

SUPREME COURT OF QUEENSLAND

REGISTRY Brisbane
NUMBER 2013

Applicants

**KORDAMENTHA PTY LTD (ACN 100 169 391) AND
CALIBRE CAPITAL LTD (ACN 108 318 985) IN THEIR
CAPACITY AS TRUSTEES FOR THE LM MANAGED
PERFORMANCE FUND**

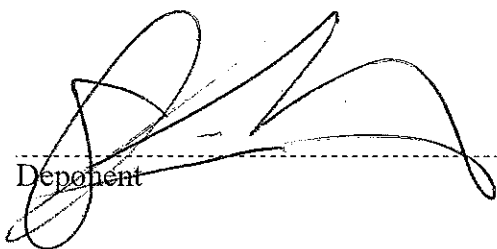
AND

Respondent

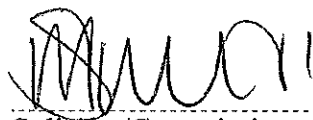
**LM INVESTMENT MANAGEMENT LIMITED
(RECEIVERS AND MANAGERS APPOINTED) (IN
LIQUIDATION) (ACN 077 208 461)**

CERTIFICATE OF EXHIBIT

Exhibit SMV-22 to SMV-35 to the affidavit of SIMON MICHAEL VERTULLO SWORN
on 19 September 2013.



Deponent



Solicitor/Commissioner for
Declarations/Justice of the Peace

CERTIFICATE OF EXHIBIT

Filed on behalf of the applicants

Form 47 Rule 435

MINTER ELLISON

Lawyers

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Reference MJV DOB 40-7744031

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Respondent

**LM INVESTMENT MANAGEMENT LIMITED
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SMV-2	ASIC current company search of LMIM dated 16 September 2013	20-30
SMV-3	Constitution of 4 December 2001	31-54
SMV-4	Deed Poll dated 25 November 2009	55-93
SMV-5	ASIC historical company search of KordaMentha Pty Ltd dated 17 September 2013	94-98
SMV-6	ASIC historical company search of Calibre Capital Ltd dated 17 September 2013	99-104

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Filed on behalf of the applicants

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Exhibit	Document	Pages
SMV-7	ASIC search of AIF dated 17 September 2013	105-107
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Thomson[®]Lawyers

DEED OF VARIATION

between

The Trust Company (PTAL) Limited
ACN 008 412 913
(Lender)

and

Peregrine Beach Pty Ltd
ACN 127 412 864
(Borrower)
and

David Richard Hawes

Glenside Group (Qld) Pty Ltd
ACN 144 620 093

Lot 111 Pty Ltd
ACN 106 102 005

Green Square Property Development Corporation Pty Ltd
ACN 104 248 053
(Guarantor)

Glenside Group Pty Ltd
ACN 003 515 893

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THIS DEED is made on 22 December

2011

between The Trust Company (PTAL) Limited ACN 008 412 913 c/- Level 4, 9 Beach Road, Surfers Paradise Qld 4217 (Lender)

and Peregian Beach Pty Ltd ACN 127 412 864 (Borrower)

and David Richard Hawes;

Glenside Group (Qld) Pty Ltd ACN 144 620 093;

Lot 111 Pty Ltd ACN 106 102 005; and

Green Square Property Development Corporation Pty Ltd ACN 104 248 053

(Guarantor)

and Glenside Group Pty Ltd ACN 003 515 893

RECITALS

- A. LM Investment Management Limited ACN 077 208 461 as trustee for the LM Managed Performance Fund lent certain monies to the Borrower on the terms of the Loan Agreement.
- B. The Guarantor has provided the Guarantee and the Security Providers have provided the Security in support of the Borrower's obligations under the Loan Agreement;
- C. Following settlement of the loan, The Trust Company (PTAL) Limited ACN 008 412 913 was appointed as custodian to the Fund and LM Investment Management Limited as trustee for the LM Managed Performance Fund assigned the legal interest in the Loan Agreement and the Security to The Trust Company (PTAL) Limited ACN 008 412 913.
- D. The Borrower acknowledges and consents to the assignment by LM Investment Management Limited ACN 077 208 461 as trustee for the LM Managed Performance Fund of its legal interest in the Loan Agreement and the Security to The Trust Company (PTAL) Limited ACN 008 412 913.
- E. The Borrower and the Security Provider have requested the Lender to consent to an amendment of the Loan Agreement;
- F. The Lender has agreed to the requested amendment on the terms of this Deed.

NOW IT IS COVENANTED AND AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

Claim means any allegation, debt, cause of action, liability, claim, proceeding, suit or demand of any nature howsoever arising, whether present or future, fixed or unascertained, actual or contingent, known or unknown and whether at law, in equity, under statute or otherwise.

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Reference: RXC 3329556

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Deed of variation v.3

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Constitution means the Trust Deed of the Fund as amended from time to time.

Custody Deed means the custody deed between the Lender and LM dated 4 February 1999.

Effective Date means the date of this Deed.

Facility means the loan facility and security arrangement recorded in and evidenced by the Loan Agreement and the Security and every other document between the Lender, the Borrower and any Guarantor relating to or incidental to the facility that is provided under the Loan Agreement and the Security.

Fund means the LM Managed Performance Fund.

Guarantee means the Deed of Guarantee and Indemnity provided by David Richard Hawes, Glenside Group (Qld) Pty Ltd ACN 144 620 093, Lot 111 Pty Ltd ACN 106 102 005 and Green Square Property Development Corporation Pty Ltd ACN 104 248 053 dated 29 June 2010.

Liabilities means all liabilities, debts, costs, expenses or obligations, whether actual or contingent, present or future, quantified or unquantified.

LM means LM Investment Management Limited ACN 077 208 461.

Loan Agreement means the Loan Agreement dated 29 June 2010 (as amended from time to time and as amended by Deed of Variation dated 21 October 2010) between Peregrine Beach Pty Ltd (as Borrower), LM Investment Management Limited ACN 077 208 461 as trustee for the LM Managed Performance Fund under which the Lender agreed to loan an amount of \$6,000,000.00 to the Borrower.

Loss means all loss, Liabilities, damages, costs, expenses, claims, demands, suits, actions and causes of actions, including attorneys' fees, other professionals' and experts' fees, and court or arbitration costs.

Schedule 1 means Schedule 1 to this Deed of Variation.

Security means the security that is described in Schedule 1 and the other security that is intended to secure the Borrower's obligations under the Loan Agreement.

Security Providers means each Guarantor, Glenside Group Pty Ltd and any other party who has provided a Security in support of the Borrower's obligations under the Loan Agreement and where the context permits includes any one or more of them.

Words and expressions which are defined in the Loan Agreement have the same meanings when used in this Deed.

1.2 Interpretation

(a) Reference to:-

- (i) one gender includes the others;
- (ii) the singular includes the plural and the plural includes the singular;
- (iii) a person includes a body corporate; and

- (iv) a party includes the party's executors, administrators, successors and permitted assigns.
- (b) Headings are for convenience only and do not form part of this Deed or affect its interpretation.
- (c) Terms defined in the Loan Agreement have a corresponding meaning when used in this Deed.

1.3 Parties

- (a) If a party consists of more than 1 person, this Deed binds each of them separately and any 2 or more of them jointly.
- (b) An obligation, representation or warranty in favour of more than 1 person is for the benefit of them separately and jointly.
- (c) A party which is a trustee is bound both personally and in its capacity as a trustee.

2. CONDITIONS PRECEDENT

This Deed of Variation is subject to and conditional upon:-

- (a) the Lender being satisfied in its sole and absolute discretion with the results of their enquiries and searches in relation to the Borrower, the Security Providers and the Security;
- (b) this Deed of Variation and all supplementary documentation that the Lender requires being provided in support of this Deed being executed by the relevant parties.

3. VARIATION OF LOAN DEED

Subject to clause 2, the Loan Agreement is amended with effect as and from the Effective Date to read as set out in Annexure A.

4. REPRESENTATIONS, WARRANTIES AND EVENTS OF DEFAULT

- 4.1 The Borrower and the Security Providers hereby represent and warrant to the Lender that no Event of Default or Potential Event of Default subsists under the Loan Agreement or the Security or will result from clause 3 taking effect.
- 4.2 The Borrower and the Security Providers hereby confirm and repeat each of the representations and warranties made by them in the Loan Agreement and the Security with reference to the facts and circumstances subsisting as at the date of this Deed.

5. GENERAL CONFIRMATIONS AND RATIFICATIONS

- 5.1 The Borrower and the Security Providers hereby unconditionally and irrevocably:-

- (a) ratify and confirm to the Lender their continuing obligations under the Loan Agreement, the Guarantee and the Security to which they are a party as supplemented or amended by this Deed; and
- (b) acknowledge and agree that the provisions of the Loan Agreement (as amended by this Deed), the Guarantee and the Security shall in all respects remain in full force and effect and continue to apply.

~~5.2 The Borrower and the Security Providers confirm and acknowledge that:-~~

- (a) they have not executed the Loan Agreement, the Guarantee, the Security or this Deed (to which they are a party) as a result of any dealings, promise, representation, warranty, statement or information of any kind given or offered by or on behalf of the Lender or any officer or employee of the Lender whether in answer to an enquiry by or on behalf of the Borrower or the Guarantor or not;
- (b) they have not, and will not in future, rely on any promise, representation, statement, information or dealings with the Lender or any officer or employee of the Lender unless it has been produced in writing;
- (c) any promise, representation, statement, information or dealings made by any officer or employee of the Lender (even if in writing) is subject to formal approval by the Lenders investment approval committee and cannot be relied upon; and
- (d) any broker or other person that introduces the Borrower or the Guarantor to the Lender or arranges or negotiates the Loan with the Lender:-
 - (i) is not acting as the broker or agent or in any capacity for the Lender and is acting solely in its capacity as broker or agent for the Borrower or the Guarantor;
 - (ii) has no authority to buy or in any way act on behalf of or make any statements or representations on behalf of the Lender. The Borrower and the Guarantor will not rely on any actual statement by the broker that purports to bind the Lender.

6. RELEASE

With effect from the date of this Deed, the Borrower and each Security Provider releases and forever discharges and indemnifies the Lender from all action, suites, Claims, demands, costs, liabilities and/or Loss of any nature whatsoever which they now or at any time may have, or, but for the execution of the Deed, could or might have had, against the Lender and the any of their respective officers, agents, representatives or employees, in connection with or incidental to the Facility and the Security.

7. FURTHER ASSURANCES

- 7.1 The Borrower and the Security Providers shall immediately on demand by the Lender at the entire cost and expense of the Borrower and the Security Providers make, execute, do, perform and provide all such further acts, Deeds, assurances, contracts, deeds, documents, guarantees, indemnities, instruments, matters and things as the

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Reference: RXC 3329556

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Deed of variation

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Lender shall require to perfect or improve the rights and powers afforded or created or intended to be a afforded or created by this Deed or any of the documents or transactions contemplated in this Deed.

8. SEVERABILITY

If a clause or part of a clause of this Deed can be read in a way that makes it illegal, unenforceable or invalid, but can also be read in a way that makes it legal, enforceable and valid, it must be read in the latter way. If any clause or part of a clause is illegal, unenforceable or invalid, that clause or part is to be treated as removed from this Deed, but the rest of this Deed is not affected.

9. ENTIRE DEED

This Deed, read together with the Loan Agreement and Security constitutes the full and entire Deed between the parties with respect to the subject matter of it and prevails over all prior negotiations, proposals and Deeds whether oral or written.

10. COSTS

The Borrower must pay the Lender's costs of preparing, executing and stamping this Deed.

11. RECITALS

The recitals form part of this Deed and are binding on the parties.

12. COUNTERPARTS

This Deed may be executed in any number of counterparts (including by way of facsimile) and all such counterparts taken together shall constitute one and the same instrument.

13. GOVERNING LAW AND JURISDICTION

- 13.1 The law of Queensland governs this Deed.
- 13.2 The parties submit to the non-exclusive jurisdiction of the courts of Queensland and the Federal Court of Australia.

14. THE TRUST COMPANY (PTAL) LIMITED LIMITATION OF LIABILITY

- 14.1 Custodian - the Lender enters into this Deed and is liable under the Loan Agreement and the Security, and the other parties to this Deed acknowledge that they are aware that the Lender enters into this Deed and is liable under the Loan Agreement and the Security, only in its capacity as custodian of the Fund pursuant to the Custody Deed and in no other capacity and the other parties to this Deed are aware of the limited scope of the Lender's obligations and powers under the Custody Deed.

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Deed of variation

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- 14.2 **Liability Limited** - A liability arising under or in connection with this Deed, the Loan Agreement and each Security is limited to and can be enforced against the Lender only to the extent to which it can be satisfied out of the property of the Fund out of which the Lender is actually indemnified for the liability. This limitation of the Lender's liability applies despite any other provision of this Deed, the Loan Agreement or any other Security and extends to all liabilities and obligations of the Lender in any way connected with any representation, warranty, conduct, omission, deed or transaction related to this Deed, the Loan Agreement and each other Security.
- 14.3 **No Right to Appoint or Prove** - The parties to this Deed other than the Lender may not sue the Lender personally or seek the appointment of a liquidator, administrator, receiver or similar person to the Lender or prove in any liquidation, administration or arrangement of, or affecting, the Lender.
- 14.4 **Limit of Liability Not to Apply** - The provisions of this clause 14 do not apply to any obligation or liability of the Lender to the extent that it is not satisfied because under the Fund's Constitution, the Custody Deed, or by operation of law there is a reduction in the extent of the Lender's indemnification out of the assets of the Fund, as a result of the Lender's fraud, negligence or wilful default.
- 14.5 **Scope of the Custody Deed** - Despite any other provision of this Deed, if any obligation otherwise imposed upon the Lender under this Deed is, in the Lender's opinion, inconsistent with, or beyond the scope of the Lender's obligations or powers under the Custody Deed, that obligation, to the extent of that inconsistency or to the extent that it is beyond the scope of the Lender's obligations or powers under the Custody Deed, must be performed by LM in its capacity as the Responsible Entity of the Fund.
- 14.6 **Inconsistency with the Custody Deed** - Any failure by the Lender to perform an obligation which it determines is either inconsistent with or beyond its powers and obligations under the Custody Deed will not amount to a breach of or a default under this Deed. The Lender's determination as to whether an obligation otherwise imposed upon it under this Deed is inconsistent with or beyond the scope of its obligations and powers under the Custody Deed is final and binding on all Parties.
- 14.7 **Future Limitations** - the Lender is not obliged to do or refrain from doing anything under this Deed (including incur any liability) unless the Lender's liability is limited in the manner satisfactory to the Lender in its absolute discretion.
- 14.8 **Agents** - No attorney, agent, receiver or receiver and manager appointed in accordance with this Deed, the Loan Agreement and each other Security or otherwise has authority to act on behalf of the Lender in a way which exposes the Lender to any personal liability and no act or omission of any such person will be considered fraud, negligence or wilful default of the Lender for the purpose of clause 14.4.
- 14.9 **Failure by the Lender** - A failure by the Lender to comply with, or a breach by the Lender of any of its obligations under this Deed will not be considered to be fraud, negligence or wilful default by the Lender if the relevant failure or breach:
- (a) arose as a result of a breach by a person other than the Lender where the performance of the action (the non-performance of which gave rise to such breach) is a precondition to the Lender performing the said obligation; or

- (b) was in accordance with a lawful court order or direction or otherwise required by law.

14.10 Override Provision - All of the terms, clauses and conditions of this Deed are subject to this clause 14.

15. LM LIMITATION OF LIABILITY

- 15.1 Trustee - LM enters into this Deed, the Loan Agreement and each other Security and the other parties to this Deed acknowledge that they are aware that LM enters into this Deed, the Loan Agreement and each other Security, in its capacity as the Trustee of the Fund, pursuant to the Fund's Constitution and the other parties to this Deed are aware of the limited scope of LM's obligations and powers under such Fund.
- 15.2 Liability Limited - A liability arising under or in connection with this Deed, the Loan Agreement and each other Security is limited to and can be enforced against LM only to the extent to which it can be satisfied out of the property of the Fund out of which LM is actually indemnified for the particular liability. This limitation of LM's liability applies despite any other provision of this Deed, the Loan Agreement and each other Security and extends to all liabilities and obligations of LM in any way connected with any representation, warranty, conduct, omission, deed or transaction related to this Deed.
- 15.3 No Right to Appoint or Prove - The parties to this Deed other than LM may not sue LM personally or seek the appointment of a liquidator, administrator, receiver or similar person to LM or prove in any liquidation, administration or arrangement of, or affecting, LM.
- 15.4 Limit of Liability Not to Apply - The provisions of this clause 15 do not apply to any obligation or liability of LM to the extent that it is not satisfied because under the Fund's Constitution or other constituent documents, or by operation of law, there is a reduction in the extent of LM's indemnification out of the assets of the Fund, as a result of LM's fraud, negligence or wilful default.
- 15.5 Inconsistency with the Constitution - Any failure by LM to perform an obligation which it determines is either inconsistent with or beyond its powers and obligations under the Constitution will not amount to a breach of or a default under this Deed. LM's determination as to whether an obligation otherwise imposed upon it under this Deed is inconsistent with or beyond the scope of its obligations and powers under the Constitution is final and binding on all parties.
- 15.6 Future Limitations - LM is not obliged to do or refrain from doing anything under this Deed (including incur any liability) unless LM's liability is limited in the manner satisfactory to LM in its absolute discretion.
- 15.7 Agents - No attorney, agent, receiver or receiver and manager appointed in accordance with this Deed, the Loan Agreement and each other Security (if any) or otherwise has authority to act on behalf of LM in a way which exposes LM to any personal liability and no act or omission of any such person will be considered fraud, negligence or wilful default of LM for the purpose of clause 15.4.
- 15.8 Failure by LM - A failure by LM to comply with, or a breach by LM of any of its obligations under this Deed and each other Security (if any) will not be considered to be fraud, negligence or wilful default by LM if the relevant failure or breach:

- (a) arose as a result of a breach by a person other than LM where the performance of the action (the non-performance of which gave rise to such breach) is a precondition to LM performing the said obligation; or
- (b) was in accordance with a lawful court order or direction or otherwise required by law.

15.9 Override Provision - All of the terms, clauses and conditions of this Deed are subject to this clause 15.

Schedule 1

1. Mortgage No. AB586774P given by Green Square Property Development Corporation Pty Ltd;
2. Mortgage No. AB831157C given by Lot 111 Pty Ltd;
3. Fixed and Floating Charge No. 1301177 over Lot 111 Pty Ltd;
4. Fixed and Floating Charge No. 1301176 over Glenside Group Pty Ltd;
5. Fixed and Floating Charge No. 2010141 over Peregian Beach Pty Ltd ACN 127 412 864;
6. Fixed and Floating Charge No. 1171133 over Green Square Property Development Corporation Pty Ltd.
7. Fixed and Floating Charge No. 2010143 over Glenside Group (Qld) Pty Ltd;
8. Deed of Guarantee and Indemnity by David Hawes dated 02.06.2005;
9. Deed of Guarantee and Indemnity by David Richard Hawes, Glenside Group Pty Ltd and Green Square Property Development Corporation Pty Ltd dated 2 June, 2005;
10. Deed of Guarantee and Indemnity by David Richard Hawes, Glenside Group (Qld) Pty Ltd ACN 144 620 093, Lot 111 Pty Ltd ACN 106 102 005 and Green Square Property Development Corporation Pty Ltd ACN 104248 053 dated 29 June 2010;
11. Deed of Cross Collateralisation dated 08.06.2005 between Green Square Property Development Corporation Pty Ltd, Lot 111 Pty Ltd (as Borrower), David Hawes and Glenside Group Pty Ltd (Guarantors) and LM Investment Management Limited (Lender);
12. Deed of Cross-Collateralisation dated 21 October 2010 granted by the Borrower, Glenside Group Pty Ltd and each Guarantor in favour of LM Investment Management Limited ;
13. Mortgage dated on or around the date of this Deed given by Peregian Beach Pty Ltd ACN 127 412 864 intended to be second registered over the property described as lot 74 on SP 236546 contained in title reference 50848722.

Schedule 2

Solicitor's Certificate (Borrower)

I
of

Solicitors **CERTIFY to THE TRUST COMPANY (PTAL) LIMITED ACN 008 412 913** as follows:

1. I am a Solicitor holding a current practising certificate and I act for Peregrine Beach Pty Ltd ACN 127 412 864, the Borrower;
2. That before the Borrower executed this Deed of Variation, I fully explained the contents and nature and effect of same to the Borrower or the Directors of the Borrower and each of them who were, in my opinion, aware of and fully understood the nature and effect of the terms of the Deed of Variation and the Borrower's obligations under and pursuant to the Deed of Variation;
3. The Borrower stated to me that the Borrower understood the nature and effect of the terms of the Deed of Variation and to the best of my knowledge and belief, that statement is true; and
4. The Borrower voluntarily executed the Deed of Variation in my presence.

DATED this

day of

December 2011

Signed:

(Signature of certifying Solicitor)

FULL NAME OF SOLICITOR TO BE
PRINTED:

FULL NAME AND ADDRESS OF LEGAL
FIRM:

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Reference: RXC 3329556

Thomsons

Deed of variation

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Schedule 3

Solicitor's Certificate (Guarantor)

I

of

Solicitors **CERTIFY to THE TRUST COMPANY (PTAL) LIMITED ACN 008 412 913** as follows:

1. I am a Solicitor holding a current practising certificate and I act for David Richard Hawes, the Guarantor;
2. That before the Guarantor executed this Deed of Variation, I fully explained the contents and nature and effect of same to the Guarantor or the Directors of the Guarantor and each of them who were, in my opinion, aware of and fully understood the nature and effect of the terms of the Deed of Variation and the Guarantor's obligations under and pursuant to the Deed of Variation;
3. The Guarantor stated to me that the Guarantor understood the nature and effect of the terms of the Deed of Variation and to the best of my knowledge and belief, that statement is true; and
4. The Guarantor voluntarily executed the Deed of Variation in my presence.
5. I do not act for the Borrower in this transaction.

DATED this

day of

December 2011

Signed:

(Signature of certifying Solicitor)

FULL NAME OF SOLICITOR TO BE
PRINTED:

FULL NAME AND ADDRESS OF LEGAL
FIRM:

{00025065.}

{00025065.}

Reference: RXC 3329558

Thomson's

Deed of variation

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Schedule 4

Solicitor's Certificate (Guarantor)

I

of

Solicitors **CERTIFY to THE TRUST COMPANY (PTAL) LIMITED ACN 008 412 913** as follows;

1. I am a Solicitor holding a current practising certificate and I act for Glenside Group (Qld) Pty Ltd ACN 144 620 093, the Guarantor;
2. That before the Guarantor executed this Deed of Variation, I fully explained the contents and nature and effect of same to the Guarantor or the Directors of the Guarantor and each of them who were, in my opinion, aware of and fully understood the nature and effect of the terms of the Deed of Variation and the Guarantor's obligations under and pursuant to the Deed of Variation;
3. The Guarantor stated to me that the Guarantor understood the nature and effect of the terms of the Deed of Variation and to the best of my knowledge and belief, that statement is true; and
4. The Guarantor voluntarily executed the Deed of Variation in my presence.
5. I do not act for the Borrower in this transaction.

DATED this

day of

December 2011

Signed:

(Signature of certifying Solicitor)

FULL NAME OF SOLICITOR TO BE
PRINTED:

FULL NAME AND ADDRESS OF LEGAL
FIRM:

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Reference: RXC 3329656

Thomsons

Deed of variation

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Schedule 5

Solicitor's Certificate (Guarantor)

1

of

Solicitors **CERTIFY** to THE TRUST COMPANY (PTAL) LIMITED ACN 008 412 913 as follows:

1. I am a Solicitor holding a current practising certificate and I act for Lot 111 Pty Ltd ACN 106 102 005, the Guarantor;
2. That before the Guarantor executed this Deed of Variation, I fully explained the contents and nature and effect of same to the Guarantor or the Directors of the Guarantor and each of them who were, in my opinion, aware of and fully understood the nature and effect of the terms of the Deed of Variation and the Guarantor's obligations under and pursuant to the Deed of Variation;
3. The Guarantor stated to me that the Guarantor understood the nature and effect of the terms of the Deed of Variation and to the best of my knowledge and belief, that statement is true; and
4. The Guarantor voluntarily executed the Deed of Variation in my presence.
5. I do not act for the Borrower in this transaction.

DATED this day of December 2011

Signed:

(Signature of certifying Solicitor)

FULL NAME OF SOLICITOR TO BE
PRINTED:

FULL NAME AND ADDRESS OF LEGAL FIRM:

Schedule 6

Solicitor's Certificate (Guarantor)

I

of

Solicitors ~~CERTIFY to THE TRUST COMPANY (PTAL) LIMITED ACN 008 412 913 as follows:~~

1. I am a Solicitor holding a current practising certificate and I act for Green Square Property Development Corporation Pty Ltd ACN 104 248 053, the Guarantor;
2. That before the Guarantor executed this Deed of Variation, I fully explained the contents and nature and effect of same to the Guarantor or the Directors of the Guarantor and each of them who were, in my opinion, aware of and fully understood the nature and effect of the terms of the Deed of Variation and the Guarantor's obligations under and pursuant to the Deed of Variation;
3. The Guarantor stated to me that the Guarantor understood the nature and effect of the terms of the Deed of Variation and to the best of my knowledge and belief, that statement is true; and
4. The Guarantor voluntarily executed the Deed of Variation in my presence.
5. I do not act for the Borrower in this transaction.

DATED this

day of

December 2011

Signed:

(Signature of certifying Solicitor)

FULL NAME OF SOLICITOR TO BE
PRINTED:

FULL NAME AND ADDRESS OF LEGAL
FIRM:

{00025065.}

{00025065.}

Reference: RXC 3329556

Thomsons

Deed of variation

property/754979_1

Schedule 7

Solicitor's Certificate (Guarantor)

of

~~Solicitors CERTIFY to THE TRUST COMPANY (PTAL) LIMITED ACN 008 412 913 as follows:~~

1. I am a Solicitor holding a current practising certificate and I act for Glenside Group Pty Ltd ACN 003 515 893 the Guarantor;
2. That before the Guarantor executed this Deed of Variation, I fully explained the contents and nature and effect of same to the Guarantor or the Directors of the Guarantor and each of them who were, in my opinion, aware of and fully understood the nature and effect of the terms of the Deed of Variation and the Guarantor's obligations under and pursuant to the Deed of Variation;
3. The Guarantor stated to me that the Guarantor understood the nature and effect of the terms of the Deed of Variation and to the best of my knowledge and belief, that statement is true; and
4. The Guarantor voluntarily executed the Deed of Variation in my presence.
5. I do not act for the Borrower in this transaction.

DATED this _____ day of _____

Signed:

(Signature of certifying Solicitor)

FULL NAME OF SOLICITOR TO BE
PRINTED:

FULL NAME AND ADDRESS OF LEGAL FIRM:

EXECUTED as a deed

EXECUTED as a DEED by THE TRUST
COMPANY (PTAL) LIMITED ACN 008 412
913 as Lender, by its Attorney who state that it
has had no notice of revocation of the Power of
Attorney dated 12 July 2010 registered in
Queensland as dealing number 713351029



Geoffrey Funnell
State Manager – Corporate and Legal
Services (Qld)

EXECUTED as a DEED by PEREGIAN
BEACH PTY LTD ACN 127 412 864 in
accordance with Section 127 of the
Corporations Act 2001;

*Director/*Company Secretary

Director

Name of *Director/*Company Secretary
(BLOCK LETTERS)
*please delete as appropriate

DAVID RICHARD HAWES
Name of Director
(BLOCK LETTERS)

SIGNED SEALED AND DELIVERED by
DAVID RICHARD HAWES
in the presence of:

Witness

EXECUTED as a DEED by GLENSIDE
GROUP (QLD) PTY LTD in accordance
with Section 127 of the Corporations Act
2001:

*Director/*Company Secretary

Director

Name of *Director/*Company Secretary
(BLOCK LETTERS)
*please delete as appropriate

DAVID RICHARD HAWES
Name of Director
(BLOCK LETTERS)

{00025065.}

{00025065.}

Reference: RXC 3329556

Thomson's

Deed of variation

property/754979_1

EXECUTED as a **DEED** by **GLENSIDE GROUP PTY LTD** in accordance with Section 127 of the *Corporations Act 2001*:

*Director/*Company Secretary

Director

Name of *Director/*Company Secretary
(BLOCK LETTERS)
*please delete as appropriate

DAVID RICHARD HAWES
Name of Director
(BLOCK LETTERS)

EXECUTED as a **DEED** by **LOT 111 PTY LTD** in accordance with Section 127 of the *Corporations Act 2001*:

*Director/*Company Secretary

Director

Name of *Director/*Company Secretary
(BLOCK LETTERS)
*please delete as appropriate

DAVID RICHARD HAWES
Name of Director
(BLOCK LETTERS)

EXECUTED as a **DEED** by **GREEN SQUARE PROPERTY DEVELOPMENT CORPORATION PTY LTD** in accordance with Section 127 of the *Corporations Act 2001*:

*Director/*Company Secretary

Director

Name of *Director/*Company Secretary
(BLOCK LETTERS)
*please delete as appropriate

DAVID RICHARD HAWES
Name of Director
(BLOCK LETTERS)

Annexure
Loan Deed

{00025065.}	{00025065.}	Reference: RXC 3329556	
Thomsons		Deed of variation	property/754979_1

Peregrine Beach Pty Ltd ACN 127 412 864
("Borrower")

and

The Trust Company (PTAL) Limited
ACN 008 412 913 ("Lender")

Loan Agreement

LM INVESTMENT MANAGEMENT LTD
Level 4,
9 Beach Road
Surfers Paradise Qld 4217

Ph: 07 5584 4500
Fax: 07 5592 2505

THIS AGREEMENT is made on the date stipulated in Item 1

BETWEEN: The Trust Company (PTAL) Limited ACN 008 412 913 ("Lender")

AND: The party described in Item 2 ("the Borrower")

AGREEMENT

- A. The Lender has, at the Borrower's request, agreed to lend and advance to the Borrower the Loan Amount on the conditions, among others, that the Borrower execute this Agreement.
- B. The Lender is the custodian of the Fund.

THE PARTIES AGREE

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires:

- (o) **"Agreement"** means this agreement and includes the Security.
- (p) **"Business Day"** means a day other than Saturday, Sunday or other day on which the Lender or trading banks generally are closed or obliged to close in Brisbane.
- (q) **"Consumer Credit Legislation"** means the Consumer Credit Code or the earlier Credit Acts.
- (r) **"Contract Date"** means the date of the Contract between the Borrower as Purchaser and Stockland North Lakes Pty Ltd as Vendor for the sale to the Borrower of the Land;
- (s) **Constitution** means the Trust Deed of the Fund as amended from time to time.
- (t) **Custody Deed** means the custody deed between the Lender and LM dated 4 February 1999.
- (u) **"Date for Repayment"** means that date specified in Item 5.
- (v) **"DDR Authority"** means the Direct Debit Request, periodic payment authority or periodic debt/credit authority relating to the DDR System.
- (w) **"DDR System"** means any process by which the Borrower, at the request of the Lender, authorises the deduction of instalments of principal and/or interest payable by the Borrower to the Lender in accordance with this Agreement from the Borrower's bank account.
- (x) **"DA"** means a Development Approval for a material change of use to permit the use of the property for apartments (ninety three (93) dwelling units/hectare) and shop 300m2 GFA or such other number and dimensions as approved by the Lender in writing on terms satisfactory to the Lender.
- (y) **"Development Approval"** means a development approval as that term is defined in the *Sustainable Planning Act, 2009* (Qld);

- (z) **"Development Management Agreement"** means the agreement between the Borrower and Glenside Group (Qld) Pty Ltd contained in a letter dated 28 June, 2010 from the Borrower to Glenside Group (Qld) Pty Ltd which was accepted by Glenside Group (Qld) Pty Ltd or such other document or agreement that the Lender and the Borrower agree in writing to be a development management agreement for the purposes of this Loan Agreement.
- (aa) **"Development Management Fees"** means fees that are payable by the Borrower to the Development Manager under the Development Management Agreement.
- (bb) **"Event of Default"** means any of the events of default described as such in this Agreement (including the events of default described in clause 7.1).
- (cc) **"Facility to Security Ratio"** means the maximum acceptable ratio between the Money Secured and the GST exclusive value of the Principal Security as determined by the Lender in its absolute discretion and expressed as a percentage as specified in Item 13.
- (dd) **"Fund"** means the LM Managed Performance Fund.
- (ee) **"Guarantor"** means jointly and severally each person described in Item 12 and any other person who may from time to time guarantee the payment of the Money Secured.
- (ff) **"Higher Rate"** means the rate of interest stipulated in Item 6.
- (gg) **"Land"** means the land described as Lot 26 on Survey Plan 224073 comprised in the reference 50780250 County Stanley, Parish Redcliffe.
- (hh) **"Liquidated Damages"** has the meaning as defined in clause 4.10.
- (ii) **"Lower Rate"** means the rate of interest stipulated in Item 7. If no rate is stipulated the rate shall be deemed to be the same as the Higher Rate;
- (jj) **"Loan Amount"** means that sum specified in Item 4 and includes all further advances or re-advances, if any, under this Agreement.
- (kk) **LM** means LM Investment Management Limited ACN 077 208 461.
- (ll) **"Money Secured"** includes:
 - (a) the Loan Amount;
 - (b) all moneys deemed to be principal in arrears;
 - (c) all money now or in the future owing or payable to the Lender by the Borrower or the Security Provider either alone or jointly with another person, whether directly or indirectly or contingently under this Agreement, a Security, or on any other account whatsoever, and including without limitation all such money arising from:
 - (i) any guarantee, deed, indemnity, bond, account, document or other agreement in writing including the Security;
 - (ii) interest payable on the Money Secured including interest which has been capitalised;
 - (iii) interest on any judgment entered by the Lender against the Borrower or the Security Provider in respect of the Money Secured;
 - (iv) all costs, expenses or losses, including liquidated damages, incurred or sustained by the Lender in relation to any failure by the Borrower or the Security Provider to comply with the terms of the Security; and

- (v) all advances, further advances, loans, credits or financial accommodation whether made created or given on or before the signing hereof or that may hereafter be made created or given by the Lender in its absolute discretion to for or on account of or at the expressed or implied request of the Borrower or the Security Provider;
- (d) postage, commissions, valuation fees, fees, costs, charges and expenses relating to the advance hereunder and the Security, according to the usage and course of business of the Lender or payable by the Borrower and/or any Security Provider under any Security;
- (e) stamp duty or any other levy, financial impost or tax payable according to law or arising out of or in connection with the Security;
- (f) all costs charges, fees and expenses incurred by the Lender in enforcing the terms of the Security (including legal expenses on a full indemnity basis or a solicitor and own client basis, whichever is the greater) or which in the Lender's opinion are payable, required or desirable for or in connection with:
 - (i) the drawing accepting or discounting of any bill of exchange at the request of, or for the accommodation of, the Borrower and/or the Security Provider under the Security;
 - (ii) the Lender protecting its interest under the Security including all moneys which the Lender or any receiver or any attorney appointed under any security may have paid or may pay in the exercise or enforcement or attempted exercise or enforcement of any right power or remedy conferred on the Lender by the Security;
 - (iii) the preparation, execution, stamping or registration of the Security;
 - (iv) full or partial release or discharge from, transfer or variation of the Security;
 - (v) any advice in respect of the Security;
 - (vi) any breach of or default of any covenant contained or implied in the Security; or
 - (vii) the Lender making good any default by any party (other than a default by the Lender) under the Security;
 - (viii) any rights which the Lender may have under any law;

AND SHALL where the context so admits mean and include any part of the Money Secured.

- (mm) **"month"** means a calendar month.
- (nn) **"Mortgagor"** means any and every party to any Security, other than the Lender.
- (oo) **"person"** includes a company or other incorporated body.
- (pp) **"Plan of Sub-division"** means a plan of subdivision subdividing the land that is acceptable to the Lender in its sole and absolute discretion.
- (qq) **"Principal Security"** means the property referred to in Item 10.
- (rr) **"Purpose"** means the funding to assist with the acquisition of the Land, including to pay the deposit (or an amount not exceeding \$80,000) in respect of the SPA, the payment of Development Management Fees and to fund costs and outlays that are associated with obtaining a DA.

- (ss) **"Receiver"** means and includes receiver or receiver and manager.
- (tt) **"Sector Plan"** means that has been approved by the Moreton Bay Regional Council in accordance with the Mango Hill Infrastructure Development Control Plan.
- (uu) **"Security"** means each and every document, agreement or other security provided from time to time which secures or provides for the payment of the Money Secured or the performance of obligations of the Security Provider in favour of the Lender, which may be executed or provided by the Security Provider or any other person (including this Agreement, those documents described in **Item 9** and any additional security provided in accordance with **clause 5.1(c)**) and the Principal Security.
- (vv) **"Security Provider"** means each and every party to or provider of the Security including the Borrower, the Mortgagor and the Guarantor, but not including the Lender;
- (ww) **"SPA"** means the sale and purchase agreement between the Borrower (as buyer) and Stockland North Lakes Pty Ltd ACN 068 244 762 (as seller) in respect of the Land.
- (xx) **"Valuer"** means such person (having the appropriate qualifications, accreditation and experience relating to properties similar to the Principal Security) appointed by the Lender as its valuer for the purposes of this Agreement.

1.2 Interpretation

In this Agreement unless the context requires otherwise:

- (a) words importing;
- (b) the singular include the plural and vice versa; and
- (c) one gender shall include all other genders.
- (d) references to persons or individuals shall include corporations and partnerships and vice versa;
- (e) references to clauses are references to clauses of this Agreement and references to sub-clauses are references to sub-clauses of this Agreement;
- (f) references to this Agreement and any deed, agreement or instrument shall be deemed to include references to this Agreement or such other deed agreement or instrument as amended, novated, supplemented, varied or replaced from time to time;
- (g) references to any party to this Agreement shall include its successors or permitted assigns;
- (h) references to an Item shall mean an Item in the Schedule hereto;
- (i) where there are two or more persons in a party each are bound jointly and severally;
- (j) reference to any legislation or to any section or provision thereof shall include any statutory modification or re-enactment thereof or any statutory provision substituted therefor and ordinances by-laws regulations and other statutory instruments issued thereunder; and
- (k) time shall be of the essence.

1.3 Business Days

If any act to be done hereunder or any payment to be made by any party under this Agreement shall be due to be done or paid on a day which is not a Business Day, the time and day for such act or payment shall be by 2.00 p.m. local time in the place where the act is to be done or the payment made on the Business Day immediately following such day.

1.4 Headings

Headings are for convenience of reference only and shall not affect the interpretation of this Agreement.

1.5 Payments

Any payments required to be made by the Borrower to the Lender shall at the Lender's discretion be deemed not to have been made until the moneys are actually received by the Lender as cleared funds.

2. ADVANCE

2.1 Lender's discretion

The Lender may, in its sole discretion on the terms and conditions set out in this Agreement:

- (a) lend and advance to the Borrower the Loan Amount for the Purpose; or
- (b) permit the Borrower to draw down the Loan Amount by two or more draw downs which total the Loan Amount, for the Purpose on such terms and conditions as the Lender may otherwise advise.

2.2 Conditions Precedent to all advances

Prior to electing whether or not to exercise its discretion under **clause 2.1** to advance the Loan Amount or any part of it, the Borrower must first deliver to the Lender, in a form and in substance satisfactory to the Lender:

- (a) where the Borrower or the Security Provider is a corporation, a certified copy of the following:
 - (b) the certificate of registration or incorporation;
 - (c) an extract of the minutes of a meeting of the board of directors which evidences the resolutions authorising the signing and delivery of an observance of obligations under the Security to which it is a party, and the appointment of an authorised representative and such other resolutions as may be required by the Lender;
 - (d) each instrument which evidences any other necessary corporate or other action in connection with the Security;
- (e) where the Borrower or the Security Provider is a trustee of any trust, a certified copy of the following:
 - (f) the instruments creating or varying such Trust;
 - (g) an extract of the minutes of a meeting of the trustee which evidences the resolutions authorising the signing and delivery of an observance of obligations under the Security to which it is a party, and the appointment of an authorised representative of the Trust and such other resolutions as may be required by the Lender; and
 - (h) each instrument which evidences any other necessary corporate or other action in connection with the Security;
- (i) a certified copy of each authorisation necessary to enter into, observe obligations under and enforce the Security (including without limitation, the approval from the Foreign Investment Review Board (if necessary));
- (j) a certified copy of each Power of Attorney under which a person signs and delivers the Security for the Borrower or the Security Provider and if required by the Lender, evidence of its stamping and registration and a declaration of non revocation of such Power of Attorney;
- (k) a certified copy of any licences, leases or tenancy agreements effecting the Security;

- (l) a certificate of currency of a policy (or policies) of insurance for the full insurable value of all lots, buildings and improvements and covering such other risks (including public liability insurance cover for an amount of not less than \$20,000,000.00, or such other amount as the Lender may require, for each and every event or claim) and such other insurances as may be required by the Lender in respect of the Security for such amount or amounts as the Lender may determine from time to time, noting the interests of the Lender as first mortgagee;
- (m) strata insurance for the full replacement cost of buildings, common property and machinery;
- (n) key man life insurance on the lives of each Borrower, Mortgagor, Guarantor and/or other persons as may be required by the RE.
- (o) The Borrower and/or the Security Provider shall deliver the original policy of insurance or alternatively a certificate of currency of such insurance with the Lender's and RE's interests noted thereon together with receipted proof of payment of the premium for such insurance cover;
- (p) a fully completed and executed Direct Debt Request to enable operation of the DDR System in favour of the Lender or as otherwise directed by the Lender;
- (q) a valuation on terms satisfactory to the Lender in respect of the Principal Security;
- (r) this Agreement and each and every Security duly signed and delivered by the Borrower and/or the Security Provider and such other person as may be required to perfect the Security and, if required by the Lender, evidence of its stamping and registration.
- (s) such financial information for each Security Provider and Guarantor as the Lender determines, to enable the Lender to determine the financial status of those parties; and.
- (t) such other information as the Lender determines.

2.3 Conditions Precedent to first advance

- (a) The first advance of the Loan Amount (or any part) is further conditional upon:
- (b) the first advance not exceeding \$80,000 or such higher amount as the Lender may approve in its absolute discretion;
- (b) the Lender having obtained satisfactory results from all searches and inquiries as it considers appropriate made in respect of the credit worthiness of the Borrower and the Security Provider;
- (c) the Lender being satisfied in its sole discretion with the terms and conditions of the SPA;
- (d) the Lender's legal advisers having obtained satisfactory results from all searches and inquiries made in respect of the real and/or personal property comprising the Security; and
- (f) the Lender's legal advisers certifying to the Lender in terms satisfactory to the Lender that it is in order for the Loan Amount to be advanced; and
- (g) the Lender having inspected the Principal Security and satisfying itself in relation to location, local market, tenancies, state of repair and presentation and such other issues as the Lender considers relevant.

2.4 Conditions precedent where an advance is to be used for Development Management Fees, the Lender:-

- (a) being satisfied in its sole and absolute discretion that the Development Management Fee is payable under the Development Management Agreement; and
- (b) is provided with a Tax Invoice from the Development Manager addressed to the Borrower in a form and content satisfactory to the Lender;

2.5 Conditions precedent where an advance is to be used to complete the SPA, the Lender:

- (a) receiving in form and substance satisfactory to it a mortgage over the Land and such other security as the Lender may require in its absolute discretion; and
- (b) being satisfied in its sole discretion with its due diligence enquiries in respect of the Land including searches, the feasibility, and such other matters as the Lender may in its absolute discretion require;
- (c) being satisfied that the Registrar within the meaning of the Land Sales Act 1984, has granted to the Borrower an exception from compliance with Sections 8,9, 10 and 10A of that Act;
- (d) is satisfied that the Moreton Bay Council has approved amendments to the Sector Plan to enable apartments (ninety three (93) dwelling units/hectare) and shop 300m² GFA or such other number and dimensions as approved by the Lender in writing on terms satisfactory to the Lender;
- (e) being provided with a copy of the DA in a form which is satisfactory to the Lender;
- (f) being provided with proof that the Plan of Sub-division has been registered with the Department of Environment and Resource Management.

2.6 Where an advance is to be used to fund costs associated with obtaining a DA, the Lender being provided with documentary evidence in support of the claim for the advance which is satisfactory to the Lender.

3. **LM MAY FUND**

Without prejudice to the rights of LM otherwise, the Borrower and each Security Provider acknowledge and agree:

- (a) that all or part of the Loan Amount advanced by the Lender to the Borrower may be funded by money advanced or otherwise provided to the Lender by LM;
- (b) that LM itself may have raised that money or part of it by way of loan;
- (c) that a failure by the Borrower to repay the loan amount in accordance with this Agreement, or the Security or otherwise to comply with the terms of this Agreement, or the Security may cause loss and damage to LM whether by increasing the borrowing costs to LM, by making necessary for it to refinance any such borrowing, by giving rise to a liability or otherwise; and
- (d) that the Borrower and each Security Provider will be liable to LM and shall keep LM indemnified for any and all costs, expenses, loss, damage or liability whatsoever suffered directly or indirectly by LM by reason of any breach of this Agreement or the Security by the Borrower.

4. **REPAYMENT**

- 4.1 The Borrower will pay to the Lender the total amount outstanding of the Money Secured on the date stipulated in **Item 5** or such other day as the Lender may advise the Borrower in writing.
- 4.2 Interest under this Agreement shall be calculated on the Money Secured or on so much thereof as remains outstanding and upon any judgment or order in which the liability of the Borrower under this Agreement may become merged at the Higher Rate in accordance with the provisions of this clause. Such interest shall be:

- (a) computed from the day on which the Lender makes the first advance on account of the Money Secured;
- (b) calculated and charged on the daily outstanding balances to the Borrower's account with the first such payment of interest being payable on the date set out in Item 8 on account of the Money Secured with subsequent payments being due and payable on the days referred to in Item 8 whilst the Money Secured or part thereof remains outstanding;
- (c) provided no Event of Default is outstanding, interest may be, at the discretion of the Lender, capitalised and the amount capitalised added to the Loan Amount provided that neither the ~~Loan Amount nor the Facility to Security Ratio are exceeded;~~ and
- (d) in the event of default in payment such interest shall be added to the Money Secured and thereafter such capitalised interest shall bear interest at the Higher Rate determined in accordance with this clause.

4.3 Provided that:

- (a) the Borrower shall on every day on which interest is payable under this Agreement pay to the Lender interest on the Money Secured or so much thereof as shall from time to time remain unpaid under this Agreement at the Lower Rate; and
- (b) all the terms, covenants and conditions contained in and implied by any Security are duly observed and performed;
- (c) in the event of default in payment such interest shall be added to the Money Secured and thereafter such capitalised interest shall bear interest at the Higher Rate determined in accordance with this clause.

then the Lender shall accept payment of the interest calculated and charged at the Lower Rate for every such instalment of interest payable under this Agreement.

then the Lender shall accept payment of the Interest calculated and charged at the Lower Rate for every such instalment of interest payable under this Agreement.

- 4.4 During the term the Lender will conduct reviews of the Interest rate (the first review to be conducted on the twelve month anniversary of the date of this deed and other reviews regularly thereafter). Following reviews occurring, the Lender may on 30 days written notice to the Borrower, elect to vary the interest rate.
- 4.5 If the Lender shall at any time obtain judgment for all or any of the Money Secured such judgment shall until satisfied bear interest at the Higher Rate.
- 4.6 The Borrower shall repay to the Lender the interest instalments in such amount specified in Item 8 (being inclusive of the fees referred to in clause 4.8 hereof). Such payments shall unless the Lender agrees to capitalise interest, be made through the DDR System or as otherwise stipulated by the Lender from time to time by notice in writing to the Borrower.
- 4.7 The Borrower shall establish and maintain for so long as there exists any outstanding Money Secured a DDR Authority and execute and deliver to the Lender such documentation as the Lender reasonably requires from time to time authorising payment under the DDR System to such bank and bank account as nominated by the Lender from time to time.
- 4.8 The Borrower may at any time on giving to the Lender one month's written notice, repay the whole or any part of the Money Secured outstanding at the expiry of such notice provided that the Borrower's right to make such repayment, shall be conditional upon payment by the Borrower to the Lender of the following amount(s) in addition to any other moneys payable under this Agreement a sum equivalent to:
 - (a) one month's interest on the amount repaid then outstanding calculated at the Lower Rate of interest; and

- (b) if such notice shall expire within 3 months from the date on which the Loan Amount (or part thereof) is advanced under this Agreement, 3 months interest on the amount repaid calculated at the Higher Rate of interest less any interest paid in accordance with clause 4.6;

provided always that if an Event of Default is subsisting at the time of repayment then the Lender (in addition to all other amounts which it would be entitled to recover) will be entitled to receive payment of an additional amount equivalent to one months interest on the amount proposed to be repaid calculated at the Higher Rate.

- 4.9 The Borrower agrees with the Lender that it may not be permitted to voluntarily make greater repayments, instalments or further payments save as expressly permitted or required by this Agreement but subject always to clause 4.8.

- 4.10 The Borrower agrees with the Lender that:

- (a) it is a fundamental basis of this Agreement, without which the Lender would not have advanced to the Borrower the Loan Amount, that no Event of Default is to occur;
- (b) in the event that an Event of Default does occur the Lender will suffer significant loss and damages in that:
- (i) an Event of Default will cause the Lender to suffer loss and damages by reason of any reduction in the confidence of investors in the return to be derived from the Trust;
 - (ii) an Event of Default will cause the Lender to suffer loss and damages by reason of any reduction in the investments made in the Trust as a consequence thereof;
 - (iii) an Event of Default will cause the Lender to suffer loss and damages by reason of any perceived change in the risk profile of the Trust within the financial markets and amongst persons responsible for advising investors regarding the investment of funds;
 - (iv) an Event of Default will cause the Lender to suffer loss and damages both under this Agreement and by reference to the return to be derived from the pool of funds and chooses in action held by the Trust;
 - (v) an Event of Default will cause the Lender to suffer loss and damages by reason of any inability on the part of the Lender to re-advance monies which are received by the Lender from the Borrower earlier than the dates for repayment provided for by this Agreement.

- 4.11 In the event of an Event of Default the Borrower shall pay and the Lender shall be entitled to an amount by way of liquidated damages.

- 4.12 The liquidated damages referred to in clause 4.11 are difficult to estimate but that an amount equal to five percent (5%) of the Money Secured (the "Liquidated Damages") is agreed to be a genuine pre-estimate of the loss and damages which will be suffered by the Lender.

5. SECURITY

- 5.1 The obligations of the Lender under this Agreement are subject to and conditional upon the Borrower and/or the Security Provider:
- (a) providing the Security specified in Item 9 in such form and containing such provisions as are satisfactory to the Lender;
 - (b) maintaining the Security for so long as any Money Secured is outstanding; and
 - (c) as and when required by the Lender, causing to be entered into and executed in favour of the Lender, any such securities, instruments, deeds and/or agreements in writing as the Lender shall require and may immediately after the execution of such additional security deliver to the Lender such documents together with all such other instruments and do or cause to be done such further acts or things as may be necessary for the additional security to be duly registered in such registry or registries as the Lender shall require. The document or documents referred to herein shall be prepared by the solicitors for the Lender and shall contain all such covenants terms conditions and provisos as the Lender may require.
- 5.2 The Borrower acknowledges that the Security is charged with payment of the Money Secured.
- 5.3 All of the covenants conditions terms stipulations and provisos contained in the Security to be observed performed and fulfilled by the Borrower and / or the Security Provider and all the rights powers and remedies conferred upon the Lender under the Security shall with necessary changes be read into and form part of this Agreement in the same manner as if the same were fully set forth herein and vice versa.

- 5.4 (a) If at any time the Lender determines that the Facility to Security Ratio has been exceeded then the Lender may by notice in writing to the Borrower require the Borrower, within seven days of the date of service of such notice either (at the option of the Lender):
- (i) to reduce the Money Secured by paying to the Lender such amount as the Lender determines is required to restore the Facility to Security Ratio; or
 - (ii) to provide further or additional security to the Lender's satisfaction ("the further security") of such a value as would restore the Facility to Security Ratio.
-
- (b) the Borrower covenants and agrees with the Lender that:
- (i) for the purpose of determining the value of the Principal Security, the Borrower will permit the Lender or any person authorised by the Lender (including specifically the Valuer), to enter upon any property the subject of the Principal Security at all reasonable times or upon two day's notice to inspect the state and condition of the property for the purpose of valuing or revaluing the same; and
 - (ii) the Lender shall be entitled to revalue the property, the subject of the Principal Security, annually at the expense of the Borrower during the term of the facility.
- (c) pending compliance by the Borrower with the terms of any notice pursuant to clause 5.4(a), the Lender shall not be required to make any further advances to the Borrower. In the event that the Borrower does not fully comply with the terms of any such notice then:
- (i) the Borrower shall have committed an Event of Default under this Agreement; and
 - (ii) the Lender shall be entitled to exercise the discretions, powers, rights and remedies conferred on the Lender by this Agreement and/or the Security.

5.5 The Borrower and the Lender may by mutual agreement from time to time vary the Security for this facility by releasing all or any of the Security in whole or in part and the taking of such further Security or the variation of any of the terms and conditions of this Agreement as may be agreed upon by the parties.

6. CONTINUING SECURITY

6.1 This Agreement shall be a continuing and running security notwithstanding any settlement of account or any other matter or thing whatsoever and shall remain in full force and effect until the Lender shall be under no further obligation whatsoever to advance moneys under the Security and all moneys payable by the Borrower and/or the Security Provider under the Security have been paid or recovered in full and the Lender has executed a full release hereof.

7. EVENTS OF DEFAULT

- 7.1 The Borrower shall at the option of the Lender be immediately in default without the necessity for any notice or demand upon the occurrence of any of the following events of default:
- (a) the Borrower and/or the Security Provider fails or neglects to pay on the due date for payment any part of the Money Secured, or any interest or other moneys payable at the time and in the manner provided by this Agreement or under any Security; or
 - (b) the Borrower and/or the Security Provider fails or neglects to observe or perform any of the covenants conditions or agreements contained in this Agreement or any Security; or
 - (c) where the Borrower and/or the Security Provider is an individual, any Borrower and/or the Security Provider:
 - (i) becomes of unsound mind or a person who is liable to be dealt with in any way under the law relating to mental health;
 - (ii) commits an act of bankruptcy or assigns his/her estate for the benefit of creditors;

- (iii) is presented with a petition for bankruptcy or sequestration of his/her respective estates;
 - (iv) convenes a meeting, or proposes, to enter into any arrangement or composition for the benefit of his/her creditors;
 - (v) has a trustee in bankruptcy appointed over any of his/her property;
 - (i) dies or becomes incapable of managing his/her own affairs; or
-
- (vii) becomes bankrupt or enters into a composition, assignment or arrangement with creditors; or
- (d) where the Borrower and/or the Security Provider is a company:
 - (i) an administrator, controller, liquidator, provisional liquidator or an inspector of that company is appointed;
 - (ii) if an application or petition is presented (and is not withdrawn, struck out or dismissed within seven (7) days of it being filed) or any order shall be made or any effective resolution shall be passed for the winding up or dissolution of that company;
 - (iii) an application shall be made to the Court under Section 411 of the Corporations Act 2001;
 - (iv) any arrangement or compromise shall be approved under Part 5.1 of the Corporations Act 2001;
 - (v) an event described in section 461 of the Corporations Act 2001 occurs; or
 - (vi) that company applies for, resolves to or is deregistered or struck off; or
 - (e) a receiver and/or manager of any of the real or personal property of the Borrower and/or the Security Provider shall be appointed; or
 - (f) any judgment which is obtained against the Borrower and/or the Security Provider is outstanding for more than fourteen days; or
 - (g) any execution or distress is enforced or levied against any of the real or personal property of the Borrower and/or the Security Provider; or
 - (h) the Borrower and/or the Security Provider ceases to carry on business or a substantial part of its business; or
 - (i) the Borrower and/or the Security Provider is unable to pay its debts (including any wages and taxes in respect of its employees, group tax, superannuation levies and other taxes and charges) as and when they fall due for payment or becomes insolvent; or
 - (j) the Borrower and/or the Security Provider in the reasonable opinion of the Lender suffers anything whereby the property of the Borrower and/or the Security Provider either real or personal may deteriorate or diminish or may become deteriorated or diminished whether wholly or partly in title estate value or quantity; or
 - (k) the Borrower and/or the Security Provider shall mortgage, pledge, charge or otherwise encumber or sell or dispose of, or attempt or contract to sell or dispose of any of its land or property or assets without the previous consent in writing of the Lender; or
 - (l) the Borrower and/or the Security Provider erects, causes or permits to be erected any building or other structure upon any land mortgaged in favour of the Lender and forming part of any Security without first obtaining the written consent of the Lender; or

- (m) default is made under any agreements other than the Security which are given by the Borrower and/or the Security Provider in their personal capacity or in their capacity as a trustee, or a partner of any partnership with or without any other person in favour of the Lender; or
- (n) in the case of the Borrower and/or the Security Provider being an incorporated body other than a company subject to the Corporations Act an administrator is appointed in respect of the Borrower and/or the Security Provider or any of the property of the Borrower and/or the Security Provider or proceedings or other steps are taken by the Borrower and/or the Security Provider or any other person for the winding up or dissolution or suspension of the Borrower and/or the Security Provider involving arrangements with creditors of the Borrower and/or the Security Provider; or
- (o) if the Borrower and/or the Security Provider breaches any undertaking at any time given to the Lender or its legal advisers or if any condition imposed by the Lender in agreeing to any matter (including any waiver) is not complied with or fulfilled or if any warranty or representation by the Borrower and/or the Security Provider to the Lender prior to or subsequent to the date hereof is untrue or false; or
- (p) if a change occurs in a circumstance which is warranted or taken to be warranted under this Agreement to exist in the business assets or financial condition of the Borrower and/or the Security Provider as the case may be which, in the reasonable opinion of the Lender, may have a material adverse effect on the ability of the Borrower and/or the Security Provider to observe or perform any of its obligations under this Agreement or any Security or on the rights of the Lender under any Security; or
- (q) If any other event occurs or circumstances arise which, in the reasonable opinion of the Lender, is likely to materially or adversely affect the ability of the Borrower and/or the Security Provider to observe and perform all or any of its obligations under this Agreement or otherwise to comply with the terms of this Agreement or any Security; or
- (r) If the Borrower and/or the Security Provider is a trustee, whether or not the fact is notified to the Lender, the Borrower ceases for any reason without the prior written consent of the Lender to be the sole trustee of any trust of which it is trustee or without the prior written consent of the Lender pays distributes or applies or advances any capital of such a trust or lends any amounts to any beneficiary of the trust fund of such trust or purchase units from any unit holder of such trust fund or breaches any terms of the trust deed of such trust; or
- (s) any other person liable for the payment of any part of the Money Secured to the Lender shall do or suffer any of the above; or
- (t) any Security becomes enforceable or is enforced; or
- (u) the Borrower and/or any Security Provider enters into or resolves to enter into a scheme, arrangement or composition with, or assignment for the benefit of its creditors generally or any class of its creditors; or
- (v) if at any time all or any material part of any provision of any Security is determined or ceases to have effect otherwise than as permitted by the Securities or is, or becomes void, voidable, illegal, invalid or unenforceable or of limited force and effect or the performance of any such provision becomes illegal or any Security Provider alleges or claims that any of the matters contained in this clause have occurred; or
- (w) Any indebtedness of the Borrower or any Security Provider whether owing to the Lender or any other person becomes due and payable or capable of being declared due and payable prior to its stated maturity or the Borrower or any Security Provider fails for whatever reason to pay any indebtedness when due or within any applicable grace period or any mortgage, pledge, lien, charge, encumbrance or any security, preferential or trust interest or arrangement of any kind granted by the Borrower or any Security Provider is enforced or becomes capable of being enforced;

- (x) if at any time the obligations secured by the Securities do not rank ahead of all other obligations of the Borrower and the Security Providers (other than which under statute have priority on a winding up, liquidation, dissolution or similar process); or
- (y) if any breach, default, amendment, termination, extension, surrender or alteration of any kind occurs in relation to any lease or tenancy agreement relating to the Property;
- (z) there is a change in control, shareholding or the directors of the Borrower or any Security Provider without the prior written consent of the Lender; or
- (aa) the Borrower without the prior written consent of the Lender grants any options, sells, agrees to sell, transfers, assigns, parts with possession, leases, agrees to lease, licences or assigns, supplements, varies, terminates, cancels or surrenders any interest it has in the Property; or
- (bb) the Borrower defaults in the performance of an obligation under the SPA or the Borrower or the seller under the SPA gives notice or is entitled to give notice terminating the SPA
- (cc) The Borrower fails to provide the Lender with documentary proof on terms and conditions which are satisfactory to the Lender that the Borrower has obtained an unconditional offer from an independent financier to fund the construction of units on the Land;

AND a determination by the Lender that any of these events has occurred shall be final and binding on the Borrower. The Borrower shall promptly inform the Lender in writing upon the happening of any of the events described in this clause.

8. RIGHTS UPON DEFAULT

- 8.1 At any time after the occurrence of an Event of Default the Lender may in the manner and at the times the Lender in its absolute discretion deems appropriate but without any obligation to do so:
- (a) demand and require immediate repayment of the whole of the Money Secured and recover same from the Borrower and/or the Security Provider notwithstanding that the date for repayment thereof had not arrived;
 - (b) exercise any powers rights or privileges conferred by law, this Agreement, the Security and/or any other collateral document or securities;
 - (c) perform any one or more of the Borrower's obligations under this Agreement or the Security Provider's obligations under the Security; and/or
 - (d) apply any moneys received by the Lender in exercising its rights under this Agreement or for any other reason in and towards full or partial payment of any outstanding Money Secured.

The Lender may exercise its rights under this clause notwithstanding any omission neglect delay or waiver of the right to exercise such option and without liability for loss.

- 8.2 Any restriction or requirements for notice and/or the effluxion of time relating to the exercise of the Lender's rights and default which is stipulated or required by any statute is hereby negated in so far as is lawful.

9. COSTS AND EXPENSES

- 9.1 The Borrower will upon the Lender's demand pay to the Lender or as directed by the Lender all costs expenses, damages, liquidated damages, compensation and other amounts of the nature whatsoever payable incurred, suffered or paid by the Lender in respect of this Agreement and/or the Security including without limitation:
- (a) The Lender's and/or RE's non-refundable up front fees and outlays incidental to the providing of this loan facility;

- (b) legal costs on a full indemnity basis or on a solicitor and own client basis, whichever is the greater;
 - (c) costs resulting from or on account of any default by the Borrower and/or the Security Provider or any Event of Default;
 - (d) the cost of obtaining any advice reasonably required by the Lender from time to time;
 - (e) the costs of the Lender registering or causing to be registered any Security (or a copy thereof) with such government body or registrar as the Lender reasonably requires;
 - (f) the Lender's costs, fees and expenses charged as a result of any failure by the Borrower or the Security Provider to comply with the terms of the Security;
 - (g) any other fees that the RE may impose from time to time in its normal course of business;
 - (h) costs resulting from the exercise or purported or attempted exercise or of any of the Lender's rights or powers under this Agreement and/or the Security; and
 - (i) any stamp duty loan duty or other duty or financial impost including duties and taxes on receipts or payments and any fines or penalties arising directly or indirectly,
- in respect of the Security or any transaction contemplated thereby.

9.2 The Borrower will pay to the Lender upon demand all other fees, charges, costs and expenses (whether novel or not) charged or chargeable by the Lender according to its usual practice from time to time in respect of its financial products and administration of its loan portfolios and as advised from time to time by the Lender to the Borrower.

9.3 If:

- (a) the Borrower defaults in effecting or keeping up any insurance policy required under this Agreement or a Security; or
- (b) any insurance policy required under this Agreement or a Security becomes void or voidable due to any cause, then

the Lender may, but without any obligation so to do and without prejudice to the Lender's other rights and remedies under this Agreement or a Security, effect and keep up that insurance policy at the cost of the Borrower which must on demand repay to the Lender all premiums and other money paid or payable by the Lender in respect of that policy. Any amount demanded by the Lender under this clause but which remains unpaid for ten (10) business days from the date of demand may at the discretion of the Lender be capitalised to the Loan Amount and accrue interest in accordance with this Agreement.

10. BORROWER'S COVENANTS AND WARRANTIES

10.1 The Borrower will pay all moneys payable and observe and perform fulfil and keep all the covenants conditions agreements stipulations and conditions to be observed performed fulfilled and kept by the Borrower under this Agreement and each Security.

10.2 The Borrower shall, at the request at any time and from time to time by the Lender but at the cost of the Borrower, deliver to the Lender a certified copy of a valuation in a form acceptable to the Lender prepared by the Valuer and addressed in favour of the Lender as to the value of any land or property subject to any Security or any part thereof as specified by the Lender as at the date of such valuation.

10.3 The Borrower shall permit the Lender during reasonable hours and at any time and from time to time upon the giving of reasonable notice by the Lender to the Borrower (having regard to the notice provisions in the Lease) to enter upon the Property and/or to enter upon any land on which is located any property the subject of any Security to:

- (a) inspect the condition of the land and/or the property;

- (b) determine whether the terms of the Security are being complied with;
- (c) inspect and take copies of records relating to the Borrower and/or any Security Provider or any property or business the subject of any Security; and
- (d) exercise any other rights conferred on the Lender by the common law, equity, this Agreement, the Security or any statute.

10.4 The Lender is authorised to debit the account(s) of the Borrower with all or part of the Money Secured.

10.5 The Borrower hereby **WARRANTS AND REPRESENTS** to the Lender as follows:-

- (a) it has power to enter into and observe its obligations under this Agreement and each and every Security to which it is a party;
- (b) it has in full force and effect all the authorisations necessary to enter into this Agreement and each and every Security to which it is a party, observe its obligations under them and to allow them to be enforced;
- (c) its obligations under this Agreement and each and every Security to which it is a party are valid and binding and are enforceable against it in accordance with their terms;
- (d) this Agreement and each and every Security to which it is a party and the transactions under them do not contravene its constituent documents or any law, regulations or official directive or any of its obligations or undertakings to which any of its assets are bound or cause a limitation on its powers or the powers of its directors (if a corporation) to be exceeded; and
- (e) no Event of Default or event which with the giving of notice, the lapse of time or the fulfilment of any condition would be likely to become an Event of Default, continues unremedied.

Each of the warranties and representations contained in Clause 10.7 shall be repeated on each day whilst any of the Money Secured remains outstanding with reference to the facts and circumstances then subsisting, as if made on each such day.

10.6 The Borrower must take out and maintain such public risk, workers' compensation, business interruption, key man, relevant death or total and permanent disablement and other liability insurances as will cover the risks of the Lender, for such amount as the Lender may reasonably require.

11. NO WAIVER

Notwithstanding any provision contained in this Agreement or any rule of law or equity to the contrary, the granting of any time or any other indulgence by the Lender to the Security Provider in relation to any existing or future default under any Security or this Agreement shall not be deemed a sanction or waiver of any continuing or recurring breach nor shall the Lender's right to exercise its rights under the Security or this Agreement at any subsequent time be effected or diminished by the grant of time or any other indulgence.

12. NO SET-OFF

12.1 All payments under this Agreement shall :

- (a) be paid at such place and to such person as notified in writing by the Lender to the Borrower, and in the absence of such notification to the Lender at the address of the Lender specified in this Agreement; and
- (b) be paid free of any deduction or set-off whatsoever.

12.2 A receipt for any money paid under the Security of the Lender or by any manager, acting manager, solicitor, clerk or any other person acting on behalf of the Lender shall be a sufficient discharge of the obligation to pay such money and from seeing to the application of that money.

13. NOTICES AND CONSENTS

13.1 In addition to any other method of service provided in any Security or the Property Law Act (or such equivalent legislation in the State set out in Item 11) any notice, consent or demand given in relation to this Agreement shall be in writing in order to be valid and shall be deemed to have been duly served if it is:

(a) delivered personally, or left at, or posted by pre-paid post to the address specified in the Schedule hereto for the relevant party, or

(b) sent by facsimile to the facsimile number specified in the Schedule hereto for the relevant party, or

(c) delivered personally or left at the address specified in the Schedule at the time of delivery,

and shall be deemed to have been served:

in the case of posting, on the next business day after posting, or

in the case of the facsimile on receipt of a transmission report confirming the successful transmission.

13.2 Any notice, consent or demand given by the Lender may be given or made in writing signed by an officer of or solicitor for the Lender and such writing may in addition to the methods of service contained in paragraph 13.1 be delivered personally to the Borrower or left at or upon the usual or last known place of abode or business of the Borrower.

13.3 The Borrower or the Lender may from time to time by notice in writing given in accordance with this Agreement nominate a new address and/or facsimile number for the purposes of clause 13.1, and such new address or facsimile notice shall apply from the date of service of such notice.

13.4 If the Borrower is more than one person service of a notice, consent or demand on any one such person shall be deemed to be service upon all such persons irrespective of whether that notice or demand is or is not received by the intended recipients.

14. CERTIFICATE

14.1 A certificate in writing signed by an officer of or solicitor for the Lender certifying the amount payable by the Borrower or stating any other act, matters or thing relating to this Agreement or the Security shall in the absence of manifest error be conclusive evidence of the matters stated therein.

15. GOVERNING LAW

15.1 This Agreement shall be governed and construed in accordance with the laws of the State referred to in Item 11 (herein called "the State").

15.2 The Borrower irrevocably submits to and accepts generally and unconditionally the non exclusive jurisdiction of the Courts of the capital city of the State and the Appellate Courts of the State with respect to any legal action or proceedings which may be brought in any way relating to this Agreement.

16. COLLATERAL AGREEMENT

16.1 The parties hereto agree:

(a) this Agreement is collateral to the Securities for stamp duty purposes;

(b) the Money Secured owing under this Agreement is secured by the Security;

(c) the Security shall be read and construed and be enforceable as if the covenants, conditions and provisions of this Agreement, with necessary changes, are read into and form part of the Security; and

(d) a default under any of the Security will constitute a default of this Agreement;

and vice versa.

- 16.2 To the extent that there is an inconsistency between the provisions of this Agreement and the provisions of any Security (in that there are different or conflicting obligations or requirements in relation to the same subject matter) the provisions of this Agreement will prevail.

17. FINANCIAL RECORDS

- 17.1 The Borrower agrees at its own cost to provide to the Lender on request any financial information, reports or records that the Lender may require at any time and from time to time.
- 17.2 If the Borrower is a company, incorporated body, partnership or trust, the Borrower shall within ninety days from the close of each financial year while this Agreement and any Security shall continue in force, furnish the Lender with such copies of its balance sheets and profit and loss accounts as prepared by its accountants in accordance with the requirements of all relevant statutes and generally accepted accounting principles (and audited if required by the Lender at its absolute discretion) and any special reports as the Lender may request from time to time.

18. MARSHALLING

- 18.1 The Lender shall be under no obligation to marshal in favour of the Borrower any Security whatsoever held by the Lender or any of the funds or assets that the Lender may be entitled to receive or have a claim upon and the Lender may at its absolute discretion vary exchange renew modify release refuse to complete or to enforce or to assign any judgments specialties guarantees or other securities or instruments negotiable or otherwise held by the Lender and whether satisfied by payment or not without affecting or discharging the liability of the Borrower hereunder.

19. TRUST

- 19.1 If the Borrower is entering into this Agreement, borrowing any of the Loan Amount or is giving or purporting to give Security over any property in its capacity of trustee of any trust (hereinafter called "the Trust") then whether or not the Lender received notice of the Trust, the Borrower covenants with the Lender as follows:

- (a) the provisions of the Security shall extend not only to the property of which the Borrower is the beneficial owner but all property of whatsoever nature and kind and wheresoever situate both present and future of the Trust AND FURTHER shall extend to all rights of indemnity which the Borrower as trustee now or hereafter may have against the Trust and the trust fund;
- (b) the Borrower has full and complete power and authority pursuant to the Trust to enter into the Security over the trust property and the provisions of the Trust do not purport to exclude or take away the right of indemnity of the trustee against the Trust or the trust fund, and the Borrower will not release such right of indemnity or commit any breach of trust or be a party to any other action which might prejudice such right of indemnity;
- (c) anything in any deed of trust or settlement or other document containing the terms of the Trust the Borrower shall be and at all times remain personally liable to the Lender for the performance of all covenants on the part of the Borrower herein contained;
- (d) the execution of these presents is and shall be deemed to be for the benefit of both the Trust and/or one or more of the beneficiaries thereof;
- (e) during the currency of this Agreement or of any Security the Borrower will not without the consent in writing of the Lender cause permit or suffer to happen any of the following events:
 - (i) the removal replacement or retirement of the Borrower as sole trustee of the Trust;
 - (ii) any alteration to or variation of the terms of the Trust;
 - (iii) any advancement or distribution of capital of the Trust;
 - (iv) any resettlement of the trust property; or

(v) (should the Trust be a unit trust) any transfer of any units of the Trust.

- 19.2 The Borrower further covenants with the Lender that in the event that the Borrower shall be guilty of any breach of trust in respect of the Trust or shall cease to be the sole trustee of the Trust or otherwise suffer removal replacement or retirement as trustee of the Trust or in the event that there should be any breach of the covenants contained in clause 19.1 hereof then immediately upon any such events the Borrower will be deemed to have committed an Event of Default under this Agreement and the Money Secured shall at the option of the Lender (notwithstanding anything herein contained) immediately become due and payable and all the rights powers and privileges of the Lender exercisable on default of the Borrower or otherwise shall immediately become enforceable without the necessity for any demand or notice (and notwithstanding any delay or previous waiver of the provisions of this clause by the Lender).

20. ADVANCES AND RE-ADVANCES

At any time and from time to time the Lender may at its absolute discretion, and at the request of the Borrower advance and/or re-advance the Loan Amount or part thereof provided that in no case shall the moneys so advanced or re-advanced exceed the Loan Amount and the Borrower and/or Security Provider shall not be in breach or default under this Agreement or any Security. Prior to doing so, the parties hereto will agree upon:

- (a) the date (if any) by which the moneys so advanced or re-advanced must be repaid; and
- (b) the terms and conditions upon which the moneys are to be so advanced or re-advanced; and
- (c) any fees to be paid to the Lender in consideration of it advancing or re-advancing such moneys.

21. ASSIGNMENT

- 21.1 The Lender may assign or otherwise dispose of or deal with its rights under this Agreement and/or the Security. The Lender may disclose to a potential assignee or any other person who is considering or entering into contractual relations with the Lender in connection with this Agreement and/or the Security all information about the Borrower, any related document and any related party to any Security and the transactions contemplated thereby as the Lender considers appropriate.
- 21.2 The Borrower shall not, without the Lender's prior written consent, assign or otherwise dispose of or attempt to deal with its rights this Agreement or any Security.

22. CONSUMER CREDIT LEGISLATION NOT APPLICABLE

- 22.1 Notwithstanding any provision to the contrary this Agreement shall be construed so as not to secure payment of any moneys or the performance of any obligations by any Security Provider under or in respect of any contract or mortgage to which the Consumer Credit Legislation applies.
- 22.2 The Borrower warrants to the Lender that the Loan Amount which is to be provided to the Borrower by the Lender is to be used wholly or predominantly for business or investment purposes.

23. SEVERABILITY

- 23.1 Should any provision of this Agreement prove to be prohibited or unenforceable in any jurisdiction then, as to that jurisdiction, it shall be ineffective to the extent only of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provisions in any other jurisdiction.

24. POWER OF ATTORNEY

24.1 Appointment of Attorney

The Borrower irrevocably appoints the Lender its attorney with the right:

- (a) at any time to:

- (i) do everything which in the attorney's reasonable opinion is necessary or expedient to enable the exercise of any right of the Lender in relation to this Agreement and the Security;
- (ii) complete this Agreement and any Security provided by the Borrower; and
- (iii) appoint substitutes and otherwise delegate its powers (including this power of delegation); and

~~(b) after any Event of Default has occurred to do everything that the Borrower may lawfully authorise an agent to do in relation to this Agreement and under any Security.~~

24.2 General

- (a) Any attorney may exercise its rights notwithstanding that the exercise of the right constitutes a conflict of interest or duty;
- (b) The Borrower will from time to time and at all times ratify any exercise of a right by an attorney;
- (c) This power of attorney is granted to secure compliance by the Borrower with its obligations to the Lender under this Agreement and the Security and any proprietary interest of the Lender under any Security;
- (d) The Borrower indemnifies and will keep indemnified any attorney against any liability, loss, cost, expense or damage arising from the lawful exercise of any right by the attorney under this power of attorney; and
- (e) This power of attorney is granted for valuable consideration (the receipt of which is hereby acknowledged), as and by way of security for the payment of the Money Secured, the Borrower's obligations under this Agreement and any Security and is deemed irrevocable.

25. INDEMNITY

- 25.1 The Borrower hereby indemnifies the Lender and shall keep the Lender indemnified from and against any expense, loss, loss of profit, damage (including liquidated damages) or liability which the Lender may suffer or incur as a consequence of any prepayment, the occurrence of any Event of Default or otherwise in connection with this Agreement, the Security and/or any other collateral documents or securities.
- 25.2 Without prejudice to the generality of clause 25.1, clause 25.1 shall extend to any loss (including loss of profit) premium, penalty or expense which may be incurred in terminating or varying contractual arrangements entered into by the Lender or in repaying deposits obtained or maintained as security or in redeploying or reinvesting the moneys repaid and is in addition to any other monies payable under clause 3.8.
- 25.3 The Borrower acknowledges that the amount of loss and loss of profit may be determined by reference to a pool of funds or other matters as distinct from a specific borrowing by or a specific contract of the Lender made to fund the advance(s) under this Agreement.
- 25.4 Each indemnity in this Agreement is a continuing obligation, separate and independent from the other obligations of the Borrower and survives termination of this Agreement. It is not necessary for the Lender to incur expenses or make payment before enforcing a right of indemnity conferred by this Agreement.

26. GENERAL

- 26.1 Nothing hereby contained shall merge, extinguish, discharge, postpone, lessen or otherwise prejudicially affect any other Security held from time to time by the Lender or any right of remedy conferred on the Lender, nor shall any other Security held by the Lender in any way prejudicially affect the powers and provisions contained or implied in this Agreement.

- 26.2 This Agreement and the Security embody the entire agreement between the parties in relation to the advance under this Agreement and supersede all prior negotiations, agreements, arrangements and understanding with respect to such advance. In particular, the Borrower and the Lender agree that this Agreement and the Security supersede any letter of offer or loan facility proposal relating to the advance and in the event of any inconsistency between the terms and conditions of this Agreement and Security and any letter of offer or loan facility proposal then, the terms of this Agreement and the Security shall prevail and in the further event of any inconsistency between the terms and conditions of this Agreement on one hand and any Security on the other then the terms of this Agreement shall prevail.
-
- 26.3 The Borrower acknowledges that it has had an opportunity of taking independent legal and financial advice from either the Borrower's own legal adviser and/or accountant with respect to this Agreement, the Security and the Borrower confirms and agrees that it does not execute this Agreement, or the Security as a result of or by reason of any promise, representation, statement or information of any kind or nature given or offered to the Borrower by or on behalf of the Lender, the Lender's legal advisers or any other person, other than as expressly set out in this Agreement.
- 26.4 The Lender may in its absolute discretion pay such commission, fees or other remuneration, to any adviser, broker, agent or other person as the Lender sees fit in relation to any advance under this Agreement and the Borrower consents and agrees to same. The Borrower acknowledges and agrees that any adviser, broker, agent or other person who introduced the Borrower to the Lender or the Lender's legal advisers are not and were not at any stage an agent for the Lender and do not have any authority to bind the Lender or to vary the terms of the proposed loan facility.
- 26.5 If any Security Provider should provide, permit or become aware of an encumbrance of any type which affects the Security or the property the subject of the Security, the Borrower shall ensure that the Security Provider obtains a priority agreement between the Lender and the beneficiary of such encumbrance on terms and conditions satisfactory to the Lender in its absolute discretion. The obligation contained in this clause shall apply notwithstanding that the Lender may have notice of such encumbrance.
- 27. APPLICATION OF MONEY**
- 27.1 The Lender shall have an absolute discretion (without the need to communicate its election to anyone) to apply at any time any payment received by it in reduction of such part of the Money Secured as it shall elect. Any surplus money received by the Lender shall not bear interest, and the Lender's liability to account for the surplus money may be discharged in full by:
- (a) the Lender depositing it to the credit of an account in the name of the Borrower in any bank the Lender thinks fit;
 - (b) the Lender crediting it to an account in its books in the name of the person to whom it is payable; or
 - (c) by the Lender paying it into court.
- 27.2 In applying any moneys toward satisfaction of the Money Secured, the Borrower shall be credited only with so much of those moneys as are actually received by the Lender and such credit is to date from the time of such receipt. This provision shall apply notwithstanding that in exercising any power of sale under the Security, the Lender may have transferred any property the subject of the Security (in whole or in part) and taken any form of encumbrance to secure the unpaid balance of purchase money. If the Lender takes any mortgage, promissory note, bill of exchange or other security in payment of or to secure the payment of any purchase moneys on sale of any chattels secured by the Security by the Lender, no amount representative of such security shall be credited in or towards payment of the Money Secured until all moneys payable under or the proceeds from such security is received by the Lender in cash.

- 27.3 If the Lender receives money in connection with this Agreement when part of the Money Secured is contingently owing or falls within paragraph (f) of the definition of "Money Secured", then the Lender may deposit in any financial institution thought fit by the Lender an amount not exceeding that part in an interest-bearing deposit account on terms which the Lender thinks fit with any person until that part becomes actually payable or no longer falls within the definition of "Money Secured". At that time the Lender may retain for its own account the amount which is then actually payable to it. The balance is to be paid in accordance with clause 27.1.

28. GOODS AND SERVICES TAX

Without limitation to any other obligations under this agreement, the borrower will pay on demand the cost of any Goods and Services Tax (GST) incurred in relation to any supply under this agreement and the Lender may increase the amount of any payments due under the agreement to include the payment of such GST use.

29. LM LIMITATION OF LIABILITY

- 29.1 Trustee - LM enters into this Loan Agreement and each other Security and the other parties to this Agreement acknowledge that they are aware that LM enters into this Agreement, and each other Security, in its capacity as the Trustee of the Fund, pursuant to the Fund's Constitution and the other parties to this Agreement are aware of the limited scope of LM's obligations and powers under such Fund.
- 29.2 Liability Limited - A liability arising under or in connection with this Loan Agreement and each other Security is limited to and can be enforced against LM only to the extent to which it can be satisfied out of the property of the Fund out of which LM is actually indemnified for the particular liability. This limitation of LM's liability applies despite any other provision of this Agreement and each other Security and extends to all liabilities and obligations of LM in any way connected with any representation, warranty, conduct, omission, deed or transaction related to this Agreement.
- 29.3 No Right to Appoint or Prove - The parties to this Agreement other than LM may not sue LM personally or seek the appointment of a liquidator, administrator, receiver or similar person to LM or prove in any liquidation, administration or arrangement of, or affecting, LM.
- 29.4 Limit of Liability Not to Apply - The provisions of this clause 29 do not apply to any obligation or liability of LM to the extent that it is not satisfied because under the Fund's Constitution or other constituent documents, or by operation of law, there is a reduction in the extent of LM's indemnification out of the assets of the Fund, as a result of LM's fraud, negligence or wilful default.
- 29.5 Inconsistency with the Constitution - Any failure by LM to perform an obligation which it determines is either inconsistent with or beyond its powers and obligations under the Constitution will not amount to a breach of or a default under this Agreement. LM's determination as to whether an obligation otherwise imposed upon it under this Agreement is inconsistent with or beyond the scope of its obligations and powers under the Constitution is final and binding on all parties.
- 29.6 Future Limitations - LM is not obliged to do or refrain from doing anything under this Agreement (including incur any liability) unless LM's liability is limited in the manner satisfactory to LM in its absolute discretion.
- 29.7 Agents - No attorney, agent, receiver or receiver and manager appointed in accordance with this Agreement, and each other Security (if any) or otherwise has authority to act on behalf of LM in a way which exposes LM to any personal liability and no act or omission of any such person will be considered fraud, negligence or wilful default of LM for the purpose of clause 29.4.

- 29.8 Failure by LM - A failure by LM to comply with, or a breach by LM of any of its obligations under this Agreement and each other Security (if any) will not be considered to be fraud, negligence or wilful default by LM if the relevant failure or breach:
- (a) arose as a result of a breach by a person other than LM where the performance of the action (the non-performance of which gave rise to such breach) is a precondition to LM performing the said obligation; or
 - (b) was in accordance with a lawful court order or direction or otherwise required by law.
- 29.9 Override Provision - All of the terms, clauses and conditions of this Agreement are subject to this clause 29.

30. THE TRUST COMPANY (PTAL) LIMITED LIMITATION OF LIABILITY

- 30.3 Custodian - the Lender enters into this Agreement and is liable under the Security, and the other parties to this Agreement acknowledge that they are aware that the Lender enters into this Agreement and is liable under the Security, only in its capacity as custodian of the Fund pursuant to the Custody Deed and in no other capacity and the other parties to this Agreement are aware of the limited scope of the Lender's obligations and powers under the Custody Deed.
- 30.4 Liability Limited - A liability arising under or in connection with this Agreement, and each Security is limited to and can be enforced against the Lender only to the extent to which it can be satisfied out of the property of the Fund out of which the Lender is actually indemnified for the liability. This limitation of the Lender's liability applies despite any other provision of this Agreement, or any other Security and extends to all liabilities and obligations of the Lender in any way connected with any representation, warranty, conduct, omission, deed or transaction related to this Agreement and each other Security.
- 30.5 No Right to Appoint or Prove - The parties to this Agreement other than the Lender may not sue the Lender personally or seek the appointment of a liquidator, administrator, receiver or similar person to the Lender or prove in any liquidation, administration or arrangement of, or affecting, the Lender.
- 30.6 Limit of Liability Not to Apply - The provisions of this clause 30 do not apply to any obligation or liability of the Lender to the extent that it is not satisfied because under the Fund's Constitution, the Custody Deed, or by operation of law there is a reduction in the extent of the Lender's indemnification out of the assets of the Fund, as a result of the Lender's fraud, negligence or wilful default.
- 30.7 Scope of the Custody Deed - Despite any other provision of this Agreement, if any obligation otherwise imposed upon the Lender under this Agreement is, in the Lender's opinion, inconsistent with, or beyond the scope of the Lender's obligations or powers under the Custody Deed, that obligation, to the extent of that inconsistency or to the extent that it is beyond the scope of the Lender's obligations or powers under the Custody Deed, must be performed by LM in its capacity as the Responsible Entity of the Fund.
- 30.8 Inconsistency with the Custody Deed - Any failure by the Lender to perform an obligation which it determines is either inconsistent with or beyond its powers and obligations under the Custody Deed will not amount to a breach of or a default under this Agreement. The Lender's determination as to whether an obligation otherwise imposed upon it under this Agreement is inconsistent with or beyond the scope of its obligations and powers under the Custody Deed is final and binding on all Parties.
- 30.9 Future Limitations - the Lender is not obliged to do or refrain from doing anything under this Agreement (including incur any liability) unless the Lender's liability is limited in the manner satisfactory to the Lender in its absolute discretion.
- 30.10 Agents - No attorney, agent, receiver or receiver and manager appointed in accordance with this Agreement and each other Security or otherwise has authority to act on behalf of the Lender in a way

which exposes the Lender to any personal liability and no act or omission of any such person will be considered fraud, negligence or wilful default of the Lender for the purpose of clause 30.4.

- 30.11 Failure by the Lender - A failure by the Lender to comply with, or a breach by the Lender of any of its obligations under this Agreement will not be considered to be fraud, negligence or wilful default by the Lender if the relevant failure or breach:
- (a) arose as a result of a breach by a person other than the Lender where the performance of the action (the non-performance of which gave rise to such breach) is a precondition to the Lender performing the said obligation; or
 - (b) was in accordance with a lawful court order or direction or otherwise required by law.
- 30.12 Override Provision - All of the terms, clauses and conditions of this Agreement are subject to this clause 30.

31. SPECIAL COVENANTS AND CONDITIONS

The special covenants and conditions (if any) contained in Item 14 form part of this Agreement.

SCHEDULE

Item 1 Date of Agreement

Item 2 Borrower

Peregrine Beach Pty Ltd ACN 127 412 864
10 Glenside Street, Balgowlah Heights, New South Wales, 2093
Facsimile No: (02) 9986 1681

Item 3 Lender

The Trust Company (PTAL) Limited
ACN 008 412 913 C/-, Level 4, 9 Beach Road, Surfers Paradise Qld 4217
Facsimile No: 07 5592 2505

Item 4 Loan Amount:
Six Million dollars (\$6,000,000)

Item 5 Date for Repayment: 40 calendar months from the date of the first advance of the Loan Amount.

Item 6 Higher Rate: 29% per annum

Item 7 Lower Rate: 25% per annum

Item 8 Payments:

Interest instalments commencing on the 18th day of the month (or such other date as nominated by the Lender to the Borrower in writing) immediately following the date on which the Loan Amount (or part thereof) is first advanced under this Agreement and thereafter on the 18th day of each calendar month in each succeeding month until the total of all the Money Secured is repaid. Pro-rata instalments for any broken periods will be calculated by the Lender and payable by the Borrower as directed by the Lender.

The interest payable at the time of each monthly instalment shall be calculated on the total of moneys advanced as at that date at the Higher rate. Should the circumstances set out in clause 4.3 be present then, the Lender will accept instalments calculated on the total of moneys advanced as at that date at the Lower rate.

Item 9 Security:

First registered Deed of Charge intended to be executed on or about date of this Agreement by the Borrower as mortgagor in favour of the Lender as mortgagee over all the property, assets and undertaking of the Borrower of whatsoever nature and kind and wheresoever situated, present and future.

First registered Deed of Charge executed on the same date as this Agreement by Glenside Group (Qld) Pty Ltd ACN 144 620 093 as mortgagor in favour of the Lender as mortgagee over all the property, assets and undertaking of Glenside Group (Qld) Pty Ltd of whatsoever nature and kind and wheresoever situated, present and future.

Guarantee Indemnity by each Guarantor and supported by fixed and floating charges and land mortgages over all of the assets (present and future) of each corporate Guarantor.

Lot 111 Pty Ltd Security**Greensquare Property Development Corporation Pty Ltd**

Deed of Cross-Collateralisation dated 21 October 2010 granted by the Borrower and each Guarantor and Glenside Group Pty Ltd ACN 003 515 893 in favour of LM Investment Management Limited

Item 10 Principal Security:

Fixed and Floating Charge dated on or about the date of this Agreement by the Borrower as mortgagor securing all of its assets both present and future including its interest in the SPA and any money payable by the seller to the Borrower under or in respect of the SPA.

Real property mortgage intended to be second registered over the property described as lot 74 on SP 236546 contained in title reference 50848722.

Item 11 Governing Law: Queensland**Item 12 Guarantors:**

David Richard Hawes
Glenside Group (Qld) Pty Ltd ACN 144 620 093
Lot 111 Pty Ltd ACN 106 102 055
Green Square Property Development Corporation Pty Ltd ACN 104 248 053

Item 13 Facility to Security Ratio:

Not Applicable.

Item 14 Special Covenants:

Not Applicable

EXECUTED as an Agreement.

SMV-23

DEED OF VARIATION OF CONTRACT

THIS DEED is made the 22nd day of December 2011.

BETWEEN:

STOCKLAND NORTH LAKES PTY LTD ABN 99 068 244 762 of 2 Lakefield Drive,
North Lakes, Queensland 4509

("Vendor")

AND:

PEREGIAN BEACH PTY LTD ABN 22 127 412 864 of Suite 202, 164A Mona Vale
Road, St Ives, New South Wales 2075

("Purchaser")

RECITALS

- A. The Vendor and the Purchaser are parties to a contract of sale dated 16 August 2010 (as varied by way of Deed of Variation of Contract dated 2 March 2011, Deed of Variation of Contract dated 29 July 2011 and Deed of Variation of Contract dated 4 November 2011) in relation to the sale and purchase of the Land (the "Contract").
- B. The Vendor and the Purchaser have agreed to certain variations to the Contract and have entered into this Deed to record the variations.

The parties agree:-

1. INTERPRETATION

- 1.1 In this Deed unless the context otherwise requires:-

"Deed" means this Deed and any Schedule;

"Land" means part of Lot 26 on SP 224073, County Stanley, Parish Redcliffe, being proposed Lot 74 as shown on the Plan of Subdivision; and

"Plan of Subdivision" means the Plan of Subdivision in Annexure 1 of the Contract.

- 1.2 Unless expressed to the contrary:

1.2.1 words importing the singular include the plural and vice versa and words importing any gender include the other genders;

1.2.2 if a word or phrase is defined, cognate words and phrases have corresponding definitions;

1.2.3 a reference to a right includes a benefit, remedy, discretion, authority or power and a reference to any obligation includes a warranty or representation and a reference to a failure to observe or perform an obligation includes a breach of warranty or representation;

- 1.2.4 any covenant, restriction or condition on the part of two or more persons shall be deemed to bind them and their or each of their heirs, executors and administrators jointly and severally;
- 1.2.5 any term used in this Deed that is defined in the Contract will have that defined meaning.
- 1.3 Headings do not affect the interpretation of this Deed.

2. VARIATION OF CONTRACT

The Contract is to be varied as follows:-

- 2.1 A new clause 60 will be inserted, which is to read as follows:-

"60. PAYMENT OF PURCHASE PRICE, UPLIFT AMOUNT AND SECURITY

- 60.1 *Despite the provisions of clause 4 and clause 59.2, the Vendor agrees to accept payment of the Purchase Price and the uplift amount as set out in clause 59.2 by the following instalments:-*

DATE	AMOUNT
<i>Date for Completion</i>	<i>\$250,000.00; plus the headworks charges as set out in clause 35.3; plus the headworks charges set out in clause 59.3.2; plus or minus adjustments calculated in accordance with clause 14; plus GST on the Purchase Price</i>
<i>On or before 15 February 2012 ("Deferred Payment 1 Date")</i>	<i>\$300,000.00 ("Deferred Payment 1")</i>
<i>On or before 29 February 2012 ("Deferred Payment 2 Date")</i>	<i>\$500,000.00 ("Deferred Payment 2")</i>
<i>On or before 30 June 2012 ("Deferred Payment 3 Date")</i>	<i>\$1,330,000.00; plus the uplift amount as set out in clause 59.2 ("Deferred Payment 3")</i>

- 60.2 *As security for the payments referred to in clause 60.1, the Purchaser must on the Date for Completion provide the Vendor with the stamped Mortgage (in the form set out in Annexure 3) over the Land (as a first registered mortgage over the Land) and the stamped Charge (in the form set out in Annexure 4) over the Purchaser (as a first registered charge over the Purchaser).*

- 60.3 *At least one (1) day prior to the Date for Completion, the Purchaser must:-*

60.3.1 *sign and deliver to the Vendor the Mortgage which is to be registered on the title to the Land as a first mortgage;*

60.3.2 *sign and deliver to the Vendor the Charge which is to be registered over the Purchaser as a first registered charge; and*

60.3.3 *provide the Vendor with any other declarations or documents reasonably required by the Vendor.*

60.4 At settlement, the Purchaser must provide the Vendor or the Vendor's solicitors with all documents (duly stamped where applicable and in a form capable of immediate registration) necessary to ensure:-

60.4.1 the Purchaser will be registered as the registered owner of the Land (e.g. transfer documents); and

60.4.2 the registration of the Mortgage to the Vendor as a first registered mortgage (e.g. the mortgage).

The Vendor will then be authorised to lodge the documents referred to in this clause 60.4 immediately upon settlement.

60.5 The Purchaser must pay (or where the Vendor agrees, provide the Vendor with a cheque for) any duty and registration fees payable in relation to the Mortgage, the Charge and the other documents referred to in clause 60.4 on or before the Date for Completion.

60.6 The Purchaser irrevocably authorises and directs the Vendor or the Vendor's solicitors to complete and / or amend the Mortgage and the Charge by inserting such other details and information as may be required to duly complete and register the Mortgage and the Charge provided that in each case they do not vary the intent or effect of the Mortgage and the Charge.

60.7 The Deferred Payment 1 must be made at the time and place as agreed by the parties. The time for the Deferred Payment 1 must be between the hours of 9.00am and 5.00pm on the Deferred Payment 1 Date. Despite any agreement by the parties as to a specific time for payment of the Deferred Payment 1 the provisions of clause 23 do not apply in respect of that time. In the absence of agreement as to place, the Deferred Payment 1 must be made at the office of the solicitors for the Vendor in Brisbane. Despite the provisions of this clause 60.7, the Purchaser may on giving five (5) Business Days notice in writing to the Vendor pay the Deferred Payment 1 on a date earlier than the Deferred Payment 1 Date by making payment on the date specified in such notice.

60.8 The Deferred Payment 2 must be made at the time and place as agreed by the parties. The time for the Deferred Payment 2 must be between the hours of 9.00am and 5.00pm on the Deferred Payment 2 Date. Despite any agreement by the parties as to a specific time for payment of the Deferred Payment 2 the provisions of clause 23 do not apply in respect of that time. In the absence of agreement as to place, the Deferred Payment 2 must be made at the office of the solicitors for the Vendor in Brisbane. Despite the provisions of this clause 60.8, the Purchaser may on giving five (5) Business Days notice in writing to the Vendor pay the Deferred Payment 2 on a date earlier than the Deferred Payment 2 Date by making payment on the date specified in such notice.

60.9 The Deferred Payment 3 must be made at the time and place as agreed by the parties. The time for the Deferred Payment 3 must be between the hours of 9.00am and 5.00pm on the Deferred Payment 3 Date. Despite any agreement by the parties as to a specific time for payment of the Deferred Payment 3 the provisions of clause 23 do not apply in respect of that time. In the absence of agreement as to place, the Deferred Payment 3 must be made at the office of the solicitors for the Vendor in Brisbane. Despite the provisions of this clause 60.9, the Purchaser may on giving five (5) Business Days

notice in writing to the Vendor pay the Deferred Payment 3 on a date earlier than the Deferred Payment 3 Date by making payment on the date specified in such notice.

60.10 If any of the dates for deferred payments as set out in clauses 60.7, 60.8 and 60.9 fall on a Saturday, a Sunday or a public holiday in Brisbane then the relevant deferred payment is to be made on the Business Day next following the relevant deferred payment date.

60.11 Provided that the Purchaser is not in default under this Contract, the Mortgage or the Charge, the Vendor will (in exchange for the Deferred Payment (by bank cheque)) provide a release of the Mortgage and a release of the Charge following payment of the total of the Deferred Payment to the Vendor.

60.12 For the purpose of this clause 60, "Deferred Payment" means the total of the Deferred Payment 1, the Deferred Payment 2 and the Deferred Payment 3.

60.13 This clause will not merge on settlement."

2.2 A new clause 61 will be inserted, which is to read as follows:-

"61. INTEREST

61.1 In consideration of the Vendor agreeing to defer the payments referred to in clause 60.1 until the Deferred Payment Date 1, the Deferred Payment Date 2 and the Deferred Payment Date 3 respectively, the Purchaser will pay to the Vendor interest on any part of the Deferred Payment remaining unpaid calculated on daily balances at the Interest Rate from the Date for Completion up to and including the date the total of the Deferred Payment is paid to the Vendor.

61.2 Interest must be paid by the Purchaser to the Vendor monthly in arrears on the first day of each calendar month. The Purchaser must make payment of the interest under this clause 61.2 to the Vendor without set-off, counterclaim, withholding or deduction by the method the Vendor reasonably requires.

61.3 This clause will not merge on settlement.

61.4 For the purposes of this clause 61:-

61.4.1 "Interest Rate" means fifteen (15%) percent simple interest per annum; and

61.4.2 "Deferred Payment" means the total of the Deferred Payment 1, the Deferred Payment 2 and the Deferred Payment 3."

2.3 Item O of the Item Schedule is to be varied deleting the reference to "Twelve (12%) percent simple interest per annum" and replacing it with "Twenty (20%) percent simple interest per annum";

2.4 A new Annexure 3 will be inserted, which is to be as set out in Schedule 1 to this Deed; and

2.5 A new Annexure 4 will be inserted, which is to be as set out in Schedule 2 to this Deed.

3. VARIATION

The Contract is deemed to be varied from the date this Deed is made to the extent of any inconsistency with this Deed but will otherwise remain in full force and effect.

4. CONFIDENTIALITY

- 4.1 The Purchaser agrees that the matters set out in this Deed including the commercial terms of this Deed, and the arrangements between the Purchaser and the Vendor and any information relating to the negotiations relating to this Deed (**Confidential Information**) are strictly confidential.
- 4.2 The Purchaser must not disclose that it has entered into this Deed or the contents or terms of this Deed or any Confidential Information to any third party without the prior written consent of the Vendor, other than:
 - 4.2.1 to the Purchaser's auditors, legal advisors, accountants, financial advisors, financiers and financiers' legal advisors, and then only to the extent necessary and on the condition that person is obliged to keep the Confidential Information confidential; or
 - 4.2.2 as may be required by any applicable law or the rules or requirements of a regulatory body (including a stock exchange).
- 4.3 The Purchaser must use its best endeavours and must ensure that any person over whom it has control, use their best endeavours to prevent the unauthorised access to, use or disclosure of the Confidential Information.
- 4.4 The Purchaser may not make any public announcement or press release relating to the negotiations of the parties or the existence or subject matter of this Deed without the prior written consent of the Vendor, such consent not to be unreasonably withheld or delayed.

5. COSTS AND DUTY

- 5.1 The Purchaser will bear all costs in relation to the preparation, negotiation and execution of this Deed and any documents referred to or contemplated by this Deed. The Purchaser must, on demand by the Vendor, pay to, or as directed by the Vendor, and indemnify the Vendor against, all legal costs, expenses, liabilities, fees and disbursements (including all legal costs on a solicitor and own client basis) paid or incurred by the Vendor or incidental to the negotiation, preparation, execution and stamping of this Deed and any documents referred to or contemplated by this Deed.
- 5.2 All stamp duty and registration fees payable on this Deed and on any other instruments of transfer, deeds, agreements or other documents referred to or contemplated by this Deed must be paid by the Purchaser.

6. TIME OF THE ESSENCE

In every circumstance, time is of the essence of this Deed.

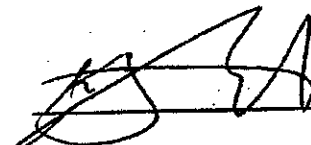
7. GOVERNING LAW AND JURISDICTION

This Deed is to be governed and determined in accordance with the law of the State of Queensland and the parties must submit to the jurisdiction of the Courts of that State.

EXECUTED as a DEED

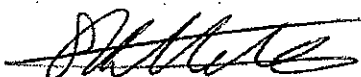
The Vendor

**EXECUTED as a DEED by STOCKLAND)
NORTH LAKES PTY LTD ABN 99 068)
244 762 by its duly constituted Attorney)
KINGSLEY JAMES ANDREW)**



Attorney

under Power of Attorney No. 712605138)
in the presence of:



Witness

The Purchaser

**EXECUTED as a DEED by PEREGIAN)
BEACH PTY LTD ABN 22 127 412 864 in)
accordance with section 127 of the)
Corporations Act 2001.**



Sole Director / Secretary

SCHEDULE 1
"ANNEXURE 3 – MORTGAGE"

MORTGAGE

Duty Imprint

Dealing Number



OFFICE USE ONLY

Privacy Statement

Collection of this information is authorised by the Land Title Act 1994 the Land Act 1994 and the Water Act 2000 and is used to maintain the publicly searchable registers in the land registry and the water register. For more information about privacy in NR&W see the department's website.

1. Interest being mortgaged (If share show fraction)

FEE SIMPLE

Lodger (Name, address, E-mail & phone number)

Shand Taylor Lawyers
Level 12, 241 Adelaide Street
BRISBANE QLD 4000
Email: bclark@shandtaylor.com.au
Ph: (07) 3307 4500
Ref: BSC: 100446

Lodger Code
BE196A

2. Lot on Plan Description

LOT 74 ON SP 236546

County

STANLEY

Parish

REDCLIFFE

Title Reference

50848722

3. Mortgagor

PEREGIAN BEACH PTY LTD ACN 127 412 864

4. Mortgagee Given names

Surname/Company name and Number

(include tenancy if more than one)

STOCKLAND NORTH LAKES PTY LTD
ABN 99 068 244 762

5. Description of debt or liability secured

The "principal sum" described in the attached schedule

6. Covenant/Execution. The Mortgagor covenants with the Mortgagee in terms of the attached schedule; ~~*attached schedule and standard terms document no.~~; ~~*standard terms document no.~~

and charges the estate or interest described in item 1 with the repayment/payment to the Mortgagee of all sums of money referred to in item 5.

NOTE: Witnessing officer must be aware of their obligations under section 162 of the Land Title Act 1994.

Separate executions are required for each mortgagor and mortgagee. Signatories are to provide to the witness, evidence that they are the person entitled to sign the instrument (including proof of identity).

PEREGIAN BEACH PTY LTD ACN 127 412 864

.....
Witnessing Officer (signature, full name & qualification)

/ /
Execution Date

.....
Mortgagor's Signature

.....
Witnessing Officer (signature, full name & qualification)

/ /
Execution Date

.....
Mortgagor's Signature

.....
Witnessing Officer (signature, full name & qualification)

/ /
Execution Date

.....
*Mortgagee's or Solicitor's Signature

STOCKLAND NORTH LAKES PTY LTD ABN 99 068
244 762 by its duly constituted Attorney
under Power of Attorney

No.

(Witnessing officer must be in accordance with Schedule 1 of Land Title Act 1994 eg Legal Practitioner, JP, C Dec)

*Note: A Solicitor is required to print full name if signing on behalf of the Mortgagee and no witness is required in this instance

Title Reference 50848722

The Mortgagor and Mortgagee agree as follows:-

1. CONSIDERATION

- 1.1. This Mortgage is given in consideration of the Mortgagee at the request of the Mortgagor (which request is testified by its execution hereof) entering into the Contract of Sale and as provided by that Contract of Sale.
- 1.2. For consideration aforesaid the Mortgagor hereby irrevocably appoints the Mortgagee and each of the officers of the Mortgagee jointly and each of them severally the attorney of the Mortgagor for the purpose of signing all documents and doing all acts on behalf of and in the name of the Mortgagor necessary to perfect the within security and immediately on or at any time after any breach or default by the Mortgagor hereunder to exercise in the name of the Mortgagor all rights, powers and remedies of the Mortgagee expressed or implied herein or to deal with the Mortgaged Land in any way which the Mortgagee may in its absolute and unfettered discretion deem fit and to receive any moneys payable to the Mortgagor in respect of the Mortgaged Land whether in respect of insurance compensation or otherwise and to do all things required to be done by the Mortgagor hereunder and to execute all documents and to do all things necessary in regard to any such matters.

2. PRINCIPAL SUM

- 2.1. In this Mortgage unless the contrary intention appears the "principal sum" means all monies payable by the Mortgagor to the Mortgagee under the Contract of Sale.
- 2.2. The principal sum of this Mortgage shall include in addition to the meaning ascribed to it by clause 2.1 above all and any costs, expenses and damages arising from all actions, suits, proceedings, causes of action, claims, demands and orders whatsoever for which the Mortgagor may now or hereafter become liable to the Mortgagee in relation to this Mortgage.

3. TITLE

The Mortgagor covenants with the Mortgagee that:

- 3.1. the Mortgagor has or is entitled to an absolute and indefeasible title to all and every part of the Mortgaged Land subject only to the prior encumbrances notified in this mortgage and that no other person has any right title estate or interest in the Mortgaged Land or any part thereof as purchaser nor is any part of the Mortgaged Land subject to any right subsisting under any adverse possession of such Mortgaged Land or to any easements or to any rights or claims whatsoever excepting only such easements rights or claims (if any) as are expressly contained in the Deed of Grant and/or Certificate of Title and/or Lease of the Mortgaged Land or are notified as aforesaid;
- 3.2. every Deed of Grant or Certificate of Title or other document of title to the Mortgaged Land (but subject to the rights of any prior Mortgagee under a prior encumbrance notified in this mortgage) shall be delivered to and remain in the custody of the Mortgagee until the whole of the principal sum has been paid to the Mortgagee;
- 3.3. the Mortgagor and every other person having or claiming any estate or interest in the Mortgaged Land or any part thereof otherwise than by virtue of a prior encumbrance notified in this mortgage will at all times hereafter at the request of the Mortgagee and until foreclosure or sale at the Mortgagor's cost and afterwards at the cost of the person requiring the same do all such acts and execute and deliver all such deeds documents instruments and assurances for further or more effectually mortgaging or assuring the Mortgaged Land and every part thereof to the Mortgagee pursuant to the intent of this mortgage as the Mortgagee may require and the Mortgagor authorises the Mortgagee or any of the officers of the Mortgagee for and on behalf of the Mortgagor to sign or execute every such document deed instrument and assurance and do every such thing so as to perfect or attempt to perfect the security intended to be hereby given and also for and on behalf of the Mortgagor to comply with all or any requisitions of the Department of Environment and Resource Management;

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4. INSURANCE

The Mortgagor will insure and keep insured the Mortgaged Land for its full insurable value or such amount as may be specified by the Mortgagee from time to time against loss or damage by fire storm tempest and any other risk stipulated by the Mortgagee and will effect public liability insurance in the name of the Mortgagor (and noting the interests of the Mortgagee) with an insurance office approved by the Mortgagee. In the event of loss or damage the Mortgagor must not (without first consulting the Mortgagee) enforce settle or compromise any claim against any insurance company in respect of any insurance policy wholly or partly in respect of the Mortgaged Land. Any moneys received on account of such insurance shall be applicable towards repair or rebuilding of the improvements. The Mortgagor will pay all premiums on or before the due date for payment thereof and will hand each policy evidencing such insurance and all receipts for moneys paid and other usual evidence of insurance to the Mortgagee immediately upon the issue thereof. The Mortgagor will not do or permit any thing or act whereby any insurance policy at any time relating to the Mortgaged Land may become liable to be vitiated or cancelled or the premium thereon may be increased. The Mortgagor shall not without the prior consent of the Mortgagee effect any insurance in respect of the Mortgaged Land other than in accordance with this clause. In the event that the Mortgagor or any other person receives any moneys paid on any such insurance (notwithstanding that such other insurance was effected in breach of this Mortgage), the Mortgagor shall immediately pay to the Mortgagee any such moneys which until payment shall be held in trust for the Mortgagee.

5. COMPENSATION AND PURCHASE MONEYS

All moneys which may become payable as purchase money or compensation or otherwise in respect of the Mortgaged Land or any part thereof shall at the option of the Mortgagee be applicable in the first instance in or towards payment of the moneys hereby secured. The Mortgagee is empowered to make claim therefor and alone to agree compromise or settle any such claim and to demand sue for recovery receive and give discharge for all such moneys and to execute any necessary assurances and releases and all of the foregoing to do in the name of the Mortgagor and the Mortgagee notwithstanding anything in any statute under which, or under an acquisition pursuant to which, the moneys may be payable. The Mortgagor releases the Mortgagee from any claim for anything done or omitted by the Mortgagee under this sub-clause and should any such moneys come into the hands of the Mortgagor before a final discharge of this mortgage the same shall forthwith be paid to the Mortgagee.

6. RATES, TAXES AND OTHER OUTGOINGS

- 6.1. The Mortgagor will pay punctually all taxes (including land tax) rates charges and other impositions whatever which now or hereafter are or may be imposed upon the Mortgaged Land or any part thereof or on the profits thereof or upon the owner occupier or mortgagee of the Mortgaged Land in respect of it and other land or on the profits thereof.
- 6.2. The Mortgagor will comply with all requirements of law imposed on the Mortgagor as owner and/or occupier of the Mortgaged Land.
- 6.3. The Mortgagor will pay punctually all moneys due and payable and observe and perform all other covenants and obligations binding under each and every lease mortgage charge and encumbrance now or hereafter affecting the Mortgaged Land.
- 6.4. On demand by the Mortgagee the Mortgagor will produce proof to the reasonable satisfaction of the Mortgagee of compliance by the Mortgagor with all covenants and obligations herein contained or implied (including production of receipts for all payments that ought to have been made).

7. REPAIR

The Mortgagor will whether or not the Mortgagee has taken possession of the Mortgaged Land make such repairs as may be necessary for keeping the improvements in good and tenable repair order and condition and in particular will whenever the Mortgagee considers it necessary paint in a proper and workmanlike manner to the satisfaction of the Mortgagee such parts of the improvements as are usually painted and will on being required by the Mortgagee to do so forthwith amend every defect in the repair and condition thereof, and will forthwith carry out all work that may be ordered by any competent authority in respect thereof. The Mortgagee

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and its nominees may at all reasonable times be at liberty to enter upon and inspect the Mortgaged Land and its state of repair.

8. FURTHER COVENANTS

- 8.1. The Mortgagor will not without the prior consent in writing of the Mortgagee sell, agree to sell, give any option to purchase, transfer, lease, agree to lease, part with possession, subdivide, mortgage, charge or otherwise further encumber the Mortgaged Land.
- 8.2. In the event of the Mortgaged Land being subject to the Body Corporate and Community Management Act 1997 the Mortgagor will forthwith upon receipt thereof furnish the Mortgagee with a copy of every notice of meeting and other notice received by the Mortgagor from the body corporate and the Mortgagor will not without the prior consent in writing of the Mortgagee concur in or agree to any dealing with the common property or vote in favour of any resolution of the body corporate which is required to be passed by a resolution without dissent or adds to or alters the by-laws of the body corporate.
- 8.3. Except with the prior consent in writing of the Mortgagee the Mortgagor will not apply for or obtain from the Crown or from any statutory authority any money or material or otherwise do or suffer to be done anything whereby any charge or liability shall or might be imposed on the Mortgaged Land in priority to or in derogation of this security.
- 8.4. The Mortgagor will prepare and deliver to and/or produce for the inspection of the Mortgagee or the nominee of the Mortgagee on demand at any time or times all books of account and other documents relating to the financial position of the Mortgagor as the Mortgagee may reasonably require.

9. COSTS AND DUTY

The Mortgagor and Mortgagee will each bear their own costs or and incidental to the negotiation, preparation and execution of this mortgage. The Mortgagor will upon demand by the Mortgagee pay all costs (including legal costs as between solicitor and client) expenses and other amounts incurred or paid by the Mortgagee in respect of those arising out of or in consequence of or on account of any default by the Mortgagor or the exercise or purported or attempted exercise of any of the Mortgagee's rights or powers. The Mortgagor will pay any mortgage duty or other duty including duties and taxes on receipts or payments arising directly or indirectly in respect of this Mortgage or any collateral security.

10. CHARGE

The Mortgagor hereby charges to the Mortgagee with payment of the principal sum the Mortgaged Land and all income derived or to be derived there from and also the Mortgagor's right to receive any moneys, damages, compensation or otherwise which are due and payable or which become due and payable in respect of the Mortgaged Land under or pursuant to the *Queensland Building Services Authority Act 1991* or otherwise, and in respect thereof all rights, remedies, claims or powers which shall accrue to the Mortgagor. All such moneys until payment to the Mortgagee shall be held on trust for the Mortgagee.

11. NOXIOUS TRADES

The Mortgagor shall not carry on or permit to be carried on upon the Mortgaged Land any illegal, noxious noisome or offensive art, trade, business or occupation.

12. INDEMNITIES

The Mortgagor shall indemnify and hold indemnified the Mortgagee from and against all actions claims demands losses interest fees damages costs and expenses of any nature whatsoever which the Mortgagee may sustain or incur or for which the Mortgagee may become liable whether during or after the term of this Mortgage (and any such amount shall form part of the principal sum) in respect of or arising from:-

- 12.1. any neglect or default of the Mortgagor to observe and perform any of the terms covenants and conditions contained in or implied by this Mortgage;

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- 12.2. any loss or damage occasioned by or liability incurred by the Mortgagee or the Mortgagor in the exercise non-exercise or purported exercise of any of its powers rights and privileges contained in or implied by this Mortgage whether or not the Mortgagee acted negligently or was guilty of laches or waiver;
- 12.3. any rates taxes charges outgoings and assessments (including any land or property tax) that may at any time be payable chargeable assessed or become due upon or in respect of the Mortgaged Land and any liability to any competent authority in respect of any breach of duty or law relating to the Mortgaged Land;
- 12.4. any claims by any lessee tenant occupier licensee invitee or other person in respect of or arising out of their use of or presence upon the Mortgaged Land or otherwise;
- 12.5. any actual or assumed obligation of the Mortgagee (whether solely or jointly with the Mortgagor or any other person howsoever arising) to pay any moneys or to perform any act, matter or thing relating directly or indirectly in any way to the Mortgaged Land.

13. STATUTES

The Mortgagor will duly and punctually comply with and observe the provisions of every act ordinance or regulation at any time imposing any duty obligation or charge upon or in relation to the Mortgaged Land.

14. MORTGAGOR TO GIVE NOTICE

The Mortgagor shall promptly give notice in writing to the Mortgagee upon becoming aware of the following:-

- 14.1. any event or circumstance whereby a claim for compensation may arise in relation to the Mortgaged Land;
- 14.2. any event or circumstance whereby a claim under any policy of insurance may arise in relation to the Mortgaged Land;
- 14.3. any event or circumstance whereby a charge upon the Mortgaged Land may arise in favour of any statutory authority or other person;
- 14.4. any resumption or intended resumption of the Mortgaged Land or any part thereof and the Mortgagor shall not lodge any claim for compensation or reduce or compromise such claim without the prior consent in writing of the Mortgagee;
- 14.5. any damage to or defects in the Mortgaged Land;
- 14.6. any change in the planning scheme or any planning scheme policy affecting the Mortgaged Land;
- 14.7. any default in the performance of any other mortgage or encumbrance affecting the Mortgaged Land or any security collateral thereto;
- 14.8. any event or circumstance whereby the value of the Mortgaged Land is or may be adversely affected; and
- 14.9. the occurrence of any of the events described in default clause 17.

15. OTHER CHARGES

In the event of a sale by the Mortgagee of the Mortgaged Land or any part thereof the same may be sold either subject to or discharged from moneys secured by any prior mortgage and the Mortgagee may pass and settle the accounts of any prior Mortgagee and all the accounts so passed or settled shall be binding on the Mortgagor.

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16. PERFORM OTHER SECURITIES

The Mortgagor will carry out and observe and perform all of the terms covenants and conditions contained in or implied by each and every of the following:

- 16.1. any collateral security;
- 16.2. any mortgage or encumbrance of the Mortgaged Land whether or not registered and whether or not ranking in priority to this Mortgage;
- 16.3. any securities collateral to the mortgages or encumbrances described in clause 16.2; or
- 16.4. any lease agreement or hire purchase agreement in respect of improvements.

17. EVENTS CAUSING MONEYS TO BE PAYABLE ON DEMAND

17.1. The principal sum or other monies payable to the Mortgagee under this Mortgage or so much thereof as remains unpaid (together with interest accrued and unpaid to the date of demand) will become immediately payable to and recoverable by the Mortgagee upon the happening of any of the following events: -

- 17.1.1. default by the Mortgagor in payment at the times and in the manner provided in this mortgage (or any other agreement between the Mortgagor and Mortgagee) of the principal sum or other moneys payable to the Mortgagee or any part thereof or of the interest thereon or any part thereof; or
- 17.1.2. default by the Mortgagor in the observance or performance of any of the covenants obligations or provisions contained or implied in this mortgage and on the part of the Mortgagor to be observed or performed; or
- 17.1.3. the appointment of a receiver or receiver and manager of any of the assets of the Mortgagor or the appointment of an administrator (as defined by the Corporations Act 2001) of the Mortgagor; or
- 17.1.4. the occurrence of any act or event mentioned in Section 461 of the Corporations Act 2001 in relation to the Mortgagor or an investigation into the affairs of the Mortgagor pursuant to Section 13 or Section 14 of the Australian Securities and Investments Commission Act 2001; or
- 17.1.5. a resolution being proposed or an application being made for the winding up of the Mortgagor; or
- 17.1.6. the Mortgagor failing to comply with a statutory demand (as defined by the Corporations Act 2001); or
- 17.1.7. any execution being levied against any of the assets of the Mortgagor and remaining unsatisfied for seven days; or
- 17.1.8. possession or control of any of the assets of the Mortgagor being taken by an encumbrancer or person appointed by an encumbrancer.

17.2. The Mortgagor will pay the monies payable in accordance with clause 17.1 on demand in writing by the Mortgagee.

17.3. Upon demand being made by the Mortgagee pursuant to clause 17.1 the Mortgagor will pay to the Mortgagee simple interest at the rate chargeable on the principal sum or at the higher rate if more than one is specified on any principal or other moneys payable to the Mortgagee under this mortgage or interest from time to time due and unpaid under this mortgage and also on any principal or other moneys or interest accrued and unpaid to the date of such demand and such interest shall accrue and be recoverable from day to day.

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18. MORTGAGEE'S POWERS

18.1. In the event of default by the Mortgagor in payment at the times and in the manner provided in this mortgage of the principal sum or other moneys repayable to the Mortgagee under this mortgage or any part thereof or of the interest thereon or any part thereof or upon default being made in the observance or performance of any of the covenants agreements or conditions contained in this mortgage or implied by the *Property Law Act 1974* the Mortgagee shall (notwithstanding any omission neglect or waiver of the right to exercise all or any of such powers on any former occasion) be at liberty: -

18.1.1. to exercise all or any of the powers of a Mortgagee under the said Act immediately upon or at any time after default as hereinbefore mentioned without the necessity of giving the Mortgagor any notice whatsoever required by the said Act or otherwise other than such notice as is required by such Act upon default being made in payment at the times and in the manner provided in this mortgage of the principal sum or interest or other moneys payable to the Mortgagee under the mortgage or any part thereof;

18.1.2. to do one or more of the following acts matters or things, namely: -

- (a) to do such things as the Mortgagee may think fit to carry on and manage on the Mortgaged Land any business being conducted on the Mortgaged Land and to preserve the goodwill thereof and to sell the goodwill either separately or together with the Mortgaged Land;
- (b) to do any act or execute any document or amend any document (including this Mortgage) to enable registration thereof;
- (c) to do any act matter or thing which the Mortgagor should do or have done under this Mortgage;
- (d) to execute any transfer mortgage plan of subdivision development application consent or other applications or documents which may be necessary or desirable pursuant to provisions of the Land Title Act 1994, Integrated Planning Act 1997 or the Property Law Act 1974 or other statutory provision in connection with the exercise of any other power hereunder;
- (e) to execute and procure the registration of a transfer in pursuance of the exercise of the Mortgagee's power of sale;
- (f) to make payment on behalf of the Mortgagor of the whole or any part of the moneys claimed by any person to be charged or secured on the Mortgaged Land or any part thereof or to be payable from the same or from the proceeds of the sale thereof and whether the interest claimed by such person ranks or would if established rank prior to or subsequent to this mortgage;
- (g) to acquire any land encroached upon by any buildings or improvements erected partly on the Mortgaged Land and to execute all contracts transfer and documents in connection therewith;
- (h) to acquire for such consideration as the Mortgagee shall think fit the whole or any part of any interest claimed by any person (other than the Mortgagee) in the Mortgaged Land or any part thereof and whether such interest ranks or would if established rank prior to or subsequent to this mortgage and whether the same is registered or unregistered;
- (i) to subdivide or re-subdivide the Mortgaged Land into lots or units and in connection with such subdivision or re-subdivision to agree to such conditions as may be required by any assessment manager (including a local government), and to enter into agreements for the provision of electricity water sewerage and other services which the Mortgagee may think necessary or desirable;

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- (j) to execute and appeal from judgments;
- (k) upon the Mortgagee becoming entitled to possession of the Mortgaged Land to deliver up, at the expense of the Mortgagor, any personalty of the Mortgagor which may be upon the Mortgaged Land at the address of the Mortgagor herein or at such other address of the Mortgagor as notified to the Mortgagee or to store, at the Mortgagor's expense, any such personalty at such place and upon such terms as the Mortgagee thinks fit;
- (l) where the Mortgaged Land is subject to the Body Corporate and Community Management Act 1997 to exercise any power of voting conferred on the Mortgagor as a member of the body corporate or committee thereof and to apply for and obtain from the body corporate any information to which the Mortgagor shall be entitled as a member of the body corporate PROVIDED that nothing herein contained shall render it obligatory upon the Mortgagee to attend or vote at any meeting of the body corporate and the Mortgagee shall not be answerable or accountable to the Mortgagor by reason of any exercise or failure to exercise such power of voting AND the Mortgagor will from time to time whenever requested by the Mortgagee execute a proxy in proper form in relation to any meeting of the body corporate in favour of such person or persons as the Mortgagee may nominate and deliver the same to the Mortgagee;
- (m) after becoming entitled to possession of the Mortgaged Land to let the Mortgaged Land or any part thereof on lease or otherwise for such term and at such rent and upon such conditions as the Mortgagee shall think fit;
- (n) to settle accounts between the Mortgagor and any person claiming any interest in the Mortgaged Land or any account whatsoever;
- (o) to give effectual releases and receipts for any money received or receivable by the Mortgagee pursuant to any power contained or implied herein;
- (p) to receive the proceeds of any insurance policy over or in respect of the building fixtures fences or other improvements on the Mortgaged Land and also to receive any compensation or consideration payable in respect of the acquisition (compulsory or otherwise) of the Mortgaged Land or any part thereof or of any interest therein pursuant to any statute regulation by-law or any agreement;
- (q) as the Mortgagee shall think fit to apply any moneys received pursuant to clauses (p) and (t) of this clause in the reparation or replacement of any buildings fixtures fences or improvements or towards satisfaction of the interest principal sum and other moneys secured hereby (notwithstanding that the same may not be due);
- (r) to sell or lease the Mortgaged Land or any part thereof together with other property in mortgage from the Mortgagor to the Mortgagee whether (if land) under the Land Title Act 1994 or not by one contract and one price or at one rent or in any other manner that the Mortgagee may deem expedient;
- (s) to allow a purchaser upon sale of the Mortgaged Land or any part thereof any time for payment of the whole or any part of the purchase money with or without interest and either with or without taking security thereof;
- (t) to institute proceed with or settle any legal proceedings or disputes against or by any person claiming any interest in the Mortgaged Land in respect of any insurance on any buildings fixtures fences or other improvements on the Mortgaged Land in respect of any compensation or consideration payable or claimed to be payable in respect of the acquisition of the Mortgaged Land or any interest therein or otherwise in respect of any moneys which the Mortgagee is authorised to receive hereunder or in respect of any matter affecting the Mortgaged Land; and

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(u) to appoint a receiver and/or manager to the Mortgaged Land.

- 18.2. Any receiver appointed by the Mortgagee shall be the agent of the Mortgagor who shall be solely responsible for his acts and defaults and for his remuneration. Any receiver shall in addition to the powers implied by law have all powers conferred on the Mortgagee hereby or by law which the Mortgagee may see fit to confer on the receiver and the receiver shall also have power to appoint such person or persons as the receiver may think fit to exercise on behalf of the receiver such powers and authorities of the receiver as the receiver may think fit.

19. ENVIRONMENTAL LAW

- 19.1. The Mortgagor will duly and punctually comply with and observe all statutes, ordinances, regulations and by-laws of an environmental or anti-pollution nature and all orders or directions of any competent court or authority pertaining thereto (all of which are hereinafter referred to as environmental law) in so far as the same affects or might affect the Mortgaged Land or the carrying on of any activity upon the Mortgaged Land.
- 19.2. If any event or conduct should occur which exposes or might expose the Mortgaged Land or any occupier thereof or any person in control of any activity carried on upon the Mortgaged Land to any liability or obligation pursuant to environmental law the Mortgagor will promptly take or cause to be taken all such action as may be required or desirable to effectively deal with the consequences of such event or conduct in order to negate the said liability or obligation or if negation should not be possible then to minimise any loss, damage or other consequence arising from such event or conduct AND the Mortgagor will indemnify the Mortgagee and keep the Mortgagee indemnified against all loss and liability whatsoever arising from any breach of environmental law or of the covenants of the Mortgagor herein contained.
- 19.3. The Mortgagor agrees: -
- 19.3.1. to comply with all environmental laws and with the conditions (if any) of any permit, work approval, trade waste agreement, environmental authority or licence required by an environmental law and to immediately inform and advise the Mortgagee of a violation, breach or failure to conform with those conditions;
 - 19.3.2. not to pollute, place or bring upon the Mortgaged Land contaminated substances or environmentally sensitive materials (except with the previous written consent of any lawful authority);
 - 19.3.3. to inform the Mortgagee immediately upon any contamination of the Mortgaged Land and to take such action as is necessary to immediately remedy any contamination of the Mortgaged Land;
 - 19.3.4. in the event that the Mortgagor is placed into receivership or is otherwise wound up, any contaminated material on the Mortgaged Land will be deemed to be the property of the Mortgagor and the Mortgagor will be entitled to separate the contaminated material from the Mortgaged Land, place the contaminated material into appropriate storage containers and store those containers either on the Mortgaged Land or remove the containers from the Mortgaged Land; and
 - 19.3.5. to authorise the Mortgagee to obtain any information required by it from any environmental law regulatory body and to provide assistance to the Mortgagee in obtaining that information.

20. NOTICES

- 20.1. Any demand or notice to the Mortgagor shall be effectively signed on behalf of the Mortgagee if it is executed by the Mortgagee any of its officers, its solicitor or its attorney.
- 20.2. Any demand or notice required or authorised by this mortgage may be served as provided by Section 257 of the *Property Law Act 1974*. If any demand or notice is posted it shall be deemed served the

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day after posting notwithstanding that at the date of such service the Mortgagor to the knowledge of the Mortgagee or otherwise be a lunatic dead bankrupt in liquidation or absent.

21. EXCLUSION OF MORATORIUMS

The provisions of any statute or regulation postponing payment of money reducing rates of interest or purporting to curtail or restrict the rights powers or remedies of the Mortgagee are expressly excluded from and shall not apply to this Mortgage or any renewal or extension of it.

22. MORTGAGEE'S PRIORITY

This Mortgage shall confer upon the Mortgagee priority over any subsequent security over the Mortgaged Land for all moneys intended to be secured by this Mortgage notwithstanding that the whole or any part of those moneys may be advanced readvanced or made available after the date of this Mortgage or after the date of any subsequent security. This Mortgage shall be and remain in force as a continuing security until the principal sum is paid in full. The Mortgagee's rights under this Mortgage shall not be discharged postponed or in any way prejudiced by any subsequent security nor anything contained in this Mortgage nor by the operation of the rules known as the rule in *Hopkinson v. Rolt* or the rule in *Claytons Case*.

23. COVENANTS TO ENURE

The Mortgagor's obligation to perform and the Mortgagee's right to require the Mortgagor to perform all of the terms covenants and conditions contained in or implied by this Mortgage shall not be affected by any omission delay or waiver on the part of the Mortgagee requiring the Mortgagor to perform them or by any partial or other discharge release variation of this Mortgage or any of the security conferred by this Mortgage or any of the terms of this Mortgage or any collateral security or any guarantee.

24. MORTGAGEE'S STATEMENT

A statement in writing by the Mortgagee or any duly authorised person on its behalf of the principal sum or any component parts shall be binding upon the Mortgagor except in the case of manifest error.

25. CONSENT OF MORTGAGEE

Any authority consent or other thing to be given made or exercised by the Mortgagee under this Mortgage must not be unreasonably, capriciously or arbitrarily withheld.

26. STATUTORY POWERS

All powers rights and remedies conferred upon the Mortgagee or any Receiver by law or by any statute shall be in enlargement and augmentation of those contained in this Mortgage and shall not curtail diminish or qualify any of them.

27. APPLICATION OF MONEY RECEIVED

All moneys received by the Mortgagee pursuant to this Mortgage shall be applied in the absolute discretion of the Mortgagee towards reduction or satisfaction of such part of the principal sum as the Mortgagee elects without the need to communicate its election to any person. The Mortgagor shall be given credit for moneys only when same are actually received by the Mortgagee such credit to date from the time of such receipt and all other moneys left outstanding on credit or otherwise shall until actually received by the Mortgagee form part of the principal sum. If at any time the Mortgagee receives surplus moneys such surplus shall not carry interest and the Mortgagee may pay same to the credit of an account in the name of the Mortgagor in any bank the Mortgagee thinks fit and thereafter be under no liability in respect of same. No claim or demand whatsoever that the Mortgagor has now or may have at any time against the Mortgagee will confer upon the Mortgagor any right whatsoever by way of set-off or otherwise to extinguish in whole or in part the Mortgagee's right under this Mortgage to have the principal sum paid to him in full by the Mortgagor in accordance with this Mortgage and/or any collateral security.

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28. SEVERABILITY

If any term covenant or condition of this Mortgage or the application thereof to any person or circumstance shall be or become illegal invalid or unenforceable the same shall be severed and the remaining terms covenants and conditions shall not be affected.

29. OTHER SECURITIES

Neither the taking of this Mortgage nor any other matter or thing shall merge discharge extinguish postpone or prejudice any other security at any time held by the Mortgagee or any right or remedy which the Mortgagee has at any time against the Mortgagor or any other person and no such other security or thing shall affect.

30. BARGAINING POWER

The parties acknowledge that prior to entering this Mortgage:-

- 30.1. each party could negotiate for the alteration of or rejection of any of the provisions of this Mortgage; and
- 30.2. there was no material inequality in bargaining power between the parties; and
- 30.3. each party had consulted or had the opportunity to consult independent legal advisers.

31. ASSIGNMENT

The Mortgagee may assign or participate its rights or obligations under this Mortgage or any part thereof and transfer its obligation or any part of any of them and for this purpose may disclose to a potential participant assignee or transferee such information about the Mortgagor as shall have been made available to the Mortgagee. Where the Mortgagee assigns or participates its rights or obligations or any part thereof, the Mortgagor shall execute such documents as in the opinion of the Mortgagee are reasonably necessary. The Mortgagor shall not assign transfer or deal with their rights or obligations hereunder.

32. GENERAL

- 32.1. No person dealing with the Mortgagee shall be bound or concerned to enquire as to the regularity of or the occasion for the exercise of any power exercised or purported to be exercised by the Mortgagee. This declaration is intended as a representation to any person reading this mortgage and if acted upon the Mortgagor declares that the Mortgagor will be stopped from asserting facts to the contrary.
- 32.2. So long as the Mortgagee acts in good faith and without fraud the Mortgagee shall not be liable to the Mortgagor in damages or otherwise for any loss occasioned to the Mortgagor from the exercise or purported exercise by the Mortgagee of any right or power hereunder notwithstanding any irregularity therein.
- 32.3. No judgment or order obtained by the Mortgagee and no covenant by the Mortgagor shall operate to merge the rights of the Mortgagee against the Mortgagor AND interest shall continue to accrue and be payable to the Mortgagee pursuant to this mortgage until paid notwithstanding that the covenants to pay the principal sum or any other moneys secured by this mortgage may be the subject of any judgment or order.
- 32.4. This mortgage shall not be discharged or affected by the death mental illness or bankruptcy of any principal debtor or by the death mental illness or bankruptcy of the Mortgagor or any one or more of them (if more than one) or by any change which may take place in the person or persons now or hereafter comprising any partnership or firm for the time being constituting the Mortgagor and notwithstanding the incorporation of such partnership or firm and notwithstanding also (if the Mortgagor is a company) any reconstruction or other change in the constitution of such company or its amalgamation with or its absorption of or by any other company or by any change which may take place in the constitution of the Mortgagee or by any other circumstance or event but shall continue to be operative until actually discharged by the Mortgagee And in the event of there being more than one

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Mortgagor the Mortgagee may give such release discharge or indulgence to any one or more of them as the Mortgagee may think fit and such release discharge or indulgence shall not discharge or affect in any way the rights and remedies of the Mortgagee under these presents or otherwise against the other or others of them.

- 32.5. Time is of the essence in respect of the Mortgagor's obligations under this Mortgage.
- 32.6. A provision of this Mortgage which can and is intended to operate after its conclusion will remain in full force and effect.
- 32.7. The Mortgage will bind each of the signatories to this Mortgage even if one or more of the named parties does not execute this Mortgage.
- 32.8. This Mortgage is to be governed by and construed in accordance with all applicable Queensland Laws and the parties must submit to the non-exclusive jurisdiction of the Queensland Courts.

33. MORTGAGOR A TRUSTEE

- 33.1. The provisions hereinafter set out in this clause 38 shall apply in any case where the Mortgagor holds the Mortgaged Land as trustee of a trust (hereinafter called "the Trust") and when used in this clause the expression "the Trust Deed" shall include the original deed constituting the Trust and every deed (if any) supplemental thereto.
- 33.2. The covenants and agreements of the Mortgagor under or pursuant to this mortgage shall bind the Mortgagor in his own right as well as in his capacity as trustee of the Trust and nothing contained or implied in this clause shall limit the personal liability of the Mortgagor on his own account under this mortgage.
- 33.3. The Mortgagor warrants that: -
 - 33.3.1. the Mortgagor is the sole trustee of the Trust;
 - 33.3.2. the Mortgagor has power under the Trust Deed to execute this mortgage and perform his obligations thereunder and any necessary action has been taken to authorise the execution of this mortgage under the Trust Deed;
 - 33.3.3. this mortgage is executed and all transactions secured by this mortgage are or will be entered into as part of the due and proper administration of the Trust;
 - 33.3.4. the Mortgagor has a right to be fully indemnified out of the property or assets of the Trust which right is not restricted or limited in any way;
 - 33.3.5. the Mortgagor is not in breach or default of his duties and obligations under the Trust Deed.
- 33.4. Notwithstanding anything in this mortgage the principal sum or other moneys payable to the Mortgagee under this mortgage or so much thereof as shall remain unpaid (together with interest thereon accrued and unpaid to the date of demand therefore in writing by the Mortgagee) shall become forthwith payable to and recoverable by the Mortgagee (and notwithstanding any delay or previous waiver of the provisions of this clause by the Mortgagee) and the Mortgagor will pay the same on demand therefore in writing by the Mortgagee if, without the written consent of the Mortgagee, the Mortgagor:-
 - 33.4.1. retires, resigns or is removed as trustee of the Trust;
 - 33.4.2. causes or permits or suffers any amendment variation or revocation of the Trust Deed;
 - 33.4.3. causes or permits or suffers the appointment of any new or additional trustee of the Trust;

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- 33.4.4. causes or effects or permits or suffers any resettlement setting aside sale transfer alienation assignment or abandonment of any of the property or assets held on the trusts of the Trust Deed;
- 33.4.5. causes or permits or suffers the determination of the vesting date under the provisions of the Trust Deed;
- 33.4.6. causes or permits or suffers any breach or default of the duties and obligations on the Mortgagor's part contained in the Trust Deed;
- 33.4.7. causes or effects or creates or suffers or permits any restriction or limitation on the Mortgagor's right of indemnity whether arising under the Trust Deed or otherwise; or
- 33.4.8. makes any distribution of capital of the Trust and without limiting the generality of the foregoing pays or applies any amount being part of the capital of the Trust or any of the property or assets held on the trusts of the Trust Deed to any beneficiary of the Trust.
- 33.5. The Mortgagor will on demand being made by the Mortgagee exercise all such rights of indemnity which it as trustee may possess and enjoy in relation to the property or assets held on the trusts of the Trust Deed and the Mortgagor irrevocably appoints the Mortgagee and each of the officers of the Mortgagee jointly and each of them severally the Attorneys and Attorney of the Mortgagor and in the name of the Mortgagor to execute and do all such assurances, documents, acts, deeds and things as the Mortgagee may deem necessary for the due performance and observance of this clause by the Mortgagor and for the purpose of giving effect to this clause as fully and effectually as the Mortgagor could do, and the Mortgagor hereby agrees to ratify all and whatsoever the Attorneys or Attorney may lawfully do or cause to be done in or about or by virtue of this clause.

34. INTERPRETATION

It is hereby agreed and declared that:-

- 34.1. where in this mortgage the context requires or admits the plural number includes the singular number and vice versa and the masculine gender includes the feminine gender and also the neuter gender, the word "person" includes a company and "company" includes a corporation; any reference to the death or personal representatives of a person shall refer also to the liquidation or appointment of any liquidator or official manager of a company where the sense requires.
- 34.2. the expression "the Mortgagor" used herein includes if this mortgage is given by one person that person his executors administrators and transferees and if this mortgage is given by more persons than one those persons jointly and every two or more of them jointly and each of them severally and their respective executors administrators and transferees and if a company is a Mortgagor includes that company its successors and transferees.
- 34.3. the expression "the Mortgagee" used herein includes the successors and transferees of the Mortgagee.
- 34.4. the expression "the officers of the Mortgagee" used herein includes any director, secretary or attorney(s) of the Mortgagee.
- 34.5. all references to Statutes herein shall refer also to Statutes amending modifying or re-enacting the Statute referred to.
- 34.6. the expression "Mortgaged Land" means the land described in Item 2 of the attached Form 2 Mortgage and includes all buildings, fixtures, improvements, plant and machinery of whatsoever nature created or placed on such land at the date hereof or at any time while this security continues in force.
- 34.7. the expression "Contract of Sale" means the contract of sale dated 16 August 2010 (as varied by way of Deed of Variation of Contract dated 2 March 2011, Deed of Variation of Contract dated 29 July 2011, Deed of Variation of Contract dated 4 November 2011 and Deed of Variation of Contract dated

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on or about 20 December 2011) entered into by the Mortgagee as Vendor and the Mortgagor as Purchaser for the sale and purchase of the Mortgaged Land.

SCHEDULE 2**"ANNEXURE 4 -- CHARGE"**

DEED OF CHARGE

THIS DEED OF CHARGE is made on the day of 2011.

BY

PEREGIAN BEACH PTY LTD ACN 127 412 864 of Suite 202, 164A Mona Vale Road, St Ives,
New South Wales 2075

(the "Chargor")

TO

STOCKLAND NORTH LAKES PTY LTD ABN 99 068 244 762 of 2 Lakefield Drive, North Lakes,
Queensland 4509

(the "Chargee")

RECITALS

- A** The Chargee has agreed to enter into the Contract of Sale with the Chargor. In consideration of the Chargee deferring payment of part of the Purchase Price and other amounts under the Contract of Sale, the Chargor has agreed to execute this Charge.
- B** In consideration of the matters set out in Recital A, the Chargor has agreed to give this Charge to the Chargee as security for the payment of all moneys for which the Chargor is now or hereafter indebted or liable or contingently indebted or liable to the Chargee.

THIS DEED WITNESSES AS FOLLOWS:

1 DEFINITIONS AND INTERPRETATION

1.1 Interpretation

In this Charge, unless the context otherwise requires:

- 1.1.1 a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any statutory instrument issued under that legislation or legislative provision;
- 1.1.2 a term which is defined in the PPSA has the meaning it has in the PPSA, unless the contrary intention appears in this charge;
- 1.1.3 a word denoting the singular includes the plural and vice versa;
- 1.1.4 a word denoting one gender includes all genders;
- 1.1.5 a word denoting an individual or person includes a corporation, firm, authority, government body and vice versa;
- 1.1.6 a reference to a clause is to a clause of this document;
- 1.1.7 a reference to any party includes that party's executors, administrators, substitutes, successors and permitted assigns;
- 1.1.8 headings are for convenience of reference only and do not affect the interpretation;

- 1.1.9 any term used in this Deed that is defined in the Contract of Sale will have that defined meaning.

1.2 Definitions

In this Charge unless the context otherwise requires:

- 1.2.1 **"Accommodation"** means the providing of any financial facility or service including finance;
- 1.2.2 **"Arrangement"** means an arrangement (including a request, bill of exchange, agreement, Guarantee, or a Security Interest) by or with the Chargor under which obligations are or could in the future be owed to the Chargee in relation to the Property and/or the Secured Moneys;
- 1.2.3 **"Borrower"** means
- 1.2.4 **"Charge"** means this Deed of Charge;
- 1.2.5 **"Chargee"** includes the Chargee his successors, administrators and permitted assigns;
- 1.2.6 **"Chargor"** means Peregrine Beach Pty Ltd ACN 127 412 864 and includes its successors, administrators and permitted assigns as the case may be;
- 1.2.7 **"Collateral Security"** includes the Mortgage and any other mortgage, charge, agreement, Guarantee, indemnity or instrument of any kind whereby the Secured Moneys are secured or intended to be secured in favour of the Chargee;
- 1.2.8 **"Contract of Sale"** means the contract of sale dated 16 August 2010 (as varied by way of Deed of Variation of Contract dated 2 March 2011, Deed of Variation of Contract dated 29 July 2011, Deed of Variation of Contract dated 4 November 2011 and Deed of Variation of Contract dated on or about 20 December 2011) entered into by the Chargee as Vendor and the Chargor as Purchaser for the sale and purchase of the Land;
- 1.2.9 **"Effective Control"** of the Chargor means:
- (a) control of the composition of the Board of Directors of the Chargor;
 - (b) control of more than half the voting rights attaching to the shares in the Chargor; or
 - (c) control of more than half the issued shares or capital of the Chargor (excluding any part which carries no right to participate beyond a specified amount in the distribution of either profit or capital),
- and includes the acquisition by any means of a person of a relevant interest (whether actual or deemed within the meaning of the Corporations Law) in shares in the Chargor sufficient to allow that person either alone or jointly to exercise the control referred to in items (a), (b) or (c) of this definition. For the purposes of this definition, control shall be determined having regard to the provisions of the Corporations Law;
- 1.2.10 **"Event of Default"** means each of the events set out in clause 6.1 of this Charge or otherwise referred to in this Charge as an Event of Default;
- 1.2.11 **"Guarantee"** includes an indemnity;

- 1.2.12 **"Insurable Property"** means all of the Property and assets charged by this security which are of an insurable nature;
- 1.2.13 **"Land"** means the land described as Lot 74 on SP 236546, County of Stanley, Parish of Redcliffe, Title Reference 50848722, being the land sold by the Chargee as Vendor to the Chargor as Purchaser under the Contract of Sale, and includes all buildings, fixtures, improvements, plant and machinery of whatever nature created or placed on such land at the date hereof or at anytime while this security continues in force;
- 1.2.14 **"Mortgage"** means the mortgage over the Land dated on or about the date of this Charge entered into by the Chargee as Mortgagor and the Chargor as Mortgagee as security for the Secured Moneys;
- 1.2.15 **"PPSA"** means the *Personal Property Securities Act 2009 (Cth)*;
- 1.2.16 **"Property"** has the meaning given it by clause 2.1, and includes (without limitation) any right, title and interest in the Property acquired now or in the future and all proceeds of the Property;
- 1.2.17 **"Receiver"** includes a receiver and manager;
- 1.2.18 **"Secured Moneys"** means all amounts which the Chargor owes to the Chargee at any time and includes all monies payable by the Chargor to the Chargee under the Contract of Sale;
- 1.2.19 **"Security Interest"** means any security interest under the PPSA or any security for the payment of money or performance of obligations including a mortgage, charge, lien, pledge, trust, power, or title retention or flawed deposit Arrangement;
- 1.2.20 **"Tax"** means any tax, rate, levy, impost and duty (other than a tax on the net overall income of the Chargee) and any interest, penalty, fine or expense relating to any of them;
- 1.2.21 **"Transaction Document"** means any Collateral Security, finance agreement, loan agreement or other document entered into with the Chargee to which the Chargor is or becomes a party.

2 CHARGE

2.1 Charge by Beneficial Owner

The Chargor as beneficial owner charges with the payment to the Chargee of the Secured Moneys the whole of the Chargor's property undertaking and assets of whatever nature and wherever situated both present and future and real and personal including its goodwill, plant and equipment, book debts and other choses in action, its uncalled and unpaid capital and uncalled premiums on its shares and including all assets acquired after the floating security hereby created crystallises and including any Security Interest of any Guarantee.

2.2 Fixed Charge

The charge created by this security is a fixed charge as regards all freehold and leasehold property, goodwill, fixtures, plant equipment and other chattels (except stock-in-trade) uncalled capital, uncalled premiums, books of account, vouchers and other documents in respect of the business transactions of the Chargor, negotiable and other securities and documents evidencing title or right to possession of any property deposited with or required to be deposited with the Chargee by the Chargor and the Property to which any such documents relate.

2.3 Floating Charge

The Charge created by this security is a floating charge as regards all other property and assets charged by this security but the Chargor is not at liberty to create any charge or mortgage in priority to or pari passu with or subsequent to this security or to make any assignment of its book debts except with the prior written consent of the Chargee.

2.4 Automatic Crystallisation of Floating Charge

Upon the happening of any Event of Default the floating charge created by this security and referred to in clause 2.3 will ipso facto and without any act by the Chargee being necessary become a fixed and specific charge upon the Property and assets previously subject only to the floating charge.

2.5 Operation as Fixed Charge

The floating charge created by this security may be converted into a fixed and specific charge at any time by notice in writing to the Chargor signed by the Chargee as regards any property or assets forming part of the Property charged by this security which are specified in the notice and which in the reasonable opinion of the Chargee may be at risk of being seized or sold under any form of distress or execution levied or threatened or otherwise in jeopardy and the Chargee may appoint a receiver of such property or assets in accordance with this security.

2.6 Decrystallisation of Floating Charge

The Chargee may at any time by notice in writing to the Chargor convert the charge herein created from a fixed charge into a floating charge as regards any asset or assets specified in such notice and upon such notice being received by the Chargor this Charge as regards such specified asset or assets shall immediately become and operate as a floating charge subject to the provisions hereof and shall cease to be a fixed charge over such specified asset or assets.

3 PAYMENT OF MONEY

3.1 Payment of Secured Moneys

The Chargor will pay to the Chargee all of the Secured Moneys whether the liability to the Chargee:

- 3.1.1 is actual or contingent;
- 3.1.2 arose before or arises after the execution of this security;
- 3.1.3 is pursuant to this security, any Collateral Security, any loan agreement or agreement of any other kind.

The Chargor's covenants contained in this clause apply to every accommodation provided by the Chargee to the Chargor or any third parties or to any person at the request of the Chargor and/or any third parties.

3.2 Payment on Demand

The Secured Moneys will be payable to the Chargee at the times and in the manner provided by any agreement under which they are payable or on demand if no such time or manner is provided.

3.3 Payment of Interest

The Chargor will pay interest to the Chargee on all principal moneys owing from time to time and secured by this Charge as agreed by the parties.

4 COVENANTS CONCERNING INSURANCES

4.1 Insurances

The Chargor shall insure all Insurable Property against:

- 4.1.1 any loss theft or damage and destruction;
- 4.1.2 any loss including without limiting the generality of the foregoing loss of rent income capital or other revenue derived from the Insurable Property caused by or contributed to by any loss theft damage or destruction of the Insurable Property or any other event; and
- 4.1.3 any liability from time to time of the Chargee or the Chargor in respect of the ownership use or occupation of the Insurable Property.

4.2 Policies of Insurance

All policies of insurance shall:

- 4.2.1 be taken out with an insurer approved by the Chargee;
- 4.2.2 be taken out in the names of the Chargee and the Chargor;
- 4.2.3 insure the Chargor's and the Chargee's respective insurable interests;
- 4.2.4 be for such amounts and cover such risks and contain such terms and conditions as the Chargee requires; and
- 4.2.5 not be varied without the written consent of the Chargee.

4.3 Full Replacement Value

All insurance against loss theft or damage or destruction of the Insurable Property shall unless the Chargee otherwise agrees in writing, be for the full replacement value thereof from time to time.

4.4 Production of Policy

All documents relating to insurance, including without limiting the generality of the foregoing, the policies relating thereto, all renewal certificates, certificates of currency and endorsement slips, shall be delivered by the Chargor to the Chargee immediately upon receipt by the Chargor.

4.5 Assignment

As further and better security, the Chargor hereby assigns to the Chargee the Chargor's right title and interest in any insurance of Insurable Property and all moneys which are now or which hereafter become owing to the Chargor prospectively contingently or otherwise by any insurer under such insurance.

4.6 Maintenance of Insurance

The Chargor shall:

- 4.6.1 maintain all insurance;

- 4.6.2 duly and punctually pay or cause to be paid all premiums and other moneys payable under, and perform observe and fulfill the terms of, all Insurances;
- 4.6.3 produce to the Chargee the policy of Insurance and the receipts for the payment of each premium and all other moneys payable in respect of each policy (or other evidence of payment satisfactory to the Chargee) at least fourteen days before the due date for renewal thereof; and
- 4.6.4 ensure that every policy of Insurance:
 - (a) contains an agreement by the insurer that, notwithstanding the lapse of any such policy (except by reason of expiration in accordance with its terms) or any right of cancellation of the insurer or any cancellation by the Chargor whether voluntary or involuntary, such policy shall continue in force for the benefit of the Chargee for at least 30 days after written notice of such cancellation has been sent by certified mail to the Chargee and that no reduction in limits or coverage in any such policy or part thereof shall be effected except with the prior written approval of the Chargee; and
 - (b) insures the Chargee's interest up to the limits of the policy regardless of any breach or violation by the Chargor of any warranties, declarations or conditions contained in such policy.

4.7 Disclosure

The Chargor shall before entering into any insurance disclose to the proposed insurer all facts material to the insurer's risk thereunder.

4.8 No Liability

The Chargee shall not incur any liability to the Chargor arising out of any failure by the Chargee to effect or renew any insurance nor shall the Chargee incur any liability arising out of any failure by the insurer for any reason to meet any claim under any insurance.

4.9 Option as to Payments

If any part of the Insurable Property is lost stolen damaged or destroyed the sum received under any insurance shall at the option of the Chargee be applied:

- 4.9.1 towards the replacement or repair of such Insurable Property; and/or
- 4.9.2 in or towards repayment or reduction of the Secured Moneys.

4.10 Moneys Paid to Chargor

If any moneys payable under any insurance come into the hands of the Chargor those moneys shall be paid to the Chargee immediately and until payment to the Chargee shall be held by the Chargor in trust for the benefit of the Chargee.

4.11 Not Prejudice Insurances

The Chargor shall not cause or permit anything to be done which may:

- 4.11.1 render any part of any insurance void voidable or otherwise unenforceable;
- 4.11.2 hinder or prevent the Chargor or the Chargee from recovering any moneys in respect of any insurance; or
- 4.11.3 cause the premiums and other moneys payable to any insurer to be increased.

5 CHARGOR'S OBLIGATIONS

5.1 Compliance with Statutes

The Chargor must duly and punctually observe and comply with all statutes, regulations, ordinances and by-laws and all orders and notices from any statutory or other authority in respect of any property and assets charged by this security in respect of the carrying on of any activity thereon including (without limiting the generality) those which are of an environmental or anti-pollution nature.

5.2 Conduct of Business

The Chargor must conduct its business in a proper and efficient manner and must keep proper books of account in relation to its business.

5.3 Books of Account

The Chargor must give to the Chargee such information as is required by the Chargee relating to the business of the Chargor and the Property and assets charged by this security and must make its books of account available for inspection by the Chargee at all reasonable times.

5.4 Prior Securities

The Chargor must duly and punctually pay all moneys payable and secured under any security taking priority to this security and must duly and punctually observe and comply with all covenants and conditions of such other security which are to be observed or performed by the Chargor.

5.5 Indemnity

The Chargor must indemnify the Chargee against all loss or liability arising from any breach of any of the Chargor's obligations under or pursuant to this security.

5.6 Performance of Obligations

If the Chargor defaults in the performance or observance of any of its obligations under or pursuant to this security the Chargee may (but will not be obliged to) and without prejudice to any other rights, powers or remedies of the Chargee pay any such moneys as may be due and payable by the Chargor under any of such obligations or perform or observe any of such obligations AND all moneys so paid or expenses so incurred by the Chargee will be Secured Moneys and will be payable by the Chargor to the Chargee on demand and will bear interest to accrue from day to day at the rate (or highest rate if more than one) agreed between the parties.

5.7 Security Interests

5.7.1 If the Chargee requires, the Chargor must enter into an agreement acceptable to the Chargee regulating the priority between this charge and any other Security Interest in the Property.

5.7.2 The Chargor must:

- (a) not increase the amount secured under any other Security Interest in the property without the Chargee's consent; and
- (b) comply with any obligation in connection with any other Security Interest in the Property.

6 EVENTS OF DEFAULT

6.1 Events of Default

Each of the following is an event of default (whether or not caused by anything outside the control of the Chargor):-

- 6.1.1 the Chargor makes default in the payment of any of the Secured Moneys or fails to observe or perform any of the covenants or obligations on its part contained in this or any Collateral Security;
- 6.1.2 a representation, warranty or statement made or deemed to be made by the Chargor in this security is untrue or misleading in any material respect;
- 6.1.3 the Chargor without the prior consent in writing of the Chargee creates or purports or attempts to create any charge or mortgage over the whole or any part of the Property or assets charged by this security or any Collateral Security;
- 6.1.4 the Chargor enters into any compromise or arrangement with its creditors;
- 6.1.5 an order is made or an effective resolution is passed for the winding up of the Chargor or a meeting is summoned or convened for the purpose of considering such a resolution;
- 6.1.6 the Secured Moneys or any part thereof are in the reasonable opinion of the Chargee applied for any purpose other than the purpose for which the same were advanced or provided by the Chargee or any works for which the same were advanced are not carried out and performed in a manner satisfactory to the Chargee or are not carried out or performed with due expedition;
- 6.1.7 this security is void, voidable or otherwise unenforceable by the Chargee or is claimed to be so by the Chargor;
- 6.1.8 the Chargor sells, assigns or transfers the whole or any part of its undertaking or assets or attempts to do so otherwise than in the ordinary course of its business without the prior consent in writing of the Chargee or there is a change in the Effective Control of the Chargor;
- 6.1.9 possession or control of the Property of the Chargor or any part thereof is taken by an encumbrancer or a person appointed by an encumbrancer;
- 6.1.10 a receiver or receiver and manager is appointed in respect of the Chargor or any of its property;
- 6.1.11 the Chargor is deemed to be, or states that it is unable to pay its debts when they fall due;
- 6.1.12 an administrator (as defined by the *Corporations Act 2001*) of the Chargor is appointed;
- 6.1.13 the Chargor passes a resolution (without the prior consent in writing of the Chargee) that any part of its share the Chargee which has not already been called up shall not be capable of being called up except in the event and for the purposes of the winding up of the Chargor;
- 6.1.14 the Chargor is carrying on business at a loss and in the reasonable opinion of the Chargee the further carrying on by the Chargor will endanger this security;
- 6.1.15 the Chargor without the prior written consent of the Chargee offers for sale or sells, factors, alienates, charges or parts with possession or disposes of all or any of the book debts of the Chargor;

- 6.1.16 the Chargor without the prior consent of the Chargee makes any alteration to its Constitution which in the reasonable opinion of the Chargee might detrimentally affect the interest of the Chargee;
- 6.1.17 the Chargor or the Chargor stops payment or without the prior consent in writing of the Chargee ceases or threatens to cease to carry on its business or a substantial part of its business;
- 6.1.18 the bankruptcy of the Chargor;
- 6.1.19 the Chargor is deemed to be, or states that it is unable to pay its debts when they fall due;
- 6.1.20 default is made in payment as and when due of any moneys payable under any mortgage, charge or encumbrance upon property or assets charged by this security whether ranking in priority to or pari passu with or subsequent to this security;
- 6.1.21 an event described in Section 461 of the Corporations Act 2001 occurs in respect of the Chargor.

6.2 Rights of The Chargee

Upon the happening of any Event of Default the Chargor will be in default under this security and the Secured Moneys will immediately become due and payable and the charge created by this security will immediately become enforceable without the need for any notice or demand and notwithstanding any delay or previous waiver by the Chargee.

7 APPOINTMENT OF RECEIVER

7.1 Appointment

At any time after the happening of an Event of Default the Chargee, by notice in writing signed by any officer of the Chargee, may appoint any qualified person to be a Receiver of the Property and assets charged by this security or any part thereof and may remove any Receiver and appoint another Receiver in his place and fix the remuneration of any such Receiver and determine the conditions upon which he shall hold office.

7.2 Agent of the Chargor

Every Receiver appointed by the Chargee will be the agent of the Chargor and the Chargor alone will be responsible for his acts and defaults and such a receiver will without any consent on the part of the Chargor have power:

- 7.2.1 to take possession of, collect and get in the whole or any part of the Property and assets charged by this security;
- 7.2.2 to take or grant or assign or surrender or accept surrenders of leases in the name of the Chargor or otherwise of the whole or any part of the Property and assets charged by this security which leases may be from year to year or for any term of years or for any term less than a year at such rent and upon such terms and conditions as such Receiver may think expedient;
- 7.2.3 to carry on or concur in carrying on the business of the Chargor and to make and effect all repairs, purchases and insurances and to do all acts which the Chargor might do in the ordinary conduct of its business for the protection or improvement of the Property and assets charged by this security or for obtaining income or returns therefrom;

- 7.2.4 to borrow any moneys which in the opinion of the Receiver may be required for any of the purposes mentioned in this clause and in the name of the Chargor or otherwise to secure any moneys so borrowed by mortgage or charge over the Property and assets charged by this security or any part thereof and so that such mortgage or charge may rank in priority to or pari passu with or after the charge hereby created;
- 7.2.5 without prejudice to the powers conferred by the preceding sub-clause to borrow moneys from the Chargee for the purpose of carrying out any of the powers herein contained or conferred on the Receiver by law but so that unless otherwise agreed by the Chargee any moneys so borrowed will be deemed to have been borrowed by the Chargor on the security of the charge hereby created and will carry interest accordingly and will form part of the Secured Moneys provided that the provisions of this sub-clause will be without prejudice to any greater priority which may be conferred by law in respect of the moneys so borrowed, and the Chargee will not be bound to enquire as to the need for such borrowing and will not be responsible for the application, mis-application or non-application of the moneys so borrowed;
- 7.2.6 to sell or concur in selling all or any of the Property and assets charged by this security either by public auction or by private treaty or by tender or by way of hire purchase agreement and either for cash or on credit and upon such other terms and conditions as the Receiver may consider expedient and by deed or other instrument in the name and on behalf of the Chargor or otherwise to convey and assure the same to any purchaser;
- 7.2.7 to employ and appoint managers, officers, solicitors, attorneys, agents, auctioneers, workmen and servants for all or any of the purposes hereof at such remuneration as the Receiver thinks fit and to confer on or delegate to any such persons all or any of the powers, authorities and discretions hereby conferred;
- 7.2.8 to make any arrangements or compromises which the Receiver thinks expedient in the interest of the Chargee;
- 7.2.9 to give receipts for all moneys and other assets which may come to the hands of the Receiver in exercise of any power hereby conferred and such receipts will be sufficient discharge therefore and any person paying or handing over any such moneys or other assets will not be concerned to see to the application thereof;
- 7.2.10 to carry out and enforce a specific performance of or otherwise obtain the benefit of all contracts entered into or held by the Chargor or entered into in exercise of the powers or authorities hereby conferred;
- 7.2.11 to make debtors insolvent or bankrupt and to wind up companies and to do all things in connection with any insolvency, bankruptcy or winding up which the Receiver thinks necessary for the recovery or protection of the Property and assets charged by this security or for the security of the Chargee;
- 7.2.12 to take proceedings at law or in equity in the name of the Chargor or otherwise for all or any of the aforesaid purposes;
- 7.2.13 to do all things necessary to perform or observe any of the covenants on the part of the Chargor contained in this security;
- 7.2.14 to compel the execution by the Chargor or the liquidator thereof of any contracts, transfers, mortgages, deeds, documents and things as may be considered by the Receiver to be desirable for the purpose of effectuating any sale, disposition or mortgage or agreement made by the Receiver under the powers conferred by this security or by law;

- 7.2.15 to exercise all the powers of the Chargor and all the powers of the governing body of the Chargor;
- 7.2.16 to do all such other acts and things without limitation as the Receiver thinks expedient in the interests of the Chargee;
- 7.2.17 to do all or any of the things or exercise all or any of the powers aforesaid in the name of the Chargor or otherwise whether a Receiver is or is not appointed as aforesaid it will be lawful for the Chargee at any time after the happening of any Event of Default and without the need for any demand or notice to exercise all or any of the powers, authorities and discretions conferred on a Receiver by this security. A reference to a notice under this clause includes any notice under the PPSPA (including a notice of a verification statement).

If such a requirement under clause 7.2.17 cannot be excluded, but the law provides that a period of notice or lapse of time may be stipulated or fixed by this charge, then it is stipulated and fixed as being either one day or the minimum period that the law requires.

7.3 Moneys Received

All moneys received by any Receiver or by the Chargee under or by virtue of this security will be applied in the following manner:

- 7.3.1 in payment of all rents, rates, taxes and other outgoings having priority to the charge hereby created or which such Receiver or the Chargee thinks fit to pay;
- 7.3.2 in keeping down all annual sums or other payments (if any) and the interest on all principal sums (if any) having priority to the charge created by this security;
- 7.3.3 in payment of all costs, charges, expenses and outgoings properly incurred or incidental to the exercise or performance or attempted exercise or performance of any of the powers or authorities conferred by this security and with such costs in the case of legal costs being charged as between solicitor and own client;
- 7.3.4 in payment of the remuneration of the Receiver;
- 7.3.5 in payment to the Chargee of the Secured Moneys;
- 7.3.6 the surplus (if any) will belong to the Chargor but such surplus will not carry interest.

7.4 Receiver Attorney of Chargor

The Chargor for valuable consideration hereby irrevocably appoints any Receiver appointed by the Chargee as the attorney of the Chargor for the purpose of enabling him in the name and on behalf of the Chargor to sign or sign, seal and deliver all such conveyances, transfers, mortgages, leases, instruments, notices, agreements and other documents and to take all such steps and proceedings and to do all such acts and things as may in the opinion of the Receiver be necessary or expedient for carrying into effect or facilitating anything done or proposed to be done by the Receiver in exercise of any of the powers conferred on him under or by virtue of this security.

7.5 Receiver not Liable

Neither any Receiver appointed by the Chargee nor the Chargee will be answerable or accountable for any involuntary losses of any kind which may happen in or about the exercise or execution of any of the powers or authorities herein contained and will not by reason of such Receiver or the Chargee entering into possession of the Property and assets charged by this security or any part thereof be liable to account as Chargee in

possession or for anything except actual receipts or be liable for any loss upon realisation or for any default or omission for which a Chargee in possession might be liable and every Receiver appointed under this security will be deemed as regards responsibility for loss damage or misconduct to be the agent of the Chargor which will be solely responsible for his actions and defaults.

7.6 Indemnity

Every receiver, attorney, manager, agent or other person appointed by the Chargee under this security and the Chargee will be entitled to be indemnified out of the Property and assets charged by this security in respect of all liabilities and expenses incurred by them, it or him in the execution or purported execution of the powers, authorities or discretions vested in them, it or him pursuant to this security including liabilities and expenses consequent on any mistake, oversight, error of judgment or want of prudence on the part of the Chargee or any such appointee (unless the same amounts to wilful or gross negligence) and against all actions, proceedings, costs, claims and demands in respect of any matter or thing done or omitted in any way relating to the Property and assets charged by this security and the Chargee may retain and pay out of any money in its hands arising from the provisions of this security all sums necessary to effect such indemnity.

8 THE CHARGEES POWERS

8.1 Exercise of Power

Notwithstanding that a Receiver has or has not been appointed it shall be lawful for the Chargee at any time after the happening of any Event of Default or after the Secured Moneys have become payable pursuant to the provisions of this charge or any agreement and without giving any notice to exercise all or any of the powers conferred on a Receiver or which would be conferred on a Receiver if appointed by this charge as if the same had been expressly conferred on the Chargee and the Chargee may itself exercise such powers authorities and discretions and/or may appoint an agent or joint and/or several agents for that purpose. When any such agent(s) are appointed the Chargee may:

- 8.1.1 fix the remuneration of such agent(s) upon the same basis that such agent(s) would have been entitled to remuneration if appointed as Receiver(s) pursuant to the provisions of clause 6.1 or otherwise pay the reasonable charges of such agent(s);
- 8.1.2 withdraw the appointments of any such agent(s); and
- 8.1.3 in the case of the removal retirement or death of any such agent(s) may appoint another person or persons in its place.

8.2 Act Jointly

The Chargee or the Receiver may exercise any of the powers conferred upon the Chargee or the Receiver in conjunction with the exercise of similar powers by any other encumbrancee of the Property charged by this Charge or part thereof or by any receiver appointed by such other encumbrancee and may enter into and give effect to such agreements and arrangements with such other encumbrancee or receiver as the Chargee or the Receiver thinks fit.

8.3 Consequences

In addition to any other rights provided by this Charge or any other Transaction Document, at any time after an Event of Default, whether or not it is continuing, the Chargee may do all or any of the following:

- 8.3.1 by notice to the Chargor declare the Secured Moneys immediately payable;
- 8.3.2 by notice to the Chargor terminate any obligation of the Chargee under any Transaction Document to provide advances or financial accommodation;
- 8.3.3 to the extent permitted by law, without notice, exercise powers expressed to be exercisable following an Event of Default; or
- 8.3.4 at the cost of the Chargor, appoint a firm of independent accountants or other experts to review and report to the Chargee on the affairs, financial condition and business of the Chargor. The Chargor shall do everything in its power to ensure the review and report can be carried out promptly, completely and accurately. Without limitation it will co-operate fully with the review and ensure that the accountants and experts are given access to all premises and records of the Chargor and given all information concerning the Chargor which they require from time to time. It will ensure that where the Chargor is a company that its officers and employees do the same.

9 GENERAL

9.1 Warranty as to Assets

The Chargor warrants that it has good right to charge the Property and assets charged by this security free from encumbrances other than other securities already held by the Chargee (if any).

9.2 Perfect Security

The Chargor must at its own expense do all things and execute all documents reasonably required by the Chargee for more perfectly assuring to the Chargee the Property and assets charged by this Charge.

9.3 Stamp Duty and Charges

The Chargor will indemnify the Chargee against any stamp duty or any duty or tax payable in respect of this Charge or any loan or other transaction hereby secured or in connection with the receipt of any moneys by the Chargee under or pursuant to this Charge.

9.4 Completion of Instruments

The Chargee will be at liberty at any time to complete in favour of the Chargee or any appointee of the Chargee or any purchaser under the powers given by this Charge all instruments of whatever nature executed by or on behalf of the Chargor in blank and deposited with the Chargee as collateral security to this security.

9.5 No Enquiry

In relation to the exercise of any power or authority contained in or implied by this Charge no person dealing with the Chargee or any attorney or Receiver appointed by the Chargee will be bound to enquire whether any Event of Default has happened or otherwise as to the propriety or regularity of the exercise of such power or authority and notwithstanding any impropriety or irregularity therein such exercise will as far as regards the safety and protection of such person be deemed to be valid and effectual and the remedy of the Chargor in respect of any impropriety or irregularity will be in damages only.

9.6 Settlement of Claims

In the event of loss or damage by fire or otherwise the Chargee alone with have the power to make, enforce and compromise any claim in respect of every insurance and to sue for, recover, receive and give discharges for all insurance moneys whether the policy is in the name of the Chargee or Chargor or both and whether or not the same covers other property as well as the Property and assets charged by this security or part thereof and every such policy and the insurance moneys payable thereunder will be held by the Chargee as further security for the Secured Moneys.

9.7 Moneys Received

In applying the purchase money to arise from any sale by the Chargee or any Receiver appointed by the Chargee towards satisfaction of the Secured Moneys the Chargor will be credited only with so much of the said money available for that purpose as is actually received in cash by the Chargee and such credit will date from the time of such receipt.

9.8 Amounts Due

A statement in writing signed by the Chargee as to the amount of the Secured Moneys at the date mentioned in such statement will be prima facie evidence that such amount is so due or owing or secured.

9.9 Inspection

It will be lawful for the Chargee or any person authorised by or on behalf of the Chargee to enter upon any of the Property or assets charged by this security at all reasonable times to inspect the state of repair and condition thereof and to inspect and take copies of or extracts from all books of account, vouchers and other documents relating in any way to the business transactions of the Chargor.

9.10 No Merger

Neither the taking of this security nor anything herein implied will be held to merge, discharge or prejudice any other security now held or hereafter taken by the Chargee for payment of any of the Secured Moneys or affect any claim or demand which the Chargee now has or may hereafter have against any other person as surety or otherwise nor will any other security now held or hereafter taken by the Chargee abate or prejudice the powers and provisions herein contained and this security will be a continuing security notwithstanding any settlement of account, intervening payment or other matter or thing whatsoever until a final discharge hereof has been given to the Chargor.

9.11 Judgments or Orders

Despite any judgment or order which the Chargee may hereafter recover against the Chargor in respect of any of the Secured Moneys or any part thereof the Chargee will hold such judgment or order collaterally with this security as security for the due payment of the moneys for the time being owing under any such judgment or order (with interest thereon at the rate herein provided) and this security will not merge in any such judgment or order.

9.12 No Waiver

This security may be enforced despite the acceptance of interest by the Chargee after any default and notwithstanding any previous or other default and without the need of any notice to or of any further consent or concurrence on the part of the Chargor.

10 THE CHARGEES AS ATTORNEY

10.1 Appointment

The Chargor irrevocably appoints the Chargee its attorney with the right at any time:

- 10.1.1 to perform the obligations of the Chargor under this security;
- 10.1.2 to do everything which in the attorney's opinion is necessary or expedient to enable the exercise of any right of the Chargee or any Receiver in relation to this security;
- 10.1.3 if the Property or assets charged by this security or any part thereof is or is proposed to be the subject of any dealing which will or may have a material adverse effect upon the ability of the Chargor to perform its obligations under this document, to do any thing in relation to the Property and assets charged by this security or any part thereof to prevent or delay that material adverse effect;
- 10.1.4 to appoint substitutes and otherwise delegate its rights including this right of delegation AND the Chargor irrevocably appoints the Chargee its attorney with the right at any time after an Event of Default has occurred to do everything that the Chargor may lawfully authorise an agent to do in respect of the Property and assets charged by this security.

10.2 Exercise of Rights

An attorney may exercise his rights notwithstanding that the exercise of the right constitutes a conflict of interest or duty and the Chargor will ratify any exercise of a right by an attorney.

10.3 Valuable Consideration

Any Power of Attorney pursuant to this security is granted for valuable consideration receipt of which is acknowledged by the Chargor and to secure the performance of the obligations of the Chargor to the Chargee under this security.

11 CHARGOR AS SURETY

Notwithstanding that as between the Chargor and any third party the Chargor is a surety for that third party, it is agreed that as between the Chargor and the Chargee, the Chargor will be deemed to be a principal debtor to the Chargee for all Secured Moneys or by any Collateral Security charged by this security will be a principal and not a collateral security it being intended that the obligations and liability of the Chargor will be absolute and unconditional in any and all circumstances so that the Chargor will not be released by time or any other indulgence or concession being given to any third party or by any variation of the provisions of this security or any Collateral Security or by the bankruptcy or winding up of any other party or by any other thing whatsoever whereby the Chargor would have been so released but for this provision.

12 TRUSTEE PROVISIONS

12.1 Chargor as Trustee

The provisions set out in this clause will apply in any case where the Chargor is the trustee of any trust (hereinafter called "the Trust") and when used in this clause the expression "the Trust Deed" will include the original deed constituting the Trust and every deed (if any) supplemental thereto.

12.2 Capacity of Chargor

A reference in this Charge to "the Chargor" is a reference to the Chargor in its own capacity and also in its capacity as trustee of the Trust and the covenants and agreements of the Chargor under or pursuant to this Charge will bind the Chargor in its own right as well as in its capacity as trustee of the Trust.

12.3 Property of the Chargor

A reference to the Property and assets of the Chargor is a reference to the same whether owned or to be owned by the Chargor in its own right or whether held by the Chargor as trustee of the Trust and all of the same are and will be charged to the Chargee.

12.4 Chargor's Warranties

The Chargor warrants that:-

- 12.4.1 the Chargor is the sole trustee of the Trust;
- 12.4.2 the Chargor has power under the Trust Deed to execute this security and perform its obligations thereunder and any necessary action has been taken to authorise the execution of this security under the Trust Deed;
- 12.4.3 this security is executed and all transactions secured by this security are or will be entered into as part of the due and proper administration of the Trust;
- 12.4.4 the Chargor has a right to be fully indemnified out of the Property or assets of the Trust which right is not restricted or limited in any way;
- 12.4.5 the Chargor is not in breach or default of its duties and obligations under the Trust Deed.

12.5 Chargor's Obligations

Despite anything contained in this Charge the Secured Moneys will become forthwith payable to and recoverable by the Chargee (and notwithstanding any delay or previous waiver of the provisions of this clause by the Chargee) and the Chargor will pay the same on demand by the Chargee if, without the prior written consent of the Chargee, the Chargor:-

- 12.5.1 retires, resigns or is removed as trustee of the Trust;
- 12.5.2 causes or permits or suffers any amendment, variation or revocation of the Trust Deed;
- 12.5.3 causes or permits or suffers the appointment of any new or additional trustee of the Trust;
- 12.5.4 causes or effects or permits or suffers any resettlement, setting aside, sale, transfer, alienation, assignment or abandonment of any of the Property or assets held on the trusts of the Trust Deed;
- 12.5.5 causes or permits or suffers the determination of the vesting date under the provisions of the Trust Deed;
- 12.5.6 causes or permits or suffers any breach or default of the duties and obligations on the Chargor's part contained in the Trust Deed;
- 12.5.7 causes or effects or creates or suffers or permits any restriction or limitation on the Chargor's right of indemnity whether arising under the Trust Deed or otherwise;
- 12.5.8 makes any distribution of capital of the Trust and without limiting the generality of the foregoing pays or applies any amount being part of the capital of the Trust or any of the Property or assets held on the trusts of the Trust Deed to any beneficiary of the Trust.

13 NO PPSA NOTICE REQUIRED UNLESS MANDATORY

The Chargee need not give any notice under the PPSA (including a notice of a verification statement) unless the notice is required by the PPSA and cannot be excluded.

14 MISCELLANEOUS

14.1 Notices

Any notice, demand, certification or other communication under this Charge must be given in writing and may be given by an authorised representative of the sender.

14.2 Method of Giving Notices

A notice, demand, certification or other communication required or permitted to be given by one party to another under this Charge is treated as being duly given if it is:

- 14.2.1 left at that party's address;
- 14.2.2 sent by pre-paid mail to that party's address; or
- 14.2.3 transmitted by facsimile to that party's address.

14.3 Time of Receipt

A notice, demand, certification or other communication given to a party in accordance with this clause is treated as having been duly given and received:

- 14.3.1 when delivered (if it is left at that party's address);
- 14.3.2 on the third business day after posting (if it is sent by pre-paid mail);
- 14.3.3 on the business day of transmission (if it is sent by facsimile to the facsimile number of that party and no intimation is received that the notice has not been received, whether that intimation comes from that party or from the operation of facsimile machinery or otherwise).

14.4 Address for Service

For the purposes of this clause the address of a party is its address shown in this security or its registered office or principal place of business in Queensland as notified from time to time to the Australian Securities and Investments Commission.

14.5 Costs and Expenses

The Chargor shall pay, and if paid by the Chargee, reimburse to the Chargee:

14.5.1 The Chargee's reasonable costs and expenses relating to:

- (a) stamping and registration of this document or any document contemplated by it;
- (b) any consent, request for consent, communication, waiver of any right, or the variation, replacement or discharge of this document, or any collateral security or any document contemplated by them;
- (c) the exercise or attempted exercise or the preservation of any rights of the Chargee under this document and/or any collateral security;

14.14 Jurisdiction

This Charge is to be governed by and construed in accordance with all applicable Queensland laws and the parties must submit to the non-exclusive jurisdiction of the Queensland Courts.

EXECUTED as a DEED

EXECUTED as a DEED by PEREGIAN)
BEACH PTY LTD ABN 22 127 412 864 in)
 accordance with section 127 of the)
Corporations Act 2001.)

Sole Director / Secretary

STOCKLAND NORTH LAKES PTY LTD)
ABN 99 068 244 762 by its duly)
 constituted Attorney)

under Power of Attorney No. _____)
 in the presence of:)

Attorney

Witness

SMV-24

QUEENSLAND LAND REGISTRY

TRANSFER

FORM 1 version 5



714235916

\$7135.40

22/12/2011 16:32

BE 200

Client No: 1051951	Duty Paid \$1266.69	Exempt
Transaction No: 504-153-8701	UTIS	
Date: 22/12/11	Signed: [Signature]	

1. **Interest being transferred** (if shares show as a fraction)
Fee simple

Lodger (Name, address, E-mail & phone number) **Lodger Code**
SHANDTAYLOR LAWYERS BE 196A

Note: A Form 24 - Property Information (Transfer) must be attached to this Form where interest being transferred is "fee simple" (Land Title Act 1994), "State leasehold" (Land Act 1994) or "Water Allocation" (Water Act 2000)

2. Lot on Plan Description	County	Parish	Title Reference
LOT 74 on SP 236546	STANLEY	REDCLIFFE	50848722
3. Transferor	STOCKLAND NORTH LAKES PTY LTD ACN 068 244 762		
4. Consideration	\$2,685,537.02		
5. Transferee	Given names	Surname/Company name and number	(Include tenancy if more than one)
		PEREGIAN BEACH PTY LTD	
		ACN 127 412 864	

6. **Transfer/Execution** The Transferor transfers to the Transferee the estate and interest described in item 1 for the consideration and in the case of monetary consideration acknowledges receipt thereof. The Transferor declares that the information contained in items 3 to 6 on the attached Form 24 is true and correct. The Transferee states the information contained in items 1, 2, 4 to 6 on the attached Form 24 is true and correct. Where a solicitor signs on behalf of the Transferee the information in items 1, 2, 4 to 6 on Form 24 is based on information supplied by the Transferee.

NOTE: Witnessing officer must be aware of their obligations under section 162 of the Land Title Act 1994.

Separate executions are required for each transferor and transferee. Signatories are to provide to the witness, evidence that they are the person entitled to sign the instrument (including proof of identity).

[Signature]
Maria Skouros
Commissioner for Declarations.....
Registered No. 6148
Witnessing Officer (signature, full name & qualification)

[Signature]
12
15/11/11
Execution Date
STOCKLAND NORTH LAKES PTY LTD ACN 068 244 762 BY ITS DULY CONSTITUTED ATTORNEY Richard Rhydderch UNDER POWER OF ATTORNEY NO. 713523890 WHO DECLARES HE/SHE HAS RECEIVED NO NOTICE OF REVOCATION OF THE POWER OF ATTORNEY
[Signature]
Transferor's Signature

.....
Witnessing Officer (signature, full name & qualification)

22/12/11
Execution Date
[Signature]
Transferee's or Solicitor's Signature
DAVID ANTHONY LOBBEZOO
SOLICITOR

.....
Witnessing Officer (signature, full name & qualification)

.....
Execution Date
*Transferee's or Solicitor's Signature

(Witnessing officer must be in accordance with Schedule 1 of the Land Title Act 1994 eg Legal Practitioner, JP, C Dec)

*Note: A Solicitor is required to print full name if signing on behalf of the Transferee and no witness is required in this instance

SMV-25

(I) QUEENSLAND LAND REGISTRY

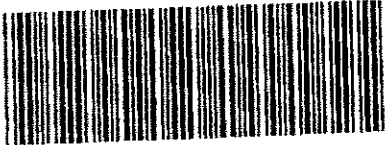
MORTGAGE

FORM 2 Version 4

Land Title Act 1994, Land Act 1994 and Water Act 2000

Duty Imprint

Page 1 of 3



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\$132.50

23/12/2011 11:19

BE 300

website.

1. Interest being mortgaged (if share show fraction) FEE SIMPLE	Lodger (Name, address, E-mail & phone number) Thomsons Lawyers Level 16 Waterfront Place 1 Eagle Street BRISBANE QLD 4000 Ref: RXC/RJE:3329556	Lodger Code 078
2. Lot on Plan Description LOT 74 ON SP 236546	County STANLEY	Parish REDCLIFFE
3. Mortgagor PEREGIAN BEACH PTY LTD ACN 127 412 864	Title Reference 50848722	
4. Mortgages Given names	Surname/Company name and Number THE TRUST COMPANY (PTAL) LIMITED ACN 008 412 913	(include tenancy if more than one)
5. Description of debt or liability secured The Money Secured, as defined by Document no. 704075487		

6. **Covenant/Execution.** The Mortgagor covenants with the Mortgagee in terms of: - ~~*the attached schedule;~~ ~~*attached schedule and standard terms document no.~~ * standard terms document no. 704075487 and charges the estate or interest described in item 1 with the repayment/payment to the Mortgagee of all sums of money referred to in item 5.

* delete if not applicable

NOTE: Witnessing officer must be aware of their obligations under section 162 of the Land Title Act 1994.

Separate executions are required for each mortgagor and mortgagee. Signatories are to provide to the witness, evidence that they are the person entitled to sign the instrument (including proof of identity).

PEREGIAN BEACH PTY LTD ACN 127 412 864

J. Neil
JACQUELINE ANN NEIL
Reg No 120346
Witnessing Officer (signature, full name & qualification)

22/12/2011
Execution Date

[Signature]
DAVID RICHARD HAWES
Sole Director
Mortgagor's Signature

Witnessing Officer (signature, full name & qualification)

Execution Date

Mortgagor's Signature

[Signature]
ROBERTA PAMELA GORLOU, SOLICITOR
Witnessing Officer (signature, full name & qualification)

23/12/2011
Execution Date

[Signature]
*Mortgagee's or Solicitor's Signature
RHONDA LEISACHESMAN
SOLICITOR

Witnessing Officer (signature, full name & qualification)

Execution Date

*Mortgagee's or Solicitor's Signature

(Witnessing officer must be in accordance with Schedule 1 of Land Title Act 1994 eg Legal Practitioner, JP, C Dec)
QUEENSLAND TITLES REGISTRY

*Note: A Solicitor is required to print full name if signing on behalf of the Mortgagee and no witness is required in this instance

Title Reference 50848722

THIS IS THE SCHEDULE REFERRED TO IN ITEMS 5 AND 6 OF THE MORTGAGE DATED 22 / 12 / 2011

1. DEFINITIONS

The Mortgagor acknowledges that in this Mortgage, a reference to 'Loan Amount', 'Fund', 'Constitution', 'LM', and 'Custody Deed' have the meaning given to them in the Deed of Variation between Mortgagee as Lender, the Mortgagor as Borrower and David Richard Hawes, Glenside Group (QLD) Pty Ltd, Lot 111 Pty Ltd, Green Square Property Development Corporation Pty Ltd as Guarantors and Glenside Group Pty Ltd, dated on or about the date of this Mortgage.

2. GENERAL COVENANTS

- 2.1 The provisions of the Document are incorporated in and form part of this Mortgage as if fully set out in this Mortgage.
- 2.2 The Mortgagor must comply with every provision of this Mortgage (including the provisions of the Document).
- 2.3 Before Executing this Mortgage, the Mortgagor received a copy of this Mortgage and the Document and read and understood them.

3. CONSUMER CREDIT LEGISLATION

The Mortgagor declares that the Money Secured has been provided by the Mortgagee wholly or predominantly for business or investment purposes and the Mortgagor warrants that the Consumer Credit Code has no application to the Money Secured or this Mortgage.

4. LIMIT OF LIABILITY – THE MORTGAGEE

4.1 Mortgagee

The Mortgagee enters into this Mortgage, and the other parties to this Mortgage acknowledge that they are aware that the Mortgagee enters into this Mortgage, only in its capacity as custodian of the Fund pursuant to the Custody Deed and in no other capacity and the other parties to this Mortgage are aware of the limited scope of the Mortgagee's obligations and powers under the Custody Deed.

4.2 Liability Limited

A liability arising under or in connection with this Mortgage is limited to and can be enforced against the Mortgagee only to the extent to which it can be satisfied out of the property of the Fund out of which the Mortgagee is actually indemnified for the liability. This limitation of the Mortgagee's liability applies despite any other provision of this Mortgage and extends to all liabilities and obligations of the Mortgagee in any way connected with any representation, warranty, conduct, omission, deed or transaction related to this Mortgage.

4.3 No Right to Appoint or Prove

The parties to this Mortgage other than the Mortgagee may not sue the Mortgagee personally or seek the appointment of a liquidator, administrator, receiver or similar person to the Mortgagee or prove in any liquidation, administration or arrangement of, or affecting, the Mortgagee.

4.4 Limit of Liability Not to Apply

The provisions of this clause 4 do not apply to any obligation or liability of the Mortgagee to the extent that it is not satisfied because under the Fund's Constitution, the Custody Deed, or by operation of law there is a reduction in the extent of the Mortgagee's indemnification out of the assets of the Fund, as a result of the Mortgagee's fraud, negligence or wilful default.

Title Reference 50848722

4.5 Scope of Custody Deed

Despite any other provision of this Mortgage, if any obligation otherwise imposed upon the Mortgagee under this Mortgage is, in the Mortgagee's opinion, inconsistent with, or beyond the scope of the Mortgagee's obligations or powers under the Custody Deed, that obligation, to the extent of that inconsistency or to the extent that it is beyond the scope of the Mortgagee's obligations or powers under the Custody Deed, must be performed by LM in its capacity as the Responsible Entity of the Fund.

4.6 Inconsistency with the Custody Deed

Any failure by the Mortgagee to perform an obligation which it determines is either inconsistent with or beyond its powers and obligations under the Custody Deed will not amount to a breach of or a default under this Mortgage. The Mortgagee's determination as to whether an obligation otherwise imposed upon it under this Mortgage is inconsistent with or beyond the scope of its obligations and powers under the Custody Deed is final and binding on all Parties.

4.6 Future Limitations

The Mortgagee is not obliged to do or refrain from doing anything under this Mortgage (including incur any liability) unless the Mortgagee's liability is limited in the manner satisfactory to the Mortgagee in its absolute discretion.

4.7 Agents

No attorney, agent, receiver or receiver and manager appointed in accordance with this Mortgage and each other Security or otherwise has authority to act on behalf of the Mortgagee in a way which exposes the Mortgagee to any personal liability and no act or omission of any such person will be considered fraud, negligence or wilful default of the Mortgagee for the purpose of clause 4.4.

4.8 Failure by the Mortgagee

A failure by the Mortgagee to comply with, or a breach by the Mortgagee of any of its obligations under this Mortgage will not be considered to be fraud, negligence or wilful default by the Mortgagee if the relevant failure or breach:

- (a) arose as a result of a breach by a person other than the Mortgagee where the performance of the action (the non-performance of which gave rise to such breach) is a precondition to the Mortgagee performing the said obligation; or
- (b) was in accordance with a lawful court order or direction or otherwise required by law.

4.9 Override Provision All of the terms, clauses and conditions of this Mortgage are subject to this clause 4.



SETTLEMENT STATEMENT

VENDOR: STOCKLAND NORTH LAKES PTY LTD ACN 068 244 762
PURCHASER: PEREGIAN BEACH PTY LTD ABN 22 127 412 864
PROPERTY: LOT 74 ON SP 236546
SETTLEMENT DATE: 22 DECEMBER 2011
ADJUSTMENT DATE: 21 DECEMBER 2011

SETTLEMENT FIGURES

Purchase Price	\$2,380,000.00
Plus Additional Dwelling Amount (see below)	<u>\$380,006.00</u>
	\$2,760,006.00
Plus Headworks Adjustment (see below)	<u>\$284,418.50</u>
	\$3,044,424.50
Plus Land Tax Adjustment (see below)	<u>\$10,832.84</u>
	\$3,055,257.34
Plus GST	<u>\$305,525.73</u>
	\$3,360,783.07
Less Deposit	<u>\$47,600.00</u>
Balance Purchase Price	\$3,313,183.07
Instalment owing on Date for Completion	<u>\$803,177.07</u>
Deferred Payment 1 owing on or before 15 February 2012	<u>\$300,000.00</u>
Deferred Payment 2 owing on or before 29 February 2012	<u>\$500,000.00</u>
Deferred Payment 3 owing on or before 30 June 2012	<u>\$1,710,006.00</u>

RATES ADJUSTMENT

No rates adjustment has been made on the basis the rates notice for the Property has not yet issued (as the Property has only recently been subdivided). The parties agree to make the required adjustment when the new rates notice issues in the future. In the event the next rates notice issues to the Vendor, the Vendor will immediately forward this to the Purchaser for full payment by the Purchaser subject to carrying out the necessary adjustment.

LAND TAX ADJUSTMENT

- Relevant unimproved value of the Property as at 30 June 2011 = \$1,043,400.00
- Total Relevant Unimproved value of Vendor's land holdings as at 30 June 2011 = \$119,710,648.00
- Total Land Tax payable in relation to the Vendor's land holdings = \$2,369,212.96

- Land Tax payable in relation to the Property = $\$1,043,400.00 / \$119,710,648.00 \times \$2,369,212.96 = \$20,650.10$

- The Purchaser's share is as follows: -

$$\frac{192 \text{ days}}{366 \text{ days}} \times \$20,650.10 = \underline{\$10,832.84}$$

HEADWORKS

In accordance with clauses 35.3 and 59.3 of the Contract, headworks (water and sewerage) and bulk water supply charges are payable by the Purchaser as follows:-

46.45 ET	x	(\$1,993.00 + \$641.14)	=	\$122,355.80
221.7 EP	x	\$731.00	=	\$162,062.70
TOTAL			=	<u>\$284,418.50</u>

The ET and EP set out above are based on the ET and EP allocated under clause 41.2 of the Contract together with the additional ET and EP allocated under clause 59.3.1 of the Contract to reflect the increased density of apartments.

ADDITIONAL DWELLING AMOUNT

In accordance with clause 59.2 of the Contract, the Purchaser must pay to the Vendor the amount of \$17,273.00 (excluding GST) for each additional dwelling that is permitted to be developed on the Property in excess of 100 dwelling units/ha. The total additional dwelling amount is calculated as follows:-

- Dwellings permitted on the Property on the basis of 100 dwelling units/ha = 70 dwellings
- Dwellings permitted on the Property on the basis of the development permit obtained from Council = 92 dwellings
- Additional dwellings permitted under development permit obtained from Council = 22 additional dwellings
- Additional dwelling amount = $\$17,273.00 \times 22 \text{ additional dwellings} = \underline{\$380,006.00}$

BANK CHEQUES REQUIRED ON DATE FOR COMPLETION

- Stockland Development Pty Limited \$803,177.07 ✓

OTHER ITEMS REQUIRED AT SETTLEMENT

The Purchaser must provide to the Vendor at settlement: -

- the executed and stamped Transfer documents in registrable form;
- the executed Mortgage in registrable form;
- the executed Charge;
- cheque in the amount of \$7,267.90 made payable to "Department of Environment and Resource Management" in respect of the registration fees for the Transfer and Mortgage; ✓
- cheque in the amount of \$144.00 made payable to "ASIC" in respect of the registration fees for the Charge; ✓
and

6. cheque in the amount of \$5,775.00 (inclusive of GST) made payable to "Shand Taylor Lawyers" in respect of the Vendor's legal costs payable for the preparation, negotiation and execution of the Deed of Variation, Mortgage, Charge and Deed of Priority. ✓

The Vendor hereby undertakes to lodge the executed Transfer and executed Mortgage in the Department of Environment and Resource Management immediately upon settlement being completed.

The Vendor must provide to the Purchaser at settlement a tax invoice in respect of the taxable supply.

DEFERRED PAYMENT 1

In accordance with clause 60.1 of the Contract the Deferred Payment 1 of \$300,000.00 is to be paid on or before 15 February 2012.

DEFERRED PAYMENT 2

In accordance with clause 60.1 of the Contract the Deferred Payment 2 of \$500,000.00 is to be paid on or before 29 February 2012.

DEFERRED PAYMENT 3

In accordance with clause 60.1 of the Contract the Deferred Payment 3 of \$1,710,006.00 is to be paid on or before 30 June 2012.

LOCATION OF SETTLEMENT

Department of Environment and Resource Management
Level 11, 53 Albert Street
Brisbane Qld 4000

TIME OF SETTLEMENT

4.15pm

SMV-27

PRIORITY AND SUBORDINATION DEED

THE TRUST COMPANY (PTAL) LIMITED ACN 008 412 913 AS CUSTODIAN
FOR THE AUSTRALIAN INCOME FUND - CURRENCY PROTECTED ARSN
133 497 917

LM INVESTMENT MANAGEMENT LIMITED ACN 077 208 461

THE TRUST COMPANY (PTAL) LIMITED ACN 008 412 913 AS CUSTODIAN
FOR THE LM MANAGED PERFORMANCE FUND

PEREGIAN BEACH PTY LTD ACN 127 412 864

DAVID RICHARD HAWES

GLENSIDE GROUP (QLD) PTY LTD ACN 144 620 093

MONAGHAN LAWYERS

PO Box 315, Surfers Paradise Qld 4217
Level 4, 9 Beach Road, Surfers Paradise Qld 4217
P 5584 4550 F 5592 2505
E admin@monaghanlawyers.com.au

This Deed is dated the 25th day of June 2012

BETWEEN: The Trust Company (PTAL) Limited ACN 008 412 913 as custodian for the LM Australian Income Fund – Currency Protected ARSN 133 497 917 c/- Level 4, 9 Beach Road, Surfers Paradise Qld 4217 ("First Mortgagee")

AND: LM Investment Management Limited ACN 077 208 461 of Level 4, 9 Beach Road, Surfers Paradise Qld 4217 ("LM")

AND: The Trust Company (PTAL) Limited ACN 008 412 913 as custodian for the LM Managed Performance Fund c/- Level 4, 9 Beach Road, Surfers Paradise, QLD 4217 ("Second Mortgagee")

AND Peregrine Beach Pty Ltd ACN 127 412 864 c/- Rhodes Docherty & Co, Suite 202, 164A Mona Vale Road, St Ives NSW 2075 ("Security Provider")

AND David Richard Hawes 10 Glenside Street, Balgownie Heights NSW 2093 ("Security Provider")

AND Glenside Group (Qld) Pty Ltd ACN 144 620 093 Suite 2, 23 Narabang Way, Belrose, NSW, 2085 ("Security Provider")

WHEREAS:

- A. The Security Providers have executed the First Mortgagee Securities to secure to the First Mortgagee the payment of money and the performance of obligations.
- B. The Security Providers have executed the Second Mortgagee Securities to secure to the second Mortgagee the payment of money and the performance of obligations.
- C. The parties have agreed to execute this Deed in order to regulate the priorities which shall apply as between the First Mortgagee Security and the Second Mortgagee Security.

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

These meanings apply unless the contrary intention appears:

Authorised Officer means:-

- (a) in respect of a Security Provider, any director or company secretary, or any person from time to time nominated by the Security Provider by a notice to the First Mortgagee, as an authorised officer to sign notices or documents in connection with any of the Deed, such notice to be accompanied by specimen signatures of those persons so appointed; and
- (b) in respect of LM or a Financier, any person whose title or office includes the word Director, Associate Director, Manager or Company Secretary or cognate expressions or any person from time to time nominated as an authorised officer by LM or a Financier.

Borrower means Peregrine Beach Pty Ltd ACN 127 412 864.

Business Day means a day other than Saturday, Sunday or other day on which the Lender or trading banks generally are closed or obliged to close in Gold Coast, Queensland.

Custody Agreement means the custody agreement between the First Mortgagee and LM dated 4 February 1999.

Encumbrance means any:

- (a) security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement; or

- (b) right, interest or arrangement which has the effect of giving another person a preference, priority or advantage over creditors including any right of set-off; or
- (c) right that a person (other than the owner) has to remove something from land (known as a profit à prendre), easement, public right of way, restrictive or positive covenant, lease, or licence to use or occupy; or
- (d) third party right or interest or any right arising as a consequence of the enforcement of a judgment,

or any agreement to create any of them or allow them to exist.

Financier means either the First Mortgagee or the Second Mortgagee.

Financiers' Debts means the total at any time of:

- (a) all monetary obligations which at that time are secured under the First Mortgagee Securities; and
- (b) all monetary obligations which at that time are secured under the Second Mortgagee Securities.

First Mortgagee means The Trust Company (PTAL) Limited ACN 008 412 913 as Custodian for the Australian Income Fund – Currency Protected ARSN 133 497 917.

First Mortgagee Debt means all amounts that: at any time; for any reason or circumstance in connection with the First Mortgagee Loan Agreement or any Transaction Document (as defined therein) or this Deed (including transactions in connection with them); whether at law or otherwise; and whether or not of a type within the contemplation of the parties at the date of this Deed:

- (a) are payable, are owing but not currently payable, are contingently owing, or remain unpaid, by a Security Provider to the First Mortgagee; or
- (b) the First Mortgagee has advanced or paid on a Security Provider's behalf or at a Security Provider's express or implied request; or
- (c) the First Mortgagee is liable to pay by reason of any act or omission on a Security Provider's part or that the First Mortgagee has paid or advanced following an act or omission on a Security Provider's part; or
- (d) are reasonably foreseeable as likely, after that time, to fall within any of the above paragraphs.

This definition applies:

- (i) irrespective of the capacity in which a Security Provider or the First Mortgagee became entitled to, or liable in respect of, the amount concerned;
- (ii) whether a Security Provider or the First Mortgagee are liable as principal debtor, or surety or otherwise;
- (iii) whether a Security Provider is liable alone, or together with another person;
- (iv) even if a Security Provider owes an amount or obligation to the First Mortgagee because it was assigned to the First Mortgagee, whether or not:
 - (A) the assignment was before, at the same time as, or after the date of this Deed; or
 - (B) a Security Provider consented to or was aware of the assignment; or
 - (C) the assigned obligation was secured before the assignment;
- (v) even if the First Mortgagee Debt was assigned to the First Mortgagee, whether or not:
 - (A) a Security Provider or Second Mortgagee consented to or was aware of the assignment; or

(B) any of the First Mortgagee Debt was previously unsecured;

(vi) if a Security Provider is a trustee, whether or not the Security Provider or Guarantor has a right of indemnity from the trust fund.

First Mortgagee Loan Agreement means the agreement entitled "Loan Agreement" dated on or about the date of this Deed between the First Mortgagee, LM Investment Management Limited ACN 077 208 461, Peregrine Beach Pty Ltd ACN 127 412 864 the Borrower, David Richard Hawes and Glenside Group (Qld) Pty Ltd A.C.N. 144 620 093 for a loan amount of \$1,710,006.00.

First Mortgagee Securities means the documents described in Schedule 1 and includes any Further Assurance in connection with any of them.

Fund means the LM Australian Income Fund – Currency Protected ARSN 133 497 917, LM Managed Performance Fund.

Further Assurance means any document, including an Encumbrance, given by the Security Provider or the Guarantor to a Financier to provide more effective security to the Financier over the Secured Property for the payment of amounts which are secured by a Security or to enable the Financier to exercise its rights in connection with a Security.

Proceeds means, in respect of the Second Mortgagee:

- (a) any amount received or recovered by the Second Mortgagee in respect of its Subordinated Debt in the Winding Up of a Security Provider; and
- (b) any amount received or recovered by the Second Mortgagee in connection with failure by it or a Security Provider to comply with its obligations under this Deed.

Receiver includes a receiver or receiver and manager.

Second Mortgagee means The Trust Company (PTAL) Limited ACN 008 412 913 as Custodian for the LM Managed Performance Fund.

Second Mortgagee Loan Agreement means the agreement entitled the Loan Agreement dated 29 June 2010 on or about the date of this Deed between the Second Mortgagee as Lender, Peregrine Beach Pty Ltd ACN 127 412 864 as Borrower and David Richard Hawes, Glenside Group (Qld) Pty Ltd ACN 144 620 093, Lot 111 Pty Ltd ACN 106 102 005 and Green Square Property Development Corporation Pty Ltd ACN 104 248 053 as Guarantor as amended from time to time.

Second Mortgagee Securities means the documents described in Schedule 2 includes any Further Assurance in connection with any of them.

Secured Property means all of the property and assets that are secured by a Security.

Security means any of the First Mortgagee Securities or the Second Mortgagee Securities.

Security Provider means the person or persons who provide a Security.

Subordinated Debt means in respect of a second mortgage, all amounts that at any time, for any reason or circumstance in connection with any agreement, transaction, instrument (whether or not negotiable), document, event, act, omission, matter or thing whatsoever; whether at law or otherwise; and whether or not of a type within the contemplation of the parties at the date of this Deed:

- (a) are payable, are owing but not currently payable, are contingently owing, or remain unpaid, by a Security Provider to that Second Mortgagee; or
- (b) the Second Mortgagee has advanced or paid on a Security Provider's behalf or at a Security Provider's express or implied request; or
- (c) that Second Mortgagee is liable to pay by reason of any act or omission on a Security Provider's part or that the Second Mortgagee has paid or advanced following an act or omission on the Security Provider's part; or
- (d) are reasonably foreseeable as likely, after that time, to fall within any of the above paragraphs.

This definition applies:

- (i) irrespective of the capacity in which a Security Provider or that Second Mortgagee became entitled to, or liable in respect of, the amount concerned;
- (ii) whether a Security Provider is liable as principal debtor, or surety or otherwise;
- (iii) whether a Security Provider is liable alone, or together with another person;
- (iv) even if a Security Provider owes an amount or obligation to that Second Mortgagee because it was assigned to the Second Mortgagee, whether or not:
 - (A) the assignment was before, at the same time as, or after the date of this Deed; or
 - (B) the Security Provider consented to or was aware of the assignment; or
 - (C) the assigned obligation was secured before the assignment;
- (v) even if the Subordinated Debt was assigned to that Second Mortgagee, whether or not:
 - (A) the Security Provider or First Mortgagee consented to or was aware of the assignment; or
 - (B) any of the Subordinated Debt was previously unsecured;
- (vi) if a Security Provider is a trustee, whether or not the Security Provider or Guarantor has a right of indemnity from the trust fund.

Taxes means taxes, levies, imposts, charges and duties imposed by any authority (including stamp and transaction duties) together with any related interest, penalties, fines and expenses in connection with them, except if imposed on, or calculated having regard to, the overall net income of the Financier.

Trust means the LM Managed Performance Fund.

Winding Up means, in respect of a company, the happening of any of the following:

- (a) an order is made that it be wound up; or
- (b) appointment of a liquidator to it; or
- (c) appointment of a provisional liquidator to it and the provisional liquidator is required to admit all debts to proof or pay all debts capable of being admitted to proof proportionately; or
- (d) entry by it into a scheme of arrangement or deed of company arrangement, composition with, or assignment for the benefits of, all or any class of, its creditors.

1.2 Interpretation

In this Deed unless the context requires otherwise:

- (a) words importing:
 - (i) the singular include the plural and vice versa; and
 - (ii) one gender shall include all other genders.
- (b) references to persons or individuals shall include corporations and partnerships and vice versa;
- (c) references to clauses are references to clauses of this Deed and references to sub-clauses are references to sub-clauses of this Deed;

- (d) references to this Deed and any deed, agreement or instrument shall be deemed to include references to this Deed or such other deed, agreement or instrument as amended, novated, supplemented, varied or replaced from time to time;
 - (e) references to any party to this Deed shall include its successors or permitted assigns;
 - (f) where there are two or more persons in a party each are bound jointly and severally;
 - (g) reference to any legislation or to any section or provision thereof shall include any statutory modification or re-enactment thereof or any statutory provision substituted therefor and ordinances by-laws regulations and other statutory instruments issued thereunder; and
 - (h) time shall be of the essence.
- 1.3 If any act to be done under this Deed or any payment to be made by any party under this Deed shall be due to be done or paid on a day which is not a Business Day, the time and day for such act or payment shall be by 2.00 p.m. local time in the place where the act is to be done or the payment made on the Business Day immediately following such day.
- 1.4 Headings are for convenience of reference only and shall not affect the interpretation of this Deed.
- 1.5 Any payments required to be made by the Borrower or a Security Provider to the First Mortgagee shall at the First Mortgagee's discretion be deemed not to have been made until the moneys are actually received by the First Mortgagee as cleared funds.

2. CONSIDERATION

- 2.1 Each Financier and Security Provider acknowledges entering into this Deed and incurring obligations and giving rights under this Deed for valuable consideration.

3. PRIORITIES

- 3.1 The Financiers agree that the First Mortgagee Securities have priority over the Second Mortgagee Securities for the payment of amounts secured at any time under the First Mortgagee Securities.
- 3.2 These priorities apply to anything received (including money) from the disposal of, or other dealing with, the Secured Property whether or not it occurs as a consequence of the enforcement of a Security.

4. PAYMENTS

4.1

Subordinated Debt not payable until First Mortgagee Debt repaid

The parties agree that subject to clause 4.2 and clause 4.4 none of the Subordinated Debt is payable until the First Mortgagee Debt is repaid in full.

This clause applies despite any contrary agreement between the Second Mortgagee and a Security Provider.

4.2 Prohibition on payments

Where:

- (c) an event of default or a potential event of default is subsisting under the First Mortgagee Loan Agreement; and
- (d) the First Mortgagee notifies the Second Mortgagee:
 - (i) of the existence of such an event of default or potential event of default; and
 - (ii) that the First Mortgagee Debt remains unpaid;

the Second Mortgagee agrees not to accept, and the Security Providers agree not to make, any repayment or prepayment of any Subordinated Debt until such time as the First Mortgagee notifies the Second Mortgagee that one of the circumstances described in (i) and (ii) no longer apply.

4.3 Second Mortgagee's restrictions on a Winding Up

The Second Mortgagee may not prove, or vote, in respect of its Subordinated Debt during a Winding Up of the Security Provider or Guarantor unless it does so in accordance with the First Mortgagee's instructions. (The Second Mortgagee agrees to do these things in accordance with the First Mortgagee's instructions.)

4.4 Effect of lodgement of proof

At the same time as the Second Mortgagee lodges proof of its Subordinated Debt, the Subordinated Debt (up to the amount claimed in the proof in accordance with the First Mortgagee's instructions) is payable.

4.5 Second Mortgagee will direct payment to First Mortgagee

If the First Mortgagee asks, the Second Mortgagee agrees to direct payment of its Proceeds to the First Mortgagee, in the form prescribed by law or, if no form is prescribed, in a form approved by the First Mortgagee.

4.6 Proceeds held on trust

The Second Mortgagee holds the Proceeds on trust for the First Mortgagee and the Second Mortgagee. Immediately after receipt of the Proceeds, the Second Mortgagee agrees to deposit them into an account specifically designated by the First Mortgagee. The Second Mortgagee agrees to distribute the Proceeds:

- (a) first, to the First Mortgagee to satisfy the First Mortgagee Debt; and
- (b) secondly, to the extent of any balance after repayment of the First Mortgagee Debt, to itself to satisfy its Subordinated Debt.

This clause establishes a trust over the Proceeds. It does not create a charge over the Proceeds.

4.7 Second Mortgagee to pay over amounts recovered

If, an amount in the form of money or any other property:-

- (a) is received or recovered by the Second Mortgagee on account of its Subordinated Debt (which is not subject to the trust in clause 4.6); or
- (b) is paid to any person other than the Second Mortgagee in connection with the Second Mortgagee's Subordinated Debt; or
- (c) is set off against the Second Mortgagee's Subordinated Debt (whether by operation of law or otherwise),

that Second Mortgagee agrees to immediately pay to the First Mortgagee an amount equal to the lesser of:

- (i) the amount received, recovered, paid or set off; or
- (ii) the First Mortgagee Debt at that time.

5. CONSENTS

5.1 Consent of Financiers

The Financiers agree that the creation or existence of a Security is not a breach of any other Security and to the extent that the creation or existence of any Security requires the consent of either of them, consent is given.

5.2 Consent of each Security Provider

Each Security Provider:

- (a) consents to, and acknowledge the order of priorities and subordination set out in this Deed; and
- (b) acknowledges that this Deed does not affect the obligations undertaken by it in each arrangement between a Financier and the Security Provider.

6. BENEFIT OF PRIORITIES

6.1 The priorities set out in this Deed are not affected by any act or omission by a Financier or any other person. For example, these priorities are not affected by:

- (a) any act or omission:
 - (i) by which the Financiers' Debts are not yet payable; or
 - (ii) varying or releasing an Encumbrance (including a Security) or monetary obligation; or
- (b) a payment which may be received, or a credit which may be allowed, by a Financier from the Security Provider or the Guarantor or any other person in respect of the Financiers' Debts; or
- (c) a fluctuation in the amount secured by a Security from time to time; or
- (d) a notice received by a Financier under a Security; or
- (e) a notice received by a Financier of an Encumbrance; or
- (f) the order of execution or registration of a Security or anything in a Security; or
- (g) the order in which financial accommodation is provided or liabilities (whether actual or contingent) are incurred; or
- (h) any failure to enforce an Encumbrance (including a Security), chose in action or judgment.

7. SECOND MORTGAGEE SECURITIES

7.1 The Second Mortgagee and each Security Provider agree not to exercise their rights under the Second Mortgagee Securities to reduce or cancel the financial accommodation available under the Second Mortgagee Securities without the consent of the First Mortgagee (such consent may be given or refused by the First Mortgagee at its absolute discretion).

8. CONTINUATION OF RIGHTS AND REMEDIES

8.1 Except to the extent this Deed expressly states otherwise, this Deed does not affect:

- (a) the rights and remedies of the Financiers in connection with the Secured Property; or
- (b) a Security Provider's or Guarantor's obligations in connection with the Financiers' Debts or any Security.

9. ASSIGNMENT OR TRANSFER OF A SECURITY

9.1 Financier assignment

A Financier may not assign or otherwise deal with a Security or its Financier's Debts unless:

- (a) the assignment or dealing occurs in connection with the enforcement of a Security; or
- (b) the person obtaining an interest in that Security or Financier's Debt has entered into a deed with each Security Provider (as applicable) and the other Financier in which it agrees to be bound by those provisions of this Deed which relate to the Financier who is dealing with that Security or Financier's Debt, and has delivered the deed to the other Financier.

9.2 Dealings by Security Provider

A Security Provider may not assign or otherwise deal with its rights under this Deed or allow any interest in it to arise or be varied, without the First Mortgagee's consent.

10. REPRESENTATIONS AND WARRANTIES AND RESTRICTIONS

10.1 Representations and warranties

Each Financier represents and warrants (except in relation to matters disclosed to the other and accepted by the other in writing) that:

- (a) it has been incorporated in accordance with the laws of its place of incorporation, is validly existing under those laws and has power and authority to carry on its business as it is now being conducted; and
- (b) it is the legal and beneficial owner of, and has good title to, each Security held by it free from Encumbrance; and
- (c) it has power to enter into this Deed and comply with its obligations under it; and
- (d) this Deed and the priorities and subordination established by it do not contravene its constituent documents (if any) or any law or obligation by which it is bound or to which any of its assets are subject, or cause a limitation on its powers (or, to the extent applicable, the powers of its directors) to be exceeded; and
- (e) it has in full force and effect the authorisations necessary for it to enter into this Deed, to comply with its obligations and exercise its rights under it and allow it to be enforced; and
- (f) its obligations under this Deed are valid and binding and are enforceable against it in accordance with its terms.

10.2 Reliance

Each Financier acknowledges that the other has entered into this Deed in reliance on the representations and warranties in this clause 10.

10.3 Second Mortgagee's restrictions

Without the consent of the First Mortgagee and except as otherwise expressly permitted by this Deed the Second Mortgagee may not, and may not agree to, do any of the following while the First Mortgagee Debt remains outstanding or is available to be drawn under the First Mortgagee Loan Agreement:

- (a) demand or accept payment, repayment of or otherwise allow its Subordinated Debt to be satisfied or extinguished; or
- (b) sue for or take any other action to recover its Subordinated Debt (other than enforcement of the Security in accordance with the terms of this Deed); or
- (c) vary, replace, transfer, waive or release any of its rights or obligations in respect of its Subordinated Debt or rescind or terminate any agreement in connection with its Subordinated Debt; or
- (d) exercise any right of set off in respect of its Subordinated Debt; or
- (e) raise financial accommodation from, or otherwise create or increase indebtedness to, the Security Provider or Guarantor; or
- (f) requisition or convene a meeting to consider:
 - (i) a resolution for the winding up of a Security Provider; or
 - (ii) any arrangement, assignment or composition or protection from any creditors under statute for a Security Provider; or
 - (iii) a resolution for the appointment of an administrator to a Security Provider; or
- (g) vote:
 - (i) for the winding up of a Security Provider or Guarantor; or

(ii) in connection with any proposed arrangement, assignment or composition or protection from any creditors under statute for a Security Provider; or

(h) apply to the court to wind up, or prove in the winding up of, a Security Provider or Guarantor.

10.4 Security Provider's and Guarantor's restrictions

Without the consent of the First Mortgagee and except to the extent otherwise expressly permitted by this Deed a Security Provider may not, and may not agree to, do any of the following while the First Mortgagee Debt remains outstanding or is available to be drawn under the First Mortgagee Loan Agreement:

- (a) pay, repay, purchase or otherwise satisfy or extinguish any Subordinated Debt; or
- (b) vary, replace, transfer, waive, release or affect any of its rights or obligations in respect of any Subordinated Debt or rescind or terminate any agreement in connection with any Subordinated Debt; or
- (c) exercise any set off in respect of any amount payable to it by the Second Mortgagee; or
- (d) enter into any arrangement, take any action or fail to do anything, which results in any Subordinated Debt not being subordinated to the First Mortgagee Debt.

11. FINANCIERS' RIGHTS AND OBLIGATIONS

11.1 Delivery of documents of title

All documents of title in respect of the Secured Property which are in the possession or control of the Second Mortgagee must be delivered by the Second Mortgagee to the First Mortgagee who agrees to hold them until it receives all amounts for which it has priority under this Deed. The First Mortgagee agrees to then deliver all documents of title in respect of the Secured Property which it holds to the Second Mortgagee.

11.2 Notice of default and enforcement

Each Financier agrees to notify the other Financier:

- (a) if a Security Provider is in default under its Security; and
- (b) before it takes any action to enforce a Security (including appointment of a Receiver). (However, if the Financier reasonably considers that any delay in taking the action would adversely affect the value of the Financier's Securities or the Secured Property, the Financier agrees to notify the other Financier of the action taken as soon as reasonably practicable after taking the action).

If a Financier notifies the other Financier that it intends to appoint a Receiver over the Secured Property and the other Financier advises that it also intends to do so, the Financiers agree to consult in good faith to agree on the appointment of the same person as Receiver. If the Financiers do not agree within three days of receipt of the notice under this clause, the Second Mortgagee agrees to appoint the same Receiver as the First Mortgagee appoints. Failure to comply with this clause does not affect the priorities under this Deed.

11.3 Consent to enforcement of Securities

Despite clause 11.2, the Second Mortgagee agrees to obtain the consent of the First Mortgagee before it takes action to enforce a Security (including the appointment of a Receiver) if the action to be taken by the Second Mortgagee, if taken, could exclude the First Mortgagee from taking corresponding action under one of its Securities or could adversely affect the corresponding action taken by the First Mortgagee.

11.4 Distributions

The Financiers agree to co-operate with each other in the distribution of the proceeds of:

- (a) enforcement of each Security; or
- (b) the sale of, or dealing with, the Secured Property,

to ensure the distribution is in accordance with the priorities and subordination set out in this Deed.

11.5 Apportionment

If a Security becomes enforceable and the Financiers' Debts are comprised of separate amounts owing on different accounts, then, in relation to a Security held by a Financier, the Financier may determine the manner in which it will apportion the priorities conferred on it by this Deed between those respective amounts owing (but subject to and consistently with the terms of that Security).

11.6 Marshalling

A Financier need not resort to any Encumbrance it holds for the payment of amounts secured under a Security held by it before the Financier resorts to any other Encumbrance it holds for the payment of the same amounts.

11.7 Excess receipts - contingencies

If a Financier receives an amount as part of its entitlement under this Deed on account of an amount which may become due for payment by the Financier to a third party and the rights of the third party to claim on the Financier ends without a claim for the full amount received having been made, then:

- (a) If the other Financier has priority for payment under this Deed, the Financier agrees to pay to the other Financier an amount equal to that amount (or such lesser amount as is required if the other Financier's priority is for an amount less than the amount which the Financier would otherwise be obliged to pay to the other Financier); or
- (b) If the Financier has priority for payment under this Deed, it agrees to apply in or towards payment of the amount for which it has priority under this Deed, an amount equal to that amount (or such lesser amount as is required if the Financier's priority is for an amount less than the amount which the Financier would otherwise be obliged to apply).

11.8 Release of Securities

If on the disposal of, or other dealing with, the Secured Property, whether or not on enforcement of a Security, the proceeds are insufficient to pay to the Second Mortgagee the amounts secured by the Second Mortgagee Securities (or that one of the Second Mortgagee Securities which relates to the Secured Property), then the Second Mortgagee agrees to give to the First Mortgagee:

- (a) a discharge of the Second Mortgagee Securities (or a discharge of that Security which relates to the Secured Property); and
- (b) any other document required by the First Mortgagee to enable the First Mortgagee to provide clear title to the Secured Property to a purchaser.

The Second Mortgagee need not comply with this clause until the First Mortgagee establishes to the reasonable satisfaction of the Second Mortgagee that the disposal of, or other dealing with, the Secured Property has been made in good faith. The Second Mortgagee need not release any personal obligation from the Security Provider or any Guarantor or any other person.

11.9 Financial accommodation raised by Receiver

The Second Mortgagee consents to any Receiver appointed by the First Mortgagee raising financial accommodation from the First Mortgagee but only if the Receiver is empowered to do so under a Security.

11.10 Reinstatement of rights

Under law relating to insolvency, a person may claim that a transaction (including a payment) in connection with this Deed or the First Mortgagee Debt is void or voidable. If a claim is made and upheld, conceded or compromised, then:

- (a) the First Mortgagee is immediately entitled as against the Second Mortgagee to the rights under this Deed in respect of the First Mortgagee Debt to which it was entitled immediately before the transaction; and
- (b) on request from the First Mortgagee, the Security Provider, the Guarantor, and the Second Mortgagee agrees to do anything (including signing any document) to restore to the First Mortgagee any right the First Mortgagee held from the Security Provider or Guarantor or the Second Mortgagee immediately before the transaction.

The Second Mortgagee's and Security Provider's and the Guarantor's obligations under this clause are continuing obligations, independent of the Second Mortgagee's and Security Provider's and Guarantor's other obligations under this Deed and continue after this Deed ends.

12. PAYMENTS

Each of the Second Mortgagee and each Security Provider agrees to make payments under this Deed:

- (a) in full without set off or counterclaim, and without any deduction in respect of Taxes unless prohibited by law; and
- (b) if the payment relates to the First Mortgagee Debt, in the currency in which the payment is due, and otherwise in Australian dollars in immediately available funds.

13. SECURITY PROVIDER'S AGREEMENT AND CO-OPERATION

Each Security Provider agrees:

- (a) to co-operate in the implementation of this Deed; and
- (b) that if a Financier makes a payment to the other Financier in accordance with this Deed on the disposal of, or other dealing with, the Secured Property (whether or not on enforcement of a Security), then the Financier who receives the payment will be taken to have received the payment from the Security Provider (as appropriate).

14. POWER OF ATTORNEY

14.1 Appointment

The Second Mortgagee irrevocably appoints the First Mortgagee and each Authorised Officer of the First Mortgagee individually as the Second Mortgagee's attorney and agrees to ratify anything an Attorney does under clause 14.2.

14.2 Powers

An Attorney may until the First Mortgagee Debt has been repaid in full:

- (a) do anything which the Second Mortgagee can lawfully authorise an attorney to do including:
 - (i) if a Security Provider becomes insolvent, convene and attend meetings and vote in respect of its Subordinated Debt; and
 - (ii) if a Security Provider becomes insolvent, exercise a right of proof of the Second Mortgagee or do anything which the Attorney believes is expedient to give effect to any of the First Mortgagee's rights under this Deed.

These things may be done in the Second Mortgagee's name or the Attorney's name, and they include signing and delivering documents, starting, conducting and defending legal proceedings and receiving any distributions on its Subordinated Debt; and

- (a) delegate their powers (including this power) and revoke a delegation; and
- (b) exercise their powers even if this involves a conflict of duty or they have a personal interest in doing so.

If an Attorney is not entitled to exercise its rights as Attorney under clause 14.2(a)(i), the Second Mortgagee agrees to exercise those rights as the First Mortgagee directs.

15. COSTS

15.1 Each Security Provider agrees to pay or reimburse each Financier on demand for:

- (a) the Financier's costs, charges and expenses (including those incurred in connection with advisers) in making, enforcing and doing anything in connection with this Deed including legal

costs in accordance with any written agreement as to legal costs or, if no agreement, on whichever is the higher of a full indemnity basis or solicitor and own client basis; and

- (b) all duties, fees, Taxes and charges which are payable in connection with this Deed or a payment or receipt or other transaction contemplated by it.

16. FURTHER STEPS

- 16.1 If a Financier asks, each Security Provider and each other Financier agree to do anything (such as obtaining consents, signing and producing documents, producing receipts and getting documents completed and signed):
- (a) to bind it and give effect to this Deed; or
 - (b) to enable the Financier to register a Security to reflect the priorities set out in this Deed; or
 - (c) to enable the Financier to exercise the Financier's rights in connection with the Secured Property.

17. NOTICES

- 17.1 A notice or other communication connected with this Deed (including any document relating to a proceeding in a court) ("Notice") has no legal effect unless it is in writing.
- 17.2 In addition to any other method of service provided by law, the Notice may be:
- (a) sent by prepaid ordinary mail to the address for service of the addressee, if the address is in Australia and the Notice is sent from within Australia;
 - (b) sent by prepaid airmail to the address for service of the addressee, if the address is outside Australia or if the Notice is sent from outside Australia;
 - (c) sent by facsimile to the facsimile number of the addressee; or
 - (d) delivered at the address for service of the addressee.
- 17.3 A Notice must be signed by the sender (if an individual) or an Authorised Officer of the sender and marked for the attention of the person identified in the Details.
- 17.4 A certificate signed by the sender (if an individual) or an Authorised Officer appointed under a Transaction Document stating the date on which a Notice was sent or delivered under clause 17 is prima facie evidence of the date on which that Notice was sent or delivered.
- 17.5 If the Notice is sent or delivered in a manner provided by clause 17, it must be treated as given to and received:
- (a) if mailed from within Australia to an address in Australia, on the second Business Day (at the address to which it is mailed) after mailing;
 - (b) if mailed to an address outside Australia or mailed from outside Australia, on the fifth Business Day (at the address to which it is mailed) after mailing;
 - (c) if sent by facsimile before 5 p.m. on a Business Day at the place of receipt, on the day it is sent and otherwise on the next Business Day at the place of receipt; or
 - (d) if otherwise delivered, upon delivery.
- 17.6 Despite clause 17.5(c) a facsimile is not treated as given or received unless at the end of the transmission the sender's facsimile machine issues a report confirming the transmission of the number of pages in the Notice.
- 17.7 A Notice sent or delivered in a manner provided by clause 17 must be treated as validly given to and received even if:
- (a) the recipient has been liquidated or deregistered or is absent from the place at which the Notice is delivered or to which it is sent; or

(b) the Notice is returned unclaimed.

17.8 A Notice connected with this Deed is irrevocable and is not effective until actually received by the Lender.

17.9 A party may change its address for service or facsimile number by giving Notice of that change to each other party.

17.10 If a party to which a Notice is intended to be given consists of more than one (1) person then the Notice must be treated as given to that party if given to any of those persons.

18. GENERAL

18.1 Continuing subordination

The subordination in clause 4 is a continuing obligation despite any intervening payment, settlement or other thing.

18.2 Prompt performance

If this Deed specifies when a party agrees to perform an obligation, the party agrees to perform it by the time specified and the party agrees to perform all other obligations promptly.

18.3 Consents

Each party agrees to comply with all conditions in any consent any other party gives in connection with this Deed.

18.4 Set-off

A Financier may set off any amount owing by the Financier to a Security Provider (whether or not due for payment) against any amount due for payment by the Security Provider (as appropriate) to the Financier under this Deed.

The Financier may do anything necessary to effect any set-off under this clause (including varying the date for payment of any amount owing by the Financier to the Security Provider or Guarantor (as appropriate) and making currency exchanges). This clause applies despite any other agreement between a Security Provider or Guarantor and the Financier.

18.5 Discretion in exercising rights

Each Financier may exercise a right or remedy or give or refuse its consent in any way it considers appropriate (including by imposing conditions), unless this Deed expressly states otherwise.

18.6 Partial exercising of rights

If a Financier does not exercise a right or remedy fully or at a given time, the Financier may still exercise it later.

18.7 No liability for loss

A Financier is not liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising, a right or remedy.

18.8 Conflict of interest

Each Financier's rights and remedies under this Deed may be exercised even if this involves a conflict of duty or the Financier has a personal interest in their exercise.

18.9 Remedies cumulative

The rights and remedies of each Financier under this Deed are in addition to other rights and remedies given by law independently of this Deed.

18.10 Other Encumbrances or judgments

This Deed does not merge with or adversely affect, and is not adversely affected by, any of the following:

(a) any Encumbrance or other right or remedy to which a Financier is entitled; or

- (b) a judgment which a Financier obtains against a Security Provider in connection with the First Mortgage Debt or Subordinated Debt.

Each Financier may still exercise its rights under this Deed as well as under the judgment, other Encumbrance or the right or remedy.

18.11 Inconsistent law

To the extent permitted by law, this Deed prevails to the extent it is inconsistent with any law.

18.12 Supervening legislation

Any present or future legislation which operates to vary the obligations of the Security Provider or the Guarantor or a Financier in connection with this Deed with the result that a Financier's rights, powers or remedies are adversely affected (including by way of delay or postponement) is excluded except to the extent that its exclusion is prohibited or rendered ineffective by law.

18.13 Variation and waiver

Unless this Deed expressly states otherwise, a provision of this Deed, or right created under it, may not be waived or varied except in writing signed by the party or parties to be bound.

18.14 Counterparts

This Deed may consist of a number of copies, each signed by one or more parties to the Deed. If so, the signed copies are treated as making up the one document.

18.15 Governing law

This Deed is governed by the law in force in Queensland. Each party submits to the non-exclusive jurisdiction of the courts of that place.

18.16 Serving documents

Without preventing any other method of service, any document in a court action may be served on a party by being delivered or left at that party's address for service of notice under clause 17.

18.17 Information

Each Financier is entitled, and hereby agrees, that, upon written request of the other Mortgagee it will keep the other Financier informed as to the amount of the principal, interest and other moneys for the time being owing under its Security and all other facts and circumstance relating to its Security and to the Financier.

19. LIMIT OF LIABILITY – THE TRUST COMPANY (PTAL) LIMITED

19.1 Custodian of the Fund and the Trust

To the extent that the Trust Company (PTAL) Limited enters into this Deed in its capacity as the custodian of the Fund, clauses 19.2 to 19.11 shall apply. To the extent that The Trust Company (PTAL) Limited enters into this Deed in its capacity as custodian of the Trust, clauses 19.12 to 19.21 shall apply.

19.2 Custodian – LM Australian Income Fund – Currency Protected ARSN 133 497 917

The Trust Company (PTAL) Limited enters into this Deed, and the other parties to this Deed acknowledge that they are aware that Trust Company (PTAL) Limited enters into this Deed, only in its capacity as custodian of the Fund pursuant to the Custody Agreement and in no other capacity and the other parties to this Deed are aware of the limited scope of Trust Company (PTAL) Limited's obligations and powers under the Custody Agreement.

19.3 Liability Limited

A liability arising under or in connection with this Deed is limited to and can be enforced against Trust Company (PTAL) Limited only to the extent to which it can be satisfied out of the property of the Fund out of which Trust Company (PTAL) Limited is actually indemnified for the liability. This limitation of Trust Company (PTAL) Limited's liability applies despite any other provision of this Deed and extends to all liabilities and obligations of Trust Company (PTAL) Limited in any way connected with any representation, warranty, conduct, omission, deed or transaction related to this Deed.

19.4 No Right to Appoint or Prove

The parties to this Deed other than Trust Company (PTAL) Limited may not sue Trust Company (PTAL) Limited personally or seek the appointment of a liquidator, administrator, receiver or similar person to Trust Company (PTAL) Limited or prove in any liquidation, administration or arrangement of, or affecting, Trust Company (PTAL) Limited.

19.5 Limit of Liability Not to Apply

The provisions of this clause 19 do not apply to any obligation or liability of Trust Company (PTAL) Limited to the extent that it is not satisfied because under the Fund's Constitution, the Custody Agreement, or by operation of law there is a reduction in the extent of Trust Company (PTAL) Limited's indemnification out of the assets of the Fund, as a result of Trust Company (PTAL) Limited's fraud, negligence or wilful default.

19.6 Scope of the Custody Agreement

Despite any other provision of this Deed, if any obligation otherwise imposed upon Trust Company (PTAL) Limited under this Deed is, in Trust Company (PTAL) Limited's opinion, inconsistent with, or beyond the scope of Trust Company (PTAL) Limited's obligations or powers under the Custody Agreement, that obligation, to the extent of that inconsistency or to the extent that it is beyond the scope of Trust Company (PTAL) Limited's obligations or powers under the Custody Agreement, must be performed by LM in its capacity as the Responsible Entity of the Fund.

19.7 Inconsistency with the Custody Agreement

Any failure by Trust Company (PTAL) Limited to perform an obligation which it determines is either inconsistent with or beyond its powers and obligations under the Custody Agreement will not amount to a breach of or a default under this Deed. Trust Company (PTAL) Limited's determination as to whether an obligation otherwise imposed upon it under this Deed is inconsistent with or beyond the scope of its obligations and powers under the Custody Agreement is final and binding on all Parties.

19.8 Future Limitations

Trust Company (PTAL) Limited is not obliged to do or refrain from doing anything under this Deed (including incur any liability) unless Trust Company (PTAL) Limited's liability is limited in the manner satisfactory to Trust Company (PTAL) Limited in its absolute discretion.

19.9 Agents

No attorney, agent, receiver or receiver and manager appointed in accordance with this Deed and each other Security or otherwise has authority to act on behalf of Trust Company (PTAL) Limited in a way which exposes Trust Company (PTAL) Limited to any personal liability and no act or omission of any such person will be considered fraud, negligence or wilful default of Trust Company (PTAL) Limited for the purpose of clause 22.5.

19.10 Failure by Trust Company (PTAL) Limited

A failure by Trust Company (PTAL) Limited to comply with, or a breach by Trust Company (PTAL) Limited of any of its obligations under this Deed will not be considered to be fraud, negligence or wilful default by Trust Company (PTAL) Limited if the relevant failure or breach:

- (a) arose as a result of a breach by a person other than Trust Company (PTAL) Limited where the performance of the action (the non performance of which gave rise to such breach) is a precondition to Trust Company (PTAL) Limited performing the said obligation; or
- (b) was in accordance with a lawful court order or direction or otherwise required by law.

19.11 Override Provision

All of the terms, clauses and conditions of this Deed are subject to this clause 19.

19.12 Custodian – LM Managed Performance Fund

The Trust Company (PTAL) Limited enters into this Deed, and the other parties to this Deed acknowledge that they are aware that Trust Company (PTAL) Limited enters into this Deed, only in its capacity as custodian of the Trust pursuant to the Custody Agreement and in no other capacity and the other parties to this Deed are aware of the limited scope of Trust Company (PTAL) Limited's obligations and powers under the Custody Agreement.

19.13 Liability Limited

A liability arising under or in connection with this Deed is limited to and can be enforced against Trust Company (PTAL) Limited only to the extent to which it can be satisfied out of the property of the Trust out of which Trust Company (PTAL) Limited is actually indemnified for the liability. This limitation of Trust Company (PTAL) Limited's liability applies despite any other provision of this Deed and extends to all liabilities and obligations of Trust Company (PTAL) Limited in any way connected with any representation, warranty, conduct, omission, deed or transaction related to this Deed.

19.14 No Right to Appoint or Prove

The parties to this Deed other than Trust Company (PTAL) Limited may not sue Trust Company (PTAL) Limited personally or seek the appointment of a liquidator, administrator, receiver or similar person to Trust Company (PTAL) Limited or prove in any liquidation, administration or arrangement of, or affecting, Trust Company (PTAL) Limited.

19.15 Limit of Liability Not to Apply

The provisions of this clause 19 do not apply to any obligation or liability of Trust Company (PTAL) Limited to the extent that it is not satisfied because under the Trust's Constitution, the Custody Agreement, or by operation of law there is a reduction in the extent of Trust Company (PTAL) Limited's indemnification out of the assets of the Trust, as a result of Trust Company (PTAL) Limited's fraud, negligence or wilful default.

19.16 Scope of the Custody Agreement

Despite any other provision of this Deed, if any obligation otherwise imposed upon Trust Company (PTAL) Limited under this Deed is, in Trust Company (PTAL) Limited's opinion, inconsistent with, or beyond the scope of Trust Company (PTAL) Limited's obligations or powers under the Custody Agreement, that obligation, to the extent of that inconsistency or to the extent that it is beyond the scope of Trust Company (PTAL) Limited's obligations or powers under the Custody Agreement, must be performed by LM in its capacity as the Responsible Entity of the Trust.

19.17 Inconsistency with the Custody Agreement

Any failure by Trust Company (PTAL) Limited to perform an obligation which it determines is either inconsistent with or beyond its powers and obligations under the Custody Agreement will not amount to a breach of or a default under this Deed. Trust Company (PTAL) Limited's determination as to whether an obligation otherwise imposed upon it under this Deed is inconsistent with or beyond the scope of its obligations and powers under the Custody Agreement is final and binding on all Parties.

19.18 Future Limitations

Trust Company (PTAL) Limited is not obliged to do or refrain from doing anything under this Deed (including incur any liability) unless Trust Company (PTAL) Limited's liability is limited in the manner satisfactory to Trust Company (PTAL) Limited in its absolute discretion.

19.19 Agents

No attorney, agent, receiver or receiver and manager appointed in accordance with this Deed and each other Security or otherwise has authority to act on behalf of Trust Company (PTAL) Limited in a way which exposes Trust Company (PTAL) Limited to any personal liability and no act or omission of any such person will be considered fraud, negligence or wilful default of Trust Company (PTAL) Limited for the purpose of clause 19.15.

19.20 Failure by Trust Company (PTAL) Limited

A failure by Trust Company (PTAL) Limited to comply with, or a breach by Trust Company (PTAL) Limited of any of its obligations under this Deed will not be considered to be fraud, negligence or wilful default by Trust Company (PTAL) Limited if the relevant failure or breach:

- (a) arose as a result of a breach by a person other than Trust Company (PTAL) Limited where the performance of the action (the non performance of which gave rise to such breach) is a precondition to Trust Company (PTAL) Limited performing the said obligation; or
- (c) was in accordance with a lawful court order or direction or otherwise required by law.

19.21 Override Provision

All of the terms, clauses and conditions of this Deed are subject to this clause 19.

20. LIMIT OF LIABILITY – LM

20.1 Responsible Entity and Trustee

To the extent that LM enters into this Deed in its capacity as the responsible entity of the Fund, clauses 20.2 to 20.6 and clauses 20.12 to 20.13 shall apply. To the extent that LM enters into this Deed in its capacity as the trustee of the Trust, clauses 20.7 to 20.13 shall apply.

20.2 Responsible Entity

LM enters into this Deed, and the other parties to this Deed acknowledge that they are aware that LM enters into this Deed, in its capacity as the responsible entity of the Fund, pursuant to the constitution of the Fund (the Constitution) and the other parties to this Deed are aware of the limited scope of LM's obligations and powers under such Fund.

20.3 Liability Limited

A liability arising under or in connection with this Deed is limited to and can be enforced against LM only to the extent to which it can be satisfied out of the property of the Fund out of which LM is actually indemnified for the particular liability. This limitation of LM's liability applies despite any other provision of this Deed and extends to all liabilities and obligations of LM in any way connected with any representation, warranty, conduct, omission, deed or transaction related to this Deed.

20.4 No Right to Appoint or Prove

The parties to this Deed other than LM may not sue LM personally or seek the appointment of a liquidator, administrator, receiver or similar person to LM or prove in any liquidation, administration or arrangement of, or affecting, LM.

20.5 Limit of Liability Not to Apply

The provisions of this clause 20 do not apply to any obligation or liability of LM to the extent that it is not satisfied because under the Fund's Constitution or other constituent documents, or by operation of law, there is a reduction in the extent of LM's indemnification out of the assets of the Fund, as a result of LM's fraud, negligence or wilful default.

20.6 Inconsistency with the Constitution

Any failure by LM to perform an obligation which it determines is either inconsistent with or beyond its powers and obligations under the Constitution will not amount to a breach of or a default under this Deed. LM's determination as to whether an obligation otherwise imposed upon it under this Deed is inconsistent with or beyond the scope of its obligations and powers under the Constitution is final and binding on all parties.

20.7 Trustee

LM also enters into this Deed, and the other parties to this Deed acknowledge that they are aware that LM enters into this Deed, in its capacity as the trustee of the Trust, pursuant to the constitution of the Trust (the Trust Deed) and the other parties to this Deed are aware of the limited scope of LM's obligations and powers under such Trust.

20.8 Liability Limited

A liability arising under or in connection with this Deed is limited to and can be enforced against LM only to the extent to which it can be satisfied out of the property of the Trust out of which LM is actually indemnified for the particular liability. This limitation of LM's liability applies despite any other provision of this Deed and extends to all liabilities and obligations of LM in any way connected with any representation, warranty, conduct, omission, deed or transaction related to this Deed.

20.9 No Right to Appoint or Prove

The parties to this Deed other than LM may not sue LM personally or seek the appointment of a liquidator, administrator, receiver or similar person to LM or prove in any liquidation, administration or arrangement of, or affecting, LM.

20.10 Limit of Liability Not to Apply

The provisions of this clause 20 do not apply to any obligation or liability of LM to the extent that it is not satisfied because under the Trust's Trust Deed or other constituent documents, or by operation of law, there is a reduction in the extent of LM's indemnification out of the assets of the Trust, as a result of LM's fraud, negligence or wilful default.

20.11 Inconsistency with the Trust Deed

Any failure by LM to perform an obligation which it determines is either inconsistent with or beyond its powers and obligations under the Trust Deed will not amount to a breach of or a default under this Deed. LM's determination as to whether an obligation otherwise imposed upon it under this Deed is inconsistent with or beyond the scope of its obligations and powers under the Trust Deed is final and binding on all parties.

20.12 Future Limitations

LM is not obliged to do or refrain from doing anything under this Deed (including incur any liability) unless LM's liability is limited in the manner satisfactory to LM in its absolute discretion.

20.13 Override Provision

All of the terms, clauses and conditions of this Deed are subject to this clause 20.

21. LM'S AUTHORITY TO ACT FOR FIRST MORTGAGEE

21.1 The Parties acknowledge that LM shall on behalf of the First Mortgagee exercise all of the rights, powers, consents, controls and approvals pursuant to or under this Deed and each other Security and all actions taken by LM shall be deemed to have been authorised by the First Mortgagee without any Security Provider or any other person dealing with LM being concerned to enquire as to the authority of LM to act on behalf of the First Mortgagee in respect of this Deed and each other Security or any matter or thing arising in relation thereto.

21.2 For the purposes of this Deed and each other Security:

- (a) all payments to be the Second Mortgagee or a Security Provider under this Deed and each other Security shall be made to LM on behalf of and for the account of the First Mortgagee;
- (b) all demands upon the Second Mortgagee or a Security Provider shall be made by LM;
- (c) all documents, notices, consents or approvals to be given to or by the Security Provider under this Deed and each other Security shall be given to or by LM;
- (d) all rights conferred upon the First Mortgagee under this Deed and each other Security shall be exercisable by LM;
- (e) all communications in relation to this Deed and each other Security or any transaction contemplated by this Deed and each other Security shall be directed by the Second Mortgagee or any Security Provider to LM on behalf of the First Mortgagee;

a receipt issued by LM shall as against any Security Provider constitute a good and valid discharge on behalf of the First Mortgagee to any person dealing with the First Mortgagee.

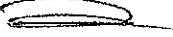
EXECUTED AS A DEED

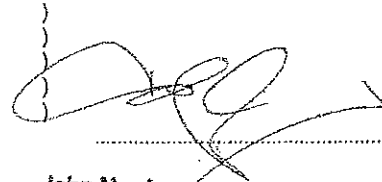
EXECUTED by THE TRUST COMPANY (PTAL)
LIMITED ACN 008 412 913 as First Mortgagee, by its
Attorney who state that is has had no notice of revocation
of the Power of Attorney dated 12/1/2010
registered in Queensland as dealing
number 713351029

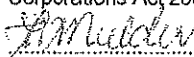
Witness:

VICKI SKODRAS

EXECUTED by THE TRUST COMPANY (PTAL)
LIMITED ACN 008 412 913 as Second Mortgagee, by its
Attorney who state that is has had no notice of revocation
of the Power of Attorney dated 12/3/2010
registered in Queensland as dealing number
713351029 :

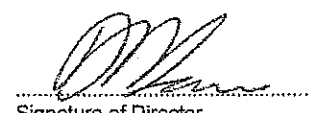
Witness: 
VICKI SKODRAS


John Newby
Head of Property and Infrastructure Custody Services

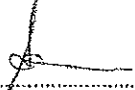
EXECUTED by LM INVESTMENT MANAGEMENT LTD
ACN 077 208 461 in accordance with section 127 of the
Corporations Act 2001 (Cth):

Signature of Director/Secretary
Francene Muel Mulder
Full name of Director/Secretary


Signature of Director Simon Jeremy Tiekner
Full name of Director
Simon Jeremy Tiekner
Full name of Director

EXECUTED by PEREGIAN BEACH PTY LTD ACN 127
412 864 accordance with section 127 of the Corporations
Act 2001 (Cth):
Signature of Director/Secretary
Full name of Director/Secretary


Signature of Director
DAVID HAWES
Full name of Director

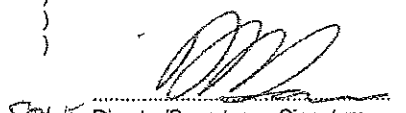
SIGNED SEALED AND DELIVERED by DAVID
RICHARD HAWES in the presence of:


Signature of Witness Adrienne Anderson
A Justice of the Peace in and for
the State of New South Wales
Solicitor/Justice of the Peace No: 148879



EXECUTED by GLENSIDE GROUP (QLD) PTY LTD
ACN 144 620 093 in accordance with section 127 of the
Corporations Act 2001 (Cth):

Director – Signature
Print full name


SOLE Director/Secretary – Signature
DAVID HAWES
Print full name

SCHEDULE 1

First Mortgagee Securities

- (a) Loan Agreement between The Trust Company (PTAL) Limited ACN 008 412 913 as Lender and LM Investment Management Limited ACN 077 208 461 as responsible entity for the LM Australian Income Fund – Currency Protected ARSN 133 497 917, Peregrine Beach Pty Ltd ACN 127 412 864 as Borrower and David Richard Hawes and Glenside Group Pty Ltd ACN 144 620 093 as Guarantor dated on or about the date of this Guarantee under which the Lender has conditionally agreed to provide a loan facility to the Borrower.
- (b) Mortgage over the property situated at Lot 74 Endeavour Drive, Northlakes Qld more fully described as Lot 74 on SP 236546, County of Stanley, Parish of Redcliffe Title Reference 50848722
- (c) Deed of Guarantee and Indemnity given by David Richard Hawes and Glenside Group (Qld) Pty Ltd ACN 144 620 093 in favour of the Lender.
- (d) General Security Deed by Peregrine Beach Pty Ltd ACN 127 412 864 in favour of the Lender over all the property, assets and undertakings of Peregrine Beach Pty Ltd ACN 127 412 864.
- (e) General Security Deed by Glenside Group (Qld) Pty Ltd ACN 144 620 093 in favour of the Lender over all the property, assets and undertakings of Glenside Group (Qld) Pty Ltd ACN 144 620 093
- (f) Deed of Priority and Subordination intended to be executed on the same date as this Agreement by The Trust Company (PTAL) Limited ACN 008 412 913 as custodian for the LM Australian Income Fund – Currency Protected ARSN 133 497 917, The Trust Company (PTAL) Limited as custodian for the LM Managed Performance Fund, Peregrine Beach Pty Ltd ACN 127 412 864, David Richard Hawes and Glenside Group (Qld) Pty Ltd.
- (g) Any other documents or security that is provided in support of or relating to the Loan Agreement or other security.

**SCHEDULE 2
PART 1**

Second Mortgagee Securities

- (a) Loan Agreement between The Trust Company (PTAL) Limited ACN 008 412 913 as Lender and LM Investment Management Limited ACN 077 208 461 as responsible entity for the LM Managed Performance Fund, Peregrine Beach Pty Ltd ACN 127 412 864 as Borrower and David Richard Hawes and Glenside Group Pty Ltd ACN 144 620 093, Green Square Property Development Corporation Pty Ltd ACN 104 248 053 and Lot 111 Pty Ltd ACN 106 102 005 as Guarantor dated 29th June, 2010 under which the Lender has provided a loan facility to the Borrower.
- (b) Mortgage over the property situated at Lot 74 Endeavour Drive, Northlakes Qld more fully described as Lot 74 on SP 236546, County of Stanley, Parish of Redcliffe Title Reference 50848722
- (c) Deed of Guarantee and Indemnity given by David Richard Hawes and Glenside Group (Qld) Pty Ltd ACN 144 620 093, Green Square Property Development Corporation Pty Ltd ACN 104 248 053 and Lot 111 Pty Ltd ACN 106 102 005 in favour of the Lender.
- (d) Fixed and Floating Charge over Peregrine Beach Pty Ltd ACN 127 412 864 in favour of the Lender over all the property, assets and undertakings of Peregrine Beach Pty Ltd ACN 127 412 864.
- (e) Fixed and Floating Charge over Glenside Group (Qld) Pty Ltd ACN 144 620 093 in favour of the Lender over all the property, assets and undertakings of Glenside Group (Qld) Pty Ltd ACN 144 620 093
- (f) Fixed and Floating Charge over Green Square Property Development Corporation Pty Ltd ACN 104 248 053 in favour of the Lender over all the property, assets and undertakings of Green Square Property Development Corporation Pty Ltd ACN 104 248 053.
- (g) Fixed and Floating Charge over Lot 111 Pty Ltd ACN 106 102 005 in favour of the Lender over all the property, assets and undertakings of Lot 111 Pty Ltd ACN 106 102 005.
- (h) Deed of Priority and Subordination intended to be executed on the same date as this Agreement by The Trust Company (PTAL) Limited ACN 008 412 913 as custodian for the LM Australian Income Fund – Currency Protected ARSN 133 497 917, The Trust Company (PTAL) Limited as custodian for the LM Managed Performance Fund, Peregrine Beach Pty Ltd ACN 127 412 864, David Richard Hawes and Glenside Group (Qld) Pty Ltd.
- (i) Any other documents or security that is provided in support of or relating to the Loan Agreement or other security.

QUEENSLAND LAND REGISTRY

RELEASE OF MORTGAGE

FORM 3 Version 4

Page 1 of 1



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18/07/2012 08:39

GC 100

Information about privacy in NR&W see the department's website.

☐ X If partial release of the mortgage.
Duty Imprint is required if this is a full release.

1. Dealing number of mortgage being released

Mortgage No. 714235917

Lodger (Name, address, E-mail & phone number) Lodger Code

LM Investment Management P/L
Level 1, 38 Cavill Ave
Surfers Paradise Qld 4217
Ph: 5584 4500
E: clough@lmaustralia.com

GC 485

2. Lot on Plan Description

Lot 74 on SP 236546

County

STANLEY

Parish

REDCLIFFE

Title Reference

50848722

3. Mortgagor

Only complete if not releasing the debt for all mortgagors

4. Mortgagee

Stockland North Lakes Pty Ltd ABN 99 068 244 762

5. Discharge/Execution by Mortgagee

The Mortgagee releases the mortgage as a charge on the land described in item 2.

Witnessing officer must be aware of his/her obligations under section 162 of the Land Title Act 1994

Maria Skouros

Commissioner for Declarations

Registered No. 6148

Witnessing Officer (signature, full name & qualification)

(Witnessing officer must be in accordance with Schedule 1 of Land Title Act 1994 eg Legal Practitioner, JP, C Dec)

Stockland North Lakes Pty Ltd ABN 99 068 244 762 by its duly constituted Attorney
Richard Allen Ruyter under Power of Attorney
No. 713573890, who declares he/she has received no notice of revocation.

26, 6, 12

Execution Date

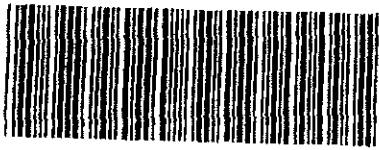
Mortgagee's Signature

QUEENSLAND LAND REGISTRY
Land Title Act 1994, Land Act 1994 and Water Act 2000

MORTGAGE

FORM 2 Version 4
Page 1 of 4

Duty Imprint



714574199

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18/07/2012 08:39

1. Interest being mortgaged (if share show fraction) FEE SIMPLE	Lodger (Name, address, E-mail & phone number) LM Investment Management Plc Level 11, 88 Cavill Ave Surfers Paradise Qld 4217 P: 5584 4500 E: elough@lmaustralia.com		Lodger Code GC 4 85
2. Lot on Plan Description 74 on SP 236546	County Stanley	Parish Redcliffe	Title Reference 50848722
3. Mortgagor Peregrine Beach Pty Ltd ACN 127 412 864			
4. Mortgagee Given names	Surname/Company name and Number The Trust Company (PTAL) Limited ACN 008 412 913		(include tenancy if more than one)
5. Description of debt or liability secured The Money Secured as defined by document number 704075487			
6. Covenant/Execution. The Mortgagor covenants with the Mortgagee in terms of: - the attached schedule; attached schedule and standard terms document no. 704075487 ; *standard terms document no. 704075487 and charges the estate or interest described in item 1 with the repayment/payment to the Mortgagee of all sums of money referred to in item 5. * delete if not applicable			

NOTE: Witnessing officer must be aware of their obligations under section 162 of the Land Title Act 1994.

Separate executions are required for each mortgagor and mortgagee. Signatories are to provide to the witness, evidence that they are the person entitled to sign the instrument (including proof of identity).

EXECUTED by Peregrine Beach Pty Ltd
ACN 127 412 864 in accordance with
section 127 of the Corporations Act 2001
(Cth):

Sole Director Signature

Name of Sole Director

Adrienne Anderson
Suite 501, Level 5
22 Central Avenue, Manly NSW 2095
Witnessing Officer (signature, full name & qualification) 1/1 Execution Date

*Mortgagor's Signature
THE TRUST COMPANY (PTAL) LIMITED
ACN 008 412 913 by its duly appointed attorney
Dealing No: T13351029

John Newby under

John Newby
Head of Property and Infrastructure Custody Services

AARON TRAN
LEGAL PRACTITIONER
Witnessing Officer (signature, full name & qualification)

(Witnessing officer must be in accordance with Schedule 1
of the Land Title Act 1994 eg Legal Practitioner, JP, C Dec)

6/7/2012
Execution Date

*Mortgagee's or Solicitor's Signature

*Note: A Solicitor is required to print full name if signing on behalf
of the Mortgagee and no witness is required in this instance

Title Reference [50848722]

This is the Schedule referred to in items 5 and 6 of Mortgage dated

2012.

1. Definitions

- 1.1 The Mortgagor acknowledges that in this Mortgage, a reference to "Loan Amount", "Fund", "Custody Agreement" and "Transaction Documents" have the meaning given to them in the Loan Agreement between The Trust Company (PTAL) Limited ACN 008 412 913 as Lender and LM Investment Management Limited ACN 077 208 461 as Responsible Entity for the LM Australian Income Fund – Currency Protected ARSN 133 497 917 and Peregrine Beach Pty Ltd ACN 127 412 864 as Borrower and Glenside Group (Qld) Pty Ltd ACN 144 620 693 and David Richard Hawes as Guarantors, dated on or about the date of this mortgage under which the Lender has conditionally agreed to provide a loan facility for an amount of \$1,710,006.00 (One million seven hundred and ten thousand and six dollars) to the Borrower.

2. General Covenants

- 2.1 The provisions of the Document are incorporated in and form part of this Mortgage as if fully set out in this Mortgage.
- 2.2 The Mortgagor must comply with every provision of this Mortgage (including the provisions of the Document).
- 2.3 Before executing this Mortgage, the Mortgagor received a copy of this Mortgage and the Document and read and understood them.

3. Consumer Credit Legislation

- 3.1 The Mortgagor declares that the Money Secured has been provided by the Mortgagee wholly or predominantly for business or investment purposes and the Mortgagor warrants that the Consumer Credit Code has no application to the Money Secured or this Mortgage.

4. Limit of Liability – The Mortgagee

- 4.1 The Mortgagee enters into the Transaction Documents, and the other parties to this Mortgage acknowledge that they are aware that the Mortgagee enters into the Transaction Documents, only in its capacity as custodian of the Fund pursuant to the Custody Agreement and in no other capacity and the other parties to this Mortgage are aware of the limited scope of the Mortgagee's obligations and powers under the Custody Agreement.
- 4.2 A liability arising under or in connection with the Transaction Documents is limited to and can be enforced against the Mortgagee only to the extent to which it can be satisfied out of the property of the Fund out of which the Mortgagee is actually indemnified for the liability. This limitation of the Mortgagee's liability applies despite any other provision of the Transaction Documents and extends to all liabilities and obligations of the Mortgagee in any way connected with any representation, warranty, conduct, omission, deed or transaction related to this Mortgage and each other Transaction Document.
- 4.3 The parties to this Mortgage other than the Mortgagee may not sue the Mortgagee personally or seek the appointment of a liquidator, administrator, Receiver or similar person to the Mortgagee or prove in any liquidation, administration or arrangement of, or affecting, the Mortgagee.
- 4.4 The provisions of this clause 4 do not apply to any obligation or liability of the Mortgagee to the extent that it is not satisfied because under the Fund's Constitution, the Custody Agreement, or by operation of law there is a reduction in the extent of the Mortgagee's indemnification out of the assets of the Fund, as a result of the Mortgagee's fraud, negligence or wilful default.
- 4.5 Despite any other provision of this Mortgage, if any obligation otherwise imposed upon the Mortgagee under this Mortgage is, in the Mortgagee's opinion, inconsistent with, or beyond the scope of the Mortgagee's obligations or powers under the Custody Agreement, that obligation, to the extent of that inconsistency or to the extent that it is beyond the scope of the Mortgagee's obligations or powers under the Custody Agreement, must be performed by LM in its capacity as the Responsible Entity of the Fund.

Title Reference [50848722]

- 4.6 Any failure by the Mortgagee to perform an obligation which it determines is either inconsistent with or beyond its powers and obligations under the Custody Agreement will not amount to a breach of or a default under this Mortgage. The Mortgagee's determination as to whether an obligation otherwise imposed upon it under this Mortgage is inconsistent with or beyond the scope of its obligations and powers under the Custody Agreement is final and binding on all Parties.
- 4.7 The Mortgagee is not obliged to do or refrain from doing anything under this Mortgage (including incur any liability) unless the Mortgagee's liability is limited in the manner satisfactory to the Mortgagee in its absolute discretion.
- 4.8 No attorney, agent, Receiver or receiver and manager appointed in accordance with the Transaction Documents or otherwise has authority to act on behalf of the Mortgagee in a way which exposes the Mortgagee to any personal liability and no act or omission of any such person will be considered fraud, negligence or wilful default of the Mortgagee for the purpose of clause 4.4.
- 4.9 A failure by the Mortgagee to comply with, or a breach by the Mortgagee of any of its obligations under this Mortgage will not be considered to be fraud, negligence or wilful default by the Mortgagee if the relevant failure or breach:
- (a) arose as a result of a breach by a person other than the Mortgagee where the performance of the action (the non-performance of which gave rise to such breach) is a precondition to the Mortgagee performing the said obligation; or
 - (b) was in accordance with a lawful court order or direction or otherwise required by law.
- 4.10 All of the terms, clauses and conditions of this Mortgage are subject to this clause 4.
5. Limit of Liability – LM Investment Management Limited ACN 077 208 461 ("LM")
- 5.1 The parties to this Mortgage acknowledge that they are aware that LM's liability under this Mortgage and the Transaction Documents is limited to its capacity as the Responsible Entity of the Fund, pursuant to the Constitution of the Fund ("the Constitution") and the other parties to this Mortgage are aware of the limited scope of LM's obligations and powers under such Fund.
- 5.2 A liability arising under or in connection with the Transaction Documents is limited to and can be enforced against LM only to the extent to which it can be satisfied out of the property of the Fund out of which LM is actually indemnified for the particular liability. This limitation of LM's liability applies despite any other provision of this Mortgage and extends to all liabilities and obligations of LM in any way connected with any representation, warranty, conduct, omission, deed or transaction related to this Mortgage.
- 5.3 The parties to this Mortgage may not sue LM personally or seek the appointment of a liquidator, administrator, Receiver or similar person to LM or prove in any liquidation, administration or arrangement of, or affecting, LM.
- 5.4 The provisions of this clause 5 do not apply to any obligation or liability of LM to the extent that it is not satisfied because under the Fund's Constitution or other constituent documents, or by operation of law, there is a reduction in the extent of LM's indemnification out of the assets of the Fund, as a result of LM's fraud, negligence or wilful default.
- 5.5 Any failure by LM to perform an obligation which it determines is either inconsistent with or beyond its powers and obligations under the Constitution will not amount to a breach of or a default under this Mortgage. LM's determination as to whether an obligation otherwise imposed upon it under this Mortgage is inconsistent with or beyond the scope of its obligations and powers under the Constitution is final and binding on all parties.
- 5.6 LM is not obliged to do or refrain from doing anything under this Mortgage (including incur any liability) unless LM's liability is limited in the manner satisfactory to LM in its absolute discretion.

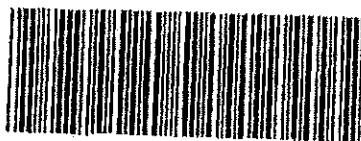
Title Reference [50848722]

- 5.7 No attorney, agent, Receiver or receiver and manager appointed in accordance with this Mortgage and each other Transaction Document (if any) or otherwise has authority to act on behalf of LM in a way which exposes LM to any personal liability and no act or omission of any such person will be considered fraud, negligence or wilful default of LM for the purpose of clause 5.4.
- 5.8 A failure by LM to comply with, or a breach by LM of any of its obligations under this Mortgage and each other Transaction Document (if any) will not be considered to be fraud, negligence or wilful default by LM if the relevant failure or breach:
- (a) arose as a result of a breach by a person other than LM where the performance of the action (the non-performance of which gave rise to such breach) is a precondition to LM performing the said obligation; or
 - (b) was in accordance with a lawful court order or direction or otherwise required by law.
- 5.9 All of the terms, clauses and conditions of this Mortgage are subject to this clause 5.

QUEENSLAND LAND REGISTRY
Land Title Act 1994, Land Act 1994 and Water Act 2000

MORTGAGE PRIORITY

FORM 30 Version 3
Page 1 of 1

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02/08/2012 08:50

For more information about priority in Queensland,
visit the website.

Lodger (Name, address, E-mail & phone number)
LM Investment Management Pty Ltd
PO Box 485
SURFERS PARADISE QLD 4217
PH: 5584 4500
clough@lmaustralia.com

Lodger
Code
GC485

Grantor's Australian Credit Licence (if any)
Grantee's Australian Credit Licence (if any)

1. Priority particulars

Mortgage No. being postponed 714236897.....
Mortgage No. receiving priority 714574199.....

2. Consequent Order of Priority

Dealing Nos. 714574199.....
714236897.....

3. Lot on Plan Description	County	Parish	Title Reference
LOT 74 ON SP236546	STANLEY	REDCLIFFE	50848722

4. Grantor (Mortgagee of the mortgage being postponed)

THE TRUST COMPANY (PTAL) LIMITED ACN 008 412 913

5. Grantee (Mortgagee of the mortgage receiving priority)

THE TRUST COMPANY (PTAL) LIMITED ACN 008 412 913

6. Request/Execution

The Grantor grants to the Grantee the priority of mortgages as indicated in item 2.

Witnessing officer must be aware of his/her obligations under section 162 of the Land Title Act 1994

.....signature
AARON TRAN.....full name
LEGAL PRACTITIONER.....qualification
Witnessing Officer

(Witnessing officer must be in accordance with Schedule 1
of Land Title Act 1994 eg Legal Practitioner, JP, C Dec)

.....signature
AARON TRAN.....full name
LEGAL PRACTITIONER.....qualification
Witnessing Officer

(Witnessing officer must be in accordance with Schedule 1
of Land Title Act 1994 eg Legal Practitioner, JP, C Dec)

The Trust Company (PTAL) Ltd ACN 008 412 913
by its Attorney ~~John Newby~~ Trent Franklin who
states that it has had no notice of revocation of the
Power of Attorney dated 12/07/2010 registered in
Queensland as dealing no. 713351029

Trent Franklin
Manager Property and Infrastructure Custody Services

30/7/12
Execution Date

.....
Grantor's Signature

The Trust Company (PTAL) Ltd ACN 008 412 913
by its Attorney ~~John Newby~~ Trent Franklin who
states that it has had no notice of revocation of the
Power of Attorney dated 12/07/2010 registered in
Queensland as dealing no. 713351029

Trent Franklin
Manager Property and Infrastructure Custody Services

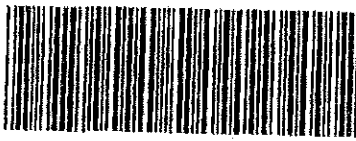
30/7/12
Execution Date

.....
Grantee's Signature

QUEENSLAND LAND REGISTRY
Land Title Act 1994, Land Act 1994 and Water Act 2000

MORTGAGE PRIORITY

FORM 30 Version 3
Page 1 of 1



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02/08/2012 08:50

GC 341

For more information about privacy in Queensland
website.

Lodger (Name, address, E-mail & phone number)
LM Investment Management Pty Ltd
PO Box 485
SURFERS PARADISE QLD 4217
PH: 5584 4500
clough@lmaustralia.com

Lodger
Code
GC485

Grantor's Australian Credit Licence (if any)
Grantee's Australian Credit Licence (if any)

1. Priority particulars

Mortgage No. being postponed 714236897.....
Mortgage No. receiving priority 714574199.....

2. Consequent Order of Priority

Dealing Nos. 714574199.....
714236897.....

3. Lot on Plan Description	County	Parish	Title Reference
LOT 74 ON SP236546	STANLEY	REDCLIFFE	50848722

4. Grantor (Mortgagee of the mortgage being postponed)

THE TRUST COMPANY (PTAL) LIMITED ACN 008 412 913

5. Grantee (Mortgagee of the mortgage receiving priority)

THE TRUST COMPANY (PTAL) LIMITED ACN 008 412 913

6. Request/Execution

The Grantor grants to the Grantee the priority of mortgages as indicated in item 2.

Witnessing officer must be aware of his/her obligations under section 162 of the Land Title Act 1994

.....signature
AARON TRAN.....full name
LEGAL PRACTITIONER.....qualification
Witnessing Officer

(Witnessing officer must be in accordance with Schedule 1
of Land Title Act 1994 eg Legal Practitioner, JP, C Dec)

.....signature
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Witnessing Officer

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Trent Franklin
Manager Property and Infrastructure Custody Services

30/7/12
Execution Date

.....
Grantor's Signature

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states that it has had no notice of revocation of the
Power of Attorney dated 12/07/2010 registered in
Queensland as dealing no. 713351029

Trent Franklin
Manager Property and Infrastructure Custody Services

30/7/12
Execution Date

.....
Grantee's Signature



Date: December 12, 2011

LM Investment Management Ltd

David Hawes
 Peraglan Beach Pty Ltd
 POBOX 539
 BALGOWLAH NSW 2093

Borrower ID	134747
Statement begins	01/01/2004
Statement ends	12/12/2011
Interest rate	25.00%
Max Approved Amount	\$6,000,000.00
Loan balance	\$947,295.28DB
Commencement date	01/07/2010
Expiry Date	01/11/2013

Loan Summary	Account number	100289644
Part of Lot 74 Endeavour Blvd, North Lakes, Qld		MPF2-434
Brought forward balance		0.00
Interest on Loan		126,664.53
Loan Draw		820,630.75
Closing balance as at 12/12/2011		\$947,295.28DB

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

ABN 68 077 208 461 Responsible Entity and Australian Financial Services Licensee No. 220281



Date: December 12, 2011

LM Investment Management Ltd

Statement begins	01/01/2004
Statement ends	12/12/2011

Loan Transactions		Account number		100289644
Date	Transaction description	Debits	Credits	Balance
01/07/2010	Brought forward balance			0.00DB
01/07/2010	Loan Draw	75,100.00		75,100.00DB
	Shand Taylor Trust A/C	\$47,600.00		
	Peregian Beach Pty Ltd	\$27,500.00		
18/07/2010	Interest on Loan	874.45		75,974.45DB
05/08/2010	Loan Draw	29,370.82		105,345.27DB
	Peregian Beach Pty Ltd	\$29,370.82		
18/08/2010	Interest on Loan	1,874.68		107,219.95DB
30/08/2010	Loan Draw	7,955.00		115,174.95DB
	Peregian Beach Pty Ltd	\$7,920.00		
	Suncorp Fee	\$35.00		
18/09/2010	Interest on Loan	2,380.11		117,555.06DB
23/09/2010	Loan Draw	4,495.81		122,050.87DB
	DLA Phillips Fox	\$4,495.81		
23/09/2010	Loan Draw	31,419.96		153,470.83DB
	Peregian Beach Pty Ltd	\$31,384.86		
	Suncorp Fee	\$35.00		
18/10/2010	Interest on Loan	3,030.52		156,501.35DB
28/10/2010	Loan Draw	32,392.50		188,893.85DB
	Peregian Beach Pty Ltd	\$32,362.50		
	Suncorp Bank Fee	\$30.00		
18/11/2010	Interest on Loan	3,788.90		192,682.75DB
19/11/2010	Loan Draw	28,054.50		220,737.25DB
	Peregian Beach Pty Ltd	\$28,054.50		
18/12/2010	Interest on Loan	4,516.48		225,253.73DB
21/12/2010	Loan Draw	30,278.50		255,532.23DB
	Peregian Beach Pty Ltd	\$30,278.50		
18/01/2011	Interest on Loan	5,363.47		260,895.70DB
20/01/2011	Loan Draw	4,997.00		265,892.70DB
08/02/2011	Loan Draw	600.00		266,492.70DB
	DLA Phillips Fox	\$600.00		
15/02/2011	Loan Draw	14,465.50		280,958.20DB
18/02/2011	Interest on Loan	5,672.65		286,630.85DB
18/03/2011	Interest on Loan	5,497.03		292,127.88DB
21/03/2011	Loan Draw	53,871.50		345,999.38DB
	Peregian Beach Pty Ltd	\$53,871.50		
15/04/2011	Loan Draw	24,628.38		370,627.76DB
	Peregian Beach Pty Ltd	\$24,628.38		
18/04/2011	Interest on Loan	7,286.47		377,914.23DB

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ABN 68 077 208 461 Responsible Entity and Australian Financial Services Licensee No. 220281



Date: December 12, 2011

LM Investment Management Ltd

Statement begins	01/01/2004
Statement ends	12/12/2011

Loan Transactions

		Account number		
Date	Transaction description	Debits	Credits	Balance
18/05/2011	Interest on Loan	7,765.36		386,679.59DB
25/05/2011	Loan Draw	6,087.50		391,767.09DB
18/06/2011	Interest on Loan	8,289.16		400,056.25DB
22/06/2011	Loan Draw	65,108.00		465,164.25DB
07/07/2011	Loan Draw	2,016.30		467,180.55DB
14/07/2011	Loan Draw Peregian Beach Pty Ltd	97,172.25 \$97,172.25		564,352.80DB
18/07/2011	Interest on Loan	9,661.20		574,014.00DB
29/07/2011	Loan Draw	97,172.25		671,186.25DB
18/08/2011	Interest on Loan	13,519.09		684,705.34DB
18/08/2011	Loan Draw	22,730.00		707,435.34DB
18/09/2011	Interest on Loan	15,020.89		722,456.23DB
18/10/2011	Interest on Loan	14,844.99		737,301.22DB
20/10/2011	Loan Draw Peregian Beach Pty Ltd	81,762.74 \$81,762.74		819,063.96DB
18/11/2011	Interest on Loan	17,279.08		836,343.04DB
24/11/2011	Loan Draw	110,952.24		947,295.28DB
Closing balance as at 12/12/2011				\$947,295.28DB

Change over of accounting system
effective 1/7/2011

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ABN 88 077 208 481 Responsible Entity and Australian Financial Services Licensee No. 220281

Loan Statement



LM Investment Management Ltd

Date 28/03/2013

Page 2 / 5

			Account Number	MPF0000463	
Date	Trans #	Transaction Description	Debits	Credits	Balance
1/07/2011		Brought Forward Balance			
1/07/2011	000040	Opening balance Opening balance transferred from Composer system as at 1.7.2011	465,164.25		465,164.25
7/07/2011	000323	Loan draw Monaghan legal Inv 96 & 440 \$1103.85	2,016.30		467,180.55
		Reimbursement to LMFMI for payment made to Monaghan legal on 30.6.2011 for Inv 272 - \$912.45			
14/07/2011	000322	Loan draw Peregian Beach Pty Ltd - June draw down	97,172.25		564,352.80
18/07/2011	000321	Loan interest Loan interest due 18.7.2011	9,661.20		574,014.00
29/07/2011	000320	Loan draw Peregian Beach Pty Ltd - July draw down	97,172.25		671,186.25
18/08/2011	000318	Loan interest Loan interest due 18.8.11	13,519.09		684,705.34
18/08/2011	000319	Loan draw Peregian Beach Pty Ltd - July draw down	22,730.00		707,435.34
18/09/2011	000317	Loan interest Loan interest due 18.9.2011	15,020.89		722,456.23
18/10/2011	000316	Loan interest Loan interest due 18.10.11	14,844.99		737,301.22
20/10/2011	000324	Loan draw Peregian Beach Pty Ltd - September draw	81,762.74		819,063.96
18/11/2011	000987	Applied Interest	17,279.08		836,343.04
24/11/2011	001008	Loan draw Tfer to Peregian Beach Pty Ltd for October 2011 drawdown	110,952.24		947,295.28
16/12/2011	001206	Loan Draw	88,376.78		1,035,672.06
18/12/2011	001396	Applied Interest	19,130.07		1,054,802.13
22/12/2011	001226	Payment to Stockland Payment to Stockland Development Pty Ltd. Part of settlement proceeds of \$803,177.07	803,177.07		1,857,979.20
22/12/2011	001227	Paym. to Office of State Rev. Payment to Office of State Revenue. Part of Settlement Proceeds of \$126,669.00	126,669.00		1,984,648.20
22/12/2011	001228	Payment to Shand Taylor Payment to Shand Taylor of \$5,775.00 - Part of Settlement Proceeds	5,775.00		1,990,423.20
22/12/2011	001229	Payment to Reaburn Solicitors Payment to Reaburn Solicitors Trust Account of \$3,784.00 - Part of Settlement Proceeds	3,784.00		1,994,207.20
22/12/2011	001230	Payment to DERM Payment to DERM of \$7267.90 - Part of Settlement Proceeds	7,267.90		2,001,475.10
22/12/2011	001231	Payment to DERM Payment to DERM of \$132.50 - Part of Settlement Proceeds	132.50		2,001,607.60
22/12/2011	001232	Payment to ASIC Payment to ASIC of \$144.00 - Part of Settlement Proceeds	144.00		2,001,751.60
10/01/2012	001261	Payment to Stockland Develop. Loan Draw - payment to Stockland Development Pty Ltd for LOT 74 Mortgage of \$10,315.09	10,315.09		2,012,066.69
10/01/2012	001282	Loan Draw Loy 74 Mortgage	10,315.09		2,022,381.78

Loan Statement



LM Investment Management Ltd

Date 28/03/2013

Page 3 / 5

		Account Number	MPF0000463		
Date	Trans #	Transaction Description	Debits	Credits	Balance
10/01/2012	001321	REV Payment to Stockland Dev Reversal of Loan Draw - Loan Draw Activity Schedule Entered in Twice		-10,315.09	2,012,066.69
13/01/2012	001283	Loan Draw January 2012 Drawdown	39,486.46		2,051,553.15
18/01/2012	001561	Applied Interest	40,156.15		2,091,709.30
31/01/2012	001586	Loan Draw Payment to Stockland Development Pty Ltd for 1st Mortgage Interest for Lot 74	31,976.75		2,123,886.05
3/02/2012	001610	Loan Reduction GST Refund		-300,000.00	1,823,886.05
9/02/2012	001631	Loan Draw Payment to Stockland Development Pty Ltd for Second Instalment of Purchase Contract	300,000.00		2,123,886.05
17/02/2012	001687	Loan Draw Payment to Monaghan Lawyers for Inv 717	869.00		2,124,555.05
18/02/2012	001765	Applied Interest	46,529.67		2,171,084.72
29/02/2012	001811	Loan Draw Payment to Peregrine Beach Pty Ltd for Sales Office Electricity Account	612.47		2,171,697.19
29/02/2012	001812	Loan Draw Payment to Stockland Developments Pty Ltd for Lot 74 Contract Instalment in the sum of \$500,000.00 + \$35.00 RTGS Fee	500,035.00		2,671,732.19
1/03/2012	001820	Loan Draw Payment to Stockland Development Pty Ltd for Interest due 1st March 2012 (Lot 74 Mortgage) for \$27,365.82 + RTGS Fee \$35.00	27,400.82		2,699,133.01
16/03/2012	001869	Loan Draw Payment to Peregrine Beach Pty Ltd for Jan 12 Management Fee and Payment to Realestate.com	16,563.17		2,715,696.18
18/03/2012	001948	Applied Interest	49,502.77		2,765,198.95
2/04/2012	002045	Fee Draw Payment to Stockland Developments Pty Ltd for interest due 2 April, 2012 for Lot 74 Mortgage in the sum of \$21,785.01 + \$35.00 RTGS Fee	21,820.01		2,787,018.96
2/04/2012	002063	Loan Draw Payment to Peregrine Beach Pty Ltd for balance of Feb Drawdown - Draw 20 in the sum of \$13,458.65 + RTGS Fee \$35.00	13,493.65		2,800,512.61
16/04/2012	002111	Loan Draw Payment to Peregrine Beach Pty Ltd for part payment of March Draw (Draw 21)	6,308.62		2,806,821.23
18/04/2012	002213	Applied Interest	58,947.27		2,865,768.50
20/04/2012	002228	Loan Draw Payment to Peregrine Beach Pty Ltd for Draw 22 & Balance of Draw 21 in the sum of \$86,376.70	110,122.39		2,975,890.89
		Payment to Monaghan Lawyers for Inv No. 768 in the sum of \$3,736.70			
		Payment to Thomson Lawyers for Inv 451615 in the sum of \$19,628.53			
26/04/2012	002282	Loan Draw Payment to Stockland Development Pty Ltd for Interest Payment due 1 May, 2012 on Lot	21,082.27		2,996,973.16

Loan Statement



LM Investment Management Ltd

Date 28/03/2013

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			Account Number	MPF0000463	
Date	Trans #	Transaction Description	Debits	Credits	Balance
		74 Mortgage.			
18/05/2012	002411	Applied Interest	61,147.74		3,058,120.90
21/05/2012	002450	Loan Draw	78,529.15		3,136,650.05
		Peregian Beach May 2012 Drawdown			
28/05/2012	002471	Loan Draw	5,775.00		3,142,425.05
		Stockland North Lakes - Reimbursement of Legal Fees Inv 1096293			
30/05/2012	002496	Loan Draw	21,820.01		3,164,245.06
		Stockland Developments Interest due 1 June 2012 - "Lot 74 Mortgage"			
31/05/2012	002494	Loan Draw	5,720.00		3,169,965.06
		CBRE- valuation fee invoice R073419645			
18/06/2012	002634	Applied Interest	66,693.57		3,236,658.63
28/06/2012	002687	Loan Draw	188,100.66		3,424,759.29
		Draw to pay AIF loan establishment fee			
28/06/2012	002688	Loan Draw	19,676.78		3,444,436.07
		Final interest payment to Stockland			
4/07/2012	002706	Loan Draw	137.90		3,444,573.97
		Agent's fees for settlement of Loan - T.F. Wardrobe Solicitors			
12/07/2012	002723	Loan Draw	130.00		3,444,703.97
		Reimburse AIF for PPSR Registration fee			
12/07/2012	002724	Loan Draw	265.00		3,444,968.97
		Registration fees on Stockland Release & LM AIF Mortgage			
18/07/2012	002887	Applied Interest	69,166.40		3,514,135.37
24/07/2012	002781	Draw	132.50		3,514,267.87
		Registration fees on Mortgage priority			
25/07/2012	002783	Loan Draw	37,399.88		3,551,667.75
		Payment to Peregian Beach Pty Ltd for part payment of monthly drawdown			
1/08/2012	002809	Loan Draw	4.60		3,551,672.35
		Additional registration fee on Mortgage priority due to fee increase by DERM			
18/08/2012	003065	Applied Interest	75,026.77		3,626,699.12
23/08/2012	002989	Loan Draw	37,399.88		3,664,099.00
		Payment to Peregian Beach Pty Ltd for payment of June 2012 Drawdown			
4/09/2012	003132	Loan Draw	30,000.00		3,694,099.00
		Part payment of Claim 25			
4/09/2012	003135	Loan Draw	14,521.78		3,708,620.78
		Payment of AIF July Interest			
5/09/2012	003127	Loan Draw	69,881.28		3,778,502.06
		Payment to Peregian Beach Pty Ltd for Balance of Claim 24 & Full payment of Claim 25			
5/09/2012	003129	Loan Draw	20,449.32		3,798,951.38
		August Interest			
18/09/2012	003352	Applied Interest	78,686.93		3,877,638.31
3/10/2012	003422	Loan Draw	52,351.95		3,929,990.26
		Payment to Peregian Beach Pty Ltd for Claim 27			
11/10/2012	003447	Loan Draw	20,691.80		3,950,682.06
		Transfer from MPF to AIF for payment of September Loan Interest			
18/10/2012	003548	Applied Interest	80,095.13		4,030,777.19
31/10/2012	003605	Loan Draw	38,742.62		4,069,519.81
		Payment to Peregian Beach for Monthly Claim No. 28			

Loan Statement



LM Investment Management Ltd

Date 28/03/2013

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			Account Number	MPF0000463	
Date	Trans #	Transaction Description	Debits	Credits	Balance
18/11/2012	003785	Applied Interest	85,827.50		4,155,347.31
18/11/2012	003939	Interest adjustment Non recognised interest on GL		-130,316.00	4,025,031.31
18/11/2012	003963	Applied Interest Recognising non posted lower rate interest November 2012	130,316.00		4,155,347.31
18/12/2012	004037	Applied Interest	54,496.36		4,209,843.67
20/12/2012	004051	Various Creditors TFR from MPF to Peregrian Beach for I & L fee up from dev brokers fees & \$10 towards october claim. 10000 towards centro pmt	78,173.86		4,288,017.53
20/12/2012	004119	Payment to Creditors TFR from MPF to Peregrian Beach for Payments to Creditors	78,173.86		4,366,191.39
20/12/2012	004128	Reversal Payment to Creditors Reversal on double up entry for Payment to Creditors.		-78,173.86	4,288,017.53
2/01/2013	004050	Loan Draw Payment to AIF for October Interest	19,860.47		4,307,878.00
3/01/2013	004107	AIF loan interest November 2012 Interest paid by MPF	20,512.62		4,328,390.62
18/01/2013	004246	Applied Interest	59,307.72		4,387,698.34
29/01/2013	004295	Monthly Claim TFR to Peregrian Beach for Monthly Claim. Claim no. 30 - Part Payment	15,000.00		4,402,698.34
8/02/2013	004333	Loan Draw Part payment claim 31	10,000.00		4,412,698.34
12/02/2013	004369	Loan Draw TFR from MPF to Peregrian Beach for final payment of November 2012 claim	20,000.00		4,432,698.34
18/02/2013	004466	Applied Interest	59,852.56		4,492,550.90
12/03/2013	004566	Draw Pmt Dec mthly claim and part payment Jan 13 Claim	100,000.00		4,592,550.90
18/03/2013	004651	Applied Interest	55,404.46		4,647,955.36

RTGS REQUEST - for immediate processing

LM Investment Management Ltd

Suncorp Bank - Attn: Chris McKenzie

LMIM atf LM Managed Performance Fund (AUD Working account)

BSB: 484-799 Acc No: 034 382 579

Payment Instructions

Authorisation - Commercial Lending

Commercial Lending Signature 2 (either DM, SC, AM, PK or ST):

Authorisation - Portfolio Manager

MPF Portfolio Manager Signature (either AP, EVH, LD, DM):

LMIM IS Authorisation

LMIM IS Authorisation (only 1 signature required):

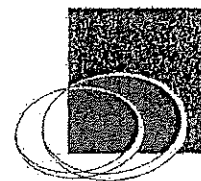
Custodian Authorisation

Custodian 1st Authorisation:

၂၅၂၀၄၇၇

29/2/12

FACSIMILE TRANSMISSION



To Chris McKenzie
Organisation Suncorp Bundall
Fax 07 55741093
From Nik Siggers
Date 29 February 2012
SUBJECT PTAL acf LM Managed Performance Fund – Currency Protected

Page 1 of 1

LM Investment Management Ltd
ABN 68 077 208 461

Responsible Entity & Australian
Financial Services Licensee 220281

Level 4, 9 Beach Road
Surfers Paradise 4217
P.O. Box 485
Surfers Paradise 4217
Queensland, Australia

Telephone 07 5584 4500
Facsimile 07 5592 2505
mail@LMaustralia.com
www.LMaustralia.com

RTGS REQUEST

FROM: BSB: 484 799
ACCOUNT NO: 034-382-579
ACCOUNT NAME: PTAL acf LM Managed Performance Fund

PAYABLE TO:

BSB	Account No.	Payee	Amount	Reference
032-006	238-235	Stockland Development Pty Ltd	500,000.00	LOT 74 Mortgage
		RTGS Fee	35.00	
		TOTAL	500,035.00	

LM INVESTMENT MANAGEMENT AUTHORISATION

A / B 1 st Authorisation	A / B 2 nd Authorisation
Either A & B or 2 A's to sign	

THE TRUST COMPANY (PTAL) AUTHORITISATION

LEVEL 1 AUTHORISATION	
Group A	Group A / B

Bank Cheque Request

Date: 22/12/2011

To: Suncorp Bank
Surfers Paradise Branch
Fax: (07) 55701912


LM Investment Management Ltd
Contact: Nik Siggers
Phone: 07 5584 4500

From: LMIM atf LM MPF Working Account (AUD)
BSB: 484 799 ACCOUNT 034 382 579

To be available for collection by 12 pm today

Person collecting: Trevor Wheatly HASMIN HEDAYATY

LM Internal use only

Loan No: MPF 0002 463 Loan name: Peregrine Beach Pty Ltd.
Corro type: ☐ Draw Construction ☐ Fee - Upfront Development
☒ Draw Initial Settlement ☐ Fee - Upfront Commercial
☐ Draw - other ☐ Fee - Loan review
☐ Draw - interfund ☐ Fee - other
CL checks: MALA of \$ 6M..... not exceeded with this draw. CL Initial

Bank cheques payable to:

LM Internal use only

Payee	Amount	Reason for transfer (corro Notes)
Stockland Development Pty Ltd	\$ 803,177.07	Settlement proceeds
Office of State Revenue	\$ 126,669.00	Settlement proceeds
Shand Taylor	\$ 5,775.00	Settlement proceeds
Reaburn Solicitors Trust Account	\$ 3,784.00	Settlement proceeds
DERM	\$ 7,267.90	Settlement proceeds
DERM	\$ 132.50	Settlement proceeds
ASIC	\$ 144.00	Settlement proceeds
TOTAL:	\$946,949.47	

Authorisation - Commercial Lending

Commercial Lending Signature 1:

Commercial Lending Signature 2 (either AP, PK, ST or DM):

Authorisation - Portfolio Manager

MPF Portfolio Manager Signature (either AP, EVH, LD, DM):

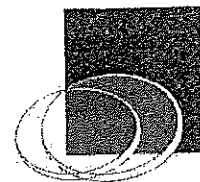
LMIM Authorisation

LMIM Authorisation:

Custodian Authorisation

Custodian Authorisation:

FACSIMILE TRANSMISSION



To Ms Jolanda Bartulin Page 1 of 1
Organisation THE TRUST COMPANY (PTAL) LIMITED
Fax 07 3257 1680
From Amanda Gardner
Date 22 December 2011
SUBJECT PTAL acf LM MANAGED PERFORMANCE FUND
Bank Cheque Request

LM Investment Management Ltd
ABN 68 077 208 461

Responsible Entity & Australian
Financial Services Licensee 220281

Level 4, 9 Beach Road
Surfers Paradise 4217
P.O. Box 485
Surfers Paradise 4217
Queensland, Australia

Telephone 07 5584 4500
Facsimile 07 5592 2505
mail@LMaustralia.com
www.LMaustralia.com

BANK CHEQUE REQUEST

To be collected from Suncorp 293 Queen Street, Brisbane by Yasmin
Hedayaty of Thompsons Lawyers by 12.00pm today

FROM: BSB: 484 799 ✓
ACCOUNT NO: 034 382 579 ✓
ACCOUNT NAME: LMIM atf LM Managed Performance Fund ✓

PAYABLE TO:

Payee	Amount	Reason for transfer (corro Notes)
Stockland Development Pty Ltd	\$803,177.07	Settlement proceeds
Office of State Revenue	\$126,669.00	Settlement proceeds
Shand Taylor	\$ 5,775.00	Settlement proceeds
Reaburn Solicitors Trust Account	\$ 3,784.00	Settlement proceeds
DERM	\$ 7,267.90	Settlement proceeds
DERM	\$ 132.50	Settlement proceeds
ASIC	\$ 144.00	Settlement proceeds
TOTAL:	\$946,949.47	

LM INVESTMENT MANAGEMENT AUTHORISATION

A / B 1 st Authorisation	A / B 2 nd Authorisation
Either A & B or 2 A's to sign	

FACSIMILE TRANSMISSION

To Ms Jolanda Bartulin Page 1 of 1
 Organisation THE TRUST COMPANY (PTAL) LIMITED
 Fax 07 3257 1680
 From Amanda Gardner
 Date 9 February 2012
 SUBJECT PTAL acf LM MANAGED PERFORMANCE FUND
 Bank Cheque Request

LM Investment Management Ltd
 ABN 68 077 208 461

Responsible Entity & Australian
 Financial Services Licensee 220281

Level 4, 9 Beach Road
 Surfers Paradise 4217
 P.O. Box 485
 Surfers Paradise 4217
 Queensland, Australia

Telephone 07 5584 4500
 Facsimile 07 5582 2505
 mail@LMaustralia.com
 www.LMaustralia.com

BANK CHEQUE REQUEST

To be collected from Suncorp Surfers Paradise by Trevor Wheatley
 2.00pm today

FROM: BSB: 484 799
 ACCOUNT NO: 034 382 579
 ACCOUNT NAME: LMIM atf LM Managed Performance Fund

PAYABLE TO:

Stockland Development Pty Ltd	\$300,000.00
TOTAL:	\$300,000.00

SUNCORP BANK

Suncorp-Metway Ltd ABN 66 010 831 722
 266 George Street, BRISBANE QLD 4000
 SECURITY FEATURES ARE INCORPORATED IN THIS CHEQUE PLEASE REFER TO REVERSE
 09/02/2012

DATE 0294444 3

PAY THE SUM OF 300000 DOLLARS 00 CENTS

TO STOCKLAND DEVELOPMENT PTY LTD

OR
 BEARER

NOT NEGOTIABLE

\$ \$300,000.00

For Suncorp-Metway Ltd

Bank Cheque

294444 484 8881 99999 99999

SMV-33

LM MANAGED PERFORMANCE FUND

ABN: 95 595 833 174

AND ITS CONTROLLED ENTITIES

Annual Report

For the year ended 30 June 2012

Audited

LM MANAGED PERFORMANCE FUND

ABN: 95 595 833 174

AND ITS CONTROLLED ENTITIES

Annual Report - 30 June 2012

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**LM MANAGED PERFORMANCE FUND
AND ITS CONTROLLED ENTITIES
Directors' Report**

DIRECTORS' REPORT

The Directors of LM Investment Management Ltd, the Manager of LM Managed Performance Fund (the "Scheme"), present their report together with the audited consolidated financial statements of LM Managed Performance Fund and its controlled entities ("the Consolidated Group"), for the financial year ended 30 June 2012. The director's report is not part of the financial report.

DIRECTORS

The following persons held office as directors of LM Managed Performance Fund, during the year or since the end of the year and up to the date of this report:

Name	Period of directorship
Mr Peter Charles Drake	Appointed 31 January 1997
Ms Lisa Maree Darcy	Appointed 15 September 2003 . Resigned on 12 June 2012
Mr Eghard van der Hoven	Appointed 22 June 2006
Ms Francene Maree Mulder	Appointed 30 September 2006
Mr John O'Sullivan	Appointed 27 November 2007. Resigned on 19 September 2012
Mr Simon Tickner	Appointed 16 December 2008. Resigned on 13 July 2012
Mr Grant Fischer	Appointed 14 March 2012 . Resigned on 12 August 2012
Ms Katherine Phillips	Appointed on 13 July 2012

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Group during the financial period were investment in a combination of interest bearing cash investments, property investment and debt structured loans for the purchase and/or development of Australian real property.

There were no significant changes in the nature of these activities during the year.

SCHEME INFORMATION

LM Managed Performance Fund is an Australian unregistered scheme constituted in December 2001. LM Investment Management Ltd, the Manager of the Scheme, is incorporated and domiciled in Australia.

The registered office of the Manager and the Scheme is located at Level 4, RSL Centre, 9 Beach Road, Surfers Paradise, Queensland 4217

REVIEW OF RESULTS AND OPERATIONS

Results

During the year, the Scheme continued to invest directly in:

* Commercial loans secured by either registered first or second mortgages for the purchase and/or development of Australian real property, companies, investment properties and cash.

Net profit attributable to unitholders for the year ended 30 June 2012 was \$21,361,292 (2011: \$19,566,742).

The Fund maintained full capital value and has continued to deliver its targeted benchmark returns to investors through a commensurate increase in unit value, reflecting achievement of target performance of 3% - 5% pa above cash rates.

Distributions

Distributions to unitholders during the year totalled \$ 23,167,343 (2011: \$19,760,442).

Investments in the fund are termed placements. These can be placed up to a maximum of 5 years. The 3 to 5 year investment terms continue to be an increasing component of the funds overall holding.

**LM MANAGED PERFORMANCE FUND
AND ITS CONTROLLED ENTITIES
Directors' Report**

REVIEW OF RESULTS AND OPERATIONS (Continued)

Fund Redemptions

During the period, the Manager continued to progress with the various development aspects specific to the underlying assets and balance the cash needs of that asset development with the ongoing payment of investor redemptions.

Significant progress has been made across both areas. A number of the assets are now at the point of presales and commencement of construction, and will return liquidity to the Fund through sales from 2013 onwards.

The MPF has continued to pay investor redemptions. From a high of just under 40%, fund redemptions now measure at less than 6% of Funds Under Management.

Looking forward, the Fund is now moving into a more liquid position as cash variables in the form of loan repayments are realised. New investor inflows will always remain a variable; however the fund portfolio management model forecasts actual loan repayments and capital from the sale of assets increasing significantly from the end of the 1st quarter of 2013. As such, the Directors forecast the MPF liquidity to be operating within normality by the middle of 2013. The Directors are aware that many investors have an immediate need for cash, and we are actively pursuing initiatives on several fronts which, should they come to fruition, will see the Fund make a considerable catch up on redemptions early in 2013. The prime objective of the fund continues to be to maintain investor capital and achieve the targeted outperformance. The Fund has achieved that objective and to date the Fund has declared investor returns at or above target of 3.00%pa - 5.00%pa over cash rates whilst maintaining full capital value.

The Directors are pleased to report that development progress has been made on the fund's underlying property assets during the year. Cash flow for the fund has been prioritised towards required work on the assets as well as the performance of the fund. A number of development assets are now ready to commence staged construction and presales, with those asset sales expected to generate increased cash flow into the fund from 2013 onwards. The Manager keeps an updated profile of assets which can be obtained by contacting your financial advisor or the Manager.

Maddison Estate

As you are aware Maddison Estate is a major asset within the fund. The Directors are pleased to provide a brief update of that asset.

The Managed Performance Fund has made significant progress and enhancements to its anchoring asset, Maddison Estate. To date the MPF has funded and facilitated the successful acquisition and consolidation of 30 sites into the one englobo site required for the large 118 hectare residential development approved to 1,458 number of residential dwellings, incorporating as well some integrated commercial and retail space. The total number of residents expected to live at Maddison is approximately 3,500 when complete to current approvals.

Development Approvals have been obtained and works commenced with necessary land clearing for Stage 1 completed. Maddison is entering pre-sale stage with civil works now underway on site. This estate has attracted high profile business partners, TV personality Jamie Durie and Olympians Natalie Cook and Sam Riley who recently opened the onsite Sales Centre.

**LM MANAGED PERFORMANCE FUND
AND ITS CONTROLLED ENTITIES
Directors' Report**

REVIEW OF RESULTS AND OPERATIONS (Continued)
Maddison Estate (Continued)

Queensland State and Local Governments stamped the Maddison Estate a project of "State Significance" which is expected to create over 3,500 jobs for the region. We expect the inclusion of the world's first Kelly Slater Wave Park will see the gross value of Maddison increase to \$1.5 billion as our plan is to increase development density then with further apartment style residences. Maddison has been successful in securing agreements with Australia's most respected and well known building companies Ausbuild, Clarendon Homes, Metricon and Plantation Homes. The staged development will see this asset commence capital repayments to the MPF in 2013.

Maddison Estate and four other major assets of the fund have attracted substantial offshore construction funding interest with current due diligence in process with two major institutions in USA and Asia. On successful completion of the due diligence, the projects will be fully funded to completion and attract substantial investment into the five prime growth regions of Australia in which these assets are located. A conditional letter of interest has been received from one of the offshore financiers confirming due diligence is progressing.

Performance

The performance of the Group, as represented by the results of its operation, was as follows:

	Consolidated	
	2012	2011
	\$	\$
Net operating income/(loss) before distributions	21,361,292	19,566,742
Finance costs: Distribution to unitholders	(23,167,343)	(19,760,442)
Increase/(decrease) in net assets attributable to unitholders	<u>1,806,051</u>	<u>193,700</u>
	<u>-</u>	<u>-</u>

UNITHOLDER FUNDS

There were 356,367,645 units on issue at 30 June 2012 (2011: 249,968,345). During the year 149,959,816 units issued by the Scheme (2011: 132,091,715) and 43,560,516 of units were withdrawn (2011: 35,973,235).

SCHEME ASSETS

At 30 June 2012 LM Managed Performance Fund Consolidated Group held assets to a total value of \$ 376,745,650 (2011: \$279,837,532). The basis for valuation of the assets is disclosed in Note 2 to the financial statements.

FEES PAID TO AND INTERESTS HELD BY THE MANAGER AND ASSOCIATES

The following fees were paid to the Manager and/or its associates during the financial year:

	2012	2011
	\$	\$
Management fees to LM Administration Pty Limited by LM Managed Performance Fund.	11,368,182	1,397,727

This represents 3.1% of average net assets of the Fund. This pre-planned increase in management fee is reflective in the growth of assets in the Fund and allows the Manager to employ additional resources required to properly manage those assets to the benefit of investors.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Manager, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

**LM MANAGED PERFORMANCE FUND
AND ITS CONTROLLED ENTITIES
Directors' Report**

SIGNIFICANT EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Further information on likely developments in the operation of the Scheme and the expected results of those operations has not been included in this report because the Manager believes it would likely result in unreasonable prejudice to the Scheme.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The operations of the Consolidated group are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Consolidated Group.

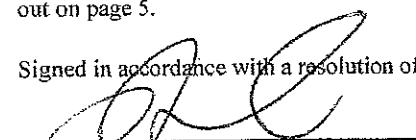
INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either of the officers of LM Investment Management Ltd. Provided the officers of LM Investment Management Ltd act in accordance with the Scheme Constitution and the Law, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Consolidated Group.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Signed in accordance with a resolution of the Directors of LM Managed Performance Fund.



Peter Drake
Director

Gold Coast
Date: 7th day of December 2012

**LM MANAGED PERFORMANCE FUND
ABN 95 595 833 174
AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION UNDER
SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF LM INVESTMENT MANAGEMENT LIMITED AS RESPONSIBLE ENTITY FOR
LM MANAGED PERFORMANCE FUND AND ITS CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

**WILLIAMS PARTNERS
INDEPENDENT AUDIT SPECIALISTS**

Reg L Williams

**REG L WILLIAMS BCom CPA RCA
PARTNER
Registered Company Auditor No. 165400**

Dated this 7th day of December 2012

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Helensvale Qld 4212
Australia**

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LM MANAGED PERFORMANCE FUND
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated	
	Note	30 June 2012	30 June 2011
		\$	\$
<i>Income</i>			
Interest revenue - mortgage loans		60,661,058	47,740,840
Interest revenue - cash assets		462,052	265,907
Realised foreign exchange gain on investor funds		7,881,609	3,195,301
Unrealised foreign exchange gain on investor funds		-	19,521,407
Unrealised foreign exchange gain on foreign exchange contracts		453,560	-
Profit on sale of non-current assets		-	8,145,634
Other income		42,991	38,726
<i>Total revenue and other income</i>		69,501,270	78,907,815
<i>Expenses</i>			
Management fees		11,368,182	1,397,727
Finance costs	4	38,896	2,894,874
Advisor Commissions		10,053,567	6,185,909
Impairment losses on mortgage loans		5,376,847	16,047,075
Unrealised foreign exchange losses on investor fund		9,656,502	-
Realised loss on foreign exchange contracts		11,166,983	26,451,001
Unrealised foreign exchange losses on foreign exchange contracts		-	5,930,403
Legal fees		106,305	32,473
Other expenses		372,696	401,611
<i>Total expenses and distributions to unitholders</i>		48,139,978	59,341,073
<i>Net profit/(loss) before distribution to unitholders</i>		21,361,292	19,566,742
Distributions paid/payable to unitholders	3	(23,167,343)	(19,760,442)
<i>Net profit/(loss) after distribution to unitholders</i>		(1,806,051)	(193,700)
Other comprehensive income		-	-
<i>Changes in net assets attributable to unitholders</i>		(1,806,051)	(193,700)
Income tax benefit/(expense)		-	503,680
<i>Changes in net assets attributable to unitholders after income tax expense</i>		(1,806,051)	309,980

LM MANAGED PERFORMANCE FUND
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

		Consolidated	
	Note	30 June 2012	30 June 2011
		\$	\$
ASSETS			
Cash and cash equivalents	14	17,287,984	19,492,224
Receivables	13	26,322,229	26,085,844
Prepayments		27,726,132	7,989,959
Fair value of forward exchange contracts	16	-	-
Loans and receivables	8	299,570,308	220,742,619
Investment Properties	9	5,838,997	5,526,886
Deferred tax assets	10	-	-
TOTAL ASSETS		<u>376,745,650</u>	<u>279,837,532</u>
LIABILITIES			
Payables	11	(2,741,554)	(9,605,581)
Related parties loans	11	(9,917,992)	(10,093,089)
Distribution payables	3	(6,712,961)	(6,132,237)
Fair value of forward exchange contracts	16	(4,216,790)	(4,670,351)
Deferred tax liabilities	10	-	-
TOTAL LIABILITIES		<u>(23,589,297)</u>	<u>(30,501,258)</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>353,156,353</u>	<u>249,336,274</u>

LM MANAGED PERFORMANCE FUND
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated	
	30 June 2012	30 June 2011
	\$	\$
TOTAL		
Opening balance	249,336,274	175,331,011
Units issued during the year	130,192,011	120,362,518
Units redeemed during the year	(43,326,296)	(35,973,235)
Units issued on reinvestment of distributions	16,856,801	11,729,197
Transfers to and from the statement of comprehensive income	(1,806,051)	309,980
Foreign exchange gain/(loss) on investor funds	1,903,614	(22,423,197)
CLOSING BALANCE	<u>353,156,353</u>	<u>249,336,274</u>

LM MANAGED PERFORMANCE FUND
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated	
		30 June 2012	30 June 2011
	Note	\$	\$
Cash flows from operating activities			
Other income received		11,836,331	1,263,135
Management fees paid / prepaid*		(26,953,511)	(3,270,787)
Other operating expenses		(29,108,577)	(39,194,791)
Finance cost paid		(38,896)	(2,894,875)
Net cash inflow/(outflow) from operating activities	14(b)	<u>(44,264,653)</u>	<u>(44,097,318)</u>
Cash flows from investing activities			
Payment for secured mortgage loans		(47,257,533)	(10,221,290)
Receipts from settled mortgage loans		10,763,496	15,909,740
Receipts from disposal of properties		-	-
Additions of properties		(312,111)	(759,498)
Net cash inflow/(outflow) from investing activities		<u>(36,806,148)</u>	<u>4,928,952</u>
Cash flows from financing activities			
Repayment of borrowings		(175,097)	(40,920,637)
Borrowings received		-	40,287
Cash (paid)/received on realisation of foreign exchange contracts		1,321,069	4,286,947
Receipts from the issue of units		130,192,011	120,362,518
Distribution paid		(5,729,818)	(4,772,731)
Payment for redemption of units		(46,741,604)	(32,255,435)
Net cash inflow/(outflow) from financing activities		<u>78,866,561</u>	<u>46,740,949</u>
Net increase/(decrease) in cash and cash equivalents held		<u>(2,204,240)</u>	<u>7,572,583</u>
Cash and cash equivalents at the beginning of the financial year		<u>19,492,224</u>	<u>11,919,641</u>
Cash and cash equivalents at the end of the financial year	14(a)	<u>17,287,984</u>	<u>19,492,224</u>

* See Note 12 for further information

**LM MANAGED PERFORMANCE FUND
AND ITS CONTROLLED ENTITIES**
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. CORPORATE INFORMATION

The financial report of LM Managed Performance Fund ("the Scheme") for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors of the Manager on 29 November 2012.

LM Managed Performance Fund is an Australian unregistered scheme constituted in December 2001. The Scheme will terminate on 4 December 2081 unless terminated earlier in accordance with the provision of the Scheme Constitution (as amended).

LM Investment Management Limited, the Manager of the Scheme, is incorporated and domiciled in Australia. The registered office of the Manager is located at Level 4, 9 Beach Road, Surfers Paradise, Queensland.

The nature of the operations and principal activities of the Scheme are described in the Directors' report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of accounting

This financial report is a general purpose financial report that has been prepared in accordance with the Scheme Constitution, and the requirements of the *Corporations Act 2001*, which includes applicable Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared under the historical cost convention, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value.

The statement of financial position presents assets and liabilities in decreasing order of liquidity and does not distinguished between current and non-current, in accordance with AASB 101 - *Presentation of Financial Statement*. All balances are expected to be recovered or settled within twelve months, except for loans and receivables and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months in relation to these balances cannot be reliably determined.

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

Statement of compliance

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

Basis of consolidation

This consolidated financial report comprises the financial report of LM Managed Performance Fund and its subsidiaries as at 30 June 2012 ("the Group").

Subsidiaries are all those entities over which the Scheme has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a parent controls another entity. The financial statements of subsidiaries are prepared for the same reporting period as the Scheme, using consistent accounting policies. Subsidiaries are fully consolidated from the date on which control is obtained and cease to be consolidated from the date on which control is transferred.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

In preparing the consolidated financial statements, all intercompany balances and income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

**LM MANAGED PERFORMANCE FUND
AND ITS CONTROLLED ENTITIES**
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Scheme for the annual reporting period ended 30 June 2012. The impact of these standards and interpretations has been assessed and to the extent applicable to the Scheme are discussed below. Standards and Interpretations that are not expected to have a material impact on the Scheme have not been included.

AASB Financial Instruments and related amendment AASB 2009-11

AASB 9 applies to annual reporting periods beginning on or after 1 January 2013 and will therefore apply to the Scheme from 1 July 2013. The Scheme does not intend to early adopt AASB 9 as permitted by the standard, and the actual impact on initial application will depend on certain elections as disclosed below.

AASB 9 requires all financial instruments to be measured at fair value unless the criteria for amortised cost are met. The application of the standard is not expected to change the measurement basis of any of the Scheme's current financial instruments, however, AASB 9 allows the Scheme to elect to present gains and losses on equity securities through other comprehensive income, which may impact the presentation of these gains and losses. The impact of the standard may also change if the nature of the Scheme's activities or investments changes prior to initial application.

c) Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made judgements, apart from those involving estimations, which have had an impact on the amounts recognised in the financial statements. No judgements have been determined to be individually significant.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

a. Allowance for impairment loss on loans and receivables

The Scheme determines whether loans are impaired on an ongoing basis. This requires an estimation of the value of future cash flows through a "on completion" valuation or the property based on an "as is" valuation.

A provision of impairment was raised totalling \$23.4 million against 6 loans which is based on current market assessments of recoverability of these loans. There has been no impact on unit price as this provision has been allowed for against the general earnings of the fund. The exit strategy on these loans will result in no impact on unit price as they are fully provisioned.

b. Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Predominantly, these models are discounted cash flow analysis derived from extensive project feasibilities regularly updated to ensure current value of the instrument or loan/receivable is monitored.

The judgements include considerations of liquidity and model inputs such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instrument (without modification or repackaging) or based on any available observable market data.

**LM MANAGED PERFORMANCE FUND
AND ITS CONTROLLED ENTITIES**
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Cash and cash equivalents

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

e) Distribution income

Distribution income is recognised when the unitholders' right to receive the payment is established.

f) Interest income

Interest income is recognised as the interest accrues using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

g) Default management fees

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

h) Changes in the fair value of investments

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

i) Fees, commissions and other expenses

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

j) Finance costs

Interest on borrowings is recognised in the statement of comprehensive income in the period to which it relates. Issue costs associated with borrowings are capitalised and amortised over the term of the borrowing to which they relate using the effective interest method.

k) Financial Instruments

Financial instruments in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale investments or other financial liabilities as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Scheme determines the classification of its financial assets at initial recognition.

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

(i) Fair value of financial assets and liabilities through profit and loss

Financial assets held for trading included forward exchange contracts. These assets are acquired principally for the purpose of mitigating the risk of movements in the value of non-Australian Dollar investor funds and facilitating forecasting of future cash flows. During the period, all derivatives are classified as held for trading. Derivative financial instruments entered into by the Scheme do not meet the hedge accounting criteria as defined by AASB 139. Consequently, hedge accounting is not applied by the Scheme in the 2012 financial year.

**LM MANAGED PERFORMANCE FUND
AND ITS CONTROLLED ENTITIES**
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Loans and receivables

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

Loans and receivables are assessed for impairment at each reporting period. An allowance is made for credit losses when there is objective evidence that the Scheme will not be able to collect the loans and receivables. Impairment losses are written off when identified. Losses expected as a result of future events are not recognised. If a provision for impairment has been recognised in relation to a loan, write offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write offs for bad debts are recognised as an expense in the statement of comprehensive income.

The amount provided for impairment of loans is determined by management of the Scheme and the Credit Committee. A provision is made of loans in arrears where the collectability of the debts is considered doubtful by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

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. This comprises of prime property security plus any collateral security associated with the loan.

Where possible, the Scheme first seeks to restructure loans to have loans fully performing, however the Scheme will take possession of the collateral as necessary. The renegotiation may involve extending payment terms and arrangement of new loan conditions. Once the terms have been renegotiated any impairment is measured the same way as performing loans. The renegotiated loans continue to be assessed individually and collectively for impairment.

"Restructured loans" arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms and new terms are not comparable to the revised terms. These loans are removed from 'restructured loans' after a period of 12 months of performance against the loans revised terms and conditions. Loans with revised terms are included in 'loans in arrears' when impairment provisions are required.

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

l) Advisor Fees

Advisor fees may be paid to the unitholders' investment advisors and are calculated as a percentage of funds invested in the Scheme. These fees are paid weekly in arrears and are brought to account on an accrual basis. The Scheme ceases to pay advisor fees when the related units are redeemed.

m) Payables

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

The distribution amount payable to investors as at the reporting date is recognised separately on the statement of financial position as unitholders are presently entitled to the distributable income as at 30 June 2012 under the Scheme's Constitution.

**LM MANAGED PERFORMANCE FUND
AND ITS CONTROLLED ENTITIES**
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Increase/decrease in net assets attributable to unitholders

Non-distributable income is transferred directly to net assets attributable to unitholders and may consist of unrealised changes in the net fair value of investments, accrued income not yet assessable, expenses accrued for which are not yet deductible, net capital losses and tax free or tax deferred income. Net capital gains on the realisation of any investments (including any adjustments for tax deferred income previously taken directly to net assets attributable to unitholders) and accrued income not yet assessable will be included in the determination of distributable income in the same year in which it becomes assessable for tax. Excess and undistributed income is also transferred directly to net assets attributable to unitholders.

o) Distributions

In accordance with the Scheme's Constitution, the Scheme fully distributes its distributable income to unitholders. Distributions are payable monthly. Such distributions are determined by reference to the net taxable income of the Scheme. Distributable income includes capital gains arising from the disposal of investments. Unrealised gains and losses on investments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gain.

p) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Manager 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 (RTIC) at a rate of 75% of GST.

Hence investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivable in the statement of financial position. Cash flows relating to GST are included in the Statement of Cash Flows on a gross basis.

The GST component of cash flows arising from investing and financing activities recoverable or payable to the ATO is classified as an operating cash flow.

q) Applications and redemptions

Applications received for units in the Scheme are recorded when units are issued in the Scheme. Redemptions from the Scheme are recorded when the cancellation of units redeemed occurs. Unit redemption prices are determined by reference 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 Scheme's functional currency at balance date, using the spot rate prevailing at that date. Gains and losses arising from foreign exchange translation are recorded in the Statement of Comprehensive Income in the period in which they arise.

r) Taxation

Under current legislation, the Scheme is not subject to income tax provided the distributable income of the Scheme is fully distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Scheme).

The price of a unit is based upon market values of underlying assets and thus may include a share of unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax. Realised capital losses are not distributed to unitholders but are retained in the Scheme to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

**LM MANAGED PERFORMANCE FUND
AND ITS CONTROLLED ENTITIES**
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

t) Capital management

The Manager manages the Scheme's net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders is classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications and redemptions at the discretion of unitholders.

The Manager monitors the level of daily applications and redemptions relative to the liquid assets in the Scheme.

The Scheme is not subject to any externally imposed capital requirements.

u) Derivative financial instruments

The Scheme uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Derivatives are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Any gains and losses are arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to valuations provided by the financial institutions with which the forward exchange contracts are held.

v) Foreign currency translations

The Scheme's transactions in foreign currencies comprise applications and withdrawals of foreign currency unitholder funds and payment of distributions. Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liability denominated in foreign currencies are retranslated at the rate of exchange prevailing at the balance sheet date, and exchange rate gains and losses recognised in the Statement of Comprehensive Income.

w) Determination of Fair Value

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

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deductions for transaction costs.

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

Refer to Note 17 to the financial statements for the methods and assumptions applied in determining fair value of each class of financial instrument.

**LM MANAGED PERFORMANCE FUND
AND ITS CONTROLLED ENTITIES**
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

3. INCOME AND DISTRIBUTIONS TO UNITHOLDERS

	2012	2011
	\$	\$
a) Distribution to unitholders		
Distributions paid/reinvested	16,454,382	13,628,205
Distributions payable	6,712,961	6,132,237
	<u>23,167,343</u>	<u>19,760,442</u>
b) Distributions paid and payable		
Class A	13,348,747	14,202,195
Class B	9,818,596	5,558,247
	<u>23,167,343</u>	<u>19,760,442</u>

"A" Class Units. The unit price for "A" Class Units is determined each day and is calculated by dividing the value of Net Assets of the Fund by total number of units on issue that day, but not taking account of any accrued interest distributions, only unpaid distributions.

"B" Class Units. The Unit Price for "B" Class Units is determined each day and is calculated by dividing the value of Net Assets of the Fund by total number of units on issue that day and taking account of relevant accrued but unpaid interest distributions.

4. EXPENSES

	2012	2011
	\$	\$
a) Finance costs		
Interest on related party loans	-	1,613,877
Other Interest expense	38,896	807
Interest expense	-	1,280,190
	<u>38,896</u>	<u>2,894,874</u>
b) Other expenses		
Auditor's remunerations	96,000	135,000
Other expenses	276,696	266,611
	<u>372,696</u>	<u>401,611</u>

5. AUDITOR'S REMUNERATION

	2012	2011
	\$	\$
Audit and review of the financial reports *	96,000	135,000
Other regulatory audit services	-	-
	<u>96,000</u>	<u>135,000</u>

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

* The 2011 audit fee includes auditing the 1 July 2010 opening balances.

**LM MANAGED PERFORMANCE FUND
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

6. CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

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

	2012 \$	2011 \$
Net assets attributable to unitholders		
Class A		
Opening balance	148,176,488	124,079,809
Units issued during the year	94,401,204	57,796,246
Units redeemed during the year	(21,552,072)	(27,683,775)
Units issued upon reinvestment of distributions	7,995,929	7,133,277
Closing balance	<u>229,021,549</u>	<u>161,325,557</u>
Class B		
Opening balance	100,435,541	52,130,959
Units issued during the year	35,790,807	64,341,038
Units redeemed during the year	(21,774,224)	(9,984,877)
Units issued upon reinvestment of distributions	8,860,872	4,600,088
Closing balance	<u>123,312,996</u>	<u>111,087,208</u>
 Movement in changes net assets attributable to unitholders	 821,808	 (23,076,491)
Total assets attributable to unitholders	<u><u>353,156,353</u></u>	<u><u>249,336,274</u></u>

All unitholders are entitled to receive distributions as declared from time to time and are entitled to one vote per unit at unitholders' meetings. In the event of winding up of the Scheme, all unitholders rank after creditors and are equally entitled to the proceeds of liquidation.

7. INVESTMENTS

	2012 \$	2011 \$
Investment in subsidiaries	<u><u>-</u></u>	<u><u>-</u></u>

The Scheme owned 100% of the issued share capital of:

	<u>Country of Incorporation</u>	<u>2012</u>	<u>2011</u>
Australian International Investment Services Pty Ltd	Australia	100%	100%
LM MPF Development No 1 Pty Ltd	Australia	100%	100%

**LM MANAGED PERFORMANCE FUND
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

8. LOANS AND RECEIVABLES

	2012	2011
	\$	\$
Secured mortgage loans - 1st priority	30,066,913	39,508,189
Secured mortgage loans - 2nd priority - related party	220,337,819	140,808,903
Secured mortgage loans - 2nd priority	55,630,371	43,199,029
Secured Loans - Related Party Charges	16,911,196	15,226,498
Provision for impairment	(23,375,992)	(18,000,000)
Net loans and advances	<u>299,570,308</u>	<u>220,742,619</u>

a) Aggregate amounts receivable from related parties

	2012	2011
	\$	\$
Directors and director-related entities - secured	234,253,745	153,138,704
Related managed investment schemes - secured	-	-
Related managed investment schemes - unsecured	-	-
Related property trust - secured	2,995,270	2,896,698
	<u>237,249,015</u>	<u>156,035,402</u>

The Director related entities are Special Purpose Vehicles through which all of the development profit flows through to the LM Managed Performance Fund and its investors. Each development asset has a SPV established for it to hold contractual participating interests in the underlying asset.

This structure ensures full benefit to the Fund and its investors and also provides important tax insulation. Through the "loan structure" referred to immediately above, the Fund makes a loan to the SPV on arms length terms with the ability to periodically assess the interest rate enabling the Fund to extract all the financial benefit that the SPV receives from the SPV's contractual participating interest in the underlying asset. The SPV is the borrower under that loan, and it grants a security interest to the Fund over the SPV's assets to secure its repayment obligations to the Fund. The security interest is also on arms length terms. Together the loan and security interest give the Fund the same level of control which any lender would have in similar circumstances with an unrelated borrower.

The fund is unable to own the property assets directly as this would result in onerous tax implications for offshore (non-Australian resident) investors. Special Purpose Vehicles (SPV) are setup to minimise risk, minimise tax implications for the Fund and investors and are a common structure for projects of this nature.

As with all registered companies there must be a Director of that entity that holds the ultimate liability and as such Peter Drake holds the liability through his Directorship of the Special Purpose Vehicles. Neither Peter Drake nor LM (in its corporate capacity) are entitled to any financial benefit by virtue of that shareholding or directorship. This is a feature of the "loan structure" and the Internal Rate of Return for the projects indicates that all the project profit will be received by the fund on behalf of its investors. The SPV structure is set solely to allow LM to control the decisions of the project, so as to enable the fund to achieve the full return of profits of the project. This is done via an assessed earnings rate, derived through extensive feasibility and discounted recovery analysis which is regularly updated and audited externally each year.

b) Maturity analysis - Secured Mortgage Loans

	2012	2011
	\$	\$
Impaired (net of provision)	-	14,858,226
Renegotiated/Restructured loans	30,066,913	51,423,842
Less than 3 months	56,325,624	856,683
3-6 months	-	15,226,499
6-12 months	213,177,770	138,377,369
	<u>299,570,307</u>	<u>220,742,619</u>

The above maturity analysis reflects the contractual maturity of all secured loans.

**LM MANAGED PERFORMANCE FUND
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

8. LOANS AND RECEIVABLES (Continued)

b) Maturity analysis - Secured Mortgage Loans (Continued)

Past due or mortgagee in possession loans are classified as either impaired or recoverable based on assessment of current market position as at date of the report. Past due status and actual recoverability of these amounts are not always mutually correlated. Recoverability is dependant on several factors and the Manager always seeks to maximise the return of these amounts through gross realisation workout strategies, enforcement of security and loan restructuring. The Manager has significant resources in-house dedicated to managing these assets to the best possible recovery position.

A provision of impairment was raised totalling \$23.4 million against 6 loans which is based on current market assessments of recoverability of these loans. There has been no impact on unit price as this provision has been allowed for against the general earnings of the fund. The exit strategy on these loans will result in no impact on unit price as they are fully provisioned.

c) Concentration of risk

There are one (2011: two) counterparty with which the Scheme's credit exposure exceeds 10% of the net assets attributable to unitholders as at 30 June 2012. The total value of this loan, before taking into account collateral or other credit enhancements, is \$201,187,254 (2011: \$158,301,729).

For concentration of risk relating to mortgage type and geographical location refer to Note 16b.

d) Provisions for impairment

The impairment loss expense relating to loans and receivables comprises:

	2012	2011
	\$	\$
<i>Specific provision</i>		
Opening balance	18,000,000	1,952,000
Impairment losses provided for during the year	5,376,847	16,048,000
Impairment losses realised during the year	-	-
Closing balance	<u>23,376,847</u>	<u>18,000,000</u>
Total Provision for impairment	<u><u>23,376,847</u></u>	<u><u>18,000,000</u></u>
<i>Changes to operating profit/(loss) before tax for impairment losses on loans and receivables comprises:</i>		
Specific provision	5,375,992	16,048,000
Impairment losses recognised directly in Statement of Comprehensive Income	-	-
	<u>5,375,992</u>	<u>16,048,000</u>

A provision of impairment was raised totalling \$23.4 million against 6 loans which is based on current market assessments of recoverability of these loans. There has been no impact on unit price as this provision has been allowed for against the general earnings of the fund. The exit strategy on these loans will result in no impact on unit price as they are fully provisioned.

9. INVESTMENT PROPERTIES

	2012	2011
	\$	\$
Balance at beginning of the year	5,526,886	19,045,680
Capitalised expenditure	312,111	386,206
Fair value adjustments	-	-
Disposals	-	(13,905,000)
Balance as end of the year	<u>5,838,997</u>	<u>5,526,886</u>

**LM MANAGED PERFORMANCE FUND
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10. TAX

	2012	2011
	\$	\$
a) (i) The components of income tax expense are:		
Current tax expenses	-	730,475
Deferred tax	-	(1,234,155)
Income tax (benefit)/expense report in the Statement of Comprehensive Income	-	(503,680)
 (ii) Reconciliation between aggregate tax expense recognised in the Statement of Comprehensive Income and tax expense calculated per the statutory income tax rate:		
Accounting profit before income tax	21,361,292	19,566,742
Income tax expense calculated at controlled entities statutory income tax rate of 30% (2011: 30%).	6,408,388	5,870,023
Income in the hands of the beneficiaries	(6,408,388)	(6,373,703)
	-	(503,680)
 b) Deferred tax assets comprise:		
Tax losses	-	-
 c) Deferred tax liability comprise:		
Fair value gain	-	-
 d) Reconciliation		
<i>Gross movements</i>		
The overall movement in the deferred tax account is as follows:		
Opening balance	-	(1,234,155)
(Charge)/credit to the Statement of Comprehensive Income	-	1,234,155
Closing balance	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

11. PAYABLES

	2012	2011
	\$	\$
a) Foreign currency awaiting investment	1,623,643	2,957,261
Commissions payable	508,002	713,087
Redemptions payable	313,170	3,728,478
Withholding tax payable	1	653,048
Income tax payable	-	942,761
Other payables	296,738	610,946
	<u>2,741,554</u>	<u>9,605,581</u>
	2012	2011
	\$	\$
b) Related parties loans *	<u>9,917,992</u>	<u>10,093,089</u>

The related party balance represents two loans where the LM First Mortgage Income Fund holds the senior debt position ahead of the MPF's security. The Manager is currently in due diligence discussions with offshore financiers to payout the First Mortgage Income Fund as part of their overall construction funding assessment for the MPF projects.

12. RELATED PARTIES

Manager

The Manager of LM Managed Performance Fund is LM Investment Management Limited (ABN 68 077 208 461). Administration and funds management services are provided to the Scheme on behalf of the Manager by LM Administration Pty Limited, as associate of the Manager. LM Administration Pty Limited is paid a management fee directly from the Scheme.

Custodian

The Custodian of the Scheme is The Trust Company (PTAL) Limited.

Directors

The names of each person holding the position of director LM Investment Management Limited during the financial year are disclosed in Note 15(a)(i).

Director' remuneration

No amounts are paid by the Scheme directly to the directors of the Manager. All remuneration was paid by LM Administration Pty Ltd appointed by LM Investment Management Limited as per its service agreement with that entity to directors of the Manager in connection with their responsibilities for the Scheme.

Directors' holding of units

There are no related party investments in the LM Managed Performance Fund.

Investing activities

The Scheme may purchase and sell units in other approved schemes or investment entities operated by LM Investment Management Limited or its associates in the ordinary course of business at application and redemption prices calculated in accordance with the constitutions of those schemes. At 30 June 2012 the Scheme had no investments in other schemes operated by LM Investment Management Limited or its associate (2011: nil).

**LM MANAGED PERFORMANCE FUND
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

12. RELATED PARTIES (Continued)

Other transactions with the Scheme

From time to time the directors of LM Investment Management Limited, or their director-related-entities, may invest or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors. Apart from the details disclosed in this note, no director has entered into a material contract with the Scheme since the end of the previous financial year and there were no material contracts involving directors' interest subsisting at year-end. All transactions were approved on an arm's length basis and is on normal terms and conditions.

The Director related entities are Special Purpose Vehicles through which all of the development profit flows through to the LM Managed Performance Fund and its investors. Each development asset has a SPV established for it to hold contractual participating interests in the underlying asset.

This structure ensures full benefit to the Fund and its investors and also provides important tax insulation. Through the "loan structure" referred to immediately above, the Fund makes a loan to the SPV on arms length terms with the ability to periodically assess the interest rate enabling the Fund to extract all the financial benefit that the SPV receives from the SPV's contractual participating interest in the underlying asset. The SPV is the borrower under that loan, and it grants a security interest to the Fund over the SPV's assets to secure its repayment obligations to the Fund. The security interest is also on arms length terms. Together the loan and security interest give the Fund the same level of control which any lender would have in similar circumstances with an unrelated borrower.

The fund is unable to own the property assets directly as this would result in onerous tax implications for offshore (non-Australian resident) investors. Special Purpose Vehicles (SPV) are setup to minimise risk, minimise tax implications for the Fund and investors and are a common structure for projects of this nature.

As with all registered companies there must be a Director of that entity that holds the ultimate liability and as such Peter Drake holds the liability through his Directorship of the Special Purpose Vehicles. Neither Peter Drake nor LM (in its corporate capacity) are entitled to any financial benefit by virtue of that shareholding or directorship. This is a feature of the "loan structure" and the Internal Rate of Return for the projects indicates that all the project profit will be received by the fund on behalf of its investors. The SPV structure is set solely to allow LM to control the decisions of the project, so as to enable the fund to achieve the full return of profits of the project. This is done via an assessed earnings rate, derived through extensive feasibility and discounted recovery analysis which is regularly updated and audited externally each year.

Administration and funds management services are provided to the Scheme on behalf of the Manager by LM Administration Pty Limited, an associate of the Manager. LM Administration Pty Limited is paid a management fee for these services directly from the Scheme assets. Next years forecasted management fee is not expected to exceed a maximum of 5% per annum (exclusive of GST) of the net assets of the Scheme.

During the year, management fees of \$11,368,182 (2011: \$1,397,727) were expensed to the Scheme. All management fees are paid directly to LM Administration Pty Limited.

This represents 3.1% of average net assets of the Fund. This pre-planned increase in management fee is reflective in the growth of assets in the Fund and allows the Manager to employ additional resources required to properly manage those assets to the benefit of investors.

The Scheme has second mortgages on loans where the first mortgage of the LM First Mortgage Income Fund, totalling \$60,281,381 (2011: \$46,158,276). The Scheme may on occasion pay development and construction costs on those related loans. As part of its role as second mortgagee, LM Managed Performance Fund will fund interest payments from time to time within approved loan facility limits. During the 30 June 2012 year, interest payments totalling \$715,999 (2011: \$915,954) were paid by the Scheme on behalf of borrowers.

**LM MANAGED PERFORMANCE FUND
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

12. RELATED PARTIES (Continued)

Balance with related parties

	2012	2011
	\$	\$
<i>Manager remuneration received or due and receivable</i>		
- Management fees for the year paid or payable to LM Administration Pty Limited, which were expensed to the fund.	11,368,182	1,397,727
- Expenses included administration expenses incurred by the Manager and its associated entities, which are reimbursed in accordance with the provisions of the Constitution.	-	158,147

This represents 3.1% of average net assets of the Fund. This pre-planned increase in management fee is reflective in the growth of assets in the Fund and allows the Manager to employ additional resources required to properly manage those assets to the benefit of investors.

	2012	2011
	\$	\$
Aggregate amounts receivable from related parties by the Group as follows:		
- LM Administration Pty Limited (management and development management fees prepaid by the Scheme)(i)	20,752,639	5,167,310
- Peter Charles Drake (ii)	16,911,196	15,226,499
- LM Capalaba Pty Ltd (iii)	14,968,213	9,610,476
- Maddison Estate Pty Ltd (iv)	201,187,254	128,301,729
- Aalto Apartments Pty Ltd (v)	24,608,244	22,423,926
- Ekard Property Trust (vi)	2,995,270	2,896,698
Aggregate amounts payable from related parties by the Scheme as follows:		
- LM First Mortgage Income Fund	9,917,992	10,093,089

i) The Directors target a gradual paydown of this prepaid balance throughout the next financial year and as at date of this report, the balance had reduced to \$17.7 million. These amounts are included in prepayments of \$20,752,639 at 30 June 2012 (2011: \$5,167,310). No amounts are payable to related parties by the Scheme, other than LM Administration Pty Ltd. The average monthly balance of prepayments during the year was \$16,989,994 (2011: \$3,617,404) which was non-interest bearing.

This prepaid management fee will be recovered through LM Administration Pty Limited's Agreement to offset future payable management fees or through the guarantee from a Director, Peter Charles Drake. This is documented and secured through a letter of undertaking outlining that the full balance is payable if LM Investment Management Ltd or its related entities are sold in part or in full.

An external report from an independent firm engaged in November 2012 assessed this full security holding at \$107 million.

ii) As at 30 June 2012, the Fund had a loan receivable of \$16,911,196 (2011: \$15,226,499) from Peter Charles Drake, a director of the Manager. The loan is secured by a charge over LM Administration Pty Ltd in its own right and as trustee for the Ekard Property Trust, and by a charge over Century Star Investments. Century Star Investments is a shareholder of LM Investment Management Limited with a 50% stakeholding. An external report from an independent firm in November 2012 assessed this security holding at \$54 million (50% of assessed total of \$107 million). Interest on this loan is fully serviced monthly.

Operating EBIT of these two entities combined was a \$11.0 million EBIT profit for the year ended 30 June 2012 (2011: \$7.1 million). Operating EBIT forecast of these entities for the 2013 financial year is forecasted at \$8.8 million.

**LM MANAGED PERFORMANCE FUND
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

12. RELATED PARTIES (Continued)

Balance with related parties (Continued)

iii) LM Capalaba Pty Ltd – this entity is a related party loan secured through a second mortgage over real property of which a joint venture agreement is currently in place stipulating a minimum interest return to the scheme. The Manager is currently in due diligence discussions and has received a conditional letter of interest from an offshore financier overall including the assessment of payout of the facility with the LM Australian Income Fund and financing the full construction of the project to completion.

iv) Maddison Estate Pty Ltd (formerly LM Arrowtown Pty Ltd) – this entity is a related party loan secured over the assets of Maddison Estate Pty Ltd. Maddison Estate Pty Ltd controls the actual landholder of the subject real property Coomera Ridge Pty Ltd via contractual rights.

Suncorp loan facility:

Maddison Estate Pty Ltd, a related party, has a current Suncorp loan facility of \$22,046,134. The facility has been varied, amended or restated on various occasions since 21 January 2008.

Suncorp have extended the loan facility to 31 March 2013 conditional on an amortised paydown to \$18 million by that date. The Manager is currently in due diligence discussions and has received a conditional letter of interest from an offshore financier to fully repay the Suncorp facility on March 31, 2013 and also finance the full construction of the project to completion.

v) Aalto Apartments Pty Ltd – this entity represents a financial asset to the scheme based on the contractual right to receive cash. This receivable is contingent on certain events and the entity is a related party. AIIS Pty Ltd will be the actual recipient of the cash proceeds which is a wholly owned entity of the scheme. The scheme also holds a second mortgage security over the real property assets of AIIS Pty Ltd. The Manager is currently in due diligence discussions and has received a conditional letter of interest from an offshore financier overall including the assessment of payout of the facility with the First Mortgage Income Fund and financing the full construction of the project to completion.

vi) Ekard Property Trust – this entity is a related party loan secured through a second mortgage over real property. The property is currently on the market and a current offer to fully recover the loan is being negotiated for contract signing as at date of this report. The offer will constitute a full recovery of the existing loan balance in the fund.

13. RECEIVABLES

	Note	2012	2011
		\$	\$
Mortgage loan interest receivable		2,202,839	1,590,989
Receivable from related parties	12(v)	23,421,162	22,425,473
Settlements receivable		291,057	1,936,966
GST receivable		-	132,416
Income tax receivable		395,440	-
Other receivables		11,731	-
		<u>26,322,229</u>	<u>26,085,844</u>

**LM MANAGED PERFORMANCE FUND
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

14. CASH AND CASH EQUIVALENTS

a) Reconciliation of cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise:

	2012	2011
	\$	\$
- Cash at bank and in hand	17,287,984	19,492,224

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.
The fair value of cash and cash equivalents is \$ 17,287,984 (2011: \$ 19,492,224).

As at 30 June 2012, \$ 14,459,269 (2011: \$10,463,632) of cash at bank was held in foreign exchange margin accounts and was not available for use by the Scheme.

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

	2012	2011
	\$	\$
Change in net assets attributable to unitholders	(1,806,051)	309,980
<i>Adjustments for:</i>		
Non-cash impairment expense	5,376,847	16,047,075
Interest income	(60,661,058)	(47,740,840)
Distributions to unitholders	23,167,343	11,729,197
Revaluation of property	-	-
(Profit)/Loss on disposal of property	-	(8,145,634)
(Gains)/loss on foreign exchange contracts	10,713,423	5,930,403
(Gains)/loss on investor funds	1,903,614	(22,423,197)
(Increase)/decrease in trade and other receivables	226,121	1,399,263
(Increase)/decrease in prepayments	(19,736,173)	(4,588,144)
Increase/(decrease) in payables	(3,448,719)	3,384,579
Net cash flows from/(used in) operating activities	(44,264,653)	(44,097,318)

c) Reinvestment of distributions

During the year, the Scheme issued \$23,167,343 worth of units (2011: \$ 11,729,197) as a result of reinvestment of distributions by unitholders. These transactions have not been included in the Statement of Cash Flows.

15. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

(i) Key Management Personnel

They Key Management Personnel ("KMP") of the Scheme were deemed to be the Directors of the Manager. The Directors of the Manager during the year were:

Executive directors

Mr Peter Charles Drake	Appointed 31 January 1997
Ms Lisa Maree Darcy	Appointed 15 September 2003 . Resigned on 12 June 2012
Mr Eghard van der Hoven	Appointed 22 June 2006
Ms Francene Maree Mulder	Appointed 30 September 2006
Mr John O'Sullivan	Appointed 27 November 2007. Resigned on 19 September 2012
Mr Simon Tickner	Appointed 16 December 2008. Resigned on 13 July 2012
Mr Grant Fischer	Appointed 14 March 2012 . Resigned on 12 August 2012
Ms Katherine Phillips	Appointed on 13 July 2012

**LM MANAGED PERFORMANCE FUND
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

15. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

b) Compensation of Key Management Personnel

(i) Compensation Policies and Principles

Remuneration of KMP is paid by LM Administration Pty Limited, appointed by LM Investment Management Limited as per its service agreement with that entity. The KMP do not receive any remuneration directly from the Scheme and there are no agreements in place between the KMP and the Scheme. The remuneration of KMP as disclosed below has been allowed based on each of the KMP's cost of remuneration applicable to the Scheme. No remuneration has been allocated to the LM Managed Performance Fund for the year ended 30 June 2012. The principles used to allocate these costs in future financial years (for disclosure purposes only) are discussed below.

(ii) Executive Directors

The Executive Directors of the Board of Directors of LM Investment Management Limited are responsible for determining and reviewing compensation arrangements for the KMP of the Manager. The Executive Directors assess the appropriateness of the nature and amount of emoluments of the KMP on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Manager.

It is the Executive Directors' policy that employment agreements shall only be entered into with the Executive Directors of the Manager, but with no other parties.

(iii) Non-executive Directors

Fees paid to non-executive directors are based on decisions made by the Executive Directors. This take into account workload requirements and responsibilities of each Director. Fees for duties as Directors are not paid to executive Directors as their remuneration is provided as part of their normal terms and conditions.

b) Compensation of Key Management Personnel

(iv) Principles of KMP Remuneration Allocations

For all schemes managed by the Manager, the cost of total KMP remuneration has been allocated to each scheme. No remuneration has been allocated to the LM Managed Performance Fund for the year ended 30 June 2012. The Manager will estimate the amount of time spent by each KMP performing responsibilities and duties to individual schemes, and on a percentage basis, allocate the remuneration cost to each scheme. Where a KMP has not spent time specifically on a scheme, but rather has acted in a role as KMP of the Manager only, remuneration cost will be allocated evenly across all schemes.

Loans to specified KMP

The Scheme has not made, guaranteed or secured, directly or indirectly any new loans to the KMP or their related entities during the period. The existing loan made to Peter Drake is disclosed under Note 12.

c) Other transactions and balances with specified KMP

Other than those items disclosed in the related party Note 12, the Scheme has no other transactions and balances with specified KMP.

**LM MANAGED PERFORMANCE FUND
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Financial Risk Management Objectives, Policies and Processes

Risks arising from holding financial instruments are inherent in the Scheme's activities, and are managed through a process of ongoing identification, measurement, and monitoring. The Scheme is exposed to credit risk, liquidity risk, and market risk.

Financial instruments of the Scheme comprise investments in financial assets for the purpose of generating a return on the investment made by unitholders, in addition to derivatives, cash and cash equivalents, net assets attributable to unitholders, and other financial instruments such as trade debtors and creditors, which arise directly from its operations.

The Manager is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Scheme from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Manager. These mandate limits reflect the investment strategy and market environment of the Scheme, as well as the level of risk that the Scheme is willing to accept.

This information is prepared and reported to relevant parties within the Manager on a regular basis as deemed appropriate, including the fund manager, compliance manager, other key management, Risk and Investment Committees, and ultimately the Board of Directors of the Manager.

As part of its risk management strategy, the Scheme uses foreign exchange contracts to manage exposures resulting from changes in foreign currencies.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, and other conditions.

In order to avoid excessive concentrations of risk, the Scheme monitors its exposure to ensure concentrations of risk remain within acceptable levels and either reduces the exposure or uses derivative instruments and collateral to manage the excessive concentrations when they arise.

b) Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Scheme to incur a financial loss.

With respect to credit risk arising from the financial assets of the Scheme, other than derivatives, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in value, but best represents the current maximum exposure at the reporting date.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

**LM MANAGED PERFORMANCE FUND
AND ITS CONTROLLED ENTITIES**
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

b) Credit Risk (Continued)

The Scheme minimises credit risk by:

- undertaking credit assessment procedures on prospective borrowers;
- dealing with Australian regulated banks for cash balances; and
- obtaining independent valuations for all new loans.

As at year end 11.47% (2011: 13.48%) of the mortgage loans were secured by Commercial projects and Retail 0.80% (2011: 2.69%) and Residential 87.58% (2011: 80.23%) and Industrial 0.15% (2011: 3.60%).

The carrying amount of renegotiated loans which would have been past due or impaired at 30 June 2012 was \$30,066,913 (2011: \$51,423,842).

Risk concentrations of credit risk

Concentrations of credit risk are managed by counterparty and by geographical region. The percentage of loans secured by property in different geographical locations is as follows:

	2012	2011
Australian Capital Territory	0.37%	0.00%
New South Wales	17.06%	23.62%
Queensland	74.98%	66.68%
Victoria	1.07%	3.79%
Western Australia	6.52%	5.91%
Total	100%	100%

The maximum credit risk exposure at year end in relation to mortgage loan is the carrying value of the assets as indicated in the Statement of Financial Position.

The Scheme has a concentration of credit risk relating to the derivative instruments as all foreign currency swaps are entered into with the four counterparties.

Credit quality of mortgage loans

The credit quality of financial assets is managed by the Scheme using internal risk rating categories in accordance with the investment mandate of the Scheme. The Scheme's exposure in each category is monitored on a daily basis. This review process allows the Manager to assess the potential loss as a result of risks and take corrective action.

As at 30 June 2012, the Scheme was mortgagee in possession of security of \$76,702,039 (2011: \$71,654,937) and taken possession of assets offered as collateral security valued at \$96,677,404 (2011: \$78,333,069).

Past due or mortgagee in possession loans are classified as either being impaired or recoverable based on assessment of current market position as at date of the report. Past due status and actual recoverability of these amounts are not always mutually correlated. Recoverability is dependant on several factors and the Manager always seeks to maximise the return of these amounts through gross realisation workout strategies, enforcement of security and loan restructuring. The Manager has significant resources in-house dedicated to managing these assets to the best possible recovery position.

**LM MANAGED PERFORMANCE FUND
AND ITS CONTROLLED ENTITIES**
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

c) Liquidity risk

Liquidity risk is the risk that the Scheme may not be able to meet its obligations in relation to investment activities or funding unitholder redemptions.

The nature of the investments entered into by the Scheme commands that liquidity be managed cautiously and aligned to the redemptions policy outlined within the constitution of the Scheme. At 30 June 2012, the redemptions requested from unitholders but not paid was \$12,733,976 (2011: \$14,886,335). This amount equates to 3.6% (2011: 6.0%) of the funds under management at that date.

As at 13 November 2012, \$23,727,275 (2011: \$21,274,377) of redemptions had been requested by unitholders, which equates to 6.3% of funds under management and is within the normal percentage parameters of redemptions at any one time as determined by the manager.

During the period, the Manager continued to progress with the various development aspects specific to the underlying assets and balance the cash needs of that asset development with the ongoing payment of investor redemptions.

Significant progress has been made across both areas. A number of the assets are now at the point of presales and commencement of construction, and will return liquidity to the Fund through sales from 2013 onwards.

The MPF has continued to pay investor redemptions. From a high of just under 40%, fund redemptions now measure at less than 6% of Funds Under Management.

Looking forward, the Fund is now moving into a more liquid position as cash variables in the form of loan repayments are realised. New investor inflows will always remain a variable; however the fund portfolio management model forecasts actual loan repayments and capital from the sale of assets increasing significantly from the end of the 1st quarter of 2013. As such, the Directors forecast the MPF liquidity to be operating within normality by the middle of 2013. The Directors are aware that many investors have an immediate need for cash, and we are actively pursuing initiatives on several fronts which, should they come to fruition, will see the Fund make a considerable catch up on redemptions early in 2013. The prime objective of the fund continues to be to maintain investor capital and achieve the targeted outperformance. The Fund has achieved that objective and to date the Fund has declared investor returns at or above target of 3.00%pa - 5.00%pa over cash rates whilst maintaining full capital value.

The Manager employs risk management strategies to ensure that the Scheme is able to meet its obligations as above. The liquidity risk associated with the need to satisfy unitholders requests for redemptions are mitigated by offering fixed term investment periods for investors and by maintaining sufficient cash funds to satisfy usual levels of demand for at-call investments.

In order to minimise liquidity risk, management assesses and monitors the liquidity requirements of both unitholder redemptions and investment activities and ensures that at all times the Scheme has adequate cash and cash equivalents to cover fund obligations and that liquidity is managed within the Scheme's policies and limits.

Maturity Analysis of Financial Liabilities

Financial liabilities of the Group comprise trade and other payables, distributions payable, net assets attributable to unitholders, fair value of foreign exchange contracts and other borrowings. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days. Foreign exchange contracts mature within 12 months of year end.

Net assets attributable to unitholders mature over the following periods:

	2012	2011
Due and payable	313,171	3,728,478
< 12 months	215,556,336	200,269,647
12-24 months	72,495,438	23,526,400
24-36 months	75,111,392	46,326,236
36-48 months	3,155,129	939,757
> 48 months	17,004,891	2,585,767
Total	383,636,357	277,376,286

**LM MANAGED PERFORMANCE FUND
AND ITS CONTROLLED ENTITIES**
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Scheme has established limits on investments in interest bearing assets, which are monitored on a daily basis.

The Scheme's exposure to interest rate risk and the effect weighted average interest rate for classes of financial assets and financial liabilities is set out below:

**LM MANAGED PERFORMANCE FUND
AND ITS CONTROLLED ENTITIES**
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d) Market risk (Continued)

GROUP

Note	Weighted average interest rate	Floating interest rate		Fixed interest rate		Securities contracted to mature in more than 1 year but less than 5 years		Securities contracted to mature in less than 1 year		Total	
		2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Cash and cash equivalents	2.39	17,287,984	19,492,224	-	-	-	-	-	-	17,287,984	19,492,224
Secured mortgage loans (gross)	17.67	-	-	-	55,568,018	-	129,623,576	-	-	-	185,191,594
Unsecured loan	-	-	-	-	220,742,619	-	-	-	-	299,570,307	220,742,619
Loan facility	-	-	-	-	-	-	-	-	-	-	-
Total		17,287,984	19,492,224	299,570,307	276,310,637	-	129,623,576	316,858,291	425,426,437		

All other financial assets and liabilities are non-interest bearing.

**LM MANAGED PERFORMANCE FUND
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d) Market risk (Continued)

The following table demonstrates the sensitivity of the Scheme's Statement of Comprehensive Income to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity of the Statement of Comprehensive Income is the effect of the assumed changes in interest rates on the interest income for one year, based on the financial instruments held at 30 June 2012.

Accounting assumptions

The basis points sensitivity is based on the historical volatility of changes in interest rates.

2012

	Change in basis points		Sensitivity of interest income (\$000's)	
	<i>Increase</i>	<i>Decrease</i>	<i>Increase</i>	<i>Decrease</i>
Financial Instruments	50	50	1,831	(1,831)
	100	100	3,662	(3,662)

2011

	Change in basis points		Sensitivity of interest income (\$000's)	
	<i>Increase</i>	<i>Decrease</i>	<i>Increase</i>	<i>Decrease</i>
Financial Instruments	50	50	1,183	(1,183)
	100	100	2,366	(2,366)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Scheme enters into foreign exchange contracts principally to hedge the foreign exchange risk implicit in the value of the investor funds denominated in foreign currencies and to secure a particular exchange rate for a planned purchase or sale of investments. The term of the contracts rarely exceeds twelve months.

The fair value of forward exchange contracts held at 30 June 2012 was \$ 4,216,790 (2011: \$4,670,351).

The nominal Australian dollar value of forward exchange contracts held at 30 June 2012 was \$ 299,589,159 (2011: \$281,808,635).

The table below indicates the currencies to which the Scheme had significant exposure at 30 June 2012 on its monetary assets and liabilities and forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Australian Dollar on the Statement of Comprehensive Income, with all other variables held constant.

**LM MANAGED PERFORMANCE FUND
AND ITS CONTROLLED ENTITIES**
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency

Investments in the fund are hedged in the relevant currency against Australian dollar currency movements. The fund manages foreign currency risk through the use of forward foreign exchange contracts (FFEC).

The FFECs are facilitated by several banking firms. This reduces currency exposure to the fund and investors. The below table is only applicable if the FFEC facilitator is unable to meet its obligation and the fund therefore seeks an alternative party to transact the FFEC.

Accounting Assumptions - Variability of foreign currency

The sensitivity is based on the volatility of changes in global currency.

Currency	AUD equivalent in exposure by currency (000's)	2012			
		Change in currency rate in %		Effect on net assets attributable to unitholders (000's)	
		Increase	Decrease	Increase	Decrease
AED	2,856	10	10	285	(285)
CAD	2,731	10	10	273	(273)
CHF	1,332	10	10	133	(133)
EUR	40,637	10	10	4,064	(4,064)
GBP	179,392	10	10	17,663	(17,663)
HKD	917	10	10	92	(92)
JPY	2,699	10	10	270	(270)
NOK	147	10	10	15	(15)
NZD	2,172	10	10	217	(217)
SEK	1,628	10	10	163	(163)
SGD	1,660	10	10	166	(166)
THB	3,639	10	10	364	(364)
TRY	14,870	10	10	1,487	(1,487)
USD	42,957	10	10	4,296	(4,296)
ZAR	1,953	10	10	195	(195)

**LM MANAGED PERFORMANCE FUND
AND ITS CONTROLLED ENTITIES**
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Accounting Assumptions - Variability of foreign currency (Continued)

Currency	AUD equivalent in exposure by currency (000's)	2011			
		Change in currency rate in %		Effect on net assets attributable to unitholders (000's)	
		<i>Increase</i>	<i>Decrease</i>	<i>Increase</i>	<i>Decrease</i>
AED	1,140	10	10	(31)	32
CAD	2,038	10	10	(188)	224
CHF	601	10	10	(55)	61
EUR	31,732	10	10	(2,577)	2,840
GBP	113,218	10	10	(9,538)	11,221
HKD	783	10	10	(340)	348
JPY	3,776	10	10	(7,310)	7,369
NZD	1,993	10	10	(227)	247
SEK	402	10	10	(248)	249
SGD	1,866	10	10	(199)	221
THB	2,562	10	10	(2,181)	2,219
TRY	11,758	10	10	(1,069)	1,306
USD	29,392	10	10	(2,822)	3,193
ZAR	1,484	10	10	(973)	977

Equity Risk

The Scheme is not subject to equity risk at 30 June 2012.

**LM MANAGED PERFORMANCE FUND
AND ITS CONTROLLED ENTITIES**
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

17. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Scheme's financial assets and liabilities included in the Statement of Financial Position are carried at their fair value as disclosed by class of financial instruments or at amounts that approximate their fair values.

Refer to Note 2 for the methods and assumptions adopted in determining fair values for investments.

Disclosed below is the fair value of the Scheme's financial instruments.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

Fair value: The Scheme uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 - the fair value is calculated using quoted prices in active markets;

Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

	Fair Value				Carrying Amount
2012	Level 1 \$	Level 2 \$	Level 3 \$	Total \$	\$
Financial Assets					
Forward currency contracts					
Total Financial Assets					
Financial Liabilities					
Forward currency contracts		4,216,790		4,216,790	4,216,790
Total Financial Liabilities		4,216,790		4,216,790	4,216,790

	Fair Value				Carrying Amount
2011	Level 1 \$	Level 2 \$	Level 3 \$	Total \$	\$
Financial Assets					
Forward currency contracts					
Total Financial Assets					
Financial Liabilities					
Forward currency contracts		4,670,351		4,670,351	4,670,351
Total Financial Liabilities		4,670,351		4,670,351	4,670,351

The fair values of currency exchange contracts (forwards and swaps) are calculated by reference to current exchange rates for contracts with similar maturity and risk profiles.

**LM MANAGED PERFORMANCE FUND
AND ITS CONTROLLED ENTITIES**
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

18. COMMITMENTS AND CONTINGENCIES

There are no material contingent assets and liabilities or commitments as at 30 June 2012.

19. EVENTS AFTER THE STATEMENT OF BALANCE DATE

No significant events have occurred since balance date which would impact on the financial position of the Scheme disclosed in the balance sheet as at 30 June 2012 or on the results and cash flows of the Scheme for the year ended on that date, other than those detailed below:

20. PARENT ENTITY INFORMATION

a) Summary of financial information

The individual financial statements for the parent entity show the following aggregate amounts:

Statement of financial position

	2012	2011
	\$	\$
Total Assets	367,876,033	271,937,884
Total Liabilities	14,088,647	21,732,020
Net Assets attributable to unitholders	353,787,386	250,205,864
Total units on issue at year end	356,367,645	249,968,345
Undistributed income/(excess distribution)	(1,744,892)	924,938
Changes in net assets attributable to unitholders	<u>(1,744,892)</u>	<u>924,938</u>
Total comprehensive income	<u>(1,744,892)</u>	<u>924,938</u>

b) Guarantees entered into by the parent company

The parent entity has provided limited financial guarantees to a related party investment scheme on 2 loans which is limited to the payment of interest only during the financial year ended 30 June 2012.

c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2012.

d) Contractual commitments

The parent entity did not have any contractual commitments as at 30 June 2012.

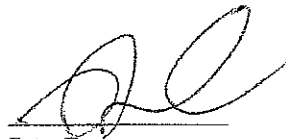
LM MANAGED PERFORMANCE FUND

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of LM Investment Management Limited, I state that:

- a) The financial statements and notes as set out on pages 6 to 36 are in accordance with the *Corporations Act 2001*, and:
 - (i) complying with Accounting Standards and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the Scheme and the consolidated group's financial position as at 30 June 2012, and of its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date; and
 - (iii) the financial statements and notes to the financial statements are prepared in compliance with the International Financial Reporting Standards as made by the International Accounting Standards Board.
- b) There are reasonable grounds to believe that the Scheme and the consolidated group will be able to pay its debts as and when they become due and payable; and
- c) The financial statements are in accordance with the provisions of the Scheme's Constitution.

On behalf of the Board
LM Investment Management Limited



Peter Drake
Director

Gold Coast
Date: 7th day of December 2012

**LM MANAGED PERFORMANCE FUND
ABN 95 595 833 174
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF LM MANAGED PERFORMANCE FUND AND ITS CONTROLLED ENTITIES**

We have audited the accompanying financial report of LM Managed Performance Fund (the Scheme) and Controlled Entities (the Consolidated Group) which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated group comprising the Scheme and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity of the Scheme are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 2, the directors also state, in accordance with AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Scheme's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We have given the directors of the consolidated group a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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**LM MANAGED PERFORMANCE FUND
ABN 95 595 833 174
AND CONTROLLED ENTITIES**

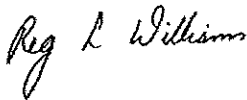
**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF LM MANAGED PERFORMANCE FUND AND ITS CONTROLLED ENTITIES**

Auditor's Opinion

In our opinion:

- a. the financial report of LM Managed Performance Fund and its controlled entities is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Scheme's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

**WILLIAMS PARTNERS
INDEPENDENT AUDIT SPECIALISTS**



**REG L WILLIAMS BCom CPA RCA
PARTNER**
Registered Company Auditor No. 165400

Dated this 7th day of December 2012

**4 Helensvale Road
Helensvale Qld 4212
Australia**

SMV-34

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

ABN: 90 403 232 442

Annual Report

For the year ended 30 June 2012

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

ABN: 90 403 232 442

Annual Report – 30 June 2012

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The responsible entity of LM Australian Income Fund – Currency Protected is LM Investment Management Limited (ABN 68 077 208 461). The responsible entity's registered office is Level 4, RSL Building, 9 Beach Road, Surfers Paradise QLD 4217.

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

Directors' Report

DIRECTORS' REPORT

The directors of LM Investment Management Limited, the Responsible Entity of the LM Australian Income Fund – Currency Protected, present their report together with the financial report of the LM Australian Income Fund – Currency Protected ("the Scheme"), for the year ended 30 June 2012. The Directors' Report does not form part of the financial report.

DIRECTORS

The following persons held office as directors of LM Investment Management Limited, during the year or since the end of the year and up to the date of this report:

Name	Year of directorship
Mr Peter Charles Drake	Appointed 31 January 1997
Ms Lisa Maree Darcy	Appointed 15 September 2003 – Resigned 21 June 2012
Mr Eghard van der Hoven	Appointed 22 June 2006
Ms Francene Maree Mulder	Appointed 30 September 2006
Mr Simon Tickner	Appointed 18 September 2008 – Resigned 1 August 2012
Mr Grant Fischer	Appointed 14 March 2012 – Resigned 12 August 2012
Ms Katherine Phillips	Appointed 13 July 2012

PRINCIPAL ACTIVITIES

The Scheme commenced operations on 25 November 2008. The Scheme's principal activity is investing unitholders' funds in cash investments, unlisted managed investment schemes and in registered first mortgages in Australia in accordance with the Scheme's Constitution and in accordance with the investment policy of the Scheme as outlined in the current product disclosure document.

The Scheme did not have any employees during the year.

SCHEME INFORMATION

The Scheme is an Australian registered scheme and was constituted on 14 October 2008. The Responsible Entity of the Scheme is LM Investment Management Limited who has been the Responsible Entity since registration of the Scheme.

The registered office and principal place of business of the Responsible Entity and the Scheme is Level 4, 9 Beach Road, Surfers Paradise, Queensland.

REVIEW OF RESULTS AND OPERATIONS

Results

During the year, the Scheme invested directly in cash assets, unlisted managed investment schemes and registered first mortgages in Australia.

The change in net assets attributable to the unitholders of the Scheme is presented in the Statement of Comprehensive Income.

Funds under management at 30 June 2012 totalled \$27,859,871 (2011: \$12,461,203).

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

Directors' Report

The performance of the Scheme, as represented by the results of its operations, was as follows:

	30 June 2012	30 June 2011
	\$	\$
Net operating income/(loss) before financing costs	1,293,655	446,475
Financing costs: Distributions to unitholders	(1,178,874)	(471,817)
(Increase) / decrease in net assets attributable to unitholders	114,781	(25,342)

UNITHOLDER FUNDS

There were units on issue totalling \$27,859,871 at 30 June 2012 (2011: \$12,461,203). During the year. Units totalling \$18,446,801 were issued by the Scheme (2011: \$10,058,782) and units totalling \$3,095,527 were withdrawn (2011: \$2,038,106).

SCHEME ASSETS

At 30 June 2012, the Scheme held assets to a total value of \$28,972,987 (2011: \$13,024,380). The basis for valuation of assets is disclosed in Note 2 to the financial statements.

FEES PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATED COMPANIES

The following fees were paid to LM Investment Management Limited and its associated companies out of Scheme property during the year, for funds management and administrative services provided on behalf of the Responsible Entity:

	2012	2011
	\$	\$
▪ Management fees paid or payable directly to LM Administration Pty Ltd	426,984	-
▪ Management fees paid or payable directly to LM Investment Management Limited	-	-
▪ Expenses incurred by LM Administration Pty Ltd which are reimbursed in accordance with the provisions of the Scheme's Constitution, including administration and custodian fees	10,588	142,643
▪ Expenditures incurred by the Responsible Entity and associated companies on behalf of the Scheme, for which reimbursement will not be sought	182,261	-

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors, there were no significant changes in the state of affairs of the Scheme that occurred during the financial year under review.

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED**Directors' Report****SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

Other than the matters disclosed in Note 15 of the financial report there has been no matter or circumstance that has arisen since the end of the year that has significantly affected or may affect the Scheme's operations in future financial years or the results of those operations of the Scheme's state of affairs in future years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Further information on likely developments in the operation of the Scheme and the expected results of those operations has not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Scheme.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The operations of the Scheme are not subject to any particular or significant environmental regulations under a law of the Commonwealth or a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Scheme.

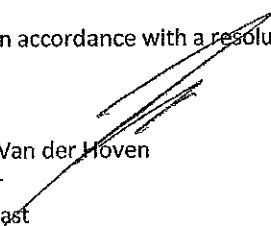
INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of LM Investment Management Limited or the auditors of the Scheme. Provided the officers of LM Investment Management Limited act in accordance with the Scheme Constitution and the Law, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

Signed in accordance with a resolution of the Directors of LM Investment Management Limited.



Eghard Van der Hoven
Director
Gold Coast

4 October 2012



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Auditor's Independence Declaration to the Directors of LM Investment Management Limited as Responsible Entity for LM Australian Income Fund - Currency Protected

In relation to our audit of the financial report of LM Australian Income Fund - Currency Protected for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

PMcLuskie

Paula McLuskie
Partner
Brisbane
4 October 2012

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Note	2012 \$	2011 \$
Income			
Interest income	3	1,726,267	667,959
Other loan fees		658,512	542,106
Net foreign exchange gain on investor funds		919,569	926,039
Total income		<u>3,304,348</u>	<u>2,136,104</u>
Expenses			
Management fee expense		426,984	-
Advisor commissions		360,211	122,528
Legal fees		56,692	51,697
Impairment expense		592	7,211
Net foreign exchange loss on foreign exchange contracts		1,031,892	1,420,705
Other expenses	5	134,322	87,488
Total expenses excluding distributions to unitholders		<u>2,010,693</u>	<u>1,689,629</u>
Net profit attributable to unitholders		1,293,655	446,475
Distributions paid to unitholders	4	<u>(1,178,874)</u>	<u>(471,817)</u>
Net profit/(loss) after distributions to unitholders		114,781	(25,342)
Other comprehensive income		-	-
Changes in net assets attributable to unitholders		<u>114,781</u>	<u>(25,342)</u>
Income tax expense		-	-
Changes in net assets attributable to unitholders after income tax expense		<u>114,781</u>	<u>(25,342)</u>

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note	2012 \$	2011 \$
Assets			
Cash and cash equivalents	10	12,955,958	5,182,533
Prepayments	7	557,792	496,271
Other receivable		70,332	70,424
Loans and receivables	8	15,368,905	7,275,152
Total Assets		28,952,987	13,024,380
Liabilities			
Payables		172,285	160,340
Unitholder funds awaiting investment		299,418	50,591
Distributions payable	4	305,423	160,502
Fair value of forward exchange contracts		315,990	191,744
Total liabilities excluding net assets attributable to unitholders		1,093,116	563,177
NET ASSETS	6	27,859,871	12,461,203
Represented by:			
Net assets attributable to unitholders		27,859,871	12,461,203

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 30 June 2012

TOTAL	2012	2011
	\$	\$
Opening balance	12,461,203	5,391,908
Units issued during the year	18,446,801	9,785,248
Units redeemed during the year	(3,095,527)	(2,038,106)
Units issued on reinvestment of distributions	864,837	273,534
Foreign exchange gain/(loss) on investor funds	(932,224)	(926,039)
Transfers to and from the statement of comprehensive income	114,781	(25,342)
Closing Balance	27,859,871	12,461,203

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Interest income received		1,331,037	176,541
Other income received		261,421	152,106
Management fees paid		(142,573)	-
Adviser commissions paid		(793,894)	(277,135)
Other costs paid		(163,478)	(176,894)
Tax (paid)/received		(24,338)	32,670
Realised gains/(losses) on derivatives		(1,168,087)	(1,489,098)
Net cash inflow/(outflow) from operating activities	10(b)	(699,912)	(1,581,810)
Cash flows from investing activities			
Receipts from sale of investments		4,379,592	13,219,518
Payments for purchase of investments		(11,668,374)	(15,168,282)
Net cash inflow/(outflow) from investing activities		(7,288,782)	(1,948,764)
Cash flows from financing activities			
Receipts from the issue of units		18,165,602	9,785,248
Payment for redemption of units		(2,995,542)	(2,037,664)
Funds awaiting investment		(198,407)	(83,737)
Receipts/(payments) from margin call account		-	-
Distributions paid		248,826	(233,909)
Net cash inflow/(outflow) from financing activities		15,220,479	7,429,938
Net increase/(decrease) in cash and cash equivalents		7,231,785	3,899,364
Cash and cash equivalents at the beginning of the year		4,564,992	665,628
Cash and cash equivalents at the end of the year	10(a)	11,796,777	4,564,992

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED
Notes to the Financial Statements for the year ended 30 June 2012

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of LM Australian Income Fund – Currency Protected (“the Scheme”) for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors of the Responsible Entity on 4 October 2012.

The Scheme is an Australian registered Scheme, constituted on 14 October 2008. The Scheme will terminate on 13 April 2080 unless terminated earlier in accordance with the provision of the Scheme Constitution (as amended).

LM Investment Management Limited, the Responsible Entity of the Scheme, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 4, 9 Beach Road, Surfers Paradise, Queensland.

The principal activities of the Scheme consisted of investing unitholders’ funds in cash investments, unlisted managed investment schemes in Australia and registered first mortgages.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of accounting

This financial report is a general purpose financial report that has been prepared in accordance with the Scheme Constitution, and the requirements of the *Corporations Act 2001*, which includes applicable Accounting Standards.

The financial statements have been prepared under the historical cost convention, except for the valuation of investments in financial assets, which have been measured at fair value or amortised cost.

The statement of financial position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items, in accordance with AASB 101 – *Presentation of Financial Statements*. All balances are expected to be recovered or settled within twelve months, except for loans and receivables and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months in relation to the balances cannot be reliably determined.

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

Statement of Compliance

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

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED
Notes to the Financial Statements for the year ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Scheme for the annual reporting period ended 30 June 2012. The impact of these standards and interpretations has been assessed and to the extent applicable to the Scheme are discussed below. Standards and Interpretations that are not expected to have a material impact on the Scheme have not been included.

AASB 9 Financial Instruments and related amendment AASB 2009-11

AASB 9 applies to annual reporting periods beginning on or after 1 January 2013 and will therefore apply to the Scheme from 1 July 2013. The Scheme does not intend to early adopt AASB 9 as permitted by the standard, and the actual impact on initial application will depend on certain elections as disclosed below.

AASB 9 requires all financial instruments to be measured at fair value unless the criteria for amortised cost are met. The application of the standard is not expected to change the measurement basis of any of the Scheme's current financial instruments, however, AASB 9 allows the Scheme to elect to present gains and losses on equity securities through other comprehensive income, which may impact the presentation of these gains and losses. The impact of the standard may also change if the nature of the Scheme's activities or investments changes prior to initial application.

c) Significant accounting judgements, estimates and assumptions

i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made judgements, apart from those involving estimations, which have had an impact on the amounts recognised in the financial statements. No judgements have been determined to be individually significant.

ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting year are:

a) Allowance for impairment loss on loans and receivables

The Scheme determines whether loans are impaired on an ongoing basis. This requires an estimation of the value of future cash flows through "on completion" valuation or the property based on an 'as is' valuation.

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED
Notes to the Financial Statements for the year ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Significant accounting judgements, estimates and assumptions (continued)

b) Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The judgements include considerations of liquidity and model inputs such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instrument (without modification or repackaging) or based on any available observable market data.

d) Cash and cash equivalents

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

e) Distribution income

Distribution income is recognised when the unitholders' right to receive the payment is established.

f) Interest income

Interest income is recognised as the interest accrues (using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

g) Default management fees

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

h) Changes in the fair value of investments

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

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

Notes to the Financial Statements for the year ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 year 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 assets and liabilities

Financial instruments in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale investments or other financial liabilities as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Scheme determines the classification of its financial assets at initial recognition.

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

i) *Fair value of financial assets and liabilities through profit or loss*

Financial assets held for trading included forward exchange contracts. These assets are acquired principally for the purpose of mitigating the risk of movements in the value of non-Australian Dollar investor funds and facilitating forecasting of future cash flows. During the year, all derivatives are classified as held for trading. Derivative financial instruments entered into by the Scheme do not meet the hedge accounting criteria as defined by AASB139. Consequently, hedge accounting is not applied by the Scheme in the 2012 financial year.

ii) *Loans and receivables*

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

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

Notes to the Financial Statements for the year ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Financial assets and liabilities (continued)

ii) *Loans and receivables (continued)*

Loans and receivables are assessed for impairment at each reporting year. An allowance is made for credit losses when there is objective evidence that the Scheme will not be able to collect the loans and receivables. Impairment losses are written off when identified. Losses expected as a result of future events are not recognised. If a provision for impairment has been recognised in relation to a loan, write offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write offs for bad debts are recognised as an expense in the statement of comprehensive income.

The amount provided for impairment of loans is determined by management of the Scheme and the Credit Committee. A provision is made of loans in arrears where the collectability of the debts is considered doubtful by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

The components of impaired assets are as follows:

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

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

Where possible, the Fund seeks to restructure loans to have loans fully performing, however the fund will take possession of the collateral where necessary. The renegotiation may involve extending payment terms and arrangement of new loan conditions. Once the terms have been renegotiated any impairment is measured the same way as performing loans. The renegotiated loans continue to be assessed individually and collectively for impairment.

“Restructured loans” arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms and new terms are not comparable to the revised terms. These loans are removed from ‘restructure loans’ after a year of 12 months of performance against loan revised terms and conditions. Loans with revised terms are included in ‘loans in arrears’ when impairment provisions are required.

When the Responsible Entity determines interest is not recoverable on certain impaired loans, the interest is suspended and not brought into income. Should the Responsible Entity’s analysis of the collectability subsequently change the interest will be brought into income at the time it is determined to be collectible.

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

Notes to the Financial Statements for the year ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Advisor commissions

Advisor commissions may be paid to the unitholders' investment advisors and are calculated as a percentage of funds invested in the Scheme. These commissions are paid monthly in arrears and are brought to account on an accrual basis. The Scheme ceases to pay advisor commissions when the related units are redeemed.

m) Payables

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

The distribution amount payable to investors as at the reporting date is recognised separately on the statement of financial position as unitholders are presently entitled to the distributable income as at 30 June 2012 under the Scheme's Constitution.

n) Increase/decrease in net assets attributable to unitholders

Non-distributable income is transferred directly to net assets attributable to unitholders and may consist of unrealised changes in the net fair value of investments, accrued income not yet assessable, expenses accrued for which are not yet deductible, net capital losses and tax free or tax deferred income. Net capital gains on the realisation of any investments (including any adjustments for tax deferred income previously taken directly to net assets attributable to unitholders) and accrued income not yet assessable will be included in the determination of distributable income in the same year in which it becomes assessable for tax. Excess and undistributed income is also transferred directly to net assets attributable to unitholders.

o) Distributions

In accordance with the Scheme's Constitution, the Scheme fully distributes its distributable income to unitholders. Distributions are payable monthly. Such distributions are determined by reference to the net taxable income of the Scheme. Distributable income includes capital gains arising from the disposal of investments. Unrealised gains and losses on investments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED**Notes to the Financial Statements for the year ended 30 June 2012****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****p) Goods and services tax (GST)**

The GST incurred on the costs of various services provided to the Responsible Entity by third parties such as audit fees, custodial services and investment management fees have been passed onto the Scheme. The Scheme qualifies for Reduced Input Tax Credits (RITCs) at a rate of 75%.

Hence investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivable in the statement of financial position. Cash flows relating to GST are included in the cash flow statement on a gross basis.

The GST component of cash flows arising from investing and financing activities recoverable or payable to the ATO is classified as an operating cash flow.

q) Applications and redemptions

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

Applications received in foreign currency denominations are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Foreign currency denominated unitholder funds are translated into the Scheme's 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 year in which they arise.

r) Taxation

Under current legislation, the Scheme is not subject to income tax provided the distributable income of the Scheme is fully distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Scheme).

The price of a unit is based upon market values of underlying assets and thus may include a share of unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax. Realised capital losses are not distributed to unitholders but are retained in the Scheme to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

Notes to the Financial Statements for the year ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Capital Management

The Responsible Entity manages the Scheme's net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders is classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications and redemptions at the discretion of unitholders.

The Responsible Entity monitors the level of daily applications and redemptions relative to the liquid assets in the Scheme. The Scheme is not subject to any externally imposed capital requirements.

t) Derivative financial instruments

The Scheme uses derivative financial instruments such as forward currency contracts to mitigate its risks associated with foreign currency fluctuations. Derivatives are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to valuations provided by the financial institutions with which the forward exchange contracts are held.

u) Foreign currency translations

The Scheme's transactions in foreign currencies comprise applications and withdrawals of foreign currency unitholder funds and payment of distributions. Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liability denominated in foreign currencies are retranslated at the rate of exchange prevailing at the balance sheet date, and exchange rate gains and losses recognised in the Statement of Comprehensive Income.

v) Determination of Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

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

Refer to Note 13 to the financial statements for the methods and assumptions applied in determining fair value for each class of financial instrument.

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED**Notes to the Financial Statements for the year ended 30 June 2012****3. INTEREST INCOME**

	2012	2011
	\$	\$
Interest income – mortgage loans	1,418,299	491,418
Interest income – cash assets	307,968	176,541
	<u>1,726,267</u>	<u>667,959</u>

4. DISTRIBUTIONS TO UNITHOLDERS

	2012	2011
	\$	\$
Distributions paid / reinvested	873,451	311,315
Distributions payable	305,423	160,502
	<u>1,178,874</u>	<u>471,817</u>

5. OTHER EXPENSES

	2012	2011
	\$	\$
i) Audit and compliance fees	54,008	57,041
Other	80,314	30,447
	<u>134,322</u>	<u>87,488</u>
ii) Audit fees paid and payable by the Scheme:		
- Audit of the financial report	45,953	50,141
- Other regulatory audit services	8,055	6,900
	<u>54,008</u>	<u>57,041</u>

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

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED
Notes to the Financial Statements for the year ended 30 June 2012

6. CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	<u>Jun-12</u>	<u>Jun-11</u>
	\$	\$
Net assets attributable to unitholders		
Opening balance	12,486,545	5,391,908
Issued during the year	18,446,801	9,785,248
Redeemed during the year	(3,095,527)	(2,038,106)
Reinvestment of distributions	864,837	273,534
Net foreign exchange (gain)/loss on investor funds	(932,224)	(926,039)
	27,770,432	12,486,545
Movement in changes in net assets attributable to unitholders	84,439	(25,342)
Closing Balance	<u>27,859,871</u>	<u>12,461,203</u>

As at 30 June 2012, \$98,469 (2011: nil) of redemptions had been requested by unitholders but not yet paid. Of the total requested redemptions, \$82,786 (2011: nil) related to requests occurring within thirty days of year end. \$15,683 (2011: nil) had been requested more than 30 days prior to year end. At the date of this report, \$84,488 has since been paid.

	2012	2012	2011	2011
	Foreign	AUD	Foreign	AUD
	Currency	\$	Currency	\$
	Amount		Amount	
Unitholder funds by currency				
Australian Dollars	8,700,037	8,700,037	1,604,075	1,599,310
British Pounds	7,019,560	10,859,468	2,945,399	4,424,107
Canadian Dollar	55,035	53,102	-	-
Euro	4,323,388	5,364,671	3,329,595	4,504,680
Hong Kong Dollar	1,019,372	131,030	1,230,660	147,589
Japanese Yen	5,997,248	75,361	4,135,913	47,843
New Zealand Dollars	256,230	201,091	508,428	394,252
Singapore Dollars	731,672	569,572	-	-
Swedish Krona	3,679,067	521,203	3,455,737	509,535
Swiss Franc	9,127	9,429	-	-
Thai Baht	169,919	5,318	149,809	4,556
Turkish Lira	962,570	525,822	-	-
United Arab Emirates Dirham	173,930	47,233	-	-
US Dollars	1,644,727	1,640,298	912,992	854,673
		<u>28,703,635</u>		<u>12,486,545</u>

As at 30 June 2012 foreign currency held in Australia dollars by the scheme amounted to \$28,703,635 (2011: 12,486,545). The foreign currency value in Australian dollars reflects the current unit price for each product as at 30 June 2012.

Unitholders' distribution entitlements are calculated in accordance with distribution rates and are either distributed to unitholders in cash or are reinvested via the purchase of additional units in the Scheme.

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

Notes to the Financial Statements for the year ended 30 June 2012

7. PREPAYMENTS

	2012 \$	2011 \$
Prepaid Responsible Entity management fees	-	284,411
Prepaid advisor trail commission	557,792	211,860
	<u>557,792</u>	<u>496,271</u>

8. LOANS AND RECEIVABLES

	2012 \$	2011 \$
Secured mortgage loans	15,368,905	7,275,152
Net loans and advances	<u>15,368,905</u>	<u>7,275,152</u>

a) Maturity analysis – secured mortgage loans

Less than 3 months	11,592,064	7,275,152
3-6 months	1,710,006	-
6-12 months	2,066,835	-
12-18 months	-	-
18-24 months	-	-
24-36 months	-	-
	<u>15,368,905</u>	<u>7,275,152</u>

b) Concentration of risk

For concentration of risk relating to mortgage type and geographical location, refer to Note 12.

c) Net default loans

At 30 June 2012, the balance of loans that were past due but not impaired was \$Nil (2011: \$Nil). As per the Scheme's policy, loans are impaired once they exceed 90 days.

d) Loans approved but not funded

As at 30 June 2012, there were \$nil loans that had been approved but not yet funded.

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED
Notes to the Financial Statements for the year ended 30 June 2012

9. RELATED PARTIES

Responsible Entity

The Responsible Entity of LM Australian Income Fund – Currency Protected is LM Investment Management Limited (ABN 68 077 208 461). Administration and funds management services are provided to the Scheme on behalf of the Responsible Entity by LM Administration Pty Ltd, an associate of the Responsible Entity. LM Administration Pty Ltd is paid a management fee directly from the Scheme.

Custodian

The Custodian of the Scheme is The Trust Company Limited.

Directors

The names of each person holding the position of director of LM Investment Management Limited during the financial year are disclosed in Note 11.

Directors' remuneration

No amounts are paid by the Scheme directly to the directors of the Responsible Entity. The amount of remuneration paid by the Responsible Entity and its related parties to directors of the Responsible Entity in connection with their responsibilities for the Scheme is separately identified in Note 11.

Directors' holdings of units

LM Investment Management Limited and its associates held no interests in the Scheme at year-end (2011: \$nil).

Other transactions with the Scheme

From time to time the directors of LM Investment Management Limited, or their director-related entities, may invest or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors. Apart from the details disclosed in this note, no director has entered into a material contract with the Scheme since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year-end.

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

Notes to the Financial Statements for the year ended 30 June 2012

9. RELATED PARTIES (continued)

Related party transactions

Administration and funds management services are provided to the Scheme on behalf of the Responsible Entity by LM Administration Pty Ltd. LM Administration Pty Ltd is paid a management fee for these services directly from Scheme assets on an arm's length basis. In the current year the Responsible Entity has forfeited any right to be paid management fees under this agreement.

<i>Responsible Entity's remuneration</i>	2012 \$	2011 \$
Total remuneration received or due and receivable:		
■ Management fees paid or payable directly to LM Administration Pty Ltd (i)	426,984	-
■ Management fees paid or payable directly to LM Investment Management Limited	-	-
■ Expenses including administration expenses incurred by the Responsible Entity, which are reimbursed to the Responsible Entity in accordance with the provisions of the Scheme's Constitution.	-	-
■ Expenses including administration expenses incurred by the LM Administration Pty Ltd, which are reimbursed to the LM Administration Pty Ltd in accordance with the provisions of the Scheme's Constitution.	10,588	142,643
■ Expenditures incurred by the Responsible Entity and associated companies on behalf of the Scheme, for which reimbursement will not be sought	186,261	-

Balances with related parties / (payables)

The aggregate amounts receivable from related parties by the Scheme at balance date is as follows:

LM Administration Pty Ltd – Prepaid management fees	-	284,411
LM Administration Pty Ltd – Reimbursed for fund expense (ii)	(504)	-

- (i) During the period, \$426,984 in management fee expense has been recognised by the Scheme, which is approximately 1.64% of net assets as at 30 June 2012. The constitution of the Scheme allows the Responsible Entity to recover a Management Fee of up to 5.5% p.a. of the net assets of the Scheme. The product disclosure statement (dated 1 September 2011) estimated that the Responsible Entity would be paid a Management Fee of approximately 1.5% p.a. of the net assets of the Scheme.
- (ii) During the year LM Administration Pty Limited, a related party, has paid Scheme expenses totalling \$10,588 (2011: 142,643). These payments made on behalf of the Scheme have been reflected in the Scheme's statement of comprehensive income as fund expenses of \$10,588. During the year the Scheme has paid \$10,084, resulting in \$504 remaining payable at year end.

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

Notes to the Financial Statements for the year ended 30 June 2012

9. RELATED PARTIES (continued)

During the year, one mortgage loan to the value of \$3,933,750 and the related first mortgage security had been transferred from LM Managed Performance Fund to LM Australian Income Fund – Currency Protected. The transfer was performed on an arm's length basis and on commercial terms

Unitholder investing activities

LM Investment Management Limited or other schemes managed by LM Investment Management Limited have no holdings in the Scheme as at 30 June 2012.

10. CASH AND CASH EQUIVALENTS

	2012	2011
	\$	\$
Cash at bank and in hand	11,567,359	4,514,401
Foreign currency awaiting investment	229,418	50,591
Cash held in margin accounts	1,159,181	617,541
	<u>12,955,958</u>	<u>5,182,533</u>

a) Reconciliation of cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise:

- Cash at bank and in hand *	11,567,359	4,514,401
- Foreign currency awaiting investment	229,418	50,591
	<u>11,796,777</u>	<u>4,564,992</u>

* - excludes \$1,159,181 (2011: \$617,541) of cash held in margin accounts in relation to foreign exchange contracts and therefore not available to the Scheme.

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.
The fair value of cash and cash equivalents is \$12,955,958 (2011: \$5,182,533).

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

Notes to the Financial Statements for the year ended 30 June 2012

10. CASH AND CASH EQUIVALENTS (continued)

	2012 \$	2011 \$
b) Reconciliation of change in net assets attributable to unitholders to net cash flows from operating activities		
Change in net assets attributable to unitholders	112,020	(27,394)
<i>Adjustments for:</i>		
Distributions to unitholders	1,178,874	471,817
Realised foreign exchange (gain)/loss on investor funds	(111,368)	(314,824)
Unrealised foreign exchange (gain)/loss on investor funds	(808,202)	(611,215)
Unrealised foreign exchange (gain)/loss on foreign exchange contracts	-	313,336
Non-cash loan fees received	(476,963)	(390,000)
Non-cash interest	(427,339)	(479,157)
Loan written off	592	7,211
(Increase)/decrease in prepayments	(345,931)	(204,267)
(Increase)/decrease in receivables	284,504	(416,474)
Increase/(decrease) in payables	(81,761)	51,088
Increase/(decrease) in GST payable	(24,338)	18,069
Net cash flows from/(used in) operating activities	<u>(699,912)</u>	<u>(1,581,810)</u>

c) Reinvestment of distributions

During the financial year, the Scheme issued \$864,837 (2011:\$ 273,534) in unitholder funds as a result of reinvestment of distribution by unitholders. These transactions have not been included in the Statement of Cash Flows.

11. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Details of Key Management Personnel

(i) Key Management Personnel

The Key Management Personnel ("KMP") of the Scheme were deemed to be the Directors of the Responsible Entity. The Directors of the Responsible Entity during the year were:

Executive directors

Mr Peter Charles Drake	Appointed 31 January 1997
Ms Lisa Maree Darcy	Appointed 15 September 2003 – Resigned 21 June 2012
Mr Eghard van der Hoven	Appointed 22 June 2006
Ms Francene Maree Mulder	Appointed 30 September 2006
Mr Simon Tickner	Appointed 18 September 2008 – Resigned 1 August 2012
Mr Grant Fischer	Appointed 14 March 2012 – Resigned 12 August 2012

Non-executive directors

Mr John O'Sullivan	Appointed 27 November 2007 – Resigned 19 September 2012
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LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED
Notes to the Financial Statements for the year ended 30 June 2012

11. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

b) Compensation of Key Management Personnel

(i) Compensation Policies and Principles

Remuneration of KMP is paid by LM Administration Pty Ltd, appointed by LM Investment Management Ltd as per its service agreement with that entity. The KMP do not receive any remuneration directly from the Scheme and there are no agreements in place between the KMP and the Scheme. The remuneration of KMP as disclosed below has been allocated based on the each KMP's cost of remuneration applicable to the Scheme. The principles used to allocate these costs (for disclosure purposes only) are discussed in section *(iv)* below.

(ii) Executive Directors

The Executive Directors of the Board of the Directors of LM Investment Management Ltd are responsible for determining and reviewing compensation arrangements for the KMP of the Responsible Entity. The Executive directors assess the appropriateness of the nature and amount of emoluments of the KMP on a yearly basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Responsible Entity.

It is the Executive Directors' policy that employment agreements shall only be entered into with the Executive Directors of the Responsible Entity, but with no other parties.

(iii) Non-executive directors

Fees paid to non-executive directors are based on decisions made by the Executive Directors. This takes into account workload requirements and responsibilities of each Director. Fees for duties as Directors are not paid to executive Directors as their remuneration is provided as part of their normal terms and conditions.

(iv) Principles of KMP Remuneration Allocations

For all schemes managed by the Responsible Entity, the cost of total KMP remuneration has been allocated to each scheme. The Responsible Entity has estimated the amount of time spent by each KMP performing responsibilities and duties to individual schemes, and on a percentage basis, has allocated the remuneration cost to each scheme. Where a KMP has not spent time specifically on a scheme, but rather has acted in a role as KMP of the Responsible Entity only, remuneration cost has been allocated evenly across all schemes.

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

Notes to the Financial Statements for the period ended 30 June 2012

11. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(v) Remuneration of KMP

2012 Specified KMP	Salary & Fees	Primary		Post Employment			Equity	Other	TOTAL	Total performance related %
		Cash	Bonus	Non Monetary Benefits	Super	Retirement Benefits				
Drake, PC*	\$ -	-	-	-	-	-	\$ -	\$ -	-	-
Darcy, LM**	40,678	59,197	-	926	3,612	-	-	-	104,413	-
Van der Hoven, E**	30,506	29,598	-	-	2,716	-	-	-	62,820	-
Mulder, F**	26,098	29,598	-	-	2,322	-	-	-	58,018	-
Tickner, S**	28,492	29,598	-	-	2,580	-	-	-	60,670	-
O'Sullivan, J	38,923	-	-	-	-	-	-	-	38,923	-
Fischer, G**	23,023	29,598	-	-	2,064	-	-	-	54,685	-
	187,720	177,589	-	926	13,294	-	-	-	379,529	-

2011 Specified KMP	Primary		Non Monetary Benefits	Post Employment		Equity	Other	TOTAL	Total performance related %
	Salary & Fees	Cash Bonus		Super	Retirement Benefits				
Drake, PC*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Darcy, LM**	54,525	42,500	-	4,817	-	-	-	101,842	-
Van der Hoven, E**	40,678	21,635	-	3,621	-	-	-	65,934	-
Mulder, F**	35,052	21,635	-	3,096	-	-	-	59,783	-
Tickner, S	38,564	21,635	-	3,440	-	-	-	63,639	-
O'Sullivan, J	43,543	-	-	-	-	-	-	43,543	-
	212,362	107,405	-	14,974	-	-	-	334,741	-

* Peter Charles Drake is the beneficial owner of 100% of the ordinary shares of the Responsible Entity. No salary and wages are paid to Peter Drake directly from the company or any of the schemes.

** As executives of the Responsible Entity, LM Darcy, E van der Hoven, F Mulder, S Tickner and G Fischer are entitled to a termination benefit that is payable on cessation of employment or a significant change in ownership of the company. No amount has been reflected in the above disclosures in relation to this potential future benefit.

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED
Notes to the Financial Statements for the period ended 30 June 2012

11. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Compensation by category: Key Management Personnel

	2012	2011
	\$	\$
Short term	366,235	319,767
Post employment	13,294	14,974
Other long term	-	-
Termination benefits	-	-
Equity based payment	-	-
Other	-	-
	<u>379,529</u>	<u>334,741</u>

Loans to Specified KMP

The Scheme has not made, guaranteed or secured, directly or indirectly any loans to the KMP or their related entities during the year.

c) Other Transactions and Balances with Specified KMP

Other than those items disclosed in the related party Note 9, the Scheme has no other transactions and balances with specified KMP.

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Financial Risk Management Objectives, Policies, and Processes

Risks arising from holding financial instruments are inherent in the Scheme's activities, and are managed through a process of ongoing identification, measurement, and monitoring. The Scheme is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk, currency risk and equity risk).

Financial instruments of the Scheme comprise investments in financial assets for the purpose of generating a return on the investment made by unitholders, in addition to cash and cash equivalents, net assets attributable to unitholders, and other financial instruments such as trade debtors and creditors, which arise directly from its operations.

The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Scheme from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Responsible Entity. These mandate limits reflect the investment strategy and market environment of the Scheme, as well as the level of risk that the Scheme is willing to accept.

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

Notes to the Financial Statements for the period ended 30 June 2012

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

This information is prepared and reported to relevant parties within the Responsible Entity on a regular basis as deemed appropriate, including the fund manager, compliance manager, other key management, Risk and Investment Committees, and ultimately the Board of Directors of the Responsible Entity.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, and other conditions.

In order to avoid excessive concentrations of risk, the Scheme monitors its exposure to ensure concentrations of risk remain within acceptable levels and either reduces the exposure collateral to manage the excessive concentrations when they arise.

b) Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Scheme to incur a financial loss.

With respect to credit risk arising from the financial assets of the Scheme, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Balance Sheet. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk arising from derivative financial instruments, is at any time, limited to those with positive fair values.

The Scheme minimises credit risk by:

- Undertaking credit assessment procedures on prospective borrowers;
- Dealing with Australian regulated banks for cash balances;
- Obtaining independent valuations for all loans; and
- Maintaining an average loan to valuation ratio not exceeding 75% of the mortgage security.

Risk concentrations of credit risk

The Scheme is exposed to a concentration of credit risk as the loans and receivables balance consists of eight loans (2011: Two loans) to the value of \$15,368,905 (2011: \$7,275,152).

The Scheme has a concentration of credit risk relating to the derivative instruments as all foreign exchange contracts are entered into with three counterparties.

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED
Notes to the Financial Statements for the period ended 30 June 2012

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit quality of mortgage loans

The credit quality of financial assets is managed by the Scheme using internal risk rating categories in accordance with the investment mandate of the Scheme. The Scheme's exposure in each category is monitored on a daily basis. This review process allows the Responsible Entity to assess the potential loss as a result of risks and take corrective action.

As at 30 June 2012, the Scheme was mortgage in possession of security relating to loans in default of \$nil and had taken possession of assets offered as collateral security valued at \$nil.

Risk concentrations of credit risk

Concentrations of credit risk are managed by counterparty and by geographical region. The percentage of loans secured by property in different geographical locations is as follows:

	2012	2011
Within 40km of Sydney CBD	-	-
New South Wales – Other	-	-
Within 40km of Melbourne CBD	25.90%	-
Victoria – Other	-	-
Queensland – Other	60.52%	75.25%
Canberra – Other	-	-
Western Australia	13.58%	24.75%
Tasmania	-	-
	100.00%	100.00%

The maximum credit risk exposure at year end in relation to mortgage loan is the carrying value of the assets as indicated in the Statement of Financial Position.

The Scheme has a concentration of credit risk relating to the derivative instruments as all foreign currency swaps are entered into with the same counterparties.

c) Liquidity risk

Liquidity risk is the risk that the Scheme may not be able to meet its obligations in relation to investment activities or funding unit holder redemptions.

The Responsible Entity employs risk management strategies to ensure that the Scheme is able to meet its obligations. The liquidity risk associated with the need to satisfy unitholders requests for redemptions are mitigated by offering fixed term investment years for investors and by maintaining sufficient cash funds to satisfy usual levels of demand for at-call investments.

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

Notes to the Financial Statements for the period ended 30 June 2012

c) Liquidity risk (continued)

In addition, the Schemes loan and receivable assets may be longer term than the unitholder funds fixed terms.

In order to minimise liquidity risk, management assesses and monitors the liquidity requirements of both unitholder redemptions and investment activities and ensures that at all times the Scheme has adequate cash and cash equivalents to cover any unusual obligations (based on historical trends) and that liquidity is managed within the Scheme's policies and limits.

Maturity Analysis of Financial Liabilities

Financial liabilities of the Scheme comprise trade and other payables, distributions payable and net assets attributable to unitholders. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days. The foreign exchange contracts are due to mature within three months of 30 June 2012. Net assets attributable to unit holders mature over the following years:

Period from 30 June 2012	Value (\$)
Due and Payable	1,093,116
< 12 months	18,670,865
12-24 months	5,074,112
24-36 months	3,591,089
>36 months	523,805
Total	28,952,987

d) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Scheme has established limits on investments in interest bearing assets, which are monitored on a daily basis.

The Scheme's exposure to interest rate risk and the effect weighted average interest rate for classes of financial assets and financial liabilities is set out below:

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED
Notes to the Financial Statements for the period ended 30 June 2012

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

d) Market risk (continued)

SCHEME

	Note	Weighted average interest rate		Floating Interest Rate		Fixed interest rate		Total	
		2012	2011	2012	2011	Securities contracted to mature in less than 1 year	Securities contracted to mature in more than 1 year but less than 5 years	2012	2011
		%	%						
Cash and cash equivalents	10	3.52	4.46	12,955,958	5,182,533	-	-	12,955,958	5,182,533
Secured mortgage loans	8	13.18	11.84	-	-	15,368,905	7,275,152	15,368,905	7,275,152
Total				12,955,958	5,182,533	15,368,905	7,275,152	28,324,863	12,457,685

All other financial assets and liabilities are non-interest bearing.

The following table demonstrates the sensitivity of the Scheme's income statement to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the interest income for one year, based on the financial instruments held at 30 June 2012.

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

Notes to the Financial Statements for the period ended 30 June 2012

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Accounting assumptions

The basis points sensitivity is based on the historical volatility of changes in interest rates.

2012

	Change in basis points		Sensitivity of interest income (000's)	
	<i>Increase</i>	<i>Decrease</i>	<i>Increase</i>	<i>Decrease</i>
Cash assets	50	50	4	(4)
	100	100	9	(9)
Loans and receivables	50	50	5	(5)
	100	100	11	11

2011

	Change in basis points		Sensitivity of interest income (000's)	
	<i>Increase</i>	<i>Decrease</i>	<i>Increase</i>	<i>Decrease</i>
Cash assets	50	50	2	(2)
	100	100	4	(4)
Loans and receivables	50	50	2	(2)
	100	100	4	(4)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Scheme enters into forward foreign exchange contracts (FFEC) principally to mitigate the foreign exchange risk implicit in the value of the investor funds denominated in foreign currencies and to secure a particular exchange rate for a planned reinvestment /redemption of unitholder funds. The term of the contracts rarely exceeds twelve months.

The FFECs are facilitated by several broking firms. This reduces currency exposure to the fund and investors. The net fair value of forward exchange contracts held at 30 June 2012 was \$315,990 (2011: \$191,744).

The nominal Australian dollar value of forward exchange contracts held at 30 June 2012 was \$8,287,430 (2011: \$11,017,905)

The table below indicates the currencies to which the Scheme had significant exposure at 30 June 2012 on its monetary assets and liabilities and forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Australian Dollar on the income statements, with all other variables held constant.

Foreign currency

Investments in the fund are hedged in the relevant currency against Australian dollar currency movements. The fund manages foreign currency risk through the use of forward foreign exchange contracts (FFEC).

The FFECs are facilitated by several brokerage firms. This reduces currency exposure to the fund and investors. The below table is only applicable if the FFEC facilitator is unable to meet its obligation and the fund therefore seeks an alternative party to transact the FFEC.

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED
Notes to the Financial Statements for the period ended 30 June 2012

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Accounting Assumptions- Variability of foreign currency

The sensitivity is based on the volatility of changes in global currency.

2012

Currency	AUD equivalent in exposure of forward exchange contracts by currency (000's)	AUD equivalent in exposure of unitholder funds by currency (000's)	AUD equivalent in exposure of distributions payable to unitholders by currency (000's)	Net AUD equivalent exposure (000's)	Change in currency rate in %		Effect on net assets attributable to unitholders (000's)	
					Increase	Decrease	Increase	Decrease
AED	47	(47)	-	-	10	10	-	-
CAD	56	(53)	-	3	10	10	-	-
CHF	10	(9)	-	1	10	10	-	-
EUR	5,463	(5,365)	(10)	88	10	10	9	(9)
GBP	11,335	(10,859)	(23)	453	10	10	45	(45)
HKD	136	(131)	-	5	10	10	-	-
JPY	79	(75)	-	4	10	10	-	-
NZD	210	(201)	(4)	5	10	10	1	(1)
SEK	529	(521)	(1)	7	10	10	1	(1)
SGD	597	(597)	-	-	10	10	-	-
THB	6	(5)	-	1	10	10	-	-
TRY	540	(526)	9	23	10	10	2	(2)
USD	1,682	(1,640)	(3)	39	10	10	4	(4)

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

Notes to the Financial Statements for the period ended 30 June 2012

2011

Currency	AUD equivalent in exposure of forward exchange contracts by currency (000's)	AUD equivalent in exposure of unitholder funds by currency (000's)	AUD equivalent in exposure of distributions payable to unitholders by currency (000's)	Net AUD equivalent exposure (000's)	Change in currency rate in %		Effect on net assets attributable to unitholders (000's)	
					Increase	Decrease	Increase	Decrease
AED	-	-	-	-	10	10	-	-
CAD	-	-	-	-	10	10	-	-
CHF	-	-	-	-	10	10	-	-
EUR	3,885	(4,505)	(44)	(664)	10	10	66	(66)
GBP	3,855	(4,424)	(58)	(627)	10	10	63	(63)
HKD	1,233	(148)	-	1,085	10	10	109	(109)
JPY	48	(48)	-	-	10	10	-	-
NZD	504	(394)	(18)	92	10	10	9	(9)
SEK	528	(510)	(2)	16	10	10	2	(2)
SGD	-	-	-	-	10	10	-	-
THB	5	(5)	(1)	(1)	10	10	-	-
TRY	25	-	-	25	10	10	3	(3)
USD	923	(855)	(13)	55	10	10	6	(6)

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

Notes to the Financial Statements for the period ended 30 June 2012

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity Risk

The Scheme is not subject to equity risk at 30 June 2012.

13. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Scheme's financial assets and liabilities included in the Statement of Financial Position are carried at their fair value as disclosed by class of financial instruments or at amounts that approximate their fair values.

Refer to Note 2 for the methods and assumptions adopted in determining fair values for investments.

Disclosed below is the fair value of the Scheme's financial instruments.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

Fair value: The Scheme uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets;

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

	Fair Value				Carrying Amount
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$	\$
2012					
Financial Assets					
Forward currency contracts	-	-	-	-	-
Total Financial Assets	-	-	-	-	-
Financial Liabilities					
Forward currency contracts	-	315,990	-	315,990	315,990
Total Financial Liabilities	-	315,990	-	315,990	315,990

LM AUSTRALIAN INCOME FUND – CURRENCY PROTECTED

Notes to the Financial Statements for the period ended 30 June 2012

13. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	Fair Value				Carrying Amount
2011	Level 1 \$	Level 2 \$	Level 3 \$	Total \$	\$
Financial Assets					
Forward currency contracts	-	-	-	-	-
Total Financial Assets	-	-	-	-	-
Financial Liabilities					
Forward currency contracts	-	191,744	-	191,744	191,744
Total Financial Liabilities	-	191,744	-	191,744	191,744

The fair values of currency exchange contracts (forwards and swaps) are calculated by reference to current exchange rates for contracts with similar maturity and risk profiles.

14. COMMITMENTS AND CONTINGENCIES

There are no material contingent assets and liabilities or commitments as at 30 June 2012.

15. EVENTS AFTER THE BALANCE SHEET DATE

No other significant events have occurred since balance date which would impact on the financial position of the entity disclosed in the balance sheet as at 30 June 2012 or on the results and cash flows of the entity for the year ended on that date.

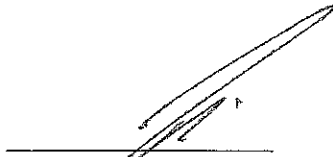
LM AUSTRLIAN INCOME FUND – CURRENCY PROTECTED**DIRECTORS' DECLARATION**

In accordance with a resolution of the Directors of LM Investment Management Limited, I state that:

- a) The financial statements and notes of the Registered Scheme set out on pages 5 to 35 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards and the Corporation Regulations 2001; and
 - (ii) giving a true and fair view of the Scheme's financial position as at 30 June 2012, and of its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date.
- b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable; and
- c) the financial statements are in accordance with the provisions of the Scheme's Constitution.

On behalf of the Board

LM Investment Management Limited.



Egghard Van der Hoven

Director

Gold Coast

4 October 2012

Independent auditor's report to the unitholders of LM Australian Income Fund - Currency Protected

Report on the Financial Report

We have audited the accompanying financial report of LM Australian Income Fund - Currency Protected ("the Scheme"), which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the responsible entity of the Scheme are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Scheme a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Auditor's Opinion

In our opinion:

1. the financial report of LM Australian Income Fund - Currency Protected is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Scheme at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young

Ernst & Young

P McLuskie

Paula McLuskie
Partner
Brisbane
4 October 2012



KordaMentha

26 August 2013

Ginette Muller
Voluntary Administrator
LM Investment Management Limited (Administrator Appointed)

By email: Ginette.Muller@fticonsulting.com

Dear Ginette

Sale of property held by Peregian Beach Pty Ltd ACN 127 412 864 ("Peregian")

To enable the proposed transaction to proceed without delay, we request that you provide the following undertaking by signing and returning a copy of this letter.

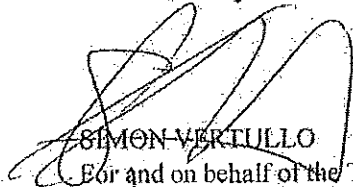
The Voluntary Administrators of LM Investment Management Limited (Administrators Appointed) ("LMIM"), the Responsible Entity of the Australian Income Fund – Currency Protected ("AIF-CP") undertake to hold all proceeds received in exchange for the release of the AIF-CP securities over assets of Peregian separately and on trust until at least the later of:

1. 19 September 2013; or
2. the determination of any Court proceedings commenced on or before 19 September 2013 by the Trustees of the LM Managed Performance Fund ("the Fund") or the Custodian, The Trust Company (PTAL) Limited, regarding alleged breaches of trust concerning the Fund's loan to Peregian.

In signing this letter, the AIF-CP agrees to provide to the Fund documents referred to in the correspondence sent by Mr O'Brien of Minter Ellison to Mr Tiplady of Russells on 19 August 2013 by no later than 5pm, 28 August 2013. If this cannot be complied with the Fund reserves its rights to renegotiate the terms of this agreement.

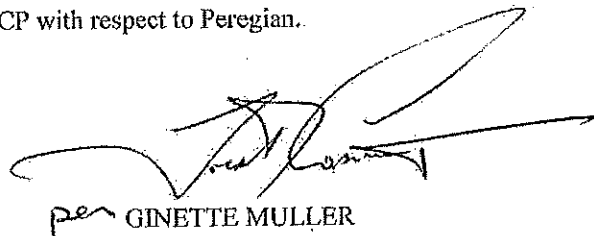
This letter supersedes all previous undertakings of AIF-CP with respect to Peregian.

Yours sincerely



SIMON VERTULLO

For and on behalf of the Trustee of the
LM Managed Performance Fund



per **GINETTE MULLER**

Voluntary Administrator of LMIM, the
Responsible Entity for AIF-CP

Corporate Recovery Services
Turnaround & Restructuring Services
Real Estate Advisory
Forensics

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