

19 September 2018

Our Ref: RCL_8976r3.doc

CIRCULAR TO INVESTORS

Dear Sir/Madam

RE: LM Investment Management Limited (In Liquidation) ACN 077 208 461 (LMIM) (the Company) as the responsible entity of the LM Australian Income Fund (the Fund)

I refer to my previous update regarding this Fund on 10 July 2017. I also refer to the appointment of Ginette Muller and I as Joint and Several Administrators of LM Investment Management Limited (In Liquidation) on 19 March 2013 and our subsequent appointment as Liquidators on 1 August 2013. Ginette Muller resigned as Liquidator of the Company on 17 May 2017.

I provide the following update in relation to the wind-up of the Fund.

Taxation Matters

WMS Chartered Accountants have attended to the following with respect to taxation matters of the Fund:

- Completed financial accounts for the Fund to the financial year ended 30 June 2018;
- Taxation Returns to the year ended 30 June 2012. WMS are currently undertaking an assessment of whether the Fund is required to lodge taxation returns for the duration of our appointment;
- Re-registration of the Fund for GST after it was determined voluntary registration for GST reporting would result in a refund position for the Fund whilst it is being wound up; and
- Lodgement of Business Activity Statements (BASs) to June 2018.

Audited accounts

As investors will be aware from my previous update, the request for financial reporting relief for the Fund was denied by ASIC and therefore the Fund is required to lodge audited financial accounts for each year it remains in wind up.

Audited accounts for the financial years ended 30 June 2013 and 30 June 2014 have now been lodged. Ernst and Young (EY) resigned as auditors at the end of January 2018 and were replaced with Thomas Noble and Russell (“TNR”) who will complete the remaining audits for the Fund.

TNR have been working closely with WMS Chartered Accountants to promptly complete the remaining audits and enable a timely wind up of the fund shortly thereafter. A draft audit has been received for the 2015 financial year and the 2016 audit is expected to follow shortly.

Indicative Net Asset Value

An **indicative** position of the Fund and estimated unit price as at 30 June 2018 is set out in the table below. All figures are in Australian Dollars.

LM Australian Income Fund NAV as at 30 June 2018	
Item	Amount
Cash at Bank	\$9,114,504
Total Fund Assets	\$9,114,504
Less:	
Fund Payables	-\$60,995
Total Fund Payables	-\$60,995
Indicative Net Assets as at 30 June 2018	\$9,053,509
Estimated AUD equivalent units at 30 June 2018	37,313,409
Estimated Unit Price as at 30 June 2018	\$0.24

The estimated asset and unit values are expressed in AUD equivalents and are subject to daily market fluctuations. AUD equivalent units have been calculated based on the Australian Taxation Office and Reserve Bank of Australia foreign currency exchange rates for the year ended 30 June 2018. Accordingly, they are subject to change without notice to members.

For the purposes of presenting an indicative net position, the known invoiced liabilities of the Fund at 30 June 2018 have been included. The net asset position is calculated before consideration of future wind-up costs (including custody fees, accounting and audit costs, and Liquidator remuneration and out of pocket expenses) not yet invoiced or yet to be incurred. These future costs are expected to be relatively significant considering the ongoing work required in relation to finalising the outstanding taxation and audit matters. I will do everything possible to minimise the ongoing wind-up costs.

The net asset position is also subject to change should additional liabilities of the Fund be identified.

Timing for Finalisation and Distributions

The timing for finalisation of the wind-up of the Fund, including the final distribution, is currently unable to be determined. Timing is dependent on lodgement of all outstanding taxation returns, business activity statements and audited financial accounts as well as resolving any legal claims against the fund.

I continue to work towards a timely completion of the fund wind up.

Contact Details

Investors are able to obtain further information by either:

1. Updates will be provided on the LMIM administration website (www.lminvestmentadministration.com);
2. Sending an email outlining your queries to enquiries@lminvestmentadministration.com; and
3. Queries concerning unit holdings; transfer requests; and updated details should be directed to Advanced Share Registry, the details of which are as follows:

- Telephone: +618 9389 8033
- Fax: +618 9262 3723
- Email: admin@advancedshare.com.au
- Address: PO Box 1156, Nedlands WA 6909

Yours faithfully
FTI Consulting



John Park
Liquidator