not entitled to pay the adverse costs from the property of the FMIF;
- II. injunctive relief restraining me from paying the adverse costs from the property of the FMIF;
- III. an order that I pay the adverse costs personally.

On 24 February 2023, the Liquidator caused LMIM in the four different capacities detailed above to file and serve a Statement of Claim (**Statement of Claim**), seeking relief under section 8 of the *Trusts Act 1973 (QLD)*.

On 6 March 2023, his Honour Justice Kelly ordered the parties to attend a mediation by 31 March 2023, and otherwise made timetabling orders for the hearing of my foreshadowed application to strike out the Statement of Claim.

On 21 March 2023, I attended at a mediation with the Liquidator and our respective legal counsel, conducted by the Honourable John Byrne AO RFD, however no settlement was achieved.

My application to strike out the Statement of Claim was heard before his Honour Justice Kelly on 27 April 2023, with the following orders being made on 16 June 2023:

- The application was dismissed;

- Submissions on costs had to be filed and served by the plaintiffs by 4:00 pm on 21 June 2023 and by myself by 4:00 pm on 23 June 2023 (this has been completed and an order made on 30 June 2023 for the plaintiff's costs of the strike out application to be assessed on the indemnity basis and paid from the FMIF);
- I was directed to file and serve a defence to the amended statement of claim by 18 August 2023;
- The matter was listed for a review on 1 September 2023.

Since my last report to members, the time for the filing of my Defence was extended by order of the Court.

On 6 September 2023, I filed a defence to the Claim.

A Defence was filed in the Court which redacts references to privileged or confidential matters.

An unredacted version of the Defence and a bundle of critical, confidential or privileged documents, has been served on the plaintiff, on a strictly confidential basis and confidentiality orders are to be sought with respect to these documents.

The Court has ordered that the parties attend a further mediation, which is expected to be held on 30 October 2023, with the matter to be reviewed in Court shortly thereafter.

2.1.2 Liquidators of LMIM (FTI Consulting)

2.1.2.1 Remuneration claim and expenses claim

I refer to my previous reports to investors, which summarise the outcomes of prior remuneration and expenses claims by the Liquidator of LMIM.

The judgement and orders made with respect to FTI's most recent remuneration application and expenses application are summarised in paragraph 2.1.3.2 of my report to investors dated 22 December 2022.

There are currently no applications on foot by the Liquidator for payment of remuneration or expenses from the FMIF. I anticipate that further application/s by the Liquidator for payment of remuneration or expenses from the FMIF will be made before the conclusion of the winding up.

2.1.2.2 Indemnity claim against the Fund and proof of debt process

The proof of debt process and claims notified to me, or potential claims by LMIM for indemnity from the FMIF, with respect to debts or claims of creditors of LMIM, are summarised in paragraph 2.1.5.3 of my report to investors dated 31 March 2020.

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

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

2.1.2.3 Claim filed against LMIM

The claims made in this proceeding and the key steps to date in the proceeding, are summarised in paragraph 2.1.5.6 of my report to investors dated 19 December 2019. The current status of this claim is that it remains stayed until further order. I will keep investors updated as to any developments in relation to this claim.

3. Financial Position of the Fund

The management accounts for the year ended 30 June 2023 are available on the website www.lmfmf.com on the page titled 'Financial Statements & Other Key Documents'.

A summary of the financial position of the Fund as at 30 June 2023 is provided below.

Description	30 June 2023
ASSETS	\$
Cash and cash equivalents	58,496,777
Receivables	454,359
TOTAL ASSETS	58,951,136
LIABILITIES	
Payables and accrued expenses	9,004,937
Distributions payable	2,502,104
Total liabilities excluding net assets attributable to unitholders	11,507,041
NET ASSETS	47,444,095

These figures are subject to the disclaimers and qualifications set out in the management accounts.

3.1 Fund Assets

The total assets of the Fund as at 30 June 2023 were \$58,951,136.

The balance includes cash at bank of \$58,496,777 and receivables of \$454,359.

3.2 Fund Liabilities

The total liabilities of the Fund as at 30 June 2023 were \$11,507,041 consisting of payables of \$9,004,937 and distributions payable of \$2,502,104.

The distributions payable balance is made up of:

- \$1,372,036 relates to distributions that appear to have been declared prior to the date of the Court Receiver's appointment which were not paid, or have not cleared or were returned unclaimed. These liabilities have not been verified and Court approval or directions may be required before any payment is made.

- \$1,130,068 relates to distributions that were returned/unclaimed from the interim capital distribution to investors paid by BDO in October 2019 in accordance with the Court order dated 2 October 2019.

The Payables and accrued expenses balance of \$9,004,937 primarily consists of an accrual in respect of the cost orders for the Director’s proceedings, legal fees, receiver’s fees and fees and expenses claimed by FTI, which remain unpaid as at 30 June 2023.

Some of these liabilities have not been verified, or may be subject to Court approval being obtained.

3.3 Net Assets Attributable to Unit Holders

Net assets attributable to unit holders as at 30 June 2023 were \$47,444,095.

The net assets of the Fund and number of units on issue as at 30 June 2023 and 30 June 2022 is detailed in the table below.

Description	30 June 2023	30 June 2022
Estimated net amount of assets available to investors (\$)	47,444,095	47,204,392
Total investor units (# of units)	492,125,624	492,125,624
Estimated net asset amount per unit available to investors as at period end (cents in the dollar)	9.6 cents	9.6 cents

The above table does not include the estimated benefit of the Feeder Funds settlement in the estimated amount of the net amount of assets as at 30 June 2023. Therefore, below is an estimate that includes the estimated benefit of the Feeder Funds settlement in the estimated net amount of assets at 30 June 2023.

Description	30 June 2023
Estimated net amount of assets available to investors as at period end (\$)	47,444,095
Estimated Benefit of Feeder Fund settlement of amounts withheld	6,127,797
Total investor units (AUD Equivalent as at appointment being 8 August 2013)	492,125,624
Estimated return in the dollar	10.9 cents

The Feeder Fund settlement will reduce the amount of cash to be paid to the Feeder Funds. Based on the amounts in the above table, I attach at Annexure 1 calculations showing the estimated return to the Feeder Funds, as follows:

Feeder Fund	Estimated return
LM Currency Protected Australian Income Fund (“CPAIF”)	5.8 cents

LM Institutional Currency Protected Australian Income Fund (“ICPAIF”) 5.8 cents

LM Wholesale First Mortgage Income Fund (“WFMIF”) 8.5 cents

These are the amounts that would be paid to the responsible entities of each of the Feeder Funds, the costs and expenses of the Feeder Funds would need to be paid from the net cash that is paid to each of the Feeder Funds before distributions are made to Feeder Fund investors.

4. Receipts and Payments of the Fund

All receipts and payments for the Fund since McGrathNicol’s appointment on 10 July 2013 until their retirement on 10 December 2018 are on the website www.lmfmf.com under Financial Statements & Other Key Documents.

Following McGrath Nicol’s retirement and relinquishment of control of the bank accounts, I took over responsibility for all receipts and payments and will upload copies of the Receipts and Payments lodged with ASIC to the www.lmfmf.com website from time to time.

The receipts and payments of the Fund, for the period 1 January 2023 to 30 June 2023 is summarised in the table below.

Description	\$
Receipts	
Interest	998,321
Loan Reductions	66,850
Return of legal fees for Public Examination & Claim Against the Auditors	3,471
Total receipts	1,068,641
Payments	
Bank charges	(24)
Custodian fees	(11,000)
Legal and other fees	(283,793)
IT expenses	(56,463)
Printing and stationary	(9,666)
Record management and storage	(6,394)
Total payments	(367,339)
Net receipts/(payments)	701,302

5. Investor Information

5.1 Estimated Return to Investors

5.1.1 Unit Price as at 30 June 2023

The estimated unit price as at 30 June 2023 is 9.6 cents per unit and a total estimated return of 16.1 cents per unit taking into account the interim distribution paid of 6.5 cents per units.

Description	\$
Total Net Value of Fund Assets	47,444,095
Total Number of Units	492,125,624
Unit Price Estimate	9.6 cents
Add: Distributions to date	6.5 cents
Total estimated return in the dollar	16.1 cents

I *attach* a copy of a letter confirming the unit price as at 30 June 2023, which may be forwarded to Centrelink to assist with the review of investors' pensions.

5.2 Further Distributions to Investors

The Court authorised and empowered me on 2 October 2019 to make an interim capital distribution of 6.5 cents per unit to investors of the LM First Mortgage Income Fund. I confirm the interim distribution was paid to investors in October 2019.

An application to court for me to obtain orders to finalise the winding up and pay the final distribution to members has been prepared. However, unfortunately, the winding up of the FMIF cannot be finalised until the proceeding brought by the LMIM liquidator, John Park detailed at section 2.1 of this report has been determined or resolved.

Once that proceeding is determined or resolved, the finalisation application will be lodged and served.

5.3 Ongoing Reporting to Investors

Reports will be distributed to investors in accordance with the preferred method of correspondence recorded for each investor in the Fund's database. In order to assist in reducing distribution costs, it would be appreciated if investors could nominate an email address as their preferred method to receive correspondence. Investors may update their details as outlined in Section 5.4 below. For those investors that do not have an email address, correspondence will continue to be sent to you via post.

My next report to investors will be issued by 31 December 2023.

5.4 Investors Queries



Arrangements are in place to ensure that any reasonable questions asked by members of the FMIF, about the winding up of the FMIF, will be answered within a reasonable period of time (generally seven days) and without charge to the investor.

For any changes to investors details, please review the Useful Forms/Procedures tab on the website www.lmfimf.com which includes information regarding the following procedures:

- Change of Contact Address/Bank Account Details
- Change of Contact Address/Bank Accounts Details of a Deceased Estate
- Change of Trustee of Self-Managed Super Fund
- Transfer of Unit Holding from a Super Fund/ Trustee Company to Personal Name(s)
- Transfer of Unit Holding from a Deceased Estate to a Sole Survivor
- Transfer from a Deceased Estate to a Beneficiary of an Estate

It is a requirement that advisors or other third parties acting on behalf of Unit Holders are doing so pursuant to a relevant Authority/Power of Attorney. Please ensure that a relevant Authority/Power of Attorney accompanies the abovementioned documents as necessary (if an Authority/Power of Attorney has not previously been provided).

It is preferable that all questions about the winding up, or communications are sent via email to enquiries@lmfimf.com with original documents to be mailed as required to:

BDO
GPO Box 457
Brisbane QLD 4001
Phone: +61 7 3237 5999
Fax: +61 7 3221 9227

6. Receiver's Remuneration and Expenses

There have been seventeen applications to Court to date to approve my remuneration since the date of my appointment on 8 August 2013.

A copy of all documentation in relation to my previous applications, can be found on the website www.lmfimf.com.

In addition to the remuneration previously approved by the Court, I calculate that, on a time basis, I have incurred further remuneration of \$833,414.00 (exclusive of GST) plus disbursements of \$36,049.06 (exclusive of GST) from 1 May 2022 to 30 June 2023 as detailed in the attached summary. I intend to seek approval of my current and future remuneration in my Finalisation Application.

7. Actions taken during the Period

I provide below a summary of actions taken during the period from 1 January 2023 to 30 June 2023:

- Work undertaken in relation to the litigation matters detailed at Section 2 of this report;
- Maintaining the financial records of the Fund and preparation of management accounts for the year ended half-year ended 31 December 2022 and the year ended 30 June 2023;

- Undertaking the investor management function for approximately 4,600 investors including answering queries on the winding up of the Fund and maintaining the investment database, including any change in details or transfer of units;
- Preparation of unit price calculations as at 31 December 2022 and 30 June 2023; and
- Preparation of reports to investors in March 2023 and June 2023.

8. Proposed actions to be taken in the next 12 months/Key actions required to complete the winding up of the Fund and estimated timeframe to complete winding up

I provide below a summary of the proposed actions to be taken within the next 12 months and the key actions which I presently anticipate will be required to complete the winding up of the Fund:

- Respond to the proceeding that the LMIM liquidator, John Park has caused LMIM to bring as set out at section 2.1 of this report;
- Once this proceeding brought by LMIM has been determined or resolved, finalise and lodge with the Court an application for directions to enable finalisation of the winding up of the FMIF. I anticipate this finalisation application will seek (inter alia) directions in relation to finalisation of claims against the Fund, directions in relation to the making of a final distribution to FMIF members including directions as to steps to be taken to determine the entitlements of members, and other directions to enable finalisation of the winding up;
- Maintain the accounts of the Fund and prepare management accounts for the half-year ending 31 December 2023 and the year ending 30 June 2024;
- Subject to the directions made by the Court on the finalisation application as to whether an audit of the final accounts of the FMIF is required and the scope of that obligation, an audit of the final accounts may need to be arranged;
- Maintain the investor management database;
- Report to investors on a quarterly basis;
- Pay the remaining liabilities of the fund;
- Pay a final distribution to FMIF members;
- Pay any unclaimed monies to ASIC;
- Notify ASIC that the winding up has been completed.

The timing of the finalisation of the winding up is very much dependent on the timeframe for the conclusion of the proceeding brought by LMIM as set out at section 2.1 of this report.

As noted above, the Court has ordered that a further mediation be held. If the mediation is successful, subject to the terms of any resolution, I intend to proceed to promptly lodge the finalisation application which will seek directions from the Court to enable finalisation of the winding up. The winding up could then potentially be completed by 30 June 2024.

If the matter proceeds to trial my preliminary estimate is that it is unlikely the trial would be held before the first quarter of next year, which would delay the finalisation of the winding up of the FMIF. The timeframe to resolve this proceeding may vary depending upon a range of factors, including the time

taken by the parties to comply with the Court's directions, the directions made by the Court, and the Court's availability to hear the matter.

Subject to any earlier resolution of the matter, if this matter does not resolve and proceeds to trial, my best estimate of the expected time to complete the winding up is between 15 and 21 months.

Whilst this is my best estimate of the expected time to complete the winding up, the timeframe may vary depending upon, among other things, the time taken for the claim made by LMIM against me to be determined or resolved, whether the finalisation application is opposed, the time taken for the proposed finalisation application to be heard and determined, the orders or directions made by the Court on the finalisation application the time taken by auditors to undertake any audit of the final accounts of the Fund which may be required and whether any unexpected complications or issues arise.

9. Queries

Should unit holders wish to advise of any changes in details or require further information, please contact BDO as follows:

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

Yours faithfully,



David Whyte
Receiver



ANNEXURE 1
ESTIMATED RETURN TO FEEDER FUNDS

Feeder Fund	Number of Units	Further Estimated Return to Feeder Funds as at 30 June 2023			
		Distribution (\$)	Amounts withheld (\$)	Net Amount Paid (\$)	Net Cents per Unit
CPAIF	120,702,630	11,636,515	4,654,606	6,981,909	5.8
ICPAIF	9,350,802	901,478	360,591	540,887	5.8
WFMIF	99,488,929	9,591,377	1,112,600	8,478,777	8.5
Total	229,542,361	22,129,369	6,127,797	16,001,572	



SCHEDULE A - Summary of Professional Fees by Category of Work for the Period 1 May 2022 to 30 June 2023

LM First Mortgage Income Fund (Receiver Appointed)

Employee	Position	Rate	Totals		Task Area											
					Assets		Creditors		Trade On		Investigations		Dividends		Administration	
			hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$
David Whyte	Partner	655	246.9	161,719.50	47.7	31,243.50	24.5	16,047.50	160.2	104,931.00					14.5	9,497.50
Craig Jenkins	Partner	605	1.0													
Craig Jenkins	Partner	575	2.7													
Clark Jarrold	Partner	575	0.8													
Charles Haines	Director	555	79.4	43,956.00	0.3	166.50	58.7	32,578.50			3.3	1,831.50	1.4	777.00	15.5	8,602.50
Alastair Raphael	Director	555	0.4	222.00					0.4	222.00						
Charles Haines	Director	540	3.0	1,620.00			2.2	1,188.00							0.8	432.00
Jayden Coulston	Senior Manager	530	27.6	14,628.00			24.1	12,773.00							3.5	1,855.00
Julie Pagcu	Director	520	2.5													
Julie Pagcu	Director	495	1.7													
Ryan Whyte	Senior Analyst	390	698.3	272,337.00	1.6	624.00	419.1	163,449.00	192.0	74,880.00	57.2	22,308.00	19.1	7,449.00	9.3	3,627.00
Jordan Devery	Manager	350	99.1	34,685.00			87.8	30,730.00	11.3	3,955.00						
Matt Burns	Senior Analyst	350	11.0	3,850.00			11.0	3,850.00								
Nigel Wenck	Senior Analyst	295	314.6	92,807.00			299.5	88,352.50	1.2	354.00	6.5	1,917.50	2.4	708.00	5.0	1,475.00
Mitchell Sallis	Analyst	295	6.2	1,829.00							6.2	1,829.00				
Nigel Wenck	Senior Analyst	240	49.7	11,928.00			49.1	11,784.00					0.5	120.00	0.1	24.00
Sarah Cunningham	Financial Assistant	240	27.9	6,696.00											27.9	6,696.00
Jason Morcom	Graduate Analyst	240	188.3	45,192.00			128.7	30,888.00	24.2	5,808.00	9.7	2,328.00			25.7	6,168.00
Georgia Frank	Graduate Analyst	240	107.6	25,824.00			73.6	17,664.00	2.5	600.00	27.2	6,528.00			4.3	1,032.00
Jay Brown	Undergraduate Analyst	195	476.9	92,995.50			475.8	92,781.00	1.1	214.50						
Miah Clarke	Undergraduate Analyst	195	36.8	7,176.00			23.1	4,504.50							13.7	2,671.50
Laura Hagi	Professional Services Support	190	10.1	1,919.00											10.1	1,919.00
Moira Hattigh	Professional Services Support	115	122.0	14,030.00											122.0	14,030.00
TOTALS			2,514.5	833,414.00	49.6	32,034.00	1,677.2	506,590.00	392.9	190,964.50	110.1	36,742.00	23.4	9,054.00	252.4	58,029.50
GST				83,341.40												
TOTAL INC GST				916,755.40												
AVERAGE HOURLY RATE			331		646		302		486		334		387		230	

Note: All amounts exclude GST unless otherwise noted



Disbursements for the period 1 May 2022 to 30 June 2023

LM First Mortgage Income Fund (Receiver Appointed)

Expense Type	Amount (\$ ex GST)
Postage	35,761.96
Photocopy	287.10
TOTAL	36,049.06
GST	3,604.91
TOTAL INC GST	39,653.97

30 September 2023

TO WHOM IT MAY CONCERN

**LM FIRST MORTGAGE INCOME FUND (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 2023, calculated as follows:

Description	\$
Total Value of Fund Assets as at 30 June 2023	58,951,136
Less Creditors and Other Payables	11,507,041
Total Net Value of Fund Assets	47,444,095
Total Number of Units	492,125,624
Unit Price Estimate	9.6 cents

Should you have any queries in respect of the above, please contact my office on (07) 3237 5999 or enquiries@lmfmif.com.au.

Yours faithfully,



David Whyte
Receiver