

Request Number 8509870.

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Name: LM INVESTMENT MANAGEMENT LIMITED
ACN : 077 208 461

<i>Document ID</i>	<i>No. of Pages</i>	<i>Date Lodged</i>
7E5481607	14	2/09/13

If this request is for financial accounts it may contain an XBRL version of the accounts in addition to the usual PDF version. To analyse the version of the accounts in XBRL format you will need to use XBRL reader software.
Please refer to www.asic.gov.au/SBR for more information.

The total number of pages including this cover page is 15.

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**Australian Securities &
Investments Commission**

Electronic Lodgement

Document No. **7E5481607**

Lodgement date/time: 02-09-2013 14:33:19

Reference Id: 87504377

Form 524

Corporations Act 2001
539(1), s539(7)

Presentation of accounts and statement

Liquidator details

Registered liquidator number

215648

Registered liquidator name

GINETTE DAWN MULLER

Company details

Company name

**LM INVESTMENT MANAGEMENT
LIMITED**

077 208 461

Appointment details

Date appointment commenced :

19-03-2013

Type of appointment :

Administrator

Are these accounts final?

Yes

Account & statement details

Date of ceasing to act

31-07-2013

Period for which the accounts and statement are made up

From

19-03-2013

To

31-07-2013

Form 524 - Presentation of accounts and statement
Liquidator: 215648 - GINETTE DAWN MULLER

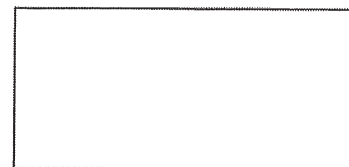
Authentication

This form has been authenticated by
Name GINETTE DAWN MULLER
This form has been submitted by
Name Joanne Emily DUNN
Date 02-09-2013

For more help or information

Web www.asic.gov.au
Ask a question? www.asic.gov.au/question
Telephone 1300 300 630

Australian Securities & Investments Commission



Form 524

Corporations Act 2001
539(1), 411(9)(a), 432(1A), 438E and 445J

Presentation of accounts and statement

This form is to be used for the presentation of accounts and statement by an administrator, provisional liquidator; court appointed liquidator; members' voluntary liquidator; creditors' voluntary liquidator; receiver; receiver and manager; managing controller (other than receiver and manager); controller (other than receiver, receiver and manager or managing controller); deed administrator or scheme administrator under Part 5.1.

If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement

Company details

Company name

LM Investment Management Limited (Administrators Appointed)

ACN / ABN

077 208 461

Lodgement details

Who should ASIC contact if there is a query about this form?

Firm / Organisation

FTI Consulting

Contact name/position description

Ginette Muller / Joint & Several Administrator

ASIC registered agent number (if applicable)

9626

Telephone Number

07 3225 4900

Postal Address or DX Address

22 Market Street, Brisbane QLD 4000

1 Details of appointment

Date of Commencement

19/03/2013

Type of appointment

Administrator 524Y & Z

Details of the accounts

Are the accounts final?

Yes.

The period for which the accounts and statements are made up can not be more than 6 months.

If yes, provide date when Joint & Several Administrators ceased to act 31/07/2013.

Date to which the accounts and statements made up

Final accounts and statements must be made up to the date on which the liquidator ceased to act.

From
19/03/2013

To
31/07/2013

1 Continued...Details of appointment**Details of the appointee(s)**

Date of Appointment:	19/03/2013
Name:	Ginette Dawn Muller
At the office of:	FTI Consulting
Address:	22 Market Street Brisbane QLD 4000
Date of Appointment:	19/03/2013
Name:	John Richard Park
At the office of:	FTI Consulting
Address:	22 Market Street Brisbane QLD 4000

Details of the original appointment

Complete this section only if you are a controller

Creditors' Meeting

Date of the last annual meeting of creditors

N/A

Was a quorum present at this meeting? N/A

OR

The liquidator decided not to convene a meeting of creditors and has lodged a copy of the report with ASIC
Date report lodged with ASIC:

N/A

2 Dividend

Complete this section in full only if you are a **court or creditors' voluntary liquidator or deed administrator**. This section is not relevant to provisional liquidation appointments. If you are the **liquidator of a members' voluntary liquidation**, you need only provide information on the dividends paid to contributories.

Your estimate of total creditors in this administration at the date of this account

Category	Estimated Number of Creditors	Estimated Value
Priority	2	\$32,181
Secured	4	Unknown
Unsecured	640	Unknown
Deferred	N/A	N/A

Dividends paid since your appointment and to the date of this account.

3 Secured lenders

This section for controllers only as required by s432

Amount owing under instrument at the date appointment / control day	\$
Amount owing under instrument at the date of this account	\$
Estimated value of property subject to the instrument at the date of this account	\$

4 Summary of professional fees and completion dates

Complete this section for all appointments except provisional liquidation appointments.

Professional fees and outlays

Remuneration paid to you during the period for which this account is made up (inclusive of GST)

\$0.00

Remuneration paid to you from the date of your appointment to the date to which this account is made up (inclusive of GST)

\$0.00

Amount received by you in respect of expenses during the period for which this account is made up (inclusive of GST)

\$0.00

Amount received by you in respect of expenses from the date of your appointment to the date to which this account is made up (inclusive of GST).

\$0.00

Estimated completion date

Month and year by which you expect this appointment will be completed

At the date of this account how long have you been appointed? Years / Months.

4 Continued... Summary of professional fees and completion dates

Include both operational and abnormal causes of delay, together with a likely date of event which may be the cause of the delay eg. Collection of debtors, terms of Deed to be satisfied, preference action pending – litigation October 200X; awaiting Committee of Inspection October 200X for approval to finalise.

Details of causes which may delay the termination of your appointment:

5 Account of receipts and payments

This section for all appointments.

Receipts

(Exclude the principal component of matured investments)

Total amounts received by you before the period for which this account has been made up \$0.00

Total amounts received by you during the period for which this account has been made up \$6,580,473.45
(Attach detailed schedule)

Total Receipts (this total carried forward to next account) **\$6,580,473.45**

Payments

(Exclude principal amounts invested or rolled over)

Total payments made by you before the period for which this account has been made up \$0.00

Total payments made by you during the period for which this account has been made up \$6,580,473.45
(Attach detailed schedule)

Total Payments (this total carried forward to next account) **\$6,580,473.45**

Reconciliation of money held

Cash in hand \$0.00

Cash at bank:

Credits as per bank statement \$0.00

Less: Unpresented cheques \$0.00

Add: Outstanding deposits \$0.00

\$0.00

Amounts invested and not converted to cash \$0.00

Total balance of money held **\$0.00**

6 Estimated outcome

Complete this section for court and creditors' voluntary liquidations only.

Do you expect that a dividend will be paid to any class of creditor?

If yes, complete the **Statement of financial position and estimated outcome of your appointment**.

Statement of financial position and estimated outcome of your appointment

Details only required for court and creditors' voluntary winding up where it is expected that a dividend will be paid to any class of creditor.

	Total estimated future net realisable value	
	Estimated (High)	Estimated (Low)
	\$	\$
Expected net asset recoveries		
Total money held at the date of this account (amount taken from above)		
Interests in land		
Sundry debtors		
Stock on hand		
Work in progress		
Plant and equipment		
Potential legal recoveries		
Contingent assets		
Other recoveries		
Estimated net asset recoveries at date of this account		
Less estimated future insolvency practitioners remuneration		
Less estimated future other payments or costs incurred		
Estimated net asset recoveries at date of this account available for further dividends to creditors		
Less estimated future dividends to priority creditors		
Less estimated future payments to secured creditors		
Less estimated future dividends to unsecured creditors		
Less estimated future dividends to deferred creditors		
Balance for contributories		

Provide details of any arrangement where assets of the company have been disposed of by you for consideration other than for cash or of any benefit that you have received directly or indirectly resulting from this appointment.

Disclaimer

The Statement of financial position and estimated outcome is an estimate only based on information available at the date of these accounts. The information included in this section should be viewed as a guide only. Many factors affect the estimated outcome to creditors. The data used in this section will change as further information becomes available and after all matters in the insolvency administration are finalised.

7 Your verification of this account and statement

This section for all appointment types

I declare that the statements below are correct.

Statement

The information given in the statement is true to the best of my knowledge and belief at the date of signing.

The account of receipts and payments set out in the annexure marked A of 6 pages, contains a full and true account of my receipts and payments in this period and I have not, nor has any other person by my order or for my use during that period, received or paid any moneys on account of the company other than and except the items mentioned and specified in that account.

The period

From: 19/03/2013 To: 31/07/2013

Signature

Name

Ginette Muller

Signature(s)



Date Signed

2/9/2013

Lodgement

Send completed and signed forms to:

Australian Securities and Investments Commission
PO Box 4000, Gippsland Mail Centre VIC 3841.

Or lodge the form electronically by visiting the ASIC website
www.asic.gov.au

For help or more information

Web www.asic.gov.au

Need help? www.asic.gov.au/question

Telephone 1300 300 630

Account of receipts and payments for the period**RECEIPTS**

Date	Receipts From	Nature of Receipts/Explanation	Total	Trans ID
26/03/13	Suncorp Metway Ltd	Equity: Opening Balance	1,053,283.39	431309
27/03/13	LM Administration Pty Ltd	Loan to LMA	528,283.39	430851
28/03/13	Suncorp Bank	Equity: Opening Balance	6,608.58	430853
15/04/13	Energy Australia Pty Ltd	Refunds	125.83	431024
18/04/13	Suncorp Bank	Equity: Opening Balance	1,877.25	431051
22/04/13	Suncorp Bank	Equity: Opening Balance	7,981.37	431037
29/04/13	LM FMIF	Operating Cost Income	318,798.42	431273
29/04/13	LM FMIF	Operating Cost Income	149,829.65	431274
29/04/13	LM FMIF	Operating Cost Income	37,878.73	431275
01/05/13	Commonwealth Bank of Australia	Interest Income	9.35	431313
08/05/13	LM FMIF	Operating Cost Income	49,048.17	431356
09/05/13	FMIF	Funds from FMIF Account	555,539.37	431359
10/05/13	LM FMIF	Operating Cost Income	128,242.79	431361
17/05/13	Castle Partners Finance Pty Ltd	Consultancy Costs	9,765.25	431475
23/05/13	Commonwealth Bank of Australia	-Bank Charges	5.00	434018
	Account Fee			
23/05/13	Commonwealth Bank of Australia	-Bank Charges	5.00	434019
	Account Fee			
23/05/13	Commonwealth Bank of Australia	-Bank Charges	5.00	434022
	Account Fee			
23/05/13	Commonwealth Bank of Australia	-Bank Charges	5.00	434023
	Account Fee			
28/05/13	Regus Management Group Pty Ltd	Refunds	3,998.71	433052
28/05/13	LM Investment Management MIF	Funds from FMIF Account	128,242.79	433423
29/05/13	Deposit	Rent	1,202.84	433431
31/05/13	John Henderson	Rent	962.27	433432
31/05/13	Suncorp Metway Ltd	Sundry Expenses	234.00	433461
31/05/13	LM Investment Management Limited (Administrators Appointed)	Bank Charges	15.00	433501
31/05/13	LM Investment Management Limited (Administrators Appointed)	Bank Charges	15.00	433502
31/05/13	LM Investment Management Limited (Administrators Appointed)	Bank Charges	15.00	433503
01/06/13	Commonwealth Bank of Australia	-Interest Income	8.26	433539
	Interest			
01/06/13	Commonwealth Bank of Australia	-Interest Income	0.01	433542
	Interest			
01/06/13	Commonwealth Bank of Australia	-Interest Income	4.52	433548
	Interest			
14/06/13	LM FMIF	Operating Cost Income	368,097.30	433812
17/06/13	LM FMIF	Loan to LMA	224,740.07	433917
17/06/13	LM FMIF	Operating Cost Income	51,701.15	433917
17/06/13	LM Investment Management MIF	Funds from FMIF Account	368,097.30	434620
18/06/13	LM Investment Management MIF	Funds from FMIF Account	276,441.22	434619
28/06/13	Lisa Darcy	Other Income	300.00	434329
28/06/13	LM MIF Account	Fund Reimbursement	1,007.36	434409
30/06/13	LM Administration Pty Ltd (Administrators Appointed)	Loan to LMA	1,647,160.23	434517
01/07/13	Commonwealth Bank of Australia	-Interest Income	1.11	435631
	Interest			
01/07/13	Commonwealth Bank of Australia	-Interest Income	0.03	435878
	Interest			
08/07/13	LM FMIF	Operating Cost Income	414,915.00	434561
09/07/13	LM Administration Pty Ltd (Administrators Appointed)	Loan to LMA	40,494.00	434547

LM Investment Management Limited (Administrators Appointed) A.C.N. 077 208 461

Annexure A Page 1

RECEIPTS

Date	Receipts From	Nature of Receipts/Explanation	Total	Trans ID
11/07/13	LM Investment Management AIF	Operating Cost Income	204,328.74	434700
11/07/13	Cheq deposit Bne branch	Refunds	1,200.00	435966
Total Receipts			6,580,473.45	

Receipts and Payments Detailed Listing: 8974 - LM Investment Management Limited (In Liquidation)

VA Bank, Cash and Cash Investment Accounts: From: 19-March-2013 To: 31-July-2013 (Gross Method)

PAYMENTS

Date	Payments To	Nature of Payments/Explanation	Total	Trans ID
26-03-13	LM Administration	Loan to LMA	(1,053,283.39)	<u>431310</u>
01-04-13	Commonwealth Bank	Bank Charges	(1.50)	<u>431311</u>
15-04-13	WI Premium Funding Limited	Insurance	(53,366.94)	<u>431009</u>
16-04-13	LM Administration Pty Ltd (Administrators Appointed)	Loan to LMA	(64,000.00)	<u>431036</u>
16-04-13	LM Administration Pty Ltd (Administrators Appointed)	Loan to LMA (Advance to Employees)	(36,000.00)	<u>431036</u>
16-04-13	Drake Pty Ltd	Equity: Opening Balance	(7,981.37)	<u>431038</u>
22-04-13	Auscript Australasia Pty Ltd	Sundry Expenses	(304.48)	<u>431050</u>
23-04-13	LM Administration Pty Ltd (Administrators Appointed)	Loan to LMA	(150,000.00)	<u>431086</u>
01-05-13	Castle Partners Finance Pty Ltd	Consultancy Costs	(9,765.25)	<u>431158</u>
01-05-13	Commonwealth Bank	Bank Charges	(5.00)	<u>431276</u>
01-05-13	Commonwealth Bank	Bank Charges	(5.00)	<u>431277</u>
01-05-13	Commonwealth Bank	Bank Charges	(5.00)	<u>431278</u>
01-05-13	Commonwealth Bank	Bank Charges	(5.00)	<u>431279</u>
01-05-13	Commonwealth Bank	Bank Charges	(5.00)	<u>431280</u>
01-05-13	Commonwealth Bank	Bank Charges	(5.00)	<u>431281</u>
01-05-13	Commonwealth Bank	Bank Charges	(5.00)	<u>431282</u>
01-05-13	Commonwealth Bank of Australia - Account Fee	Bank Charges	(5.00)	<u>431460</u>
01-05-13	Commonwealth Bank of Australia - Transaction Fee	Bank Charges	(4.50)	<u>431461</u>
01-05-13	Commonwealth Bank of Australia - Account Fee	Bank Charges	(5.00)	<u>431462</u>
01-05-13	Commonwealth Bank of Australia - Transaction Fee	Bank Charges	(0.60)	<u>431463</u>
01-05-13	Commonwealth Bank of Australia - Transaction Fee	Bank Charges	(0.20)	<u>433544</u>
01-05-13	Commonwealth Bank of Australia - Account Fee	Bank Charges	(5.00)	<u>433545</u>
02-05-13	LM Administration Pty Ltd (Administrators Appointed)	Loan to LMA	(100,000.00)	<u>431160</u>
02-05-13	Australian Securities and Investments Commission	ASIC Charges	(22.00)	<u>431251</u>
02-05-13	Lisa Darcy	Sundry Expenses	(725.93)	<u>431431</u>
03-05-13	LM Administration Pty Ltd (Administrators Appointed)	Loan to LMA	(26,123.30)	<u>431221</u>
06-05-13	WI Premium Funding Limited	Insurance	(53,366.94)	<u>431157</u>
06-05-13	Consultum	Consultancy Costs	(11,000.00)	<u>431314</u>
08-05-13	LM Administration Pty Ltd (Administrators Appointed)	Loan to LMA	(25,000.00)	<u>431343</u>
13-05-13	LM Investment Management Limited (Administrators Appointed)	Funds from FMIF Account	(555,539.37)	<u>431358</u>
14-05-13	LM Administration Pty Ltd (Administrators Appointed)	Loan to LMA	(40,000.00)	<u>431384</u>
14-05-13	LMA Trust Account	Loan to LMA (Advance to Employees)	(2,000.00)	<u>431418</u>
14-05-13	LM Administration Pty Ltd (Administrators Appointed)	Loan to LMA	(148,193.00)	<u>431421</u>
20-05-13	Consultum	Consultancy Costs	(11,000.00)	<u>431485</u>
20-05-13	LM Administration Pty Ltd (Administrators Appointed)	Loan to LMA	(200,000.00)	<u>432159</u>
23-05-13	LM Administration Pty Ltd (Administrators Appointed) - Employee Trust Account	Loan to LMA (Advance to Employees)	(755.75)	<u>432178</u>
23-05-13	Express Virtual meetings	Communications	(1,005.69)	<u>432191</u>
23-05-13	Suncorp Metway Ltd	Sundry Expenses	(234.00)	<u>432220</u>
28-05-13	LM Investment Management	Funds from FMIF Account	(128,242.79)	<u>433033</u>

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PAYMENTS				
Date	Payments To	Nature of Payments/Explanation	Total	Trans ID
	Limited (Administrators Appointed)			
29-05-13	LM Administration Pty Ltd (Administrators Appointed)	Loan to LMA	(97,000.00)	<u>433058</u>
30-05-13	Worldwide Online Printing	Printing & Stationery	(244.38)	<u>433220</u>
31-05-13	LM Investment Management AIF	Bank Charges	(15.00)	<u>433319</u>
31-05-13	LM Investment Management MPF	Bank Charges	(15.00)	<u>433320</u>
31-05-13	LM Investment Management GST/PAYG	Bank Charges	(15.00)	<u>433321</u>
01-06-13	Commonwealth Bank of Australia - Account Fee	Bank Charges	(5.00)	<u>433537</u>
01-06-13	Commonwealth Bank of Australia - Transaction Fee	Bank Charges	(0.40)	<u>433538</u>
01-06-13	Commonwealth Bank of Australia - Transaction Fee	Bank Charges	(0.95)	<u>433540</u>
01-06-13	Commonwealth Bank of Australia - Account Fee	Bank Charges	(5.00)	<u>433541</u>
01-06-13	Commonwealth Bank of Australia - Account Fee	Bank Charges	(5.00)	<u>433546</u>
01-06-13	Commonwealth Bank of Australia - Transaction Fee	Bank Charges	(0.40)	<u>433547</u>
01-06-13	Commonwealth Bank of Australia - Account Fee	Bank Charges	(5.00)	<u>433549</u>
01-06-13	Commonwealth Bank of Australia - Excess Interest	Bank Charges	(0.08)	<u>433550</u>
01-06-13	Commonwealth Bank of Australia - Account Fee	Bank Charges	(5.00)	<u>434419</u>
01-06-13	Commonwealth Bank of Australia - Debit Interest	Bank Charges	(0.08)	<u>434420</u>
01-06-13	Commonwealth Bank of Australia - Debit Interest	Bank Charges	(0.08)	<u>434675</u>
01-06-13	Commonwealth bank of Australia - Account Fee	Bank Charges	(5.00)	<u>434676</u>
04-06-13	LM Administration Pty Ltd (Administrators Appointed)	Loan to LMA	(66,000.00)	<u>433459</u>
05-06-13	LM Administration Pty Ltd (Administrators Appointed) - Employee trust account	Loan to LMA (Advance to Employees)	(6,000.00)	<u>433464</u>
07-06-13	LM Administration Pty Ltd Employee Administrators Appointed) - Employee trust Account	Loan to LMA (Advance to Employees)	(4,000.00)	<u>433495</u>
11-06-13	Financial Ombudsman Service Limited	Licenses	(550.00)	<u>433512</u>
11-06-13	LM Administration Pty Ltd (Administrators Appointed)	Loan to LMA	(96,000.00)	<u>433514</u>
17-06-13	LM Investment Management Limited (Administrators Appointed)	Funds from FMIF Account	(368,097.30)	<u>433848</u>
17-06-13	LM Administration Pty Ltd (Administrators Appointed)	Loan to LMA	(222,000.00)	<u>433919</u>
18-06-13	LM Investment Management Limited (Administrators Appointed)	Funds from FMIF Account	(276,441.22)	<u>433918</u>
18-06-13	LMA Trust Account	Loan to LMA (Advance to Employees)	(6,000.00)	<u>433956</u>
24-06-13	LMA Trust Account	Loan to LMA (Advance to Employees)	(2,000.00)	<u>434012</u>
24-06-13	Macquarie Premium Funding	Administration Fees	(60.00)	<u>434033</u>
24-06-13	Macquarie Premium Funding	Insurance	(19,092.52)	<u>434033</u>
25-06-13	LM Administration Pty Ltd (Administrators Appointed)	Loan to LMA	(112,584.00)	<u>434056</u>
27-06-13	Commonwealth Bank of Australia	Investment Income	(0.01)	<u>434327</u>
27-06-13	Commonwealth Bank of Australia - Account Fee	Bank Charges	(4.50)	<u>434328</u>
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PAYMENTS

Date	Payments To	Nature of Payments/Explanation	Total	Trans ID
30-06-13	LM Administration Pty Ltd (Administrators Appointed)	Resources Fee Paid	(1,647,160.23)	<u>434516</u>
01-07-13	Herron Todd White (Gold Coast & NSW Far North Coast) Pty Ltd	Valuation Fee	(660.00)	<u>434332</u>
01-07-13	LM Administration Pty Ltd (Administrators Appointed)	Loan to LMA	(40,494.00)	<u>434337</u>
01-07-13	Commonwealth Bank of Australia - Account Fee	Bank Charges	(5.00)	<u>435632</u>
01-07-13	Commonwealth Bank of Australia - Transaction Fee	Bank Charges	(0.95)	<u>435633</u>
01-07-13	Commonwealth bank of Australia - Account Fee	Bank Charges	(5.00)	<u>435677</u>
01-07-13	Commonwealth bank of Australia - Debit Excess Interest Fee	Bank Charges	(0.01)	<u>435678</u>
01-07-13	Commonwealth bank of Australia - Account Fee	Bank Charges	(5.00)	<u>435679</u>
01-07-13	Commonwealth Bank of Australia - Debit Excess Interest Fee	Bank Charges	(0.01)	<u>435680</u>
01-07-13	Commonwealth Bank of Australia - Account Fee	Bank Charges	(5.00)	<u>435876</u>
01-07-13	Commonwealth Bank of Australia - Transaction Fee	Bank Charges	(0.20)	<u>435877</u>
01-07-13	Commonwealth Bank of Australia - Account Fee	Bank Charges	(5.00)	<u>435921</u>
01-07-13	Commonwealth Bank of Australian - Account Fee	Bank Charges	(0.80)	<u>435922</u>
03-07-13	Financial Ombudsman Service	Licenses	(495.00)	<u>434319</u>
03-07-13	LM Administration Pty Ltd	Fund Reimbursement	(1,007.36)	<u>434410</u>
03-07-13	LMA Trust Account	Loan to LMA (Advance to Employees)	(2,000.00)	<u>434415</u>
09-07-13	LM Administration Pty Ltd (Administrators Appointed)	Resources Fee Paid	(40,494.00)	<u>434548</u>
12-07-13	LM Administration Pty Ltd (Administrators Appointed)	Resources Fee Paid	(100,000.00)	<u>434555</u>
12-07-13	Macquarie Premium Funding	Insurance	(9,546.26)	<u>434602</u>
23-07-13	Allens Linklaters	Legal Fees	(2,396.90)	<u>434693</u>
23-07-13	King & Wood Mallesons	Legal Fees	(18,875.05)	<u>434695</u>
23-07-13	Norton Rose Australia	Legal Fees	(13,072.97)	<u>434696</u>
23-07-13	Russells Law	Legal Fees	(23,551.34)	<u>434698</u>
24-07-13	LM Administration Pty Ltd (Administrators Appointed)	Resources Fee Paid	(220,000.00)	<u>435044</u>
30-07-13	LM Administration Pty Ltd (Administrators Appointed)	Resources Fee Paid	(40,305.61)	<u>435164</u>
30-07-13	LM Administration Pty Ltd (In Liquidation)	Advance on Resource Fees	(77,000.00)	<u>435175</u>
30-07-2013	LM Investment Management Pty Ltd	Close account to liquidation accounts	(389,269.84)	

Total Payments (6,580,473.45)

22-08-2013 12:54 PM

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This is the annexure A of 6 page(s) referred to in Form 524 - Final Presentation of Accounts and Statement from 19/03/2013 to 31/07/2013

Signature

Name

Ginette Muller

Signature(s)



Date Signed

2.9.2013

Request Number 8509868.

Extracted from ASIC's Database on 1/05/14 at 09:12.

Name: LM INVESTMENT MANAGEMENT LIMITED
ACN : 077 208 461

<i>Document ID</i>	<i>No. of Pages</i>	<i>Date Lodged</i>
7E5867779	13	26/02/14

If this request is for financial accounts it may contain an XBRL version of the accounts in addition to the usual PDF version. To analyse the version of the accounts in XBRL format you will need to use XBRL reader software.
Please refer to www.asic.gov.au/SBR for more information.

The total number of pages including this cover page is 14.

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DOCIMAGE Technical Enquiries:	03 5177 3001
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**Australian Securities &
Investments Commission**

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Document No. **7E5867779**

Lodgement date/time: 26-02-2014 17:15:37

Reference Id: 88659797

Form 524

Corporations Act 2001
539(1), s539(7)

Presentation of accounts and statement

Liquidator details

Registered liquidator number

196558

Registered liquidator name

JOHN RICHARD PARK

Company details

Company name

**LM INVESTMENT MANAGEMENT
LIMITED**

077 208 461

Appointment details

Date appointment commenced :

01-08-2013

Type of appointment :

Liquidator of creditors' voluntary liquidation

Are these accounts final?

No

Account & statement details

Period for which the accounts and statement are made up

From

01-08-2013

To

31-01-2014

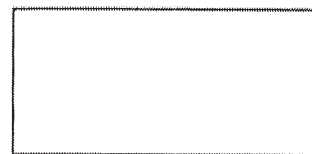
Form 524 - Presentation of accounts and statement
Liquidator: 196558 - JOHN RICHARD PARK

Authentication

This form has been authenticated by	
Name	JOHN RICHARD PARK
This form has been submitted by	
Name	Rebecca Leigh FELSMAN
Date	26-02-2014

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**Australian Securities &
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Form 524

Corporations Act 2001
539(1), 411(9)(a), 432(1A), 438E and 445J

Presentation of accounts and statement

This form is to be used for the presentation of accounts and statement by an administrator, provisional liquidator, court appointed liquidator, members' voluntary liquidator, creditors' voluntary liquidator, receiver, receiver and manager, managing controller (other than receiver and manager), controller (other than receiver, receiver and manager or managing controller), deed administrator or scheme administrator under Part 5.1.

If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement

Company details

Company name

LM Investment Management Limited (In Liquidation)

ACN / ABN

077 208 461

Lodgement details

Who should ASIC contact if there is a query about this form?

Firm / Organisation

FTI Consulting

Contact name/position description

John Park / Joint & Several Liquidator

ASIC registered agent number (if applicable)

9626

Telephone Number

07 3225 4900

Postal Address or DX Address

22 Market Street, Brisbane QLD 4000

1 Details of appointment

Date of Commencement

1/08/2013

Type of appointment

Liquidator of creditors' voluntary liquidation 524J & K

Details of the accounts

Are the accounts final? No.

The period for which the accounts and statements are made up can not be more than 6 months.

If yes, provide date when Joint & Several Liquidators ceased to act.

Date to which the accounts and statements made up

Final accounts and statements must be made up to the date on which the liquidator ceased to act.

From
1/08/2013

To
31/01/2014

1 Continued...Details of appointment**Details of the appointee(s)**

Date of Appointment:	1/08/2013
Liquidator Registration Number:	215648
Name:	Ginette Dawn Muller
At the office of:	FTI Consulting
Address:	22 Market Street Brisbane QLD 4000
Date of Appointment:	1/08/2013
Liquidator Registration Number:	196558
Name:	John Richard Park
At the office of:	FTI Consulting
Address:	22 Market Street Brisbane QLD 4000

Details of the original appointment
 Complete this section only if you are a
 controller

Creditors' Meeting

Date of the last annual meeting of creditors

N/A

Was a quorum present at this meeting? N/A

OR

The liquidator decided not to convene a meeting of creditors and has lodged a copy of the report with ASIC
 Date report lodged with ASIC:

N/A

2 Dividend

Complete this section in full only if you are a **court or creditors' voluntary liquidator or deed administrator**. This section is not relevant to provisional liquidation appointments. If you are the **liquidator of a members' voluntary liquidation**, you need only provide information on the dividends paid to contributories.

Your estimate of total creditors in this administration at the date of this account

Category	Estimated Number of Creditors	Estimated Value
Priority	2	32,193
Secured	4	unknown
Unsecured	644	unknown
Deferred	0	N/A

Dividends paid since your appointment and to the date of this account.

3 Secured lenders

This section for controllers only as required by s432

Amount owing under instrument at the date appointment / control day	\$
Amount owing under instrument at the date of this account	\$
Estimated value of property subject to the instrument at the date of this account	\$

4 Summary of professional fees and completion dates

Complete this section for all appointments except provisional liquidation appointments.

Professional fees and outlays

Remuneration paid to you during the period for which this account is made up (inclusive of GST)

\$0.00

Remuneration paid to you from the date of your appointment to the date to which this account is made up (inclusive of GST)

\$0.00

Amount received by you in respect of expenses during the period for which this account is made up (inclusive of GST)

\$0.00

Amount received by you in respect of expenses from the date of your appointment to the date to which this account is made up (inclusive of GST).

\$0.00

Estimated completion date

Month and year by which you expect this appointment will be completed

08 2015

At the date of this account how long have you been appointed? Years / Months.

0 year(s), 6 month(s).

4 Continued... Summary of professional fees and completion dates

Include both operational and abnormal causes of delay, together with a likely date of event which may be the cause of the delay eg. Collection of debtors, terms of Deed to be satisfied, preference action pending – litigation October 200X; awaiting Committee of Inspection October 200X for approval to finalise.

Details of causes which may delay the termination of your appointment:

- Ongoing role as Responsible Entity for various managed investment schemes (the Funds). Orderly sale and distribution of remaining assets of the Funds.

5 Account of receipts and payments

This section for all appointments.

Receipts

(Exclude the principal component of matured investments)

Total amounts received by you before the period for which this account has been made up \$0.00

Total amounts received by you during the period for which this account has been made up \$1,963,972.52
(Attach detailed schedule)

Total Receipts (this total carried forward to next account) **\$1,963,972.52**

Payments

(Exclude principal amounts invested or rolled over)

Total payments made by you before the period for which this account has been made up \$0.00

Total payments made by you during the period for which this account has been made up \$1,206,246.42
(Attach detailed schedule)

Total Payments (this total carried forward to next account) **\$1,206,246.42**

Reconciliation of money held

Cash in hand \$0.00

Cash at bank:

Credits as per bank statement \$757,726.10

Less: Unpresented cheques \$0.00

Add: Outstanding deposits \$0.00

\$0.00

Amounts invested and not converted to cash \$0.00

Total balance of money held **\$757,726.10**

6 Estimated outcome

Complete this section for court and creditors' voluntary liquidations only.

Do you expect that a dividend will be paid to any class of creditor?

NO

If yes, complete the **Statement of financial position and estimated outcome of your appointment**.

Statement of financial position and estimated outcome of your appointment

Details only required for court and creditors' voluntary winding up where it is expected that a dividend will be paid to any class of creditor.

	Total estimated future net realisable value	
	Estimated (High)	Estimated (Low)
	\$	\$
Expected net asset recoveries		
Total money held at the date of this account (amount taken from above)		
Interests in land		
Sundry debtors		
Stock on hand		
Work in progress		
Plant and equipment		
Potential legal recoveries		
Contingent assets		
Other recoveries		
Estimated net asset recoveries at date of this account		
Less estimated future insolvency practitioners remuneration		
Less estimated future other payments or costs incurred		
Estimated net asset recoveries at date of this account available for further dividends to creditors		
Less estimated future dividends to priority creditors		
Less estimated future payments to secured creditors		
Less estimated future dividends to unsecured creditors		
Less estimated future dividends to deferred creditors		
Balance for contributories		

Provide details of any arrangement where assets of the company have been disposed of by you for consideration other than for cash or of any benefit that you have received directly or indirectly resulting from this appointment.

Disclaimer

The Statement of financial position and estimated outcome is an estimate only based on information available at the date of these accounts. The information included in this section should be viewed as a guide only. Many factors affect the estimated outcome to creditors. The data used in this section will change as further information becomes available and after all matters in the insolvency administration are finalised.

7 Your verification of this account and statement

This section for all appointment types

I declare that the statements below are correct.

Statement

The information given in the statement is true to the best of my knowledge and belief at the date of signing.

The account of receipts and payments set out in the annexure marked A of 5 pages, contains a full and true account of my receipts and payments in this period and I have not, nor has any other person by my order or for my use during that period, received or paid any moneys on account of the company other than and except the items mentioned and specified in that account.

The period

From: 1/08/2013 To: 31/01/2014

Signature

Name

John Park

Signature(s)



Date Signed

26/2/14

Lodgement

Send completed and signed forms to:

Australian Securities and Investments Commission
PO Box 4000, Gippsland Mall Centre VIC 3841.

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www.asic.gov.au

Account of receipts and payments for the period**RECEIPTS**

Date	Receipts From	Nature of Receipts/Explanation	Total	Trans ID
01/08/13	Transfer from Administrator	AIF A/cc - LM Investment Management Limited (In LI	78.65	436079
01/08/13	Transfer from Administrator	Cash at Bank	23,981.03	436079
01/08/13	Transfer from Administrator	FMIF A/cc - LM Investment Management Limited (In L	154,666.45	436079
01/08/13	Transfer from Administrator	ICPIF A/cc - LM Investment Management Limited (In	1,726.70	436079
01/08/13	Transfer from Administrator	MPF A/cc - LM Investment Management Limited (Admin	19.91	436079
01/08/13	Commonwealth Bank of Australia -Interest Income Interest		0.02	539967
01/08/13	Commonwealth Bank of Australia -Interest Income Interest		1.00	539992
01/08/13	LM Australian Income Fund	Operating Cost Income	61,417.95	540606
01/08/13	LM Australian Income Fund	Operating Cost Income	44,468.42	540607
01/08/13	Transfer from Administrator	ICPIF A/cc - LM Investment Management Limited (In	1,024.37	544065
01/08/13	Transfer from Administrator	AIF A/cc - LM Investment Management Limited (In LI	204,300.00	555074
01/08/13	Transfer from Administrator	Cash at Bank	3,492.73	555075
09/08/13	Bartley Cohen Litigation Lawyers	Refunds	200.00	435614
20/08/13	Deputy Commissioner of Taxation	GST Control: GST Paid (Received)	53,606.00	539102
21/08/13	Lisa Darcy	Other Income	1,121.30	436034
01/09/13	Commonwealth bank of Australia -Interest Income Interest		4.33	541600
01/09/13	Commonwealth Bank of Australia -Interest Income Interest		3.41	541603
01/09/13	Commonwealth Bank of Australia -Interest Income Interest		1.00	541626
01/09/13	Commonwealth Bank of Australia -Interest Income Interest		0.01	541627
12/09/13	Deposit	Rent	901.80	540718
24/09/13	Lisa Darcy	Other Income	998.68	541027
27/09/13	LM Australian Income Fund	Operating Cost Income	28,250.97	541189
30/09/13	LM First Mortgage Income Fund	Operating Cost Income	354,673.42	541448
30/09/13	Unknown	Refunds	366.00	541647
01/10/13	LM Investment Management Limited (Administrators Appointed)	Operating Cost Income	160,913.67	541531
01/10/13	Commonwealth Bank of Australia	Interest Income	0.01	541992
01/10/13	Commonwealth Bank- Interest	Interest Income	4.19	544036
01/10/13	Commonwealth Bank- Interest	Interest Income	3.30	544040
01/10/13	Commonwealth Bank of Australia -Interest Income Interest		2.53	544802
04/10/13	Action Insurance Brokers	Refunds	324.95	541809
04/10/13	Action Insurance Brokers	Stamp Duty	31.45	541809
08/10/13	Sale of 20 Albatross Ave	Interest In Land	491,549.74	541980
15/10/13	LM Australia Income Fund	Operating Cost Income	1,560.00	542921
17/10/13	Commonwealth Bank of Australia -Interest Income Interest		0.01	543467
24/10/13	LM First Mortgage Income Fund	Operating Cost Income	8,940.87	543449
01/11/13	Commonwealth Bank of Australia -Interest Income Interest		2.63	546225
20/11/13	LM Australian Income Fund	Operating Cost Income	1,985.53	545390
25/11/13	LM First Mortgage Income Fund	Operating Cost Income	11,373.97	545391
01/12/13	Commonwealth Bank of Australia -Interest Income Interest		0.01	550120
01/12/13	Commonwealth Bank of Australia -Interest Income Interest		0.20	550251

LM Investment Management Limited (In Liquidation) A.C.N. 077 208 461

Annexure A Page 1

RECEIPTS

Date	Receipts From	Nature of Receipts/Explanation	Total	Trans ID
01/12/13	Commonwealth Bank of Australia - Interest	Interest Income	27.41	551190
12/12/13	LM Australian Income Fund	Contribution received from fund	222,082.08	546845
01/01/14	Commonwealth Bank of Australia - Interest	Interest Income	22.12	552846
01/01/14	Commonwealth Bank of Australia - Interest	Interest Income	0.69	552861
01/01/14	Commonwealth Bank of Australia - Interest	Interest Income	0.03	552911
08/01/14	Russells Solicitors Law Practice Trust Account	Indemnity funds MPF	110,246.00	549345
13/01/14	LM Australian Income Fund	Operating Cost Income	1,838.81	551930
17/01/14	LM Australian Income Fund	Operating Cost Income	2,810.22	551931
21/01/14	LM First Mortgage Income Fund	Operating Cost Income	8,031.66	551929
31/01/14	Thomsons Lawyers	Refunds	278.88	552117
31/01/14	LM Cash Performance Fund	Contribution received from fund	3,271.18	552862
31/01/14	LM Cash Performance Fund	Contribution received from fund	1,153.35	552863
31/01/14	LM Cash Performance Fund	Contribution received from fund	361.35	552901
31/01/14	LM Cash Performance Fund	Contribution received from fund	1,584.78	552902
31/01/14	LM Cash Performance Fund	Contribution received from fund	266.75	552903
Total Receipts			1,963,972.52	

PAYMENTS

Date	Payments To	Nature of Payments/Explanation	Total	
01/08/13	Blue Broking Pty Ltd	Insurance	(15,400.00)	
01/08/13	Transfer from Administrator	MPF A/cc - LM Investment Management Limited (Admin	(5.00)	
01/08/13	Commonwealth Bank of Australia -Bank Charges		(5.00)	
01/08/13	Account Fee		(0.20)	
01/08/13	Commonwealth Bank of Australia -Bank Charges		(5.00)	
01/08/13	Transaction Fee		(0.20)	
01/08/13	Commonwealth Bank of Australia -Bank Charges		(5.00)	
01/08/13	Account Fee		(0.20)	
01/08/13	Commonwealth bank of Australia -Bank Charges		(5.00)	
01/08/13	Account Fee		(5.00)	
01/08/13	Commonwealth Bank of Australia -Bank Charges		(2.60)	
01/08/13	Transaction Fee		(5.00)	
01/08/13	Commonwealth Bank of Australia -Bank Charges		(5.00)	
01/08/13	Account Fee		(15.00)	
01/08/13	Transfer from Administrator	MPF A/cc - LM Investment Management Limited (Admin	(15.00)	
02/08/13	Worldwide Printing Solutions	Printing & Stationery	(1,543.40)	
05/08/13	Market Street		(37.00)	
05/08/13	Australian Securities and Investments Commission	ASIC Charges	(37.00)	
05/08/13	LM Administration Pty Ltd (In Liquidation)	Advance on Resource Fees	(85,421.60)	
06/08/13	LM Administration Pty Ltd (Administrators Appointed)	Loan to LMA	(19,806.00)	
06/08/13	LM Administration Pty Ltd (Administrators Appointed)	Resources Fee Paid	(55,194.00)	
09/08/13	Primus Compliance	Compliance Fees	(1,024.78)	
09/08/13	Express Virtual Meetings	Sundry Expenses	(249.10)	
09/08/13	Macquarie Premium Funding	Insurance	(9,546.26)	
15/08/13	Audio Visual Information Technology	Sundry Expenses	(968.00)	
20/08/13	King & Wood Mallesons	Legal Fees	(18,370.59)	
20/08/13	King & Wood Mallesons	Legal Fees	(311.78)	
22/08/13	GOLD COAST CITY COUNCIL	Rent & Rates	(2,145.67)	
23/08/13	Worldwide Online Printing	Printing & Stationery	(383.97)	
28/08/13	Russells Law	Counsel Fees	(52,600.00)	
28/08/13	Russells Law	Counsel Fees	(17,655.00)	
01/09/13	Commonwealth bank of Australia -Bank Charges		(0.40)	
01/09/13	Transaction Fee		(5.00)	
01/09/13	Commonwealth bank of Australia -Bank Charges		(5.00)	
01/09/13	Account Fee		(5.00)	
01/09/13	Commonwealth Bank of Australia -Bank Charges		(4.70)	541606
01/09/13	Transaction Fee		(5.00)	541607
01/09/13	Commonwealth Bank of Australia -Bank Charges		(5.00)	541628
01/09/13	Account Fee		(5.00)	541630
01/09/13	Commonwealth Bank of Australia -Bank Charges		(0.75)	541632
01/09/13	Transaction Fee		(5.00)	541633
01/09/13	Commonwealth Bank of Australia -Bank Charges		(0.20)	541634
01/09/13	Account fee		(0.04)	541634
01/09/13	Commonwealth Bank of Australia -Bank Charges		(0.04)	541634
01/09/13	Transaction Fee		(0.04)	541634
03/09/13	Express Virtual Meetings	Sundry Expenses	(585.27)	539197
10/09/13	Mick Byrnes	Repairs & Maintenance	(220.00)	436361

LM Investment Management Limited (In Liquidation) A.C.N. 077 208 461

Annexure A Page 3

PAYMENTS

Date	Payments To	Nature of Payments/Explanation	Total	Trans ID
10/09/13	Mick Byrnes	Repairs & Maintenance	(121.00)	436367
12/09/13	Macquarie Premium Funding	Insurance	(9,546.26)	539801
18/09/13	Australian Securities and Investments Commission	Compliance Fees	(366.00)	540644
18/09/13	Australian Securities and Investments Commission	Compliance Fees	(366.00)	540645
20/09/13	Blue Broking Pty Ltd	Insurance	(553.30)	540509
20/09/13	Blue Broking Pty Ltd	Stamp Duty	(37.42)	540509
25/09/13	Gold Coast City Council	Rent & Rates	(2,322.51)	541028
01/10/13	Commonwealth Bank of Australia - Account Fee	Bank Charges	(5.00)	541939
01/10/13	Commonwealth Bank of Australia - Bank Charges Account Fee	Bank Charges	(5.00)	541995
01/10/13	Commonwealth Bank of Australia - Bank Charges Transaction Fee	Bank Charges	(1.50)	541996
01/10/13	Commonwealth Bank- Account Fee	Bank Charges	(5.00)	544031
01/10/13	Commonwealth Bank- Transaction Fee	Bank Charges	(1.70)	544032
01/10/13	Commonwealth Bank- Account Fee	Bank Charges	(5.00)	544037
01/10/13	Commonwealth Bank- Transaction Fee	Bank Charges	(0.20)	544039
01/10/13	Commonwealth Bank- Account Fee	Bank Charges	(5.00)	544041
01/10/13	Commonwealth Bank- Transaction Fee	Bank Charges	(0.20)	544042
08/10/13	Sale of 20 Albatross Ave	Land Tax	(3,348.90)	541980
08/10/13	Sale of 20 Albatross Ave	Legal Fees	(4,368.50)	541980
10/10/13	Hickey Lawyers	Legal Fees	(16,500.00)	542051
10/10/13	King & Wood Mallesons	Legal Fees	(86,744.06)	542055
10/10/13	Norton Rose Fulbright	Legal Fees	(19,651.70)	542067
10/10/13	Russells Law	Legal Fees	(35,840.27)	542071
10/10/13	Russells Law	Legal Fees	(121,610.51)	542081
10/10/13	King & Wood Mallesons	Counsel Fees	(30,965.00)	542093
10/10/13	Russells Law	Counsel Fees	(228,556.29)	542101
14/10/13	Macquarie Premium Funding	Insurance	(9,546.26)	542160
18/10/13	Carolyn Hodge	Subcontractors	(2,598.75)	542596
23/10/13	Russells Law	Legal Fees - Disbursements	(7,507.15)	543113
24/10/13	Deputy Commissioner of Taxation	GST Control: GST Paid (Received)	(43,932.00)	543125
01/11/13	Commonwealth Bank of Australia - Account Fee	Bank Charges	(5.00)	546201
01/11/13	Commonwealth Bank of Australia - Bank Charges Transaction Fee	Bank Charges	(0.40)	546202
01/11/13	Commonwealth Bank of Australia - Bank Charges Account Fee	Bank Charges	(5.00)	546205
01/11/13	Commonwealth Bank of Australia - Bank Charges Transaction Fee	Bank Charges	(0.20)	546206
01/11/13	Commonwealth Bank of Australia - Bank Charges	Bank Charges	(5.00)	546226
01/11/13	Commonwealth Bank of Australia - Bank Charges Transaction Fee	Bank Charges	(6.35)	546227
13/11/13	Macquarie Premium Funding	Insurance	(9,546.26)	544371
19/11/13	DH Flinders Corporate Advisors	Consultancy Costs	(1,400.00)	544847
01/12/13	Commonwealth Bank of Australia - Account Fee	Bank Charges	(5.00)	550121
01/12/13	Commonwealth Bank of Australia - Bank Charges Transaction Fee	Bank Charges	(0.20)	550122
01/12/13	Commonwealth Bank of Australia - Bank Charges Account Fee	Bank Charges	(5.00)	550252
01/12/13	Commonwealth Bank of Australia - Bank Charges Transaction Fee	Bank Charges	(0.20)	550255

LM Investment Management Limited (In Liquidation) A.C.N. 077 208 461

Annexure A Page 4

PAYMENTS

Date	Payments To	Nature of Payments/Explanation	Total	Trans ID
01/12/13	Commonwealth Bank of Australia -Bank Charges Account Fee		(5.00)	551189
03/12/13	Austrac	Compliance Fees	(310.00)	545743
04/12/13	Russells Solicitors Law Practice Trust Account	Document production	(23,579.16)	545956
04/12/13	Russells Solicitors Law Practice Trust Account	Counsel Fees	(24,750.00)	545957
13/12/13	Macquarie Premium Funding	Insurance	(9,546.26)	546568
18/12/13	Clayton UTZ	Legal Fees	(66,990.07)	547274
19/12/13	Russells Solicitors Law Practice Trust Account	Disbursements - Legal	(148.63)	547108
19/12/13	Russells Solicitors Law Practice Trust Account	Legal Fees	(18,743.48)	547108
19/12/13	Norton Rose Australia	Legal Fees	(2,185.81)	547257
01/01/14	Commonwealth Bank of Australia -Bank Charges Transaction Fee		(5.00)	552848
01/01/14	Commonwealth Bank of Australia -Bank Charges Transaction Fee		(5.45)	552850
01/01/14	Commonwealth Bank of Australia -Bank Charges Account Fee		(5.00)	552860
01/01/14	Commonwealth Bank of Australia -Bank Charges Account Fee		(5.00)	552909
01/01/14	Commonwealth of Australia - Transaction Fee	Bank Charges	(1.00)	552910
08/01/14	Russells Solicitors Law Practice Trust Account	Legal Fees	(55,000.00)	549345
08/01/14	Russells Solicitors Law Practice Trust Account	Disbursements - Legal	(68,051.08)	549613
08/01/14	Russells Solicitors Law Practice Trust Account	Legal Fees	(8,043.91)	549613
08/01/14	Norton Rose Australia	Legal Fees	(2,185.81)	549619
08/01/14	King & Wood Mallesons	Legal Fees	(108.90)	549647
16/01/14	Macquarie Premium Funding	Insurance	(9,546.26)	550835
Total Payments			(1,206,246.42)	

"This is annexure.....^A.....of
.....⁵.....pages referred to in
Form.....⁵²⁴.....signed by
R. R. and dated.....^{26/12/19}.....

Request Number 8600051.

Extracted from ASIC's Database on 26/09/14 at 14:50.

Name: LM INVESTMENT MANAGEMENT LIMITED
ACN : 077 208 461

<i>Document ID</i>	<i>No. of Pages</i>	<i>Date Lodged</i>
7E6312669	13	25/08/14

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Please refer to www.asic.gov.au/SBR for more information.

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Document No. **7E6312669**

Lodgement date/time: 25-08-2014 12:45:07

Reference Id: 89925597

Form 524

Corporations Act 2001

539(1), s539(7)

Presentation of accounts and statement

Liquidator details

Registered liquidator number

196558

Registered liquidator name

JOHN RICHARD PARK

Company details

Company name

**LM INVESTMENT MANAGEMENT
LIMITED**

077 208 461

Appointment details

Date appointment commenced :

01-08-2013

Type of appointment :

Liquidator of creditors' voluntary liquidation

Are these accounts final?

No

Account & statement details

Period for which the accounts and statement are made up

From

01-02-2014

To

31-07-2014

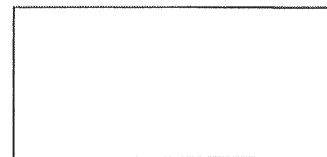
Form 524 - Presentation of accounts and statement
Liquidator: 196558 - JOHN RICHARD PARK

Authentication

This form has been authenticated by	
Name	JOHN RICHARD PARK
This form has been submitted by	
Name	Rebecca Leigh FELSMAN
Date	25-08-2014

For more help or information	
Web	www.asic.gov.au
Ask a question?	www.asic.gov.au/question
Telephone	1300 300 630

Australian Securities & Investments Commission



Form 524
Corporations Act 2001
539(1), 411(9)(a), 432(1A), 438E and 445J

Presentation of accounts and statement

This form is to be used for the presentation of accounts and statement by an administrator, provisional liquidator; court appointed liquidator; members' voluntary liquidator; creditors' voluntary liquidator; receiver; receiver and manager; managing controller (other than receiver and manager); controller (other than receiver, receiver and manager or managing controller); deed administrator or scheme administrator under Part 5.1.

If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement

Company details

Company name

LM Investment Management Limited (In Liquidation)

ACN / ABN

077 208 461

Lodgement details

Who should ASIC contact if there is a query about this form?

Firm / Organisation

FTI Consulting

Contact name/position description

John Park / Joint & Several Liquidator

ASIC registered agent number (if applicable)

9626

Telephone Number

+61 7 3225 4900

Postal Address or DX Address

22 Market Street, Brisbane QLD 4000

1 Details of appointment

Date of Commencement

1/08/2013

Type of appointment

Liquidator of creditors' voluntary liquidation 524J & K

Details of the accounts

Are the accounts final?

No.

The period for which the accounts and statements are made up can not be more than 6 months.

If yes, provide date when Joint & Several Liquidators ceased to act .

Date to which the accounts and statements made up

Final accounts and statements must be made up to the date on which the liquidator ceased to act.

From
1/02/2014

To
31/07/2014

1 Continued...Details of appointment**Details of the appointee(s)**

Date of Appointment:	1/08/2013
Liquidator Registration Number:	215648
Name:	Ginette Dawn Muller
At the office of:	FTI Consulting
Address:	22 Market Street Brisbane QLD 4000
Date of Appointment:	1/08/2013
Liquidator Registration Number:	196558
Name:	John Richard Park
At the office of:	FTI Consulting
Address:	22 Market Street Brisbane QLD 4000

Details of the original appointment

Complete this section only if you are a
controller

Creditors' Meeting

Date of the last annual meeting of creditors

N/A

Was a quorum present at this meeting? N/A

OR

The liquidator decided not to convene a meeting of creditors and has lodged a copy of the report with ASIC
Date report lodged with ASIC:

N/A

2 Dividend

Complete this section in full only if you are a **court or creditors' voluntary liquidator or deed administrator**. This section is not relevant to provisional liquidation appointments. If you are the **liquidator of a members' voluntary liquidation**, you need only provide information on the dividends paid to contributories.

Your estimate of total creditors in this administration at the date of this account

Category	Estimated Number of Creditors	Estimated Value
Priority	2	32,193
Secured	4	0
Unsecured	646	Unknown
Deferred	0	0

Dividends paid since your appointment and to the date of this account.

3 Secured lenders

This section for controllers only as required by s432

Amount owing under instrument at the date appointment / control day	\$
Amount owing under instrument at the date of this account	\$
Estimated value of property subject to the instrument at the date of this account	\$

4 Summary of professional fees and completion dates

Complete this section for all appointments except provisional liquidation appointments.

Professional fees and outlays	Remuneration paid to you during the period for which this account is made up (inclusive of GST)	\$1,188,154.28
	Remuneration paid to you from the date of your appointment to the date to which this account is made up (inclusive of GST)	\$1,188,154.28
	Amount received by you in respect of expenses during the period for which this account is made up (inclusive of GST)	\$53,300.69
	Amount received by you in respect of expenses from the date of your appointment to the date to which this account is made up (inclusive of GST).	\$53,300.69
Estimated completion date	Month and year by which you expect this appointment will be completed	08 2015
	At the date of this account how long have you been appointed? Years / Months.	1 year(s), 0 month(s).

4 Continued... Summary of professional fees and completion dates

Include both operational and abnormal causes of delay, together with a likely date of event which may be the cause of the delay eg. Collection of debtors, terms of Deed to be satisfied, preference action pending – litigation October 200X; awaiting Committee of Inspection October 200X for approval to finalise.

Details of causes which may delay the termination of your appointment:

Ongoing role as Responsible Entity for various managed investment schemes (the Funds). Orderly sale and distribution of remaining assets of the Funds.

Claims against the Company and insurance policies held by the Company.

5 Account of receipts and payments

This section for all appointments.

Receipts

(Exclude the principal component of matured investments)

Total amounts received by you before the period for which this account has been made up	\$1,963,972.52
---	----------------

Total amounts received by you during the period for which this account has been made up (Attach detailed schedule)	\$2,866,851.21
---	----------------

Total Receipts (this total carried forward to next account)	\$4,830,823.73
--	-----------------------

Payments

(Exclude principal amounts invested or rolled over)

Total payments made by you before the period for which this account has been made up	\$1,206,246.42
--	----------------

Total payments made by you during the period for which this account has been made up (Attach detailed schedule)	\$2,280,425.76
--	----------------

Total Payments (this total carried forward to next account)	\$3,486,672.18
--	-----------------------

Reconciliation of money held

Cash in hand	\$0.00
--------------	--------

Cash at bank:

Credits as per bank statement	\$1,344,701.55
-------------------------------	----------------

Less: Unpresented cheques	\$(550.00)
---------------------------	------------

Add: Outstanding deposits	\$0.00
---------------------------	--------

\$1,344,151.55

Amounts invested and not converted to cash	\$0.00
--	--------

Total balance of money held	\$1,344,151.55
------------------------------------	-----------------------

6 Estimated outcome

Complete this section for court and creditors' voluntary liquidations only.

Do you expect that a dividend will be paid to any class of creditor?

NO

If yes, complete the **Statement of financial position and estimated outcome of your appointment**.

Statement of financial position and estimated outcome of your appointment

Details only required for court and creditors' voluntary winding up where it is expected that a dividend will be paid to any class of creditor.

	Total estimated future net realisable value	
	Estimated (High)	Estimated (Low)
	\$	\$
Expected net asset recoveries		
Total money held at the date of this account (amount taken from above)		
Interests in land		
Sundry debtors		
Stock on hand		
Work in progress		
Plant and equipment		
Potential legal recoveries		
Contingent assets		
Other recoveries		
Estimated net asset recoveries at date of this account		
Less estimated future insolvency practitioners remuneration		
Less estimated future other payments or costs incurred		
Estimated net asset recoveries at date of this account available for further dividends to creditors		
Less estimated future dividends to priority creditors		
Less estimated future payments to secured creditors		
Less estimated future dividends to unsecured creditors		
Less estimated future dividends to deferred creditors		
Balance for contributories		

Provide details of any arrangement where assets of the company have been disposed of by you for consideration other than for cash or of any benefit that you have received directly or indirectly resulting from this appointment.

Disclaimer

The Statement of financial position and estimated outcome is an estimate only based on information available at the date of these accounts. The information included in this section should be viewed as a guide only. Many factors affect the estimated outcome to creditors. The data used in this section will change as further information becomes available and after all matters in the insolvency administration are finalised.

7 Your verification of this account and statement

This section for all appointment types

I declare that the statements below are correct.

Statement

The information given in the statement is true to the best of my knowledge and belief at the date of signing.

The account of receipts and payments set out in the annexure marked A of 5 pages, contains a full and true account of my receipts and payments in this period and I have not, nor has any other person by my order or for my use during that period, received or paid any moneys on account of the company other than and except the items mentioned and specified in that account.

The period

From: 1/02/2014 To: 31/07/2014

Signature

Name

John Park

Signature(s)



Date Signed

20/8/14

Lodgement

Send completed and signed forms to:

Australian Securities and Investments Commission
PO Box 4000, Gippsland Mail Centre VIC 3841.

Or lodge the form electronically by visiting the ASIC website
www.asic.gov.au

For help or more information

Web www.asic.gov.au

Need help? www.asic.gov.au/question

Telephone 1300 300 630

Account of receipts and payments for the period**RECEIPTS**

Date	Receipts From	Nature of Receipts/Explanation	Total	Trans ID
01/02/14	Commonwealth bank of Australia -Interest Income		20.73	554993
01/02/14	Commonwealth Bank of Australia -Interest Income		0.69	555997
01/02/14	Commonwealth Bank of Australia -Interest Income		9.41	555998
14/02/14	LM Administration Pty Ltd (In Liquidation)	Loan to LMA (Advance to Employees)	52,600.06	555141
20/02/14	LM Investment Management	Indemnity funds MPF	1,568,754.00	555137
01/03/14	Commonwealth Bank of Australia -Interest Income		8.94	558774
01/03/14	Commonwealth Bank of Australia -Interest Income		18.32	558779
01/03/14	Commonwealth Bank of Australia -Interest Income		0.94	558783
04/03/14	LM Australian Income Fund	Operating Cost Income	2,729.98	556729
05/03/14	Cavill Avenue Investments (Qld) Pty Ltd as Trustee and Pwgc Pty Ltd as Trustee	Sale of Joint Venture	655,096.10	555624
20/03/14	Cavill Avenue Investments (Qld) Pty Ltd as Trustee and PWGC Pty Ltd as Trustee	Sale of Joint Venture	5,577.00	557285
21/03/14	LM Australian Income Fund	Operating Cost Income	4,426.13	557739
27/03/14	Australian Taxation Office	GST Control: GST Paid (Received)	25,407.00	558082
01/04/14	Commonwealth Bank of Australia -Interest Income		1.04	561171
01/04/14	Commonwealth Bank of Australia -Interest Income		4.98	561175
01/04/14	Commonwealth Bank of Australia -Interest Income		65.11	561176
28/04/14	LM First Mortgage Income Fund	Operating Cost Income	20,459.42	560541
01/05/14	LM First Mortgage Income Fund	Contribution received from fund	159,456.55	563919
01/05/14	Commonwealth Bank of Australia -Interest Income		58.16	563936
01/05/14	Commonwealth Bank of Australia -Interest Income		4.82	563939
01/05/14	Commonwealth Bank of Australia -Interest Income		1.00	563941
03/05/14	Australian Taxation Office	GST Control: GST Paid (Received)	22,843.00	562396
29/05/14	LM Australian Income Fund	Contribution received from fund	48,052.56	563872
29/05/14	LM Cash Performance Fund	Contribution received from fund	2,354.83	563880
29/05/14	LM Australian Income Fund	Contribution received from fund	131,848.05	563892
29/05/14	LM Cash Performance Fund	Contribution received from fund	4,820.25	563985
01/06/14	Commonwealth Bank of Australia -Interest Income		53.71	566302
01/06/14	Commonwealth Bank of Australia -Interest Income		6.60	566360
01/06/14	Commonwealth Bank of Australia -Interest Income		4.33	566413
04/06/14	FMIF	Contribution from FMIF for Russells	135,791.40	563494
18/06/14	LM Australian Income Fund	Operating Cost Income	89.23	566415
19/06/14	LM Administration Pty Ltd (In Liquidation)	Loan to LMA	19,806.00	564590
19/06/14	LM Administration Pty Ltd (In Liquidation)	Loan to LMA (Advance to Employees)	6,155.69	564590
26/06/14	LM First Mortgage Income Fund	Operating Cost Income	260.77	566416
01/07/14	Commonwealth Bank of Australia -Interest Income		11.60	568842
01/07/14	Commonwealth Bank of Australia -Interest Income		46.43	568844

LM Investment Management Limited (In Liquidation) A.C.N. 077 208 461

Annexure A Page 1

RECEIPTS

Date	Receipts From	Nature of Receipts/Explanation	Total	Trans ID
01/07/14	Interest			
	Commonwealth Bank of Australia -Interest Income		6.38	568847
	Interest			
Total Receipts			2,866,851.21	

PAYMENTS

Date	Payments To	Nature of Payments/Explanation	Total	Trans ID
01/02/14	Commonwealth Bank of Australia -Bank Charges		(5.00)	554990
	Account Fee			
01/02/14	Commonwealth bank of Australia -Bank Charges		(3.00)	554992
	Transaction Fee			
01/02/14	Commonwealth Bank of Australia -Bank Charges		(5.00)	555995
	Account Fee			
01/02/14	Commonwealth Bank of Australia -Bank Charges		(0.20)	555996
	Transaction Fee			
01/02/14	Commonwealth Bank of Australia -Bank Charges		(5.00)	555999
	Account Fee			
01/02/14	Commonwealth Bank of Australia -Bank Charges		(1.40)	556000
	Transaction Fee			
07/02/14	Macquarie Premium Funding	Insurance	(9,546.26)	553234
11/02/14	Carolyn Hodge	Subcontractors	(1,113.75)	553944
19/02/14	Tucker & Cowen	Legal Fees	(31,871.13)	554758
19/02/14	Skuse & Co	Legal Fees	(847.00)	554760
24/02/14	Clayton UTZ	Legal Fees	(21,854.50)	555042
24/02/14	Hickey Lawyers	Legal Fees	(1,705.00)	555044
26/02/14	Financial Ombudsman Service	Licenses	(5,500.00)	555335
01/03/14	Commonwealth Bank of Australia -Bank Charges		(5.00)	558773
	Account Fee			
01/03/14	Commonwealth Bank of Australia -Bank Charges		(5.00)	558777
	Account Fee			
01/03/14	Commonwealth Bank of Australia -Bank Charges		(1.50)	558778
	Transaction Fee			
01/03/14	Commonwealth Bank - Account Fee	Bank Charges	(5.00)	558784
04/03/14	Piper Alderman Trust Account	Legal Fees	(244,000.00)	555484
04/03/14	King & Wood Mallesons	Legal Fees	(1,283.15)	555616
04/03/14	Norton Rose	Legal Fees	(2,128.50)	555618
04/03/14	Russells Law	Legal Fees	(6,296.60)	555623
19/03/14	Russells Solicitors Law Practice Trust Account	Disbursements - Legal	(30,481.94)	556795
27/03/14	FTI Consulting	Appointee Disbursements	(3,784.22)	558055
27/03/14	FTI Consulting	Fees: Appointee Fees	(280,489.35)	558055
27/03/14	FTI Consulting	Appointee Disbursements	(45,959.79)	558063
27/03/14	FTI Consulting	Fees: Appointee Fees	(575,823.93)	558063
28/03/14	FTI Consulting	Appointee Disbursements	(910.62)	558058
28/03/14	FTI Consulting	Fees: Appointee Fees	(121,854.00)	558058
01/04/14	Commonwealth Bank of Australia -Bank Charges		(5.00)	561172
	Account Fee			
01/04/14	Commonwealth Bank of Australia -Bank Charges		(5.00)	561173
	Account Fee			
01/04/14	Commonwealth Bank of Australia -Bank Charges		(0.40)	561174
	Transaction Fee			
01/04/14	Commonwealth Bank of Australia -Bank Charges		(5.00)	561177
	Account Fee			
01/04/14	Commonwealth Bank of Australia -Bank Charges		(3.75)	561178
	Transaction Fee			
04/04/14	PKF (Gold Coast) Pty Ltd	Accounting Fees	(660.00)	558262
04/04/14	Create A Website	IT Costs	(323.49)	558343
09/04/14	Norton Rose	Legal Fees	(3,173.09)	558838
15/04/14	Russells Solicitors Law Practice Trust Account	Counsel Fees	(113,379.95)	558795
16/04/14	Worldwide Printing Solutions Market Street	Printing & Stationery	(383.97)	559844
01/05/14	King & Wood Mallesons	Disbursements - Legal	(598.78)	560680
01/05/14	King & Wood Mallesons	Legal Fees	(150,000.00)	560680
01/05/14	Commonwealth Bank of Australia -Bank Charges		(5.00)	563934
	Account Fee			
01/05/14	Commonwealth Bank of Australia -Bank Charges		(5.00)	563938

LM Investment Management Limited (In Liquidation) A.C.N. 077 208 461

Annexure A Page 3

PAYMENTS

Date	Payments To	Nature of Payments/Explanation	Total	Trans ID
01/05/14	Account Fee Commonwealth Bank of Australia	-Bank Charges	(5.00)	563942
01/05/14	Account Fee Commonwealth Bank of Australia	-Bank Charges	(0.40)	563943
05/05/14	DH Flinders Corporate Advisors	Compliance Fees	(350.00)	560651
20/05/14	King & Wood Mallesons	Legal Fees	(1,541.56)	561900
01/06/14	Commonwealth Bank of Australia	-Bank Charges	(5.00)	566300
01/06/14	Account Fee Commonwealth Bank of Australia	-Bank Charges	(0.20)	566301
01/06/14	Transaction Fee Commonwealth Bank of Australia	-Bank Charges	(0.20)	566327
01/06/14	Transaction Fee Commonwealth Bank of Australia	-Bank Charges	(5.00)	566328
01/06/14	Account Fee Commonwealth Bank of Australia	-Bank Charges	(5.00)	566410
01/06/14	Account Fee Commonwealth Bank of Australia	-Bank Charges	(3.60)	566412
11/06/14	Russells Law	Disbursements - Legal	(23,700.29)	563503
11/06/14	Russells Law	Legal Fees	(94,298.40)	563503
19/06/14	LM Administration Pty Ltd (In Liquidation)	Resources Fee Paid	(264,000.00)	564590
20/06/14	LM Administration Pty Ltd (Administrators Appointed)	Resources Fee Paid	(1,746.01)	564608
20/06/14	LM Administration Pty Ltd (Administrators Appointed)	Resources Fee Paid	(715.37)	564611
27/06/14	FTI Consulting	Appointee Disbursements	(171.06)	565230
27/06/14	FTI Consulting	Fees: Appointee Fees	(4,320.25)	565230
30/06/14	Commonwealth Bank of Australia	-Bank Charges	(2.50)	566402
01/07/14	Reject Return Fee Commonwealth Bank of Australia	-Bank Charges	(0.20)	568840
01/07/14	Transaction Fee Commonwealth Bank of Australia	-Bank Charges	(5.00)	568841
01/07/14	Account Fee Commonwealth Bank of Australia	-Bank Charges	(5.00)	568843
01/07/14	Account Fee Commonwealth Bank of Australia	-Bank Charges	(0.40)	568845
01/07/14	Transaction Fee Commonwealth Bank of Australia	Bank Charges	(5.00)	568846
07/07/14	FTI Consulting	Fees: Appointee Fees	(83,523.85)	565879
09/07/14	FTI Consulting	Appointee Disbursements	(2,475.00)	565231
09/07/14	FTI Consulting	Fees: Appointee Fees	(122,142.90)	565231
10/07/14	Financial Ombudsman Service	Licenses	(550.00)	566529
16/07/14	Tucker & Cowen Solicitors	Legal Fees	(26,814.30)	566527
Total Payments			(2,280,425.76)	


This is the annexure A of 5 page(s) referred to in Form 524 - Presentation of Accounts and Statement from 1/02/2014 to 31/07/2014

Signature

Name

John Park

Signature(s)

 Kelly-Anne Trenfield as Power of Attorney

Date Signed

25/8/2014

Request Number 8719826.

Extracted from ASIC's Database on 5/05/15 at 10:12.

Name: LM INVESTMENT MANAGEMENT LIMITED
ACN : 077 208 461

<i>Document ID</i>	<i>No. of Pages</i>	<i>Date Lodged</i>
7E6754368	11	26/02/15

If this request is for financial accounts it may contain an XBRL version of the accounts in addition to the usual PDF version. To analyse the version of the accounts in XBRL format you will need to use XBRL reader software.
Please refer to www.asic.gov.au/SBR for more information.

The total number of pages including this cover page is 12.

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DOCIMAGE Technical Enquiries:	03 5177 3001
Facsimile:	03 5177 3999
Ask a question:	www.asic.gov.au/question

**Australian Securities &
Investments Commission**

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Document No. **7E6754368**

Lodgement date/time: 26-02-2015 11:17:16
Reference Id: 91151782

Form 524

Corporations Act 2001
539(1), s539(7)

Presentation of accounts and statement

Liquidator details

Registered liquidator number

196558

Registered liquidator name

JOHN RICHARD PARK

Company details

Company name

**LM INVESTMENT MANAGEMENT
LIMITED**

077 208 461

Appointment details

Date appointment commenced :

01-08-2013

Type of appointment :

Liquidator of creditors' voluntary liquidation

Are these accounts final?

No

Account & statement details

Period for which the accounts and statement are made up

From

01-08-2014

To

31-01-2015

Form 524 - Presentation of accounts and statement
Liquidator: 196558 - JOHN RICHARD PARK

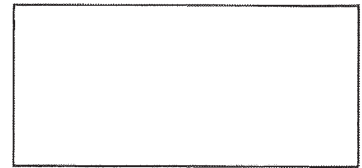
Authentication

This form has been authenticated by	
Name	JOHN RICHARD PARK
This form has been submitted by	
Name	Rebecca Leigh FELSMAN
Date	26-02-2015

For more help or information

Web	www.asic.gov.au
Ask a question?	www.asic.gov.au/question
Telephone	1300 300 630

Australian Securities & Investments Commission



Form 524

Corporations Act 2001
539(1), 411(9)(a), 432(1A), 438E and 445J

Presentation of accounts and statement

This form is to be used for the presentation of accounts and statement by an administrator, provisional liquidator; court appointed liquidator; members' voluntary liquidator; creditors' voluntary liquidator; receiver; receiver and manager; managing controller (other than receiver and manager); controller (other than receiver, receiver and manager or managing controller); deed administrator or scheme administrator under Part 5.1.

If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement

Company details

Company name

LM Investment Management Limited (In Liquidation)

ACN / ABN

077 208 461

Lodgement details

Who should ASIC contact if there is a query about this form?

Firm / Organisation

FTI Consulting

Contact name/position description

John Park / Joint & Several Liquidator

ASIC registered agent number (if applicable)

9626

Telephone Number

+61 7 3225 4900

Postal Address or DX Address

22 Market Street, Brisbane QLD 4000

1 Details of appointment

Date of Commencement

1/08/2013

Type of appointment

Liquidator of creditors' voluntary liquidation 524J & K

Details of the accounts

Are the accounts final? No.

The period for which the accounts and statements are made up can not be more than 6 months.

If yes, provide date when Joint & Several Liquidators ceased to act ,

Date to which the accounts and statements made up

Final accounts and statements must be made up to the date on which the liquidator ceased to act.

From
1/08/2014

To
31/01/2015

1 Continued...Details of appointment

Details of the appointee(s)

Date of Appointment:	1/08/2013
Liquidator Registration Number:	196558
Name:	John Richard Park
At the office of:	FTI Consulting
Address:	22 Market Street Brisbane QLD 4000
Date of Appointment:	1/08/2013
Liquidator Registration Number:	215648
Name:	Ginette Dawn Muller
At the office of:	FTI Consulting
Address:	22 Market Street Brisbane QLD 4000

Details of the original appointment

Complete this section only if you are a controller

Creditors' Meeting

Date of the last annual meeting of creditors

N/A

Was a quorum present at this meeting? N/A

OR

The liquidator decided not to convene a meeting of creditors and has lodged a copy of the report with ASIC
Date report lodged with ASIC:

31/10/2014

2 Dividend

Complete this section in full only if you are a **court or creditors' voluntary liquidator or deed administrator**. This section is not relevant to provisional liquidation appointments. If you are the **liquidator of a members' voluntary liquidation**, you need only provide information on the dividends paid to contributories.

Your estimate of total creditors in this administration at the date of this account

Category	Estimated Number of Creditors	Estimated Value
Priority	2	32,193
Secured	4	0
Unsecured	646	unknown
Deferred	0	0

Dividends paid since your appointment and to the date of this account.

3 Secured lenders

This section for controllers only as required by s432

Amount owing under instrument at the date appointment / control day	\$
Amount owing under instrument at the date of this account	\$
Estimated value of property subject to the instrument at the date of this account	\$

4 Summary of professional fees and completion dates

Complete this section for all appointments except provisional liquidation appointments.

Professional fees and outlays

Remuneration paid to you during the period for which this account is made up (inclusive of GST)

\$0.00

Remuneration paid to you from the date of your appointment to the date to which this account is made up (inclusive of GST)

\$1,188,154.28

Amount received by you in respect of expenses during the period for which this account is made up (inclusive of GST)

\$0.00

Amount received by you in respect of expenses from the date of your appointment to the date to which this account is made up (inclusive of GST).

\$53,300.69

Estimated completion date

Month and year by which you expect this appointment will be completed

08 2016

At the date of this account how long have you been appointed? Years / Months.

1 year(s), 6 month(s).

4 Continued... Summary of professional fees and completion dates

Include both operational and abnormal causes of delay, together with a likely date of event which may be the cause of the delay eg. Collection of debtors, terms of Deed to be satisfied, preference action pending – litigation October 200X; awaiting Committee of Inspection October 200X for approval to finalise.

Details of causes which may delay the termination of your appointment:
Ongoing role as Responsible Entity for various managed investment schemes (the Funds).
Orderly sale and distribution of remaining assets of the Funds.
Claims against the Company & insurance policies held by the Company

5 Account of receipts and payments

This section for all appointments.

Receipts

(Exclude the principal component of matured investments)

Total amounts received by you before the period for which this account has been made up	\$4,830,823.73
---	----------------

Total amounts received by you during the period for which this account has been made up (Attach detailed schedule)	\$383,656.36
---	--------------

Total Receipts (this total carried forward to next account)	\$5,214,480.09
--	-----------------------

Payments

(Exclude principal amounts invested or rolled over)

Total payments made by you before the period for which this account has been made up	\$3,486,672.18
--	----------------

Total payments made by you during the period for which this account has been made up (Attach detailed schedule)	\$266,650.08
--	--------------

Total Payments (this total carried forward to next account)	\$3,753,322.26
--	-----------------------

Reconciliation of money held

Cash in hand	\$0.00
--------------	--------

Cash at bank:

Credits as per bank statement	\$1,461,157.83	
Less: Unpresented cheques	\$0.00	
Add: Outstanding deposits	\$0.00	
		\$1,461,157.83

Amounts invested and not converted to cash	\$0.00
--	--------

Total balance of money held	\$1,461,157.83
------------------------------------	-----------------------

6 Estimated outcome

Complete this section for court and creditors' voluntary liquidations only.

Do you expect that a dividend will be paid to any class of creditor?

NO

If yes, complete the **Statement of financial position and estimated outcome of your appointment**.

Statement of financial position and estimated outcome of your appointment

Details only required for court and creditors' voluntary winding up where it is expected that a dividend will be paid to any class of creditor.

	Total estimated future net realisable value	
	Estimated (High)	Estimated (Low)
	\$	\$
Expected net asset recoveries		
Total money held at the date of this account (amount taken from above)		
Interests in land		
Sundry debtors		
Stock on hand		
Work in progress		
Plant and equipment		
Potential legal recoveries		
Contingent assets		
Other recoveries		
Estimated net asset recoveries at date of this account		
Less estimated future insolvency practitioners remuneration		
Less estimated future other payments or costs incurred		
Estimated net asset recoveries at date of this account available for further dividends to creditors		
Less estimated future dividends to priority creditors		
Less estimated future payments to secured creditors		
Less estimated future dividends to unsecured creditors		
Less estimated future dividends to deferred creditors		
Balance for contributories		

Provide details of any arrangement where assets of the company have been disposed of by you for consideration other than for cash or of any benefit that you have received directly or indirectly resulting from this appointment.

Disclaimer

The Statement of financial position and estimated outcome is an estimate only based on information available at the date of these accounts. The information included in this section should be viewed as a guide only. Many factors affect the estimated outcome to creditors. The data used in this section will change as further information becomes available and after all matters in the insolvency administration are finalised.

7 Your verification of this account and statement

This section for all appointment types

I declare that the statements below are correct.

Statement

The information given in the statement is true to the best of my knowledge and belief at the date of signing.

The account of receipts and payments set out in the annexure marked A of 3 pages, contains a full and true account of my receipts and payments in this period and I have not, nor has any other person by my order or for my use during that period, received or paid any moneys on account of the company other than and except the items mentioned and specified in that account.

The period

From: 1/08/2014 To: 31/01/2015

Signature

Name

John Park

Signature(s)



Date Signed

25/2/15

Lodgement

Send completed and signed forms to:

Australian Securities and Investments Commission
PO Box 4000, Gippsland Mail Centre VIC 3841.

Or lodge the form electronically by visiting the ASIC website
www.asic.gov.au

For help or more information

Web www.asic.gov.au
Need help? www.asic.gov.au/question
Telephone 1300 300 630

Account of receipts and payments for the period**RECEIPTS**

Date	Receipts From	Nature of Receipts/Explanation	Total	Trans ID
01/08/14	LM Investment Management Canada Ltd	Shareholder Funds - Canada	14,733.27	568829
01/08/14	Commonwealth Bank	Interest Income	46.84	570571
01/08/14	Commonwealth Bank of Australia - Interest	Interest Income	8.44	570572
01/08/14	Commonwealth Bank	Interest Income	1.31	570574
08/08/14	LM First Mortgage Income Fund	Contribution received from fund	39,766.65	569415
09/08/14	Australian Taxation Office	GST Control: GST Paid (Received)	14,191.00	569594
21/08/14	LM Australian Income Fund	Contribution received from fund	17,097.87	570506
26/08/14	LM Cash Performance Fund	Contribution received from fund	334.50	570504
01/09/14	Commonwealth Bank of Australia - Interest	Interest Income	8.44	571876
01/09/14	Commonwealth Bank of Australia - Interest	Interest Income	42.38	571881
01/09/14	Commonwealth Bank of Australia	Interest Income	1.31	571884
10/09/14	LM Australian Income Fund	Contribution received from fund	61,504.66	570518
10/09/14	LM Currency Protected Australian Income Fund	Contribution received from fund	4,622.54	570519
11/09/14	LM Cash Performance Fund	Contribution received from fund	23,941.61	570657
23/09/14	LM Cash Performance Fund	Contribution received from fund	6,625.56	571968
23/09/14	LM Australian Income Fund	Contribution received from fund	18,364.48	571972
01/10/14	Commonwealth Bank	Interest Income	1,149.25	575674
01/10/14	Commonwealth Bank	Interest Income	5.37	575675
01/10/14	Commonwealth Bank	Interest Income	8.88	575677
01/10/14	Commonwealth Bank	Interest Income	2.90	575679
01/11/14	Commonwealth Bank - Interest	Interest Income	1,696.47	576705
01/11/14	Commonwealth Bank - Interest	Interest Income	3.00	576710
01/11/14	Commonwealth Bank - Interest	Interest Income	14.07	576712
01/11/14	Commonwealth Bank - Interest	Interest Income	5.55	576719
03/11/14	LM Australian Income Fund	Contribution received from fund	61,156.05	574503
01/12/14	Commonwealth Bank - Interest	Interest Income	1,577.18	578497
01/12/14	Commonwealth Bank - Interest	Interest Income	2.90	578505
01/12/14	Commonwealth Bank of Australia - Interest	Interest Income	13.61	578507
01/12/14	Commonwealth Bank - Interest	Interest Income	4.84	578510
03/12/14	LM First Mortgage Income Fund	Contribution received from fund	1,817.60	577964
04/12/14	LM Australian Income Fund	Operating Cost Income	710.40	578616
01/01/15	Commonwealth Bank of Australia - Interest	Interest Income	16.66	579587
01/01/15	Commonwealth Bank of Australia - Interest	Interest Income	3.97	579593
01/01/15	Commonwealth Bank of Australia - Interest	Interest Income	3.00	579594
01/01/15	Commonwealth Bank of Australia - Interest	Interest Income	1,632.77	579597
14/01/15	Australian Taxation Office	GST Control: GST Paid (Received)	18,119.00	578433
14/01/15	Australian Taxation Office	Interest Income	72.63	578433
30/01/15	LM Australian Income Fund	Contribution received from fund	50,830.46	579610
30/01/15	LM Australian Income Fund	Operating Cost Income	43,518.94	579610
Total Receipts			383,656.36	

PAYMENTS

Date	Payments To	Nature of Payments/Explanation	Total	Trans ID
01/08/14	Clayton UTZ	Legal Fees	(13,281.40)	567929
01/08/14	Commonwealth Bank	Bank Charges	(5.00)	570570
01/08/14	Commonwealth Bank of Australia	Bank Charges	(5.00)	570573
	Account Fee			
01/08/14	Commonwealth Bank	Bank Charges	(5.00)	570575
22/08/14	Russells Solicitors Law Practice	Disbursements - Legal	(4,541.86)	569430
	Trust Account			
22/08/14	Russells Solicitors Law Practice	Legal Fees	(116,251.26)	569430
	Trust Account			
01/09/14	Commonwealth Bank of Australia	Bank Charges	(5.00)	571877
	Account Fee			
01/09/14	Commonwealth Bank of Australia	Bank Charges	(0.40)	571878
	Transaction Fee			
01/09/14	Commonwealth Bank of Australia	Bank Charges	(2.00)	571879
	Transaction Fee			
01/09/14	Commonwealth Bank of Australia	Bank Charges	(5.00)	571880
	Account Fee			
01/09/14	Commonwealth Bank of Australia	Bank Charges	(5.00)	571882
	Account Fee			
01/09/14	Commonwealth Bank of Australia	Bank Charges	(1.60)	571883
	Transaction Fee			
02/09/14	Financial Ombudsman Service	Licenses	(2,530.00)	569923
01/10/14	Commonwealth Bank	Bank Charges	(7.70)	575676
01/10/14	Commonwealth Bank	Bank Charges	(6.20)	575678
01/10/14	Commonwealth Bank	Bank Charges	(5.00)	575680
01/11/14	Commonwealth Bank - Account	Bank Charges	(5.00)	576711
	Fee			
01/11/14	Commonwealth Bank - Account	Bank Charges	(5.00)	576713
	Fee			
01/11/14	Commonwealth Bank - Account	Bank Charges	(5.00)	576716
	Fee			
25/11/14	Clayton UTZ	Legal Fees	(12,877.36)	575692
01/12/14	Worldwide Printing Solutions	Printing & Stationery	(164.70)	575548
	Market Street			
01/12/14	Commonwealth Bank - Account	Bank Charges	(5.00)	578506
	Fee			
01/12/14	Commonwealth Bank of Australia	Bank Charges	(5.00)	578508
	Account Fee			
01/12/14	Commonwealth Bank of Australia	Bank Charges	(0.20)	578509
	Transaction Fee			
01/12/14	Commonwealth Bank - Account	Bank Charges	(5.00)	578512
	Fee			
22/12/14	Receiver of the LM Group Books	Receivers Out of Pocket Disbursements	(24,255.00)	577680
	and Records			
01/01/15	Commonwealth Bank of Australia	Bank Charges	(5.00)	579588
	Account Fee			
01/01/15	Commonwealth Bank of Australia	Bank Charges	(0.20)	579589
	Transaction Fee			
01/01/15	Commonwealth Bank of Australia	Bank Charges	(5.00)	579592
	Account Fee			
01/01/15	Commonwealth Bank of Australia	Bank Charges	(5.00)	579595
	Account Fee			
01/01/15	Commonwealth Bank of Australia	Bank Charges	(0.20)	579596
	Transaction Fee			
13/01/15	Blue Broking Pty Ltd	Insurance	(85,550.00)	577603
13/01/15	Blue Broking Pty Ltd	Stamp Duty	(7,650.00)	577603
31/01/15	Financial Ombudsman Service	Licenses	(-550.00)	
Total Payments			(266,650.08)	

This is the annexure A of 3 page(s) referred to in Form 524 - Presentation of Accounts and Statement from 1/08/2014 to 31/01/2015

Signature

Name

John Park

Signature(s)



Date Signed

25/2/15

SUPREME COURT OF QUEENSLAND

REGISTRY: Brisbane
NUMBER: BS. 3508/2015

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

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

First Applicant

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


Second Applicant

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

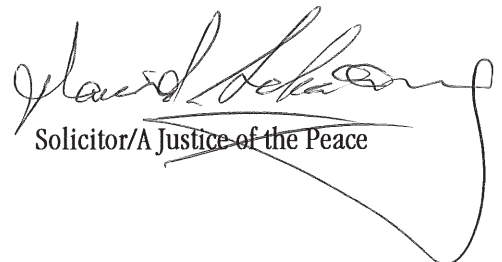
Respondent

CERTIFICATE OF EXHIBIT

Pages 248 – 409 of Exhibit “DW-1” to the Affidavit of DAVID WHYTE sworn this 12th day of June 2015



Deponent



Solicitor/A Justice of the Peace

CERTIFICATE OF EXHIBIT:
Form 47, R.435

Filed on behalf of the Respondent, David Whyte

TUCKER & COWEN
Solicitors
Level 15
15 Adelaide Street
Brisbane, Qld, 4000
Tele: (07) 300 300 00
Fax: (07) 300 300 33

Ginette Muller
FTI Consulting
22 Market Street
Brisbane QLD 4000

26 August 2013

Dear Madam

LM FIRST MORTGAGE INCOME FUND (RECEIVER APPOINTED) ('FMIF')
ARSN 089 343 288

I refer to the final Order of the Court made on 21 August 2013 appointing me to take responsibility to ensure the FMIF is wound up, and appointing me as Receiver of the property of the FMIF.

The effect of the Order is that I will, in substance and effect, conduct the winding up of the Fund. The Judge said as much in the Judgment dated 8 August 2013 (at paragraph 121). Accordingly I would expect an orderly transition of books and records, staff, information and the like and am happy to meet with you to discuss the mechanics of this further.

Obviously, McGrathNicol's appointment by Deutsche Bank takes priority over mine until such time as Deutsche Bank are paid out.

Accordingly, to facilitate compliance with the Court Order, I ask that you:-

1. If not already done so, hand over control of all bank accounts to McGrathNicol, and remove yourself, your partners and your staff as signatories;
2. cease providing any instructions to the custodian. I will do that in conjunction with McGrathNicol from now on;
3. cease dealing with all controller matters including ASIC compliance. McGrathNicol or I will deal with that;
4. make the FMIF investor database available to me for the purposes of communicating with the investors. I will continue to maintain and update that database;
5. cease any asset realisation work and provide a copy of the file maintained by you in relation to each asset and forecast cash flows that has been requested on several occasions.

As I said, I will in substance and effect be winding up the Fund and therefore I expect any ongoing role that you have will be very minimal. The only role I expect you will have with the Fund is maintenance of the AFSL which stays suspended during the course of the winding up.

I do not require you to undertake any of the functions set out in clause 18.4 of the Constitution of the Fund, nor do I think you are able to in any event given the terms of the Court Order.

Further, I will undertake all legal recoveries and generally all duties relating to the realisation and winding up of the Fund (subject to the terms of McGrathNicol's appointment).

If you disagree with any of this would you please let me know immediately as I would then propose to seek further directions from the Court should there be any misunderstanding.

I also understand that you (via your solicitors) contend that you must maintain the Register of Members, call members' meetings if requested to do so, prepare financial reports and comply with audit requirements as well as comply with the continuous disclosure regime under the Corporations Act. I will write to you separately about that shortly.

Yours faithfully



David Whyte
Receiver

CC: Joseph Hayes, McGrathNicol

From: Muller, Ginette [<mailto:Ginette.Muller@fticonsulting.com>]

Sent: 27 August 2013 1:32 PM

To: David Whyte; David Clout (dclout@cloutsinsolvency.com.au); Paul Sweeney (PSweeney@mcgrathnicol.com)

Cc: Joseph Hayes (jhayes@mcgrathnicol.com); Muller, Ginette

Subject: RE: LM Investment Management Limited (In Liquidation)(Receivers & Managers Appointed)

David

Thank you for your email. I'm taking some advice and will respond more fully, as soon as possible. I wondered however, whether you think that the role of the responsible entity is now transferred to you or is no longer required? It was my understanding that the RE is to remain and function as an RE but I would be grateful for your view on this.

I certainly don't think there is any doubt that you are appointed to realize the assets of the fund for the purposes of seeing it "wound up".

In any event I suggest we meet sooner rather than later to sort out our respective roles. Whilst we have had a preliminary meeting, it was obviously without the benefit of the Orders which we now have.

Clearly there are matters for resolving with :

McGrath and myself in relation to outstanding controllerships and prior work done;

Clouts and myself in relation to the subcontracting of the responsible entity staff and rights of indemnity over assets and storage of records; and

BDO and myself in relation to the ongoing role of responsible entity e.g. compliance and in particular the last paragraph of your letter dated 26 August 2013.

Regards

Ginette Muller
Senior Managing Director
FTI Consulting
+61.7.3225.4903 direct
+61.(0) 419 682 113

From: David Whyte [<mailto:David.Whyte@bdo.com.au>]

Sent: 26 August 2013 6:19 PM

To: Muller, Ginette; David Clout (dclout@cloutsinsolvency.com.au); Paul Sweeney (PSweeney@mcgrathnicol.com)

Cc: Joseph Hayes (jhayes@mcgrathnicol.com)

Subject: RE: LM Investment Management Limited (In Liquidation)(Receivers & Managers Appointed)

Ginette

As discussed at our meeting a couple of weeks ago, I see FTI's ongoing role as being very limited as outlined in the attached letter. To the extent you disagree, can you please elaborate further and I will consider seeking directions from the court.

I am happy to meet to discuss the mechanics of the handover of records and outstanding issues.

Regards

David

DAVID WHYTE
Partner
Direct: +61 7 3237 5887
Mobile: +61 413 491 490
David.Whyte@bdo.com.au

BDO
Level 6, 10 Eagle St
Brisbane QLD 4000
AUSTRALIA
Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

 Before you print think about the environment

We've moved! While I'm still located in our Eagle Street office our registered address has moved to Level 10, 12 Creek Street.

From: Muller, Ginette [<mailto:Ginette.Muller@fticonsulting.com>]

Sent: 26 August 2013 11:46 AM

To: David Clout (dclout@cloutsinsolvency.com.au); David Whyte; Paul Sweeney (PSweeney@mcgrathnicol.com)

Subject: LM Investment Management Limited (In Liquidation)(Receivers & Managers Appointed)

Gentlemen

The order has finally been agreed and a clean copy will issue later today. Attached is the order with the Judge's hand written amendments.

As the Responsible Entity, LMIM's first priority is to arrange for notification of the outcome of the hearing to investors in accordance with paragraph 8 of the Order.

Please can you give some thought to when we can meet to discuss the next steps.

Regards

Ginette Muller

Senior Managing Director
Corporate Finance/Restructuring

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Brisbane QLD 4000
Australia

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Ginette.Muller@fticonsulting.com

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From: David Whyte
Sent: 27 August 2013 5:41 PM
To: 'Muller, Ginette'; David Clout (dclout@cloutsinsolvency.com.au); Paul Sweeney (PSweeney@mcgrathnicol.com)
Cc: Joseph Hayes (jhayes@mcgrathnicol.com)
Subject: RE: LM Investment Management Limited (In Liquidation)(Receivers & Managers Appointed)

Ginette

I can't really say much more than what was in my letter which I thought was fairly clear. I am appointed as the person responsible to ensure the fund is wound up in accordance with its constitution and as such need to undertake all tasks that relate to that occurring. The only assistance I require from the RE is for the RE's AFSL to remain suspended during the winding up period. Otherwise I do not see the RE being involved with the fund.

My experience with Equititrust was the same, namely the RE did nothing save for hold the AFSL.

I agree there are handover issues that need to be dealt with by the various parties and am happy to meet some time in the next couple of days to deal with these. I am available tomorrow, Thursday afternoon or Friday morning in that respect. So far as I am concerned, our roles are clear, but if you have issues you wish to discuss then please articulate them clearly.

In the meantime, I am receiving several emails that suggest that your staff continue to work on matters, particularly John Corbett. Given my previous meetings with John and advice at our last meeting on Friday, 16 August 2013 that we did not require any further assistance in the handover of asset realisation matters (unless specifically requested by me) I do not understand why this is occurring. This is causing confusion with the LM staff and should cease immediately.

Please confirm to LM staff that FTI will no longer be involved in this respect and copy me in to that.

Needless to say, the liquidators should not expect to be paid from the Fund to do any work on fund assets since 8 August 2013, unless I have specifically authorised it.

Regards

David

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Sent: 27 August 2013 1:32 PM

To: David Whyte; David Clout (dclout@cloutsinsolvency.com.au); Paul Sweeney (PSweeney@mcgrathnicol.com)

Cc: Joseph Hayes (jhayes@mcgrathnicol.com); Muller, Ginette

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David

DAVID WHYTE

Partner

Direct: +61 7 3237 5887

Mobile: +61 413 491 490

David.Whyte@bdo.com.au

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♻️ Before you print think about the environment

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Regards

Ginette Muller

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

Ginette Muller
FTI Consulting
22 Market Street
Brisbane QLD 4000

28 August 2013

Dear Ginette

RE: LM FIRST MORTGAGE INCOME FUND ARSN 089 343 288

I am writing to you because I have been provided with a copy of Submissions made by your Counsel to the Court. I attach a copy and in particular paragraph 12 concerns me in that it is contended that you continue to need to comply with various statutory provisions. I address my concerns, and my views below.

Register of Members

It is suggested that LM Investment Management Limited (In Liquidation) ("LMIM") must maintain a register of members under section 167A(2) of the Act.

Clearly, a register of the members of the Fund must be maintained as required by that provision and by clause 22 of the Constitution during the winding up of the Fund. However, I do not think it is correct to say that the maintenance of that Register is something that must be performed by LMIM itself.

Pursuant to the Order made on 21 August 2013, I have been appointed to take responsibility for ensuring that the Fund is wound up in accordance with its Constitution. Where (as in the case of the Fund) a managed investment scheme is a Trust, it has been said (in *Re: Stacks Managed Investments Limited*) [2005] NSWSC 753 that, "...what is envisaged by the winding up of a scheme is the realisation of its property, the payment by the responsible entity of liabilities incurred on behalf of the scheme or the retention by it of funds with which to meet its liabilities, the ascertainment of the members' entitlements, and the distribution of the trust assets to the members in accordance with their entitlements."

The ascertainment of members' entitlements, and the distribution of Trust assets to members, necessarily involves access to and maintenance of a register of those members. In order to ensure that the Fund is wound up "in accordance with its constitution" (which contains provision for the maintenance of the register of members at cl. 22), I consider that I need to ensure that the register of members of the Fund is properly maintained. I also note that, pursuant to section 174 of the Corporations Act, a person (other than the responsible entity itself) may maintain a register on behalf of a registered scheme - the register clearly need not be maintained by the responsible entity itself.

Document1

I intend to maintain the Register of Members of the Fund and to communicate with them. That seems to me to be an incidental function of winding up the Fund.

Please confirm that you agree.

Section 252B(1) Meetings

The Fund is being wound up. There is nothing for members of the Fund to deliberate upon at a meeting of members that would not concern the winding up of the Fund.

As I have said above, I intend to maintain the register of members of the Fund and to communicate with the members. In the event that any meeting is required, I will attend to it, as part of my responsibilities pursuant to the Court Order.

Please confirm that you agree.

Section 285 - Preparation of Financial Reports and Audit Requirements

I will be keeping accounts that disclose, and accurately record, the transactions and financial position and performance of the Fund. I see no purpose in you doing so as that will be an unnecessary duplication and in any event I am charged with the winding up of the Fund.

Although section 292(1)(d) of the *Corporations Act* requires that a financial report must be prepared for each financial year by the Fund, in the winding up of the Fund it is not a role that would appropriately remain with LMIM rather than with me. As the person charged with responsibility for ensuring that the Fund is wound up appropriately, the relevant information from which any financial reports must be prepared, will be in my possession. This will, very shortly, include the relevant information with respect to the financial year ended 30 June 2013.

Accounting to the members of the Fund is clearly a function for which I am responsible as the person charged with the responsibility for the winding up. Accordingly, the preparation of any necessary financial report is a function that it is appropriately undertaken by me.

In relation to an audit, my view is that an audit will be done upon the completion of the winding up. My view is that an audit is not required to be done, and it seems to me it would be an unnecessary waste of investor funds, particularly given the last audit cost in excess of \$500,000.

The audit requirement arises from section 301(1) of the *Corporations Act*. That requirement was expressly considered in the context of a managed investment scheme, in *Re Environinvest Limited* (No. 4) [2010] 81 ACSR 145, in which the Court said the following:-

"Section 301(1) of the Act requires a registered scheme to have a financial report for a financial year audited in accordance with Division 3, and to obtain an auditor's report. I doubt that these requirements have application to a managed investment scheme in the course of being wound up. ... Each scheme constitution requires the preparation of accounts and the appointment of an auditor following a winding up. These measures, it seems to me, are not intended to overlap with or augment the requirements of section 301(1). They are intended to apply in substitution for the statutory obligation when it no longer has any application."

That approach is consistent with the position taken with respect to companies that are being wound up. As you know, a company that has a liquidator appointed does not have to comply with Part 2M.3 of the *Corporations Act*.

Clause 16.10 of the Constitution provides that the RE shall arrange for an audit to audit the final accounts of the scheme after the scheme is wound up. The effect of that, in my view, is that no annual audit is required for the Fund if it is being wound up. I draw comfort from the decision in *Environinvest Limited* (No. 4).

Accordingly, I do not think an audit is necessary, but if you disagree let me know and I will approach the Court for directions to that effect.

Section 675 - Continuous Disclosure

It is suggested in the Submissions made by your Counsel that LMIM is required to ensure continuous disclosure to ASIC pursuant to section 675 of the *Corporations Act*. It appears to be suggested that there will be a requirement to lodge a document with ASIC disclosing (for example) taking any step in enforcement of a security in recovery proceedings on behalf of the Fund, and any number of other steps that are likely to be taken in the course of the winding up of the Fund.

I do not think that this is correct.

Section 675(2) relevantly requires a disclosing entity to disclose information to ASIC if it is information *"that a reasonable person would expect, if it were generally available, to have a material effect on the price or value of ED Securities of the entity"*.

Section 677 of the *Corporations Act* provides:-

"For the purposes of sections 674 and 675, a reasonable person would be taken to expect information to have a material effect on the price or value of ED Securities of a disclosing entity if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the ED Securities."

The Fund is being wound up. No further applications for units in the Fund may be accepted (see clause 16.5 of the Fund Constitution). There will be no redemptions. The Fund has, for all intents and purposes, vested and is now simply being wound up.

Accordingly, I do not think that the continuous disclosure obligations will require LMIM as the responsible entity to disclose any information to ASIC. Even if such an obligation did continue to exist, the relevant information is information in my possession. Accordingly, insofar as there is a continuing disclosure obligation, the obligation rests with me.

Please confirm that you agree.

Conclusion

If you disagree with any of the views expressed by me above in this letter, please let me know shortly and explain the basis for your disagreement. If necessary, I will then approach the Court for directions as required.

I look forward to hearing from you shortly.

Yours faithfully

A handwritten signature in black ink, appearing to be 'David Whyte', written over a horizontal line.

David Whyte
Receiver and Manager.

From: David Whyte
Sent: 28 August 2013 1:52 PM
To: 'Muller, Ginette'
Cc: Paul Sweeney (PSweeney@mcgrathnicol.com); Joseph Hayes (jhayes@mcgrathnicol.com); Ian Niccol (iniccol@mcgrathnicol.com)
Subject: RE: LM First Mortgage Income Fund (Receivers and Managers Appointed) (Receiver Appointed)

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The whole objective here should be for us to work together in the best interests of the investors and avoid any duplication of effort (and costs) as far as possible. In that respect, McGrathNicol are in full control of the fund and I am liaising with them so that there is a smooth transition for when Deutsche Bank is repaid.

Regards

David

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Do you want to meet this afternoon?

Regards

Ginette Muller
Senior Managing Director
F T I Consulting
+61.7.3225.4903 direct
+61.(0) 419 682 113

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Regards

David

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Partner
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Mobile: +61 413 491 490
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From: Muller, Ginette [mailto:Ginette.Muller@fticonsulting.com]

Sent: 29 August 2013 1:16 PM

To: David Whyte

Cc: Corbett, John; Paul Sweeney (PSweeney@mcgrathnicol.com); Joseph Hayes (jhayes@mcgrathnicol.com); Ian Niccol (iniccol@mcgrathnicol.com)

Subject: LM First Mortgage Income Fund (Receivers and Managers Appointed) (Receiver Appointed)

Importance: High

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I refer to your request for the basis of our lien. It is the conventional lien granted to administrators and liquidators of companies under the *Corporations Act*. LMIM remains the RE. If it were necessary (it isn't), there would of course also be a care and preservation lien. But, again, as the Judge said, there is no need to argue about accrued rights: the order could not have affected those rights, and it did not affect those rights.

As I said in my email yesterday, we are formulating the amount and we will be in touch in due course.

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Regards

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From: David Whyte
Sent: 30 August 2013 1:07 PM
To: 'Muller, Ginette'
Cc: Corbett, John; Trenfield, Kelly-Anne
Subject: RE: LM First Mortgage Income Fund (Receivers and Managers Appointed) (Receiver Appointed)

Please note McGrath agreed with the below email before it was sent to you.

Regards

David

From: Muller, Ginette [<mailto:Ginette.Muller@fticonsulting.com>]
Sent: 30 August 2013 12:58 PM
To: David Whyte
Cc: Corbett, John; Trenfield, Kelly-Anne
Subject: RE: LM First Mortgage Income Fund (Receivers and Managers Appointed) (Receiver Appointed)

Hi David

I plan to work through the issues we discussed yesterday with McGrath and am available at anytime to provide you with an update.

Regards

Ginette Muller
Senior Managing Director
F T I Consulting
+61.7.3225.4903 direct
+61.(0) 419 682 113

Ginette Muller
Senior Managing Director
FTI Consulting
+61.7.3225.4903 direct
+61.(0) 419 682 113

From: David Whyte [<mailto:David.Whyte@bdo.com.au>]
Sent: 30 August 2013 11:50 AM
To: Muller, Ginette
Cc: Corbett, John; Paul Sweeney (PSweeney@mcgrathnicol.com); Joseph Hayes (jhayes@mcgrathnicol.com); Ian Niccol (iniccol@mcgrathnicol.com); Joanne Kedney; John Somerville
Subject: RE: LM First Mortgage Income Fund (Receivers and Managers Appointed) (Receiver Appointed)

Ginette

I do not find your response very helpful and indeed I find it contradictory to the outcome of my meeting with John Corbett on Wednesday when it was agreed that you would list the issues you felt were not covered by the court order that the responsibility entity was still required to do. As the person responsible for the winding up of the fund pursuant to the terms of its constitution and as advised to you several times I disagree that the RE is required to do anything and indeed I am directing you not to do anything in relation to the winding up (as the court order allows me to do).

That said, I note it was agreed at yesterday's meeting attended by representatives of FTI, McGrathNicol, David Clout & Associates and BDO that as McGrathNicol are appointed over the whole of the undertaking of the fund that they will do anything that is required to be done by the RE. You kindly agreed to provide them with a list of duties that you are concerned about that require to be done to comply with your statutory duties including complying with the AFSL so as to ensure they are undertaken by McGrathNicol and nothing is overlooked in that regard.

Once Deutsche Bank is paid out I then intend taking over all of the duties undertaken by McGrathNicol. If you have any issues with that, please articulate them so that I can consider if the terms of my powers under the court order require any clarification and if necessary I will approach the court for directions.

Regards

David

DAVID WHYTE
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7 August 2014

TO INVESTORS

Dear Member

**LM FIRST MORTGAGE INCOME FUND ARSN 089 343 288 (RECEIVERS AND MANAGERS APPOINTED)
(RECEIVER APPOINTED) ("THE FUND")**

I attach the unaudited accounts for the Fund for the year ended 30 June 2013 and half year ended 31 December 2013.

During the reporting periods the following insolvency events have taken place:

- John Park and Ginette Muller of FTI Consulting were appointed as Administrators of the Fund's Responsible Entity, LM Investment Management Ltd (In Liquidation) ("LMIM") on 19 March 2013. They were subsequently appointed as Liquidators of LMIM on 1 August 2013.
- Joseph Hayes and Anthony Connelly of McGrathNicol were appointed as Receivers and Managers of the Fund on 11 July 2013 by the secured creditor, Deutsche Bank.
- I was appointed Receiver over the assets of the Fund and as person responsible for ensuring the Fund is wound up pursuant to the terms of its constitution by the Supreme Court of Queensland on 8 August 2013.

The accounts have been prepared in conjunction with the service provider, LM Administration Pty Ltd's (In Liquidation) staff and consultants and by collating the records maintained by the Fund, the service provider and receipts and payments and other records of FTI and McGrathNicol.

The accounts have been prepared in accordance with the Scheme Constitution, the recognition and measurement requirements of the Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The accounts have been reviewed by the BDO audit team. However, their work does not constitute a full audit and therefore, the accounts are provided on an unaudited basis.

Should members require further information, please contact BDO on the details provided below.

BDO
GPO Box 457
Brisbane QLD 4001



Phone: +61 7 3237 5999

Fax: +61 7 3221 9227

Email: enquiries@lmfmif.com

Or

Email: joanne.garcia@bdo.com.au

Phone: +61 7 3237 5849

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Whyte', with a long, sweeping horizontal stroke extending to the right.

David Whyte
Court Appointed Receiver

Disclaimer:

The 30 June 2013 and 31 December 2013 financial statements were compiled by BDO Business Recovery & Insolvency QLD) Pty Ltd however we did not audit those financial statements and, accordingly, express no opinion or other form of assurance on them.

**LM FIRST MORTGAGE INCOME FUND
(RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)**

ABN: 66 482 247 488

Report for the year ended 30 June 2013 and
half-year ended 31 December 2013

Disclaimer

The 30 June 2013 and 31 December 2013 financial statements were compiled by BDO Business Recovery & Insolvency (QLD) Pty Ltd but we did not audit those financial statements and, accordingly, express no opinion or other form of assurance on them.

**LM FIRST MORTGAGE INCOME FUND
(RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)**

ABN: 66 482 247 488

Report for the year ended 30 June 2013 and half-year ended 31 December 2013

CONTENTS

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Statement of financial position	4
Statement of changes in net assets attributable to unitholders	5
Statement of cash flows	6
Notes to the Financial Statements for the year ended 30 June 2013 and half year to 31 December 2013	7

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

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013 and half-year ended 31 December 2013

	Note	31 December 2013 \$	30 June 2013 \$	30 June 2012 \$
Income				
Interest revenue - mortgage loans		32,901	155,173	31,608,319
Interest revenue - cash assets		65,997	220,092	420,812
Realised foreign exchange gain on investor funds		3,307	49,913	69,271
Realised gain on foreign exchange contracts		57,297	-	-
Unrealised foreign exchange gain on foreign exchange contracts		-	129,192	-
Derecognition of advisor commission liability	14	-	4,762,674	-
		159,502	5,317,044	32,098,402
Expenses				
Management fees	10	606,195	4,519,156	9,103,864
Finance costs	4(a)	1,829,589	5,013,661	8,593,798
Custodian fees	10	47,508	49,107	77,904
Advisor commissions	14	-	-	2,165,236
Impairment losses on mortgage loans	7	240,007	186,553,576	99,144,122
Impairment losses on interest receivable	11	43,436	980,936	-
Unrealised foreign exchange losses on investor fund		941,952	805,947	167,394
Unrealised foreign exchange loss on foreign exchange contracts		-	-	145,432
Realised loss on foreign exchange contracts		-	263,566	36,203
Other expenses	4(b)	5,628,107	5,167,395	1,280,026
Total expenses excluding distributions to unitholders		9,336,794	203,353,344	120,713,979
Net (loss) before distributions to unitholders		(9,177,292)	(198,036,300)	(88,615,577)
Distributions paid/payable to unitholders		(348)	(2,710,288)	(17,024,389)
Net (loss) after distributions to unitholders		(9,177,640)	(200,746,588)	(105,639,966)
Other comprehensive income		-	-	-
Net (loss) after distributions to unitholders		(9,177,640)	(200,746,588)	(105,639,966)
Income tax expense				
Changes in net assets attributable to unitholders after income tax expense		(9,177,640)	(200,746,588)	(105,639,966)

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)
STATEMENT OF FINANCIAL POSITION

As at 30 June 2013 and 31 December 2013

	Note	31 December 2013 \$	30 June 2013 \$	30 June 2012 \$
ASSETS				
Cash and cash equivalents	12(a)	2,045,959	9,055,002	8,123,428
Receivables	11	443,288	225,943	1,279,828
Loans & Receivables	7	78,209,130	99,877,471	334,573,501
TOTAL ASSETS		<u>80,698,377</u>	<u>109,158,416</u>	<u>343,976,757</u>
LIABILITIES				
Management fee payable	10	0	0	2,470,000
Financial assets at fair value through profit or loss		0	0	129,192
Payables	8	6,578,584	5,278,291	7,980,824
Interest bearing loans and borrowings	9	4,000,000	25,500,000	39,610,078
Distributions payable		1,379,917	1,381,435	4,806,035
Total liabilities excluding net assets attributable to unitholders		<u>11,958,501</u>	<u>32,159,726</u>	<u>54,996,129</u>
NET ASSETS		<u>68,739,876</u>	<u>76,998,690</u>	<u>288,980,628</u>
Represented by:				
Net assets attributable to unitholders		<u>68,739,876</u>	<u>76,998,690</u>	<u>288,980,628</u>
(calculated in accordance with IFRS)				

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
For the year ended 30 June 2013 and half-year ended 31 December 2013

	31 December 2013 \$	30 June 2013 \$	30 June 2012 \$
TOTAL			
Opening balance	76,998,690	288,980,628	382,187,323
Units issued during the year	0	11,750	3,012,163
Units redeemed during the year	(24,305)	(15,651,157)	(6,666,198)
Units issued on reinvestment of distributions	0	3,618,159	15,959,774
Changes in net assets attributable to unitholders	(9,177,640)	(200,746,588)	(105,639,966)
Foreign exchange (gain)/loss on investor funds	943,131	785,898	127,532
Closing Balance	68,739,876	76,998,690	288,980,628

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)
STATEMENT OF CASH FLOWS

For the year ended 30 June 2013 and half-year ended 31 December 2013

	Note	31 December 2013 \$	30 June 2013 \$	30 June 2012 \$
Cash flows from operating activities				
Interest and distributions received		123,294	252,273	404,955
Management fees paid		(606,195)	(4,519,156)	(5,180,443)
Other operating expenses		(4,418,758)	(6,607,297)	(759,450)
Other income received		3,307	(213,653)	-
GST and withholding tax (paid)/received		(217,345)	1,053,885	-
Finance costs paid	4(a)	(1,829,589)	(5,013,661)	(8,143,798)
Net cash inflow/(outflow) from operating activities	12(b)	(6,945,286)	(15,047,609)	(13,678,736)
Cash flows from investing activities				
Payments for secured mortgage loans		(7,543,788)	(6,306,405)	(16,924,379)
Receipts from settled mortgage loans		29,005,024	54,571,851	46,822,765
Net cash inflow/(outflow) from investing activities		21,461,236	48,265,446	29,898,386
Cash flows from financing activities				
Repayment of facility		(21,500,000)	(14,110,078)	(22,789,710)
Cash paid on realisation of foreign exchange contracts		-	-	(69,271)
Receipts from the issue of units		-	-	2,312,382
Distributions paid		(1,868)	(6,135,409)	(2,424,725)
Payment for redemption of units		(23,125)	(12,040,776)	(3,600,345)
Net cash inflow/(outflow) from financing activities		(21,524,993)	(32,286,263)	(26,571,669)
Net increase/(decrease) in cash and cash equivalents		(7,009,044)	931,574	(10,352,019)
Cash and cash equivalents at beginning of year		9,055,002	8,123,428	18,475,447
Cash and cash equivalents at end of year	12(a)	2,045,959	9,055,002	8,123,428

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2013 and half-year ended 31 December 2013

1. CORPORATE INFORMATION

During the period March 2013 to August 2013, a series of insolvency events occurred in respect of both the Fund and the Responsible Entity for the Fund, these are detailed in the table below:

Date	Appointment
19 March 2013	John Park and Ginette Muller of FTI Consulting appointed as Administrators of LM Investment Management Ltd ("LMIM") being the Responsible Entity for the Fund.
11 July 2013	Joseph Hayes and Anthony Connelly of McGrathNicol appointed as Receivers and Managers of LMIM as the Responsible Entity of LM First Mortgage Income Fund (Receivers and Managers Appointed) (Receiver Appointed) ('LMFMIF', 'Scheme' or the 'Fund') by Deutsche Bank.
1 August 2013	John Park and Ginette Muller of FTI Consulting appointed as liquidators of LMIM.
8 August 2013	David Whyte of BDO appointed by the Court as Receiver of the assets of the Fund and as the person responsible for ensuring the Fund is wound up in accordance with its Constitution.

The Scheme is an Australian registered Scheme, constituted on 13 April 1999.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated in the following text.

(a) Basis of accounting

This financial report has been prepared in accordance with the Scheme Constitution, the recognition and measurement requirements of the Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value.

The Statement of financial position is presented in decreasing order of liquidity and does not distinguish between current and non-current items. The amount expected to be recovered or settled within twelve months in relation to the balances cannot be reliably determined.

The financial report is presented in Australian Dollars (\$).

Statement of compliance

The financial statements have been prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2013 and half-year ended 31 December 2013

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of accounting (Continued)

Status of investment in fund

During the 2009 year, the Responsible Entity closed the Scheme to new investors and suspended withdrawals subject to certain exceptions. Redemptions were suspended at this time, per the Constitution, as the Responsible Entity considered the suspension of the withdrawals to be in the best interest of the members of the Scheme.

The Scheme is now in the process of being formally wound up with redemptions and hardship provisions remaining suspended.

At the time the fund closed, there were 55 loan assets with 28 repaid as at 30 June 2012. Since this time, a further 7 loan assets have been repaid.

Liquidation Basis

Previous financial statements have been prepared on a going concern basis.

The financial statements for the periods ended 30 June 2013 and 31 December 2013 have not been prepared on a going concern basis due to the appointment of Administrators to the Responsible Entity for the Fund on 19 March 2013 and subsequently Liquidators on 1 August 2013 and the appointment of Receivers and Managers and Court Appointed Receiver and person responsible for ensuring it is wound up in accordance with its Constitution as detailed in note 1. Accordingly, the financial statements for those periods have been prepared on a liquidation basis.

(b) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Scheme for the reporting period. The impact of these standards and interpretations that are not expected to have a material impact on the Scheme have not been included.

(c) Significant accounting judgements, estimates and assumptions

In the process of applying accounting policies, judgements and estimations have been made which have had an impact on the amounts recognised in the accounts. The key estimated and assumptions that have a significant risk of causing material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Allowance for impairment loss on loans and receivables

The Scheme determines whether loans are impaired on an ongoing basis. Individually assessed provisions are raised where there is objective evidence of impairment, where the Scheme does not expect to receive all of the cash flows contractually due. Individually assessed provisions are made against individual facilities.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. For the purposes of the Statement of cash flows, cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(e) Distribution income

Distribution income is recognised when the Scheme's right to receive income is established.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2013 and half-year ended 31 December 2013

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. Interest ceases to be recognised when a loan is in default and the principal is impaired.

(g) Default management fees

Income from default management fees is recognised in line with the executed agreement with the borrower when an event of default occurs.

(h) Changes in the fair value of investments

Gains or losses on investments held for trading are calculated as the difference between the fair value at sale, or at year end, and the fair value at the previous valuation point. This includes both realised and unrealised gains and losses.

(i) Fees, commissions and other expenses

Except where included in the effective interest calculation (for financial instruments carried at amortised cost), fees and commissions are recognised on an accrual basis. Audit and compliance fees are included with 'other expenses' and are recorded on an accrual basis.

(j) 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* are classified as either financial assets or financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale investments or other financial liabilities as appropriate.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Scheme determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognised on the trade date ie. the date that the Scheme commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measured at fair value including transaction costs directly attributable to the financial asset. After initial recognition, loans and receivables are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when receivables are derecognised or impaired, as well as through the amortisation process.

Loans and receivables are assessed for impairment at each reporting period. An allowance is made for credit losses when there is objective evidence that the Scheme will not be able to collect the loans and receivables. Impairment losses are written off when identified. Losses expected as a result of future events are not recognised. If a provision

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2013 and half-year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

for impairment has been recognised in relation to the loan, writeoffs for bad debts are made against the provision. If no provision for impairment has previously been recognised, writeoffs for bad debts are recognised as an expense in the statement of comprehensive income.

A provision is made of loans in arrears where the collectability of the debts is considered doubtful by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

The components of impaired assets are as follows:

“Loans in arrears” are loans and advances for which there is reasonable doubt that the Scheme will be able to collect all amounts of principal and interest in accordance with the terms of the agreement.

“Assets acquired through the enforcement of security” are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

When it is determined that interest is not recoverable on certain impaired loans, the interest is suspended and not brought into income. Should the analysis of the collectability subsequently change the interest will be brought into income at the time it is determined to be collectable.

(l) Payables

Payables are carried at amortised costs and represent liabilities for goods and services provided to the Scheme prior to the end of the financial year and half year that are unpaid and arise when the Scheme becomes obliged to make future payments in respect of the purchases of these goods and services.

The distribution amount payable to investors as at the reporting date is recognised separately on the statement of financial position as unitholders are presently entitled to the distributable income as at 30 June 2013 and 31 December 2013 under the Scheme’s constitution.

(m) 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.

(n) Distributions

The Trustees for the LM Managed Performance Fund have put both the Receivers and Managers and the Court Appointed Receiver on notice of a potential claim against the Fund. In addition, the Receivers and Managers appointed to the Bellpac matter have put the Court Appointed Receiver on notice not to distribute funds until the proceedings are resolved.

The secured creditor is not in a position to release its security due to the potential claim against the Fund. Until the matters detailed above are resolved and funds released to the Court Appointed Receiver, distributions to investors cannot commence.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2013 and half-year ended 31 December 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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%.

Investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in the statement of cashflows 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.

(p) Applications and redemptions

Applications received for units in the Scheme are recorded when units are issued in the Scheme. Redemptions from the Scheme are recorded when the cancellation of units redeemed occurs. Unit redemption prices are determined by reference to the net assets of the Scheme divided by the number of units on issue.

Applications received in foreign currency denominations are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Foreign currency denominated unitholder funds are translated into the Schemes functional currency at balance date, using the spot rate prevailing at that date. Gains and losses arising from foreign exchange translation are recorded in the Statement of Comprehensive Income in the period in which they arise.

(q) 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 (ie. unitholders are presently entitled to the income of the Scheme).

(r) 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.

(s) 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 contracts are held.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)**Notes to the financial statements for the year ended 30 June 2013 and half-year ended 31 December 2013****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(t) 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 and 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.

(u) Determination of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value for financial instruments not traded in an active market is determined using appropriate valuation techniques. Valuation techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cashflow analysis and option pricing models making as much use of available and supportable market data as possible.

(v) Estimated net asset amount per unit available to investors

The estimated amount of net assets available to investors are subject to the uncertainties indicated in Note 7 of this financial report.

The net assets of the fund and number of units on issue at the end of each of the periods is detailed in the table below:

	31 December 2013	30 June 2013	30 June 2012
Estimated net amount of assets available to investors as at the period end (\$)	68,739,876	76,998,690	288,980,628
Total investor units (# of units)	478,473,011	477,554,184	488,787,330
Estimated net asset amount per unit available to investors as at the period end (cents in the dollar)	14.4	16.1	59.1

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2013 and half-year ended 31 December 2013

3. INCOME AND DISTRIBUTIONS TO UNITHOLDERS

(a) Distributions to unitholders

	31 December 2013	30 June 2013	30 June 2012
	\$	\$	\$
Distributions paid/reinvested	348	2,710,289	12,218,354
Distributions payable	-	-	4,806,035
	<u>348</u>	<u>2,710,289</u>	<u>17,024,389</u>

Distributions payable relates to distributions that were required to be paid under the Scheme's Constitution. These distributions relate to the period prior to the suspension of the distributions in January 2011.

In addition to these interest distributions, capital distributions were also paid to investors in February and June 2013. Capital distributions are reflected through redemption of units and a decrease in the unit price.

(b) Distributions paid

	31 December 2013	30 June 2013	30 June 2012
	\$	\$	\$
Class A	327	31,986	-
Class B	-	2,678,303	16,904,211
Class C	21	-	120,178
	<u>348</u>	<u>2,710,289</u>	<u>17,024,389</u>

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2013 and half-year ended 31 December 2013

4. EXPENSES

(a) Finance costs

	31 December 2013	30 June 2013	30 June 2012
	\$	\$	\$
Interest on bank loans	1,829,589	4,719,566	8,143,798
Facility fees	-	294,095	450,000
	<u>1,829,589</u>	<u>5,013,661</u>	<u>8,593,798</u>

(b) Other expenses

	31 December 2013	30 June 2013	30 June 2012
	\$	\$	\$
LM Administration Pty Ltd (In Liquidation) ("LMA") operational costs	1,947,361	1,442,586	-
Receivers and Managers' fees and outlays (McGrathNicol)	765,329	-	-
Legal fees	432,818	502,928	523,012
LMA Liquidator fees and outlays (David Clout & Associates)	173,175	-	-
Audit fees	-	230,736	559,905
Other expenses	57,706	741,079	197,109
Court Appointed Receiver's fees & outlays (BDO) *	470,974	-	-
Court Appointed Receiver's legal fees (BDO)	234,515	-	-
LMIM's legal fees (FTI)	175,375	750,636	-
LMIM's Administrators and Liquidators fees and outlays (FTI) **	1,370,854	1,499,430	-
	<u>5,628,107</u>	<u>5,167,395</u>	<u>1,280,026</u>

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

** Denotes expenses which are subject to approval by the Receivers and Managers or the court.

LMA operational costs relate to services provided by LMA pursuant to a services agreement. This includes wages and salaries, insurance, rent and utilities.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2013 and half-year ended 31 December 2013

5. AUDITOR'S REMUNERATION

	31 December 2013	30 June 2013	30 June 2012
	\$	\$	\$
Audit and review of the financial reports	-	203,544	534,258
Other regulatory audit services	-	27,192	25,647
	-	<u>230,736</u>	<u>559,905</u>

The fees charged in the financial year 2013 relate to work undertaken to finalise the 30 June 2012 audited accounts, the preparation of draft accounts for 31 December 2012 and planning work for 30 June 2013 accounts as requested by FTI Consulting.

These expenses have been included within 'Other expenses' in the Statement of Comprehensive Income.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2013 and half-year ended 31 December 2013

6. CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

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

Net assets attributable to unitholders

	31 December 2013	30 June 2013	30 June 2012
	\$	\$	\$
Class A			
Opening balance	245,673,002	252,760,731	254,832,731
Units issued during the year	-	-	-
Units redeemed during the year	(858)	(7,087,729)	(2,072,000)
Units issued upon reinvestment of distributions	-	-	-
Closing balance	245,672,144	245,673,002	252,760,731
Class B			
Opening balance	220,219,758	224,862,439	210,391,005
Units issued during the year	-	11,750	3,004,384
Units redeemed during the year	(23,447)	(8,272,590)	(4,497,306)
Units issued upon reinvestment of distributions	-	3,618,159	15,964,356
Closing balance	220,196,311	220,219,758	224,862,439
Class C			
Opening balance	10,170,587	9,675,527	9,635,388
Units issued during the year	-	-	-
Units redeemed during the year	-	(290,838)	(47,739)
Units issued upon reinvestment of distributions	-	-	-
Foreign exchange (gain)/loss on investor funds	943,131	785,898	87,878
Closing balance	11,113,718	10,170,587	9,675,527
 Cumulative movement in changes in net assets attributable to unitholders	 (408,242,297)	 (399,064,657)	 (198,318,069)
 Net assets attributable to unitholders	 68,739,876	 76,998,690	 288,980,628

Class A

Class A consists of unitholders who are entitled to receive the declared distribution rate. There are a number of subclasses attached to class A. These consist of the following products with varying terms:

- 1) Flexi Account investment option
- 2) Fixed Term investment option
- 3) LM Savings Plan investment option

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2013 and half-year ended 31 December 2013

6. CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (Continued)**Class B**

Class B consists of related Scheme unitholders.

Class C

Class C consists of unitholders who have invested in foreign currencies and are entitled to receive the declared distribution rate.

Subject to the comments relating to the status of the Scheme in note 2, all unitholders are entitled to receive distributions as declared from time to time and are entitled to one vote per unit at unitholders' meetings. As the Scheme is being wound up, all unitholders rank after creditors and are equally entitled to the proceeds of the winding up procedure.

7. LOANS AND RECEIVABLES

	31 December 2013	30 June 2013	30 June 2012
	\$	\$	\$
Secured mortgage loans	355,344,509	402,183,769	467,528,292
Secured mortgage loans (2 nd priority)	15,900,037	13,276,963	13,310,672
Provision for impairment	(333,208,829)	(342,614,380)	(146,265,463)
Net loans and advances	<u>78,209,130</u>	<u>99,877,471</u>	<u>334,573,501</u>

Loans and receivables are initially measured at the fair value including transaction costs and subsequently measured at amortised cost after initial recognition. Loans and Receivables are assessed for impairment at each reporting date. Where impairment indicators exist, the recoverable amount of the loan will be determined and compared to its carrying amount to determine whether any impairment losses exists. Impairment losses are recognised when the recoverable amount under the individual loan is less than the carrying amount of that loan.

Material uncertainty regarding recoverability of Loans and Receivables

For loans in default, an impairment indicator arises which requires the recoverable amount of that loan to be determined. The recoverable amount for each individual loan in default has been determined from independent valuations of the assets forming the security for the loans. The valuations are based on current market conditions and provide for appropriate exposure to the market and an orderly realisation of assets forming the security for the loans.

In determining the recoverable amounts, there are uncertainties involved in assessing the market values and the ability to realise those market values, particularly where the market is not active. Consequently, it is likely that there may be differences between the amounts at which the Loans and Receivables are recorded at in the financial statements for the periods ended 30 June 2013 and 31 December 2013, and the amounts that are actually realised. Such differences may be material. Accordingly, there is a material uncertainty regarding recoverability of Loans and Receivables.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2013 and half-year ended 31 December 2013

7. LOANS AND RECEIVABLES (Continued)

(a) Aggregate amounts receivable from related parties

	31 December 2013	30 June 2013	30 June 2012
	\$	\$	\$
Director and director-related entities – secured	-	6,072,342	8,209,841
Related managed investment schemes – secured	-	1,310,838	1,708,151
Related managed investment schemes – unsecured	-	-	-
	<u>-</u>	<u>7,383,180</u>	<u>9,917,992</u>

(b) Provisions for impairment

The impairment loss expense relating to loans and receivables comprises:

	31 December 2013	30 June 2013	30 June 2012
	\$	\$	\$
Opening balance	315,583,261	146,265,463	76,425,453
Impairment losses provided for during the period	240,007	186,553,576	99,144,122
Impairment losses realised for during the period	(22,787,852)	(17,235,778)	(29,304,112)
Closing balance	<u>293,035,416</u>	<u>315,583,261</u>	<u>146,265,463</u>
Total provision for impairment	<u>293,035,416</u>	<u>315,583,261</u>	<u>146,265,463</u>

Changes to operating profit/(loss) before tax for impairment losses on loans and receivables comprises:

Specific provision	(22,547,845)	169,317,798	69,840,010
Impairment losses recognised directly in Statement of comprehensive income	22,787,852	17,235,778	29,304,112
	<u>240,007</u>	<u>186,553,576</u>	<u>99,144,122</u>

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2013 and half-year ended 31 December 2013

7. LOANS AND RECEIVABLES (Continued)

(c) Movement in default loans

Movement in default loans

	31 December 2013	30 June 2013	30 June 2012
	\$	\$	\$
Gross default loans opening balance	415,460,732	457,610,299	481,037,628
New and increased default loans	5,730,747	(43,605,801)	67,271,669
Balances written off	(22,787,852)	(17,235,778)	(29,304,112)
Returned to performing or repaid	(27,159,081)	(68,519,590)	(61,394,886)
Gross default loans closing balance	371,244,546	415,460,732	457,610,299
Specific provision	(293,035,416)	(315,083,261)	(146,256,463)
<i>Net default loans</i>	78,209,130	99,877,471	311,344,836

8. PAYABLES

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

	31 December 2013	30 June 2013	30 June 2012
	\$	\$	\$
Loan management fee payable	-	-	2,073,206
Accounts payable	6,578,584	5,278,291	5,907,618
	6,578,584	5,278,291	7,980,824

9. INTEREST BEARING LOANS AND BORROWINGS

Interest bearing loans and borrowings relates to facilities with external providers. In July 2010, the RE entered into a new facility with an external financier, Deutsche Bank. Deutsche Bank holds a fixed and floating charge over the assets of the Fund.

As indicated in Note 1, McGrathNicol were appointed as Receivers and Managers of the Fund by Deutsche Bank as a result of a default of the finance facility by the Fund for this secured loan.

There has been a progressive sell down of the assets of the Fund which has enabled \$14.1M of the loan to be repaid during the 2013 financial year and \$21.5M between July and December 2013. The facility was repaid in full in January 2014.

	31 December 2013	30 June 2013	30 June 2012
	\$	\$	\$
Secured bank loan	4,000,000	25,500,000	39,610,078

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2013 and half-year ended 31 December 2013

9. INTEREST BEARING LOANS AND BORROWINGS (Continued)

As mentioned in the Court Appointed Receiver's reports to investors, whilst the secured creditor has been repaid in full, the Receivers and Managers appointed by the secured creditor have advised that they are not yet in a position to retire until the potential claim by KordaMentha as the new trustee of the LM Managed Performance Fund is resolved.

KordaMentha, acting as trustee of the MPF has put the Court Appointed Receiver and the Receivers and Managers appointed by the secured creditor on notice of a potential claim against LM Investment Management Limited (Receivers and Managers Appointed) (in Liquidation) ("LMIM") and/or the Fund in relation to potential breaches of trust.

10. RELATED PARTIES

Responsible Entity ('RE')

The RE for the Fund is LM Investment Management Ltd (in Liquidation) ('LMIM'). The transactions recorded relate to fees and expenses incurred in accordance with the Constitution.

Administration and funds management services are provided to the Scheme on behalf of the RE by LM Administration Pty Ltd (In Liquidation) ('LMA'), an associate of the RE. LMA is paid a management fee directly from the Scheme.

Custodian

The Custodian of the Fund is The Trust Company (PTAL) Ltd.

Balance with related parties (Receivable)

This relates to two loans within the Fund portfolio, both of which have been finalised between 1 July 2012 and 31 December 2013.

Balance with related parties (Payable)

The transaction with LM Administration Pty Ltd (In Liquidation) relates to fees incurred in accordance with the service agreement.

The Transaction with O'Sullivan Capital Management Ltd is in respect of marketing services provided in New Zealand by the former director John O'Sullivan.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2013 and half-year ended 31 December 2013

10. RELATED PARTIES (Continued)

	31 December 2013	30 June 2013	30 June 2012
	\$	\$	\$
<u>RE remuneration received or due & receivable</u>			
Management fees for the year or half-year paid or payable directly to LM Administration	606,195	4,519,156	9,103,864
Expenses including administration expenses incurred by the RE and its associated entities, which are reimbursed in accordance with the provisions of the Constitution	-	189,983	28,983
Expenses including administration expenses incurred by the RE and its associated entities, which are not reimbursed	-	-	38,524
Custodian's fees paid by the Scheme	47,508	49,107	77,904
<u>Balance with related parties (Receivable net of impairment)</u>			
Australian International Investments Pty Ltd	-	6,072,342	8,209,841
LM Managed Performance Fund	-	1,310,838	1,708,151
<u>Balance with related parties (payable)</u>			
LM Administration	-	-	2,470,000
O'Sullivan Capital Management Ltd	160,071	160,071	109,157
<u>FTI Consulting</u>			
LMIM's legal fees (FTI)	175,375	750,636	-
LMIM's Administrators and Liquidators fees and outlays (FTI) *	1,370,854	1,499,430	-

* Denotes expenses which are subject to approval by the court

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2013 and half-year ended 31 December 2013

11. RECEIVABLES

Receivables consist of the interest on the loans for the period from the 18th of the month, when the interest is run until the end of the month and GST which is due at 30 June 2013 and 31 December 2013.

	31 December 2013	30 June 2013	30 June 2012
	\$	\$	\$
Mortgage interest receivable	43,238	926,444	972,381
Penalty interest receivable	198	54,492	181,131
Total interest receivable	43,436	980,936	1,153,512
Provision for interest impairment	(43,436)	(980,936)	-
GST receivable	443,288	225,943	120,451
Other	-	-	5,865
	<u>443,288</u>	<u>225,943</u>	<u>1,279,828</u>

During the year, the penalty interest receivable was capitalised onto the secured mortgage loan balance. See Note 7 and Note 13.

12. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

For the purposes of the Statement of Financial Position, the cash and cash equivalents comprise of cash at bank and in hand.

The cash at bank earns interest at floating rates based on the daily bank deposit rates. The cash at bank figure includes monies held in foreign exchange margin accounts and not available for use.

	31 December 2013	30 June 2013	30 June 2012
	\$	\$	\$
Cash at bank	2,045,959	9,055,002	8,123,428

As at 31 December 2013, \$272,483 and as at 30 June 2013, \$271,402 (2012: \$420,812) 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. This restriction is applicable as at 30 June 2013 and 31 December 2013, however the facility was paid out in January 2014 and this restriction no longer applies.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2013 and half-year ended 31 December 2013

12. CASH AND CASH EQUIVALENTS (Continued)

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

	31 December 2013	30 June 2013	30 June 2012
	\$	\$	\$
Change in net assets attributable to unitholders	(9,177,640)	(200,746,588)	(105,639,966)
<i>Adjustments for:</i>			
Non-cash impairment expense	240,007	186,553,576	98,845,139
Non-cash interest income	(32,901)	(122,992)	(31,526,951)
Non-cash management fees	-	-	(4,228,333)
Distribution to unitholders	348	2,710,288	16,533,426
(Gains)/loss on foreign exchange contracts	-	-	(145,432)
(Gains)/loss on investor funds	941,952	805,947	(167,394)
(Increase)/decrease in interest receivable	(217,345)		(97,225)
(Increase)/decrease in other receivables	-	1,053,885	11,731,431
Increase/(decrease) in payables	1,300,293	(5,301,725)	717,585
Net cash flows from/(used in) operating activities	(6,945,286)	(15,047,609)	(13,678,736)

13. INTEREST REVENUE

Interest revenue relates to interest received on funds held in the bank accounts and interest charged on the loans.

Interest on loans is suspended and not brought to account when it is considered that the amounts are not ultimately recoverable from the sale proceeds of the property.

For the purposes of these accounts, the interest remains within the income section and the impairment losses for the period increased.

14. CONTINGENT LIABILITY

Advisor Commissions

The Fund has historically recognised a liability for advisor commissions paid to advisors from the Fund. The agreements providing for these advisor commissions appear to have been entered into between the Responsible Entity in its own legal capacity rather than as trustee and Responsible Entity for the Fund. It also appears that conditions existed in the period from 1 July 2010 such that advisor commissions may not have been payable in accordance with the Fund Constitution from Fund property. The liability for advisor commissions as at 30 June 2012 of \$4,762,674 has therefore been derecognised as a liability of the Fund during the year ended 30 June 2013.

Accordingly, the Fund has disclosed a contingent liability of \$4,762,674 as at 30 June 2013 to the Responsible Entity for this amount.

The contingent liability relates to advisor commissions to brokers of the Fund that were referable to the period 1 July 2010 to 30 November 2013. The Responsible Entity has sought to disclaim the advisor commission arrangements.

15 January 2015

TO INVESTORS

Dear Member

**LM FIRST MORTGAGE INCOME FUND ARSN 089 343 288 (RECEIVERS AND MANAGERS APPOINTED)
(RECEIVER APPOINTED) ("THE FUND")**

I attach the unaudited accounts for the Fund for the year ended 30 June 2014.

During the reporting period the following insolvency events have taken place:

- John Park and Ginette Muller of FTI Consulting were appointed as Liquidators of the Fund's Responsible Entity, LM Investment Management Ltd (In Liquidation) ("LMIM") on 1 August 2013 having previously been appointed as Administrators of LMIM on 19 March 2013.
- Joseph Hayes and Anthony Connelly of McGrathNicol were appointed as Receivers and Managers of the Fund on 11 July 2013 by the secured creditor, Deutsche Bank.
- I was appointed Receiver over the assets of the Fund and as person responsible for ensuring the Fund is wound up pursuant to the terms of its constitution by the Supreme Court of Queensland on 8 August 2013.

The accounts have been prepared in conjunction with the service provider, LM Administration Pty Ltd's (In Liquidation) staff and consultants and by collating the records maintained by the Fund, the service provider and receipts and payments and other records of FTI and McGrathNicol.

The accounts have been prepared in accordance with the Scheme Constitution, the recognition and measurement requirements of the Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The accounts have been reviewed by the BDO audit team. However, their work does not constitute a full audit and therefore, the accounts are provided on an unaudited basis.

Should members require further information, please contact BDO on the details provided below.

BDO

GPO Box 457

Brisbane QLD 4001

Phone: +61 7 3237 5999

Fax: +61 7 3221 9227

Email: enquiries@lmfmif.com

Or



Email: joanne.garcia@bdo.com.au

Phone: +61 7 3237 5849

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Whyte', with a long, sweeping horizontal stroke extending to the right.

David Whyte
Court Appointed Receiver

Disclaimer:

The 30 June 2014 financial statements were compiled by BDO Business Recovery & Insolvency QLD) Pty Ltd however we did not audit those financial statements and, accordingly, express no opinion or other form of assurance on them.

**LM FIRST MORTGAGE INCOME FUND
(RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)**

ABN: 66 482 247 488

Report for the year ended 30 June 2014

Disclaimer

The 30 June 2014 financial statements were compiled by BDO Business Recovery & Insolvency (QLD) Pty Ltd but we did not audit those financial statements and, accordingly, express no opinion or other form of assurance on them.

**LM FIRST MORTGAGE INCOME FUND
(RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)**

ABN: 66 482 247 488

Report for the year ended 30 June 2014

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

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Note	30 June 2014 \$	30 June 2013 \$
Income			
Interest revenue - mortgage loans		32,901	155,173
Interest revenue - cash assets		159,147	220,092
Realised foreign exchange gain on investor funds		-	49,913
Realised gain on foreign exchange contracts		180,249	-
Unrealised foreign exchange gain on foreign exchange contracts		-	129,192
Derecognition of advisor commission liability	14	-	4,762,674
		<u>372,297</u>	<u>5,317,044</u>
Expenses			
Management fees	10	606,195	4,519,156
Finance costs	4(a)	1,855,233	5,013,661
Custodian fees	10	76,692	49,107
Advisor commissions	14	-	-
Impairment losses on mortgage loans	7	6,270,758	186,553,576
Impairment losses on interest receivable	11	43,436	980,936
Realised foreign exchange loss on investor funds		3,335	-
Unrealised foreign exchange losses on investor fund		734,627	805,947
Unrealised foreign exchange loss on foreign exchange contracts		-	-
Realised loss on foreign exchange contracts		-	263,566
Other expenses	4(b)	9,132,122	5,167,395
Total expenses excluding distributions to unitholders		<u>18,722,398</u>	<u>203,353,344</u>
Net (loss) before distributions to unitholders		(18,350,101)	(198,036,300)
Distributions paid/payable to unitholders		(348)	(2,710,288)
Net (loss) after distributions to unitholders		<u>(18,350,449)</u>	<u>(200,746,588)</u>
Other comprehensive income			-
Net (loss) after distributions to unitholders		(18,350,449)	(200,746,588)
Income tax expense			
Changes in net assets attributable to unitholders after income tax expense		<u>(18,350,449)</u>	<u>(200,746,588)</u>

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)
STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	30 June 2014 \$	30 June 2013 \$
ASSETS			
Cash and cash equivalents	12(a)	7,741,190	9,055,002
Receivables	11	664,646	225,943
Loans & Receivables	7	60,060,616	99,877,471
TOTAL ASSETS		<u>68,466,452</u>	<u>109,158,416</u>
LIABILITIES			
Management fee payable	10	-	-
Financial assets at fair value through profit or loss		-	-
Payables	8	7,726,716	5,278,291
Interest bearing loans and borrowings	9	-	25,500,000
Distributions payable		1,373,126	1,381,435
Total liabilities excluding net assets attributable to unitholders		<u>9,099,842</u>	<u>32,159,726</u>
NET ASSETS		<u>59,366,610</u>	<u>76,998,690</u>
Represented by:			
Net assets attributable to unitholders		<u>59,366,610</u>	<u>76,998,690</u>
(calculated in accordance with IFRS)			

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 30 June 2014

	30 June 2014	30 June 2013
	\$	\$
TOTAL		
Opening balance	76,998,690	288,980,628
Units issued during the year	-	11,750
Units redeemed during the year	(24,551)	(15,651,157)
Units issued on reinvestment of distributions	6,232	3,618,159
Changes in net assets attributable to unitholders	(18,350,449)	(200,746,588)
Foreign exchange (gain)/loss on investor funds	736,688	785,898
Closing Balance	59,366,610	76,998,690

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)
STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	Note	30 June 2014 \$	30 June 2013 \$
Cash flows from operating activities			
Interest and distributions received		192,048	252,273
Management fees paid		(606,195)	(4,519,156)
Other operating expenses		(6,760,391)	(6,607,297)
Other income received		-	(213,653)
GST and withholding tax (paid)/received		(482,139)	1,053,885
Finance costs paid	4(a)	(1,855,233)	(5,013,661)
Net cash inflow/(outflow) from operating activities	12(b)	(9,511,910)	(15,047,609)
Cash flows from investing activities			
Payments for secured mortgage loans		(11,368,481)	(6,306,405)
Receipts from settled mortgage loans		44,914,578	54,571,851
Net cash inflow/(outflow) from investing activities		33,546,097	48,265,446
Cash flows from financing activities			
Repayment of facility		(25,500,000)	(14,110,078)
Cash paid on realisation of foreign exchange contracts		180,249	-
Receipts from the issue of units		-	-
Distributions paid		(3,697)	(6,135,409)
Payment for redemption of units		(24,551)	(12,040,776)
Net cash inflow/(outflow) from financing activities		(25,347,999)	(32,286,263)
 Net increase/(decrease) in cash and cash equivalents		 (1,313,812)	 931,574
Cash and cash equivalents at beginning of year		9,055,002	8,123,428
Cash and cash equivalents at end of year	12(a)	7,741,190	9,055,002

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2014

1. CORPORATE INFORMATION

During the period March 2013 to August 2013, a series of insolvency events occurred in respect of both the Fund and the Responsible Entity for the Fund, these are detailed in the table below:

Date	Appointment
19 March 2013	John Park and Ginette Muller of FTI Consulting appointed as Administrators of LM Investment Management Ltd ("LMIM") being the Responsible Entity for the Fund.
11 July 2013	Joseph Hayes and Anthony Connelly of McGrathNicol appointed as Receivers and Managers of LMIM as the Responsible Entity of LM First Mortgage Income Fund (Receivers and Managers Appointed) (Receiver Appointed) ('LMFMIF', 'Scheme' or the 'Fund') by Deutsche Bank.
1 August 2013	John Park and Ginette Muller of FTI Consulting appointed as liquidators of LMIM.
8 August 2013	David Whyte of BDO appointed by the Court as Receiver of the assets of the Fund and as the person responsible for ensuring the Fund is wound up in accordance with its Constitution.

The Scheme is an Australian registered Scheme, constituted on 13 April 1999.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated in the following text.

(a) Basis of accounting

This financial report has been prepared in accordance with the Scheme Constitution, the recognition and measurement requirements of the Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value.

The Statement of financial position is presented in decreasing order of liquidity and does not distinguish between current and non-current items. The amount expected to be recovered or settled within twelve months in relation to the balances cannot be reliably determined.

The financial report is presented in Australian Dollars (\$).

Statement of compliance

The financial statements have been prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2014

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of accounting (Continued)

Status of investment in fund

During the 2009 year, the Responsible Entity closed the Scheme to new investors and suspended withdrawals subject to certain exceptions. Redemptions were suspended at this time, per the Constitution, as the Responsible Entity considered the suspension of the withdrawals to be in the best interest of the members of the Scheme.

The Scheme is now in the process of being formally wound up with redemptions and hardship provisions remaining suspended.

At the time the fund closed, there were 55 loan assets with 34 repaid as at 30 June 2013. Since this time, a further 5 loan assets have been repaid.

Liquidation Basis

Financial statements prior to the 2013 financial year have been prepared on a going concern basis.

The financial statements for the financial years ended 30 June 2013 and 30 June 2014 have not been prepared on a going concern basis due to the appointment of Administrators to the Responsible Entity for the Fund on 19 March 2013 and subsequently Liquidators on 1 August 2013 and the appointment of Receivers and Managers and Court Appointed Receiver and person responsible for ensuring it is wound up in accordance with its Constitution as detailed in note 1. Accordingly, the financial statements for those periods have been prepared on a liquidation basis.

(b) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Scheme for the reporting period. The impact of these standards and interpretations that are not expected to have a material impact on the Scheme have not been included.

(c) Significant accounting judgements, estimates and assumptions

In the process of applying accounting policies, judgements and estimations have been made which have had an impact on the amounts recognised in the accounts. The key estimations and assumptions that have a significant risk of causing material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Allowance for impairment loss on loans and receivables

The Scheme determines whether loans are impaired on an ongoing basis. Individually assessed provisions are raised where there is objective evidence of impairment, where the Scheme does not expect to receive all of the cash flows contractually due. Individually assessed provisions are made against individual facilities.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. For the purposes of the Statement of cash flows, cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(e) Distribution income

Distribution income is recognised when the Scheme's right to receive income is established.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2014

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. Interest ceases to be recognised when a loan is in default and the principal is impaired.

(g) Default management fees

Income from default management fees is recognised in line with the executed agreement with the borrower when an event of default occurs.

(h) Changes in the fair value of investments

Gains or losses on investments held for trading are calculated as the difference between the fair value at sale, or at year end, and the fair value at the previous valuation point. This includes both realised and unrealised gains and losses.

(i) Fees, commissions and other expenses

Except where included in the effective interest calculation (for financial instruments carried at amortised cost), fees and commissions are recognised on an accrual basis. Audit and compliance fees are included with 'other expenses' and are recorded on an accrual basis.

(j) 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* are classified as either financial assets or financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale investments or other financial liabilities as appropriate.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Scheme determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognised on the trade date ie. the date that the Scheme commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measured at fair value including transaction costs directly attributable to the financial asset. After initial recognition, loans and receivables are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when receivables are derecognised or impaired, as well as through the amortisation process.

Loans and receivables are assessed for impairment at each reporting period. An allowance is made for credit losses when there is objective evidence that the Scheme will not be able to collect the loans and receivables. Impairment losses are written off when identified. Losses expected as a result of future events are not recognised. If a provision

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

for impairment has been recognised in relation to the loan, writeoffs for bad debts are made against the provision. If no provision for impairment has previously been recognised, writeoffs for bad debts are recognised as an expense in the statement of comprehensive income.

A provision is made of loans in arrears where the collectability of the debts is considered doubtful by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

The components of impaired assets are as follows:

“Loans in arrears” are loans and advances for which there is reasonable doubt that the Scheme will be able to collect all amounts of principal and interest in accordance with the terms of the agreement.

“Assets acquired through the enforcement of security” are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

When it is determined that interest is not recoverable on certain impaired loans, the interest is suspended and not brought into income. Should the analysis of the collectability subsequently change the interest will be brought into income at the time it is determined to be collectable.

(l) Payables

Payables are carried at amortised costs and represent liabilities for goods and services provided to the Scheme prior to the end of the financial year and half year that are unpaid and arise when the Scheme becomes obliged to make future payments in respect of the purchases of these goods and services.

The distribution amount payable to investors as at the reporting date is recognised separately on the statement of financial position as unitholders are presently entitled to the distributable income as at 30 June 2014 under the Scheme’s constitution.

(m) 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.

(n) Distributions

The Trustees for the LM Managed Performance Fund have put both the Receivers and Managers and the Court Appointed Receiver on notice of a potential claim against the Fund. In addition, the Receivers and Managers appointed to the Bellpac matter have put the Court Appointed Receiver on notice not to distribute funds until the proceedings are resolved.

The secured creditor is not in a position to release its security due to the potential claim against the Fund. Until the matters detailed above are resolved and funds released to the Court Appointed Receiver, distributions to investors cannot commence.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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%.

Investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in the statement of cashflows 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.

(p) Applications and redemptions

Applications received for units in the Scheme are recorded when units are issued in the Scheme. Redemptions from the Scheme are recorded when the cancellation of units redeemed occurs. Unit redemption prices are determined by reference to the net assets of the Scheme divided by the number of units on issue.

Applications received in foreign currency denominations are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Foreign currency denominated unitholder funds are translated into the Schemes functional currency at balance date, using the spot rate prevailing at that date. Gains and losses arising from foreign exchange translation are recorded in the Statement of Comprehensive Income in the period in which they arise.

(q) 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 (ie. unitholders are presently entitled to the income of the Scheme).

(r) 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.

(s) 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 contracts are held.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(t) 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 and 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.

(u) Determination of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value for financial instruments not traded in an active market is determined using appropriate valuation techniques. Valuation techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cashflow analysis and option pricing models making as much use of available and supportable market data as possible.

(v) Estimated net asset amount per unit available to investors

The estimated amount of net assets available to investors are subject to the uncertainties indicated in Note 7 of this financial report.

The net assets of the fund and number of units on issue at the end of each of the periods is detailed in the table below:

	30 June 2014	30 June 2013
Estimated net amount of assets available to investors as at the period end (\$)	59,366,610	76,998,690
Total investor units (# of units)	478,272,551	477,554,184
Estimated net asset amount per unit available to investors as at the period end (cents in the dollar)	12.4	16.1

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2014

3. INCOME AND DISTRIBUTIONS TO UNITHOLDERS

(a) Distributions to unitholders

	30 June 2014	30 June 2013
	\$	\$
Distributions paid/reinvested	348	2,710,289
Distributions payable	-	-
	<u>348</u>	<u>2,710,289</u>

Distributions payable relates to distributions that were required to be paid under the Scheme's Constitution. These distributions relate to the period prior to the suspension of the distributions in January 2011.

In addition to these interest distributions, capital distributions were also paid to investors in February and June 2013. Capital distributions are reflected through redemption of units and a decrease in the unit price.

(b) Distributions paid

	30 June 2014	30 June 2013
	\$	\$
Class A	327	31,986
Class B	-	2,678,303
Class C	21	-
	<u>348</u>	<u>2,710,289</u>

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2014

4. EXPENSES

(a) Finance costs

	30 June 2014	30 June 2013
	\$	\$
Interest on bank loans	1,855,233	4,719,566
Facility fees	-	294,095
	<u>1,855,233</u>	<u>5,013,661</u>

(b) Other expenses

	30 June 2014	30 June 2013
	\$	\$
LM Administration Pty Ltd (in Liquidation) ("LMA") operational costs	3,387,377	1,442,586
Receivers and Managers' fees and outlays (McGrathNicol)	1,131,670	-
Legal fees	1,333,063	502,928
LMA Liquidator fees and outlays (David Clout & Associates)	351,022	-
Audit fees	-	230,736
Other expenses	104,903	741,079
Court Appointed Receiver's fees & outlays (BDO) *	1,130,691	-
Court Appointed Receiver's legal fees (BDO)	273,943	-
LMIM's legal fees (FTI)	29,761	750,636
LMIM's Administrators and Liquidators fees and outlays (FTI) **	1,389,692	1,499,430
	<u>9,132,122</u>	<u>5,167,395</u>

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

** Denotes expenses which are subject to approval by the Receivers and Managers or the court.

LMA operational costs relate to services provided by LMA pursuant to a services agreement. This includes wages and salaries, insurance, rent and utilities.

No management fee has been charged since the appointment of Administrators to LMIM.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2014

5. AUDITOR'S REMUNERATION

	30 June 2014	30 June 2013
	\$	\$
Audit and review of the financial reports	-	203,544
Other regulatory audit services	-	27,192
	<u>-</u>	<u>230,736</u>

The fees charged in the financial year 2013 relate to work undertaken to finalise the 30 June 2012 audited accounts, the preparation of draft accounts for 31 December 2012 and planning work for 30 June 2013 accounts as requested by FTI Consulting.

These expenses have been included within 'Other expenses' in the Statement of Comprehensive Income.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2014

6. CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

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

Net assets attributable to unitholders	30 June 2014	30 June 2013
	\$	\$
Class A		
Opening balance	245,673,002	252,760,731
Units issued during the year	-	-
Units redeemed during the year	(1,104)	(7,087,729)
Units issued upon reinvestment of distributions	6,232	-
Closing balance	245,678,130	245,673,002
Class B		
Opening balance	220,219,758	224,862,439
Units issued during the year		11,750
Units redeemed during the year	(23,447)	(8,272,590)
Units issued upon reinvestment of distributions		3,618,159
Closing balance	220,196,311	220,219,758
Class C		
Opening balance	10,170,587	9,675,527
Units issued during the year	-	-
Units redeemed during the year	-	(290,838)
Units issued upon reinvestment of distributions	-	-
Foreign exchange (gain)/loss on investor funds	736,688	785,898
Closing balance	10,907,275	10,170,587
Cumulative movement in changes in net assets attributable to unitholders	(417,415,106)	(399,064,657)
Net assets attributable to unitholders	59,366,610	76,998,690

Class A

Class A consists of unitholders who are entitled to receive the declared distribution rate. There are a number of subclasses attached to class A. These consist of the following products with varying terms:

- 1) Flexi Account investment option
- 2) Fixed Term investment option
- 3) LM Savings Plan investment option

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2014

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

Class B

Class B consists of related Scheme unitholders.

Class C

Class C consists of unitholders who have invested in foreign currencies and are entitled to receive the declared distribution rate.

Subject to the comments relating to the status of the Scheme in note 2, all unitholders are entitled to receive distributions as declared from time to time and are entitled to one vote per unit at unitholders' meetings. As the Scheme is being wound up, all unitholders rank after creditors and are equally entitled to the proceeds of the winding up procedure.

7. LOANS AND RECEIVABLES

	30 June 2014	30 June 2013
	\$	\$
Secured mortgage loans	359,219,508	415,460,732
Provision for impairment	(299,158,892)	(315,583,261)
	<u>60,060,616</u>	<u>99,877,471</u>

Loans and receivables are initially measured at the fair value including transaction costs and subsequently measured at amortised cost after initial recognition. Loans and Receivables are assessed for impairment at each reporting date. Where impairment indicators exist, the recoverable amount of the loan will be determined and compared to its carrying amount to determine whether any impairment losses exists. Impairment losses are recognised when the recoverable amount under the individual loan is less than the carrying amount of that loan.

Material uncertainty regarding recoverability of Loans and Receivables

For loans in default, an impairment indicator arises which requires the recoverable amount of that loan to be determined. The recoverable amount for each individual loan in default has been determined from independent valuations of the assets forming the security for the loans. The valuations are based on current market conditions and provide for appropriate exposure to the market and an orderly realisation of assets forming the security for the loans.

In determining the recoverable amounts, there are uncertainties involved in assessing the market values and the ability to realise those market values, particularly where the market is not active. Consequently, it is likely that there may be differences between the amounts at which the Loans and Receivables are recorded at in the financial statements for the period ended 30 June 2014, and the amounts that are actually realised. Such differences may be material. Accordingly, there is a material uncertainty regarding recoverability of Loans and Receivables.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2014

7. LOANS AND RECEIVABLES (Continued)

(a) Aggregate amounts receivable from related parties

	30 June 2014	30 June 2013
	\$	\$
Director and director-related entities – secured	-	6,072,342
Related managed investment schemes – secured	-	1,310,838
Related managed investment schemes – unsecured	-	-
	<u>-</u>	<u>7,383,180</u>

(b) Provisions for impairment

The impairment loss expense relating to loans and receivables comprises:

	30 June 2014	30 June 2013
	\$	\$
Opening balance	315,583,261	146,265,463
Impairment losses provided for during the period	6,270,758	186,553,576
Impairment losses realised for during the period	(22,695,127)	(17,235,778)
Closing balance	<u>299,158,892</u>	<u>315,583,261</u>
Total provision for impairment	<u>299,158,892</u>	<u>315,583,261</u>

7. LOANS AND RECEIVABLES (Continued)

(c) Movement in default loans

Movement in default loans

	30 June 2014	30 June 2013
	\$	\$
Gross default loans opening balance	415,460,732	457,610,299
New and increased default loans	11,368,481	43,605,801
Balances written off	(22,695,127)	(17,235,778)
Returned to performing or repaid	(44,914,578)	(68,519,590)
Gross default loans closing balance	359,219,508	415,460,732
Specific provision	(299,158,892)	(315,083,261)
Net default loans	60,060,616	99,877,471

8. PAYABLES

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

	30 June 2014	30 June 2013
	\$	\$
Accounts payable	7,726,716	5,278,291
	7,726,716	5,278,291

9. INTEREST BEARING LOANS AND BORROWINGS

Interest bearing loans and borrowings relates to facilities with external providers. In July 2010, the RE entered into a new facility with an external financier, Deutsche Bank. Deutsche Bank holds a fixed and floating charge over the assets of the Fund.

As indicated in Note 1, McGrathNicol were appointed as Receivers and Managers of the Fund by Deutsche Bank as a result of a default of the finance facility by the Fund for this secured loan.

There has been a progressive sell down of the assets of the Fund which has enabled \$14.1M of the loan to be repaid during the 2013 financial year and \$21.5M between July and December 2013. The facility was repaid in full in January 2014.

	30 June 2014	30 June 2013
	\$	\$
Secured bank loan	-	25,500,000

9. INTEREST BEARING LOANS AND BORROWINGS (Continued)

As mentioned in the Court Appointed Receiver's reports to investors, whilst the secured creditor has been repaid in full, the Receivers and Managers appointed by the secured creditor have advised that they are not yet in a position to retire until the potential claim by KordaMentha as the new trustee of the LM Managed Performance Fund is resolved.

KordaMentha, acting as trustee of the MPF has put the Court Appointed Receiver and the Receivers and Managers appointed by the secured creditor on notice of a potential claim against LM Investment Management Limited (Receivers and Managers Appointed) (In Liquidation) ("LMIM") and/or the Fund in relation to potential breaches of trust.

10. RELATED PARTIES

Responsible Entity ('RE')

The RE for the Fund is LM Investment Management Ltd (In Liquidation) ('LMIM'). The transactions recorded relate to fees and expenses incurred in accordance with the Constitution.

Administration and funds management services are provided to the Scheme on behalf of the RE by LM Administration Pty Ltd (In Liquidation) ('LMA'), an associate of the RE.

Custodian

The Custodian of the Fund is The Trust Company (PTAL) Ltd.

Balance with related parties (Receivable)

This relates to two loans within the Fund portfolio, both of which have been finalised between 1 July 2012 and 31 December 2013.

Balance with related parties (Payable)

The transaction with LM Administration Pty Ltd (In Liquidation) relates to fees incurred in accordance with the service agreement.

The Transaction with O'Sullivan Capital Management Ltd is in respect of marketing services provided in New Zealand by the former director John O'Sullivan.

Notes to the financial statements for the year ended 30 June 2014

10. RELATED PARTIES (Continued)

	30 June 2014	30 June 2013
	\$	\$
<i><u>RE remuneration received or due & receivable</u></i>		
Management fees for the year paid or payable directly to LM Administration	606,195	4,519,156
Expenses including administration expenses incurred by the RE and its associated entities, which are reimbursed in accordance with the provisions of the Constitution	-	189,983
Expenses including administration expenses incurred by the RE and its associated entities, which are not reimbursed	-	-
Custodian's fees paid by the Scheme	76,692	49,107
<i><u>Balance with related parties (Receivable net of impairment)</u></i>		
Australian International Investments Pty Ltd	-	6,072,342
LM Managed Performance Fund	-	1,310,838
<i><u>Balance with related parties (payable)</u></i>		
O'Sullivan Capital Management Ltd	160,071	160,071
<i><u>FTI Consulting</u></i>		
LMIM's legal fees (FTI)	29,761	750,636
LMIM's Administrators and Liquidators fees and outlays (FTI) *	1,389,692	1,499,430

* Denotes expenses which are subject to approval by the court

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the year ended 30 June 2014

11. RECEIVABLES

Prior to 1 January 2014, receivables consisted of the interest on the loans for the period from the 18th of the month, when the interest is run until the end of the month and GST which is due at 30 June 2013 and 31 December 2013. From 1 January 2014, interest was suspended and not brought to account as it is considered that the amounts are not ultimately recoverable from the sale proceeds of the property.

	30 June 2014	30 June 2013
	\$	\$
Mortgage interest receivable	43,238	926,444
Penalty interest receivable	198	54,492
Total interest receivable	43,436	980,936
Provision for interest impairment	(43,436)	(980,936)
GST receivable	664,646	225,943
Other	-	-
	664,646	225,943

12. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

For the purposes of the Statement of Financial Position, the cash and cash equivalents comprise of cash at bank and in hand.

The cash at bank earns interest at floating rates based on the daily bank deposit rates. The cash at bank figure includes monies held in foreign exchange margin accounts and not available for use.

	30 June 2014	30 June 2013
	\$	\$
Cash at bank	7,741,190	9,055,002

As at 30 June 2014, \$391,964 (2013: \$420,812) of cash at bank was held in foreign exchange margin accounts and was not available for use by the Scheme.

12. CASH AND CASH EQUIVALENTS (Continued)

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

	30 June 2014	30 June 2013
	\$	\$
Change in net assets attributable to unitholders	(18,350,449)	(200,746,588)
<i>Adjustments for:</i>		
Non-cash impairment expense	6,314,194	186,553,576
Non-cash interest income		(122,992)
Non-cash management fees		-
Distribution to unitholders	348	2,710,288
(Gains)/loss on foreign exchange contracts	(180,249)	-
(Gains)/loss on investor funds/foreign exchange adjustments	737,962	805,947
(Increase)/decrease in interest receivable		-
(Increase)/decrease in other receivables	(482,139)	1,053,885
Increase/(decrease) in payables	2,448,423	(5,301,725)
Net cash flows from/(used in) operating activities	(9,511,910)	(15,047,609)

13. INTEREST REVENUE

Interest revenue relates to interest received on funds held in the bank accounts and interest charged on the loans.

Interest on loans is suspended and not brought to account when it is considered that the amounts are not ultimately recoverable from the sale proceeds of the property.

14. CONTINGENT LIABILITY

Advisor Commissions

The Fund has historically recognised a liability for advisor commissions paid to advisors from the Fund. The agreements providing for these advisor commissions appear to have been entered into between the Responsible Entity in its own legal capacity rather than as trustee and Responsible Entity for the Fund. It also appears that conditions existed in the period from 1 July 2010 such that advisor commissions may not have been payable in accordance with the Fund Constitution from Fund property. The liability for advisor commissions as at 30 June 2012 of \$4,762,674 has therefore been derecognised as a liability of the Fund during the year ended 30 June 2013.

Accordingly, the Fund has disclosed a contingent liability of \$4,762,674 as at 30 June 2013 to the Responsible Entity for this amount.

The contingent liability relates to advisor commissions to brokers of the Fund that were referable to the period 1 July 2010 to 30 November 2013. The Responsible Entity has sought to disclaim the advisor commission arrangements.



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Level 10, 12 Creek St
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26 March 2015

TO INVESTORS

Dear Member

**LM FIRST MORTGAGE INCOME FUND ARSN 089 343 288 (RECEIVERS AND MANAGERS APPOINTED)
(RECEIVER APPOINTED) ("THE FUND")**

I attach the unaudited accounts for the Fund for the half year to 31 December 2014.

The accounts have been prepared in conjunction with the service provider, LM Administration Pty Ltd's (In Liquidation) staff and consultants and by collating the records maintained by the Fund, the service provider and receipts and payments and other records of FTI and McGrathNicol.

The accounts have been prepared in accordance with the Scheme Constitution, the recognition and measurement requirements of the Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The accounts have been reviewed by the BDO audit team. However, their work does not constitute a full audit and therefore, the accounts are provided on an unaudited basis.

Should members require further information, please contact BDO on the details provided below.

BDO

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Yours sincerely

David Whyte
Court Appointed Receiver

Disclaimer:

The 31 December 2014 financial statements were compiled by BDO Business Recovery & Insolvency (QLD) Pty Ltd however we did not audit those financial statements and, accordingly, express no opinion or other form of assurance on them.

**LM FIRST MORTGAGE INCOME FUND
(RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)**

ABN: 66 482 247 488

Report for half-year ended 31 December 2014

Disclaimer

The 31 December 2014 financial statements were compiled by BDO Business Recovery & Insolvency (QLD) Pty Ltd but we did not audit those financial statements and, accordingly, express no opinion or other form of assurance on them.

**LM FIRST MORTGAGE INCOME FUND
(RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)**

ABN: 66 482 247 488

Report for the half-year ended 31 December 2014

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

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)
STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2014

	Note	31 December 2014 \$	31 December 2013 \$
Income			
Fee revenue - mortgage loans		4,050	32,901
Interest revenue - cash assets		200,346	65,997
Realised foreign exchange gain on investor funds		-	3,307
Realised gain on foreign exchange contracts		106,869	57,297
		<u>311,265</u>	<u>159,502</u>
Expenses			
Management fees	9	-	606,195
Finance costs	4(a)	-	1,829,589
Custodian fees	9	29,805	47,508
Advisor commissions	13	-	-
Impairment losses/(gain) on mortgage loans	6	(18,320,812)	240,007
Impairment losses on interest receivable	10	-	43,436
Unrealised foreign exchange losses on investor fund		263,794	941,952
Realised gain on foreign exchange contracts		75,539	-
Other expenses	4(b)	4,958,035	5,628,107
Total expenses excluding distributions to unitholders		<u>(12,993,639)</u>	<u>9,336,794</u>
Net profit/(loss) before distributions to unitholders		13,304,904	(9,177,292)
Distributions paid/payable to unitholders		-	(348)
Net profit/(loss) after distributions to unitholders		<u>13,304,904</u>	<u>(9,177,640)</u>
Other comprehensive income			-
Net profit/(loss) after distributions to unitholders		13,304,904	(9,177,640)
Income tax expense		-	-
Changes in net assets attributable to unitholders after income tax expense		<u>13,304,904</u>	<u>(9,177,640)</u>

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 7 to 22 and with the financial report for the year ended 30 June 2014.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)
STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	31 December 2014 \$	30 June 2014 \$
ASSETS			
Cash and cash equivalents	11(a)	17,002,232	7,741,190
Receivables	10	593,746	664,646
Loans & Receivables	6	65,610,094	60,060,616
TOTAL ASSETS		83,206,073	68,466,452
LIABILITIES			
Payables	7	8,897,748	7,726,716
Distributions payable		1,372,036	1,373,126
Total liabilities excluding net assets attributable to unitholders		10,269,784	9,099,842
NET ASSETS		72,936,289	59,366,610
Represented by:			
Net assets attributable to unitholders		72,936,289	59,366,610
(calculated in accordance with IFRS)			

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 7 to 22 and with the financial report for the year ended 30 June 2014.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the half-year ended 31 December 2014

	31 December 2014 \$	30 June 2014 \$
TOTAL		
Opening balance	59,366,610	76,998,690
Units issued during the year	-	-
Units redeemed during the year	-	(24,551)
Units issued on reinvestment of distributions	980	6,232
Changes in net assets attributable to unitholders	13,304,904	(18,350,449)
Foreign exchange (gain)/loss on investor funds	263,795	736,688
Closing Balance	<u>72,936,289</u>	<u>59,366,610</u>

The statement of changes in net assets attributable to unitholders is to be read in conjunction with the notes to the financial statements set out on pages 7 to 22 and with the financial report for the year ended 30 June 2014.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)
STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2014

	Note	31 December 2014 \$	31 December 2013 \$
Cash flows from operating activities			
Interest, fees and distributions received		204,396	123,294
Management fees paid		-	(606,195)
Other operating expenses		(3,785,478)	(4,418,758)
Other income received		-	3,307
GST and withholding tax (paid)/received		70,900	(217,345)
Finance costs paid	4(a)	-	(1,829,589)
Net cash inflow/(outflow) from operating activities	11(b)	(3,510,182)	(6,945,286)
Cash flows from investing activities			
Payments for secured mortgage loans	6(c)	(3,889,961)	(7,543,788)
Receipts from settled mortgage loans		16,661,295	29,005,024
Net cash inflow/(outflow) from investing activities		12,771,334	21,461,236
Cash flows from financing activities			
Repayment of facility		-	(21,500,000)
Receipts from the issue of units		980	-
Distributions paid		(1,090)	(1,868)
Payment for redemption of units		-	(23,125)
Net cash inflow/(outflow) from financing activities		(110)	(21,524,993)
Net increase/(decrease) in cash and cash equivalents		9,261,042	(7,009,044)
Cash and cash equivalents at beginning of year		7,741,190	9,055,002
Cash and cash equivalents at end of year	11(a)	17,002,232	2,045,959

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 7 to 22 and with the financial report for the year ended 30 June 2014.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2014

1. CORPORATE INFORMATION

During the period March 2013 to August 2013, a series of insolvency events occurred in respect of both the Fund and the Responsible Entity for the Fund, these are detailed in the table below:

Date	Appointment
19 March 2013	John Park and Ginette Muller of FTI Consulting appointed as Administrators of LM Investment Management Ltd ("LMIM") being the Responsible Entity for the Fund.
11 July 2013	Joseph Hayes and Anthony Connelly of McGrathNicol appointed as Receivers and Managers of LMIM as the Responsible Entity of LM First Mortgage Income Fund (Receivers and Managers Appointed) (Receiver Appointed) ('LMFMIF', 'Scheme' or the 'Fund') by Deutsche Bank.
1 August 2013	John Park and Ginette Muller of FTI Consulting appointed as liquidators of LMIM.
8 August 2013	David Whyte of BDO appointed by the Court as Receiver of the assets of the Fund and as the person responsible for ensuring the Fund is wound up in accordance with its Constitution.

The Scheme is an Australian registered Scheme, constituted on 13 April 1999.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated in the following text.

(a) Basis of accounting

This financial report has been prepared in accordance with the Scheme Constitution, the recognition and measurement requirements of the Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value.

The Statement of financial position is presented in decreasing order of liquidity and does not distinguish between current and non-current items. The amount expected to be recovered or settled within twelve months in relation to the balances cannot be reliably determined.

The financial report is presented in Australian Dollars (\$).

Statement of compliance

The financial statements have been prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2014

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of accounting (Continued)

Status of investment in fund

During the 2009 year, the Responsible Entity closed the Scheme to new investors and suspended withdrawals subject to certain exceptions. Redemptions were suspended at this time, per the Constitution, as the Responsible Entity considered the suspension of the withdrawals to be in the best interest of the members of the Scheme.

The Scheme is now in the process of being formally wound up with redemptions and hardship provisions remaining suspended.

At the time the fund closed, there were 55 loan assets with 39 repaid as at 30 June 2014. Since this time, a further 2 loan assets have been repaid.

Liquidation Basis

Financial statements prior to the 2013 financial year have been prepared on a going concern basis.

The financial statements for the periods ended 30 June 2013 onwards have not been prepared on a going concern basis due to the appointment of Administrators to the Responsible Entity for the Fund on 19 March 2013 and subsequently Liquidators on 1 August 2013 and the appointment of Receivers and Managers and Court Appointed Receiver and person responsible for ensuring it is wound up in accordance with its Constitution as detailed in note 1. Accordingly, the financial statements for those periods have been prepared on a liquidation basis.

(b) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Scheme for the reporting period. The impact of these standards and interpretations that are not expected to have a material impact on the Scheme have not been included.

(c) Significant accounting judgements, estimates and assumptions

In the process of applying accounting policies, judgements and estimations have been made which have had an impact on the amounts recognised in the accounts. The key estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Allowance for impairment loss on loans and receivables

The Scheme determines whether loans are impaired on an ongoing basis. Individually assessed provisions are raised where there is objective evidence of impairment, where the Scheme does not expect to receive all of the cash flows contractually due. Individually assessed provisions are made against individual facilities.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. For the purposes of the Statement of cash flows, cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(e) Distribution income

Distribution income is recognised when the Scheme's right to receive income is established.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2014

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. Interest ceases to be recognised when a loan is in default and the principal is impaired.

(g) Default management fees

Income from default management fees is recognised in line with the executed agreement with the borrower when an event of default occurs.

(h) Changes in the fair value of investments

Gains or losses on investments held for trading are calculated as the difference between the fair value at sale, or at year end, and the fair value at the previous valuation point. This includes both realised and unrealised gains and losses.

(i) Fees, commissions and other expenses

Except where included in the effective interest calculation (for financial instruments carried at amortised cost), fees and commissions are recognised on an accrual basis. Audit and compliance fees are included with 'other expenses' and are recorded on an accrual basis.

(j) 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* are classified as either financial assets or financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale investments or other financial liabilities as appropriate.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Scheme determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognised on the trade date ie. the date that the Scheme commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measured at fair value including transaction costs directly attributable to the financial asset. After initial recognition, loans and receivables are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when receivables are derecognised or impaired, as well as through the amortisation process.

Loans and receivables are assessed for impairment at each reporting period. An allowance is made for credit losses when there is objective evidence that the Scheme will not be able to collect the loans and receivables. Impairment losses are written off when identified. Losses expected as a result of future events are not recognised. If a provision

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

for impairment has been recognised in relation to the loan, writeoffs for bad debts are made against the provision. If no provision for impairment has previously been recognised, writeoffs for bad debts are recognised as an expense in the statement of comprehensive income.

A provision is made of loans in arrears where the collectability of the debts is considered doubtful by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

The components of impaired assets are as follows:

“Loans in arrears” are loans and advances for which there is reasonable doubt that the Scheme will be able to collect all amounts of principal and interest in accordance with the terms of the agreement.

“Assets acquired through the enforcement of security” are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

When it is determined that interest is not recoverable on certain impaired loans, the interest is suspended and not brought into income. Should the analysis of the collectability subsequently change the interest will be brought into income at the time it is determined to be collectable.

(l) Payables

Payables are carried at amortised costs and represent liabilities for goods and services provided to the Scheme prior to the end of the financial year and half year that are unpaid and arise when the Scheme becomes obliged to make future payments in respect of the purchases of these goods and services.

The distribution amount payable to investors as at the reporting date is recognised separately on the statement of financial position as unitholders are presently entitled to the distributable income as at 30 June 2013 and 31 December 2013 under the Scheme’s constitution.

(m) 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.

(n) Distributions

The Trustees for the LM Managed Performance Fund have put both the Receivers and Managers and the Court Appointed Receiver on notice of a potential claim against the Fund. In addition, the Receivers and Managers appointed to the Bellpac matter have put the Court Appointed Receiver on notice not to distribute funds until the proceedings are resolved.

The secured creditor is not in a position to release its security due to the potential claim against the Fund. Until the matters detailed above are resolved and funds released to the Court Appointed Receiver, distributions to investors cannot commence.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) 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%.

Investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in the statement of cashflows 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.

(p) Applications and redemptions

Applications received for units in the Scheme are recorded when units are issued in the Scheme. Redemptions from the Scheme are recorded when the cancellation of units redeemed occurs. Unit redemption prices are determined by reference to the net assets of the Scheme divided by the number of units on Issue.

Applications received in foreign currency denominations are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Foreign currency denominated unitholder funds are translated into the Schemes functional currency at balance date, using the spot rate prevailing at that date. Gains and losses arising from foreign exchange translation are recorded in the Statement of Comprehensive Income in the period in which they arise.

(q) 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 (ie. unitholders are presently entitled to the income of the Scheme).

(r) 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.

(s) 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 contracts are held.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) 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 and 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.

(u) Determination of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value for financial instruments not traded in an active market is determined using appropriate valuation techniques. Valuation techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cashflow analysis and option pricing models making as much use of available and supportable market data as possible.

(v) Estimated net asset amount per unit available to investors

The estimated amount of net assets available to investors are subject to the uncertainties indicated in Note 7 of this financial report.

The net assets of the fund and number of units on issue at the end of each of the periods is detailed in the table below:

	31 December 2014	30 June 2014
Estimated net amount of assets available to investors as at the period end (\$)	72,936,289	59,366,610
Total investor units (# of units)	478,537,325	478,272,551
Estimated net asset amount per unit available to investors as at the period end (cents in the dollar)	15.2	12.4

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2014

3. INCOME AND DISTRIBUTIONS TO UNITHOLDERS**(a) Distributions to unitholders**

	31 December 2014	31 December 2013
	\$	\$
Distributions paid/reinvested	-	348
Distributions payable	-	-
	<u>-</u>	<u>348</u>

Distributions payable relates to distributions that were required to be paid under the Scheme's Constitution. These distributions relate to the period prior to the suspension of the distributions in January 2011.

In addition to these interest distributions, capital distributions were also paid to investors in February and June 2013. Capital distributions are reflected through redemption of units and a decrease in the unit price.

(b) Distributions paid

	31 December 2014	31 December 2013
	\$	\$
Class A	-	327
Class B	-	-
Class C	-	21
	<u>-</u>	<u>348</u>

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2014

4. EXPENSES

(a) Finance costs

	31 December 2014	31 December 2013
	\$	\$
Interest on bank loans	-	1,829,589
	<u>-</u>	<u>1,829,589</u>

(b) Other expenses

	31 December 2014	31 December 2013
	\$	\$
LM Administration Pty Ltd (in Liquidation) ("LMA") operational costs	1,625,918	1,947,361
Receivers and Managers' fees and outlays (McGrathNicol)	508,195	765,329
Legal fees	712,743	667,333
LMA Liquidator fees and outlays (David Clout & Associates)	82,197	173,175
Other expenses	67,937	57,706
Court Appointed Receiver's fees & outlays (BDO) *	1,271,435	470,974
LMIM's legal fees (FTI)	99,144	175,375
LMA fees and outlays (FTI) **	239,695	-
LMIM's Administrators and Liquidators fees and outlays (FTI) **	350,771	1,370,854
	<u>4,958,035</u>	<u>5,628,107</u>

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

** Denotes expenses which are subject to approval by the Receivers and Managers or the court.

LMA operational costs relate to services provided by LMA pursuant to a services agreement. This includes wages and salaries, insurance, rent and utilities.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2014

5. CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

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

Net assets attributable to unitholders

	31 December 2014	30 June 2014
	\$	\$
Class A		
Opening balance	245,678,130	245,673,002
Units issued during the year	-	-
Units redeemed during the year	-	(1,104)
Units issued upon reinvestment of distributions	980	6,232
Closing balance	245,679,110	245,678,130

Class B

Opening balance	220,196,311	220,219,758
Units issued during the year	-	-
Units redeemed during the year	-	(23,447)
Units issued upon reinvestment of distributions	-	-
Closing balance	220,196,311	220,196,311

Class C

Opening balance	10,907,275	10,170,587
Units issued during the year	-	-
Units redeemed during the year	-	-
Units issued upon reinvestment of distributions	-	-
Foreign exchange (gain)/loss on investor funds	263,795	736,688
Closing balance	11,171,070	10,907,275

Cumulative movement in changes in net assets attributable to unitholders	(404,110,202)	(417,415,106)
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Net assets attributable to unitholders	72,936,289	59,366,610
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Class A

Class A consists of unitholders who are entitled to receive the declared distribution rate. There are a number of subclasses attached to class A. These consist of the following products with varying terms:

- 1) Flexi Account investment option
- 2) Fixed Term investment option

3) LM Savings Plan investment option

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2014

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

Class B

Class B consists of related Scheme unitholders.

Class C

Class C consists of unitholders who have invested in foreign currencies and are entitled to receive the declared distribution rate.

Subject to the comments relating to the status of the Scheme in note 2, all unitholders are entitled to receive distributions as declared from time to time and are entitled to one vote per unit at unitholders' meetings. As the Scheme is being wound up, all unitholders rank after creditors and are equally entitled to the proceeds of the winding up procedure.

6. LOANS AND RECEIVABLES

	31 December 2014	30 June 2014
	\$	\$
Secured mortgage loans	284,019,229	359,219,508
Provision for impairment	(218,409,134)	(299,158,892)
Net loans and advances	<u>65,610,094</u>	<u>60,060,616</u>

Loans and receivables are initially measured at the fair value including transaction costs and subsequently measured at amortised cost after initial recognition. Loans and Receivables are assessed for impairment at each reporting date. Where impairment indicators exist, the recoverable amount of the loan will be determined and compared to its carrying amount to determine whether any impairment losses exist. Impairment losses are recognised when the recoverable amount under the individual loan is less than the carrying amount of that loan.

Material uncertainty regarding recoverability of Loans and Receivables

For loans in default, an impairment indicator arises which requires the recoverable amount of that loan to be determined. The recoverable amount for each individual loan in default has been determined from independent valuations of the assets forming the security for the loans. The valuations are based on current market conditions and provide for appropriate exposure to the market and an orderly realisation of assets forming the security for the loans.

In determining the recoverable amounts, there are uncertainties involved in assessing the market values and the ability to realise those market values, particularly where the market is not active. Consequently, it is likely that there may be differences between the amounts at which the Loans and Receivables are recorded at in the financial statements for the period ended 31 December 2014, and the amounts that are actually realised. Such differences may be material. Accordingly, there is a material uncertainty regarding recoverability of Loans and Receivables.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2014

6. LOANS AND RECEIVABLES (Continued)

(a) Aggregate amounts receivable from related parties

	31 December 2014	30 June 2014
	\$	\$
Director and director-related entities – secured	-	-
Related managed investment schemes – secured	-	-
Related managed investment schemes – unsecured	-	-
	<u>-</u>	<u>-</u>

(b) Provisions for impairment

The impairment loss expense relating to loans and receivables comprises:

	31 December 2014	30 June 2014	31 December 2013
	\$	\$	\$
Opening balance	299,158,892	315,583,261	315,583,261
Impairment losses provided for/(recoveries) during the period	(18,320,812)	6,270,758	240,007
Impairment losses written off during the period	(62,428,946)	(22,695,127)	(22,787,852)
Closing balance	<u>218,409,134</u>	<u>299,158,892</u>	<u>293,035,416</u>
Total provision for impairment	<u>218,409,134</u>	<u>299,158,892</u>	<u>293,035,416</u>

Breakdown of impairment losses provided for/ (recoveries) during the period

Impairment increase during the period	1,427,517	11,193,498	3,884,863
Impairment recoveries due to asset sales and revaluation of assets subject to contract of sale or under offer during the period	(19,637,673)	(4,959,568)	(1,274,142)
Impairment movement arising from other adjustments during the period	(110,656)	36,828	(2,370,714)
	<u>(18,320,812)</u>	<u>6,270,758</u>	<u>240,007</u>

The \$19,637,673 movement during the period to 31 December 2014 is largely derived from asset recoveries where these assets, principally the five retirement villages, have achieved a higher recovery than anticipated at 30 June 2014.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2014

6. LOANS AND RECEIVABLES (Continued)

(c) Movement in default loans

Movement in default loans

	31 December 2014	30 June 2014
	\$	\$
Gross default loans opening balance	359,219,508	415,460,732
New and increased default loans	3,889,961	11,368,481
Balances written off	(62, 428,946)	(22,695,127)
Returned to performing or repaid	(16,661,294)	(44,914,578)
Gross default loans closing balance	284,019,229	359,219,508
Specific provision	(218,409,135)	(299,158,892)
Net default loans	65,610,094	60,060,616

7. PAYABLES

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

	31 December 2014	30 June 2014
	\$	\$
Accounts payable	8,897,748	7,726,716
	<u>8,897,748</u>	<u>7,726,716</u>

8. INTEREST BEARING LOANS AND BORROWINGS

Interest bearing loans and borrowings relates to facilities with external providers. In July 2010, the RE entered into a new facility with an external financier, Deutsche Bank. Deutsche Bank holds a fixed and floating charge over the assets of the Fund.

As indicated in Note 1, McGrathNicol were appointed as Receivers and Managers of the Fund by Deutsche Bank as a result of a default of the finance facility by the Fund for this secured loan.

There has been a progressive sell down of the assets of the Fund which has enabled \$14.1M of the loan to be repaid during the 2013 financial year and \$21.5M between July and December 2013. The facility was repaid in full in January 2014.

	31 December 2014	30 June 2014
	\$	\$
Secured bank loan	-	-

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2014

8. INTEREST BEARING LOANS AND BORROWINGS (Continued)

As mentioned in the Court Appointed Receiver's reports to investors, whilst the secured creditor has been repaid in full, the Receivers and Managers appointed by the secured creditor have advised that they are not yet in a position to retire until the potential claim by KordaMentha as the new trustee of the LM Managed Performance Fund is resolved.

KordaMentha, acting as trustee of the MPF has put the Court Appointed Receiver and the Receivers and Managers appointed by the secured creditor on notice of a potential claim against LM Investment Management Limited (Receivers and Managers Appointed) (in Liquidation) ("LMIM") and/or the Fund in relation to potential breaches of trust.

9. RELATED PARTIES

Responsible Entity ('RE')

The RE for the Fund is LM Investment Management Ltd (in Liquidation) ('LMIM'). The transactions recorded relate to fees and expenses incurred in accordance with the Constitution.

Administration and funds management services are provided to the Scheme on behalf of the RE by LM Administration Pty Ltd (In Liquidation) ('LMA'), an associate of the RE. LMA is paid a management fee directly from the Scheme.

Custodian

The Custodian of the Fund is Perpetual Trustee Company Ltd (PTCo) formally The Trust Company (PTAL) Ltd.

Balance with related parties (Receivable)

This relates to two loans within the Fund portfolio, both of which have been finalised between 1 July 2012 and 31 December 2013.

Balance with related parties (Payable)

The transaction with LM Administration Pty Ltd (In Liquidation) relates to fees incurred in accordance with the service agreement.

The Transaction with O'Sullivan Capital Management Ltd is in respect of marketing services provided in New Zealand by the former director John O'Sullivan.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2014

9. RELATED PARTIES (Continued)

	31 December 2014	31 December 2013
	\$	\$
<i><u>RE remuneration received or due & receivable</u></i>		
Management fees for the year or half-year paid or payable directly to LM Administration	-	606,195
Custodian's fees paid by the Scheme	29,805	47,508
<i><u>Balance with related parties (payable)</u></i>		
O'Sullivan Capital Management Ltd	160,071	160,071
<i><u>FTI Consulting</u></i>		
LMIM's legal fees (FTI)	99,144	175,375
LMIM's Administrators and Liquidators fees and outlays (FTI) *	590,466	1,370,854

* Denotes expenses which are subject to approval by the court

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2014

10. RECEIVABLES

Prior to 1 January 2014, receivables consisted of the interest on the loans for the period from the 18th of the month, when the interest is run until the end of the month and GST which is due at 31 December 2014. From 1 January 2014, interest was suspended and not brought to account as it is considered that the amounts are not ultimately recoverable from the sale proceeds of the property.

	31 December 2014	30 June 2014
	\$	\$
Mortgage interest receivable	-	43,238
Penalty interest receivable	-	198
Total interest receivable	-	43,436
Provision for interest impairment	-	(43,436)
GST receivable	593,047	664,646
Other	-	-
	<u>593,047</u>	<u>664,646</u>

11. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

For the purposes of the Statement of Financial Position, the cash and cash equivalents comprise of cash at bank and in hand.

The cash at bank earns interest at floating rates based on the daily bank deposit rates. The cash at bank figure includes monies held in foreign exchange margin accounts and not available for use.

	31 December 2014	31 December 2013
	\$	\$
Cash at bank	<u>17,002,233</u>	<u>2,045,959</u>

As at 31 December 2014, \$304,135 and as at 30 June 2014, \$420,812 of cash at bank was held in foreign exchange margin accounts and was not available for use by the Scheme.

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Notes to the financial statements for the half-year ended 31 December 2014

11. CASH AND CASH EQUIVALENTS (Continued)

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

	31 December 2014 \$	31 December 2013 \$
Change in net assets attributable to unitholders	13,304,904	(9,177,640)
<i>Adjustments for:</i>		
Non-cash impairment expense/(recovery)	(18,320,812)	240,007
Non-cash interest income	-	(32,901)
Distribution to unitholders	-	348
(Gains)/loss on foreign exchange contracts	(31,330)	-
(Gains)/loss on investor funds	263,794	941,952
(Increase)/decrease in interest receivable	-	(217,345)
(increase)/decrease in other receivables	70,900	-
Increase/(decrease) in payables	1,202,362	1,300,293
Net cash flows from/(used in) operating activities	(3,510,182)	(6,945,286)

12. INTEREST REVENUE

Interest revenue relates to interest received on funds held in the bank accounts and interest charged on the loans.

Interest on loans is suspended and not brought to account when it is considered that the amounts are not ultimately recoverable from the sale proceeds of the property.

13. CONTINGENT LIABILITY

Advisor Commissions

The Fund has historically recognised a liability for advisor commissions paid to advisors from the Fund. The agreements providing for these advisor commissions appear to have been entered into between the Responsible Entity in its own legal capacity rather than as trustee and Responsible Entity for the Fund. It also appears that conditions existed in the period from 1 July 2010 such that advisor commissions may not have been payable in accordance with the Fund Constitution from Fund property. The liability for advisor commissions as at 30 June 2012 of \$4,762,674 has therefore been derecognised as a liability of the Fund during the year ended 30 June 2013.

Accordingly, the Fund has disclosed a contingent liability of \$4,762,674 as at 30 June 2013 to the Responsible Entity for this amount.

The contingent liability relates to advisor commissions to brokers of the Fund that were referable to the period 1 July 2010 to 30 November 2013. The Responsible Entity has sought to disclaim the advisor commission arrangements.