

5.1 Duties of Officers of the Manager (Section 601FD(1))

An Officer of the Manager must:

- a. act honestly;
- b. exercise the degree of care and diligence that a reasonable person would exercise if they were in the Officer's position;
- c. act in the best interests of the Members and, if there is a conflict between the Members' interests and the interests of the Manager, give priority to the Members' interests;
- d. not make use of information acquired through being an Officer of the Manager in order to:
  - i. gain an improper advantage for the Officer or another person; or
  - ii. cause detriment to the Members;
- e. not make improper use of their position as an Officer to gain, directly or indirectly, an advantage for themselves or for any other person or to cause detriment to the Members; and
- f. take all steps that a reasonable person would take, if they were in the Officer's position, to ensure that the Manager complies with:
  - i. the Law;
  - ii. any conditions imposed by the Manager's licence;
  - iii. the Constitution; and
  - iv. the Compliance Plan.

5.2 Duties of Employees of the Manager (Section 601FE(1))

An employee of the Manager must not:

- a. make use of information acquired through being an employee of the Manager in order to:
  - i. gain an improper advantage for the employee or another person; or
  - ii. cause detriment to Members; or
- b. make improper use of their position as an employee to gain, directly or indirectly, an advantage for themselves or for any other person or to cause detriment to the Members.

6 Indemnities and Reimbursements of Expenses

#### 6.1 Indemnity

To the extent permitted by statute the Manager is indemnified out of the Assets for all debts, liabilities, damages, costs, Taxes, charges, expenses and outgoings reasonably and properly incurred by it in the proper performance of its functions and duties and exercising its powers under this Constitution or at law, except in the case of debts, liabilities, damages, costs, Taxes, charges, expenses or outgoings incurred or payable in respect of or as a result of gross neglect, deceit or a material breach of covenant of the Manager.

#### 6.2 Limitation of Liability

Except in the case of a failure to exercise care and diligence, the Manager will not to the extent permitted by statute be liable to account to nor to indemnify the Scheme, a Member or person claiming under or on behalf of a Member, for anything done in good faith in the performance of its functions and duties and the exercise of its powers under this Constitution or at law including:

- a. a failure to perform or do an act or thing which the Manager is hindered, prevented or forbidden from doing or performing by reason of any present or future law (statutory or otherwise); or
- b. payments made by the Manager in good faith to a duly empowered fiscal authority of the Commonwealth, a State or Territory for Taxes or other charges on the Scheme, an Authorised Investment or a Certificate, or with respect to any transaction reasonably and properly entered into under this Constitution, although the payment as a matter of law ought or need not have been made; or
- c. anything done in good faith relying upon advice from an Expert instructed or appointed by the Manager and independent of the Manager;
- d. anything done in good faith by the Manager in respect of an Application or notice on which there is a forged signature or inaccurate details provided that there were at the time of the doing of the act, matter or thing no reasonable grounds to believe that the signature or detail was not genuine or accurate; or
- e. any other action taken by the Manager in respect of the Scheme where the Manager has acted in good faith.

#### 6.3 Further Limitation of Liability of the Manager

Except in the case of the Manager's failure to exercise care and diligence, the Manager is not to the extent permitted by statute liable to Members to any extent greater than the extent of the Assets vested in the Manager or received and/or held by it in accordance with the provisions of this Constitution.

#### 6.4 Transactions involving the Scheme

Subject to the Law and the Manager's duties to Members, the Manager is entitled, in any capacity other than as manager of the Scheme, to contract with a Member, the Scheme or any Authorised Investment or

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any property proposed to be acquired as an Asset, without any liability to account to the Members only if

- a. the transaction is not in breach of any covenant contained in this Constitution; and
- b. the Manager acts in the transaction with good faith to the Members.

**6.5 Further indemnity**

If the Manager acquires an Asset the holding of which exposes or may expose the Manager to personal liability or if the Manager enters into any contract, credit facility or other transaction on behalf of the Scheme which exposes or may expose the Manager to any personal liability, the Manager has a right of indemnity out of the Assets in respect of that liability.

**6.6 General Compliance Related Party Transactions**

- a. The Manager must comply with part 5C.7 of the Law in respect of all Related Party transactions. In particular the Manager must not, unless permitted by the Law, give a financial benefit:
  - i. to itself, or to a Related Party, out of the Assets; or
  - ii. that could diminish or endanger the Assets;
- b. Paragraph (a) does not prevent the Manager from paying itself fees, and exercising rights to an indemnity, in this Constitution and under section 601GA(2) of the Law and the law.

**6.7 Dealings by the Manager**

Nothing in this Constitution prevents the Manager or any person associated with the Manager from being a Member.

**7 Investment**

**7.1 Investment Management**

It is the role of the Manager to hold all Assets of the Scheme in Authorised Investments and to seek and invest the funds of the Scheme in Mortgage Investments.

**7.2 Investment of Assets in another Managed Investment Scheme (Section 601FC(4))**

The Manager may only invest Assets, or keep Assets invested, in another managed investment scheme or prescribed interest scheme, if that other scheme is registered under Chapter 5C of the Law, or subject to transitional provisions as contained in the Law.

**8 Income of the Scheme**

**8.1 Manager to collect income**

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The Manager will collect, receive and get in the Income of the Authorised Investments and will pay it into the Scheme Accounts. The Manager will make all payments relating to the Scheme from the Scheme Accounts.

**8.2 Decision of Manager Final**

The decision of the Manager in consultation with the Auditor as to whether any item amount to be distributed to Members is Income or capital shall be final.

**8.3 Distribution of Income**

The Manager shall distribute the Members entitlement to the Income of the Scheme within 14 days of the end of the Distribution Period for that Member.

**8.4 Distribution Period**

The Distribution Period for each Member shall be:

- a. quarterly, monthly, half yearly, or yearly as disclosed by the Manager in the Prospectus; or
- b. if the Manager so provides, as agreed between the Member and the Manager at the time the Members Application is accepted.

**8.5 Income Equalisation and Capital Reserves**

The Manager may withhold from distribution to Members for any Distribution Period an amount which the Manager estimates is necessary to equalise as far as possible distributions or to provide for capital losses.

**8.6 Manager to keep Separate Accounts**

The Manager may keep separate accounts of different categories and sources of Income and allocate the Income from any category or source to any Member.

**8.7 Income Entitlement**

- a. The Distributable Amount of the Scheme for each Distribution Period will be credited to a distribution account in the records of the Scheme. After:
  - i. payment of all Taxes and duties in respect of the Income;
  - ii. allowance for any Income component of the Redemption Price of Interests repurchased during the Financial Year in which the Distribution Period occurs; and
  - iii. allowance for any rights or restrictions applicable to any Interest,

the Distributable Amount will be distributed to registered Members in the Scheme at the close of business on the last Business Day of the Distribution Period, in proportion to the number of

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Interest of which they are registered holders at such date. These Members will be presently entitled (within the meaning of the Tax Act) to their respective distribution entitlements.

- b. in recognition of the different class of membership in particular the particular investment terms, the Prospectus shall disclose the relevant Income entitlement for each class of membership in the Prospectus.

**8.8 Reinvestment of Income Entitlement**

- a. The Manager may invite Members in the Scheme to reinvest any or all of their Income entitlement by way of application for additional Interests in the Scheme. The terms of any such invitation will be determined by the Manager and may, amongst other things, provide that unless a Member otherwise directs the Manager, that Member will be deemed to have elected to reinvest all or part of their Income entitlement. Any invitation may be withdrawn or varied by the Manager.
- b. Interests so applied for will be deemed to have been issued on the first day of the Distribution Period immediately following the Distribution Period in respect of which the Income entitlement has accrued or such other date determined by the Manager.

**8.9 Other Distributions**

- a. The Manager may at any time determine that capital or Income in respect of the Scheme be distributed to the Members of the Scheme. Such distribution may be satisfied either by the issue of Interests or by the payment of cash to Members in proportion (subject to any special rights or restrictions applying to any Interests) to the number of Interests held by them respectively on a date determined by the Manager. These Members will be presently entitled (within the meaning of the Tax Act) to the Income component of their respective distribution entitlements.
- b. In the case of a cash distribution, clause 8.7 will apply with the necessary changes. The issue date of the Interests will be the date determined by the Manager.

**9 Termination of the Scheme**

**9.1 Termination of the Scheme**

Subject to clause 9.2, the Scheme will terminate 80 years from the Commencement Date unless otherwise specified in the Prospectus for the Scheme.

**9.2 Defined Event of Winding Up**

The Manager must wind up the Scheme or cause the Scheme to be wound up on the occurrence of any one of the following circumstances:

- a. the Scheme is without a Manager for whatever reason;
- b. the Manager uses the mechanism provided for in Section 601NC of the Law;

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- c. the Scheme comes to the end of its term (as set out in clause 9.1);
- d. any of the circumstances set out in Section 601NE of the Law apply such that the Manager is required to wind up the Scheme; or
- e. a court orders the Scheme to be wound up pursuant to Section 601ND of the Law.

**9.3 Procedure for Winding Up**

- a. Unless otherwise required by the Law, the Manager is responsible for winding up the Scheme.
- b. The Manager must convert to money all Assets, deduct all proper costs and then distribute the money to each Member in proportion to the Members Interests in the Scheme. The Manager may make interim distributions during the winding up process.
- c. The Manager must proceed with the winding up efficiently, diligently and without undue delay. The Manager must complete the winding up process within such time frame as it considers is available to do so, whilst complying with its duties under this Constitution.
- d. The Manager may retain from the proceeds of winding up:
  - i. sufficient funds to meet future obligations which the Manager reasonably believes will fall due after a distribution is made to Members; and
  - ii. to pay its own remuneration expenses for work to be done following the realisation of the Assets.
- e. During the winding up of the Scheme, the Manager may terminate any agreements or arrangements it has entered into with Members which relate to the Scheme. The Manager must give notice to the Members of the termination of those agreements or arrangements.
- f. Once the Manager believes the winding up is complete, the Manager must engage a registered company auditor to audit the final accounts of the Scheme. The Manager must send a copy of any report made by the auditor to Members within 30 days after the Manager receives the report from the auditor.

**9.4 Limitation of Liabilities**

A Member is not liable to contribute towards the debts or liabilities of the Manager and is not liable to indemnify the Manager or any creditor or either of them in the event of any deficiency of the Scheme. The only rights, if any, of indemnity of the Manager and their respective creditors shall be limited to the Assets. The limitation of liability of Members set out in this clause 9.4 also apply to any liability which is incurred by the Manager as a result of any directions or requests of the Members.

10 Transfer and Transmission of Members Interests

10.1 General Principles when dealing with Members in Interests

- a. A Member may transfer their Interests only in accordance with the provisions of this Constitution and, in particular:
  - i. the transferee must agree to be bound by the provisions of this Constitution; and
  - ii. a stamped transfer of the Interests in the Scheme must be delivered to the Manager together with the Certificate or Certificates in respect of the Interests to be transferred.
- b. The Manager will not be required to effect any transaction or dealing in any Interest on behalf of or for the benefit of or at the request of any Member unless the Member has paid or otherwise provided for, to the Manager's satisfaction, all duties, Taxes, governmental charges, transfer fees, registration fees, brokerage fees and other charges (whether similar to the foregoing or not) which may have become or may be payable in respect of the transaction or dealing. The Manager is entitled, if it thinks fit, to pay and discharge all or any of those duties and charges on behalf of the Member concerned and retain the amount so paid out of any moneys to which the Member may be, or become, entitled.
- c. The Manager may decline to register any transfer during the period that the Register is closed pursuant to clause 12.6.
- d. Every instrument of transfer of an Interest which is registered will be retained by the Manager for such period as the Manager may determine, after which (subject to the provisions of any law or this Constitution to the contrary) the Manager may destroy it.
- e. Where the Manager refuses to register any instrument of transfer, within 2 Months after the date on which the instrument was deposited with the Manager, the Manager will give notice of the refusal to the person who deposited it and any instrument of transfer which the Manager refuses to register will (except in the case of suspected fraud) be returned to the person depositing it upon request by such person within 2 months of the giving of the notice.
- f. The Manager may refuse to register or fail to register or give effect to any transfer of an Interest without assigning a reason.
- g. Upon the registration of a transfer of any Interest, the Manager will within one Month after the date of such registration issue to the transferee or transmittee written confirmation of the transfer or transmission.

10.2 Form of Transfer

The transfer of an Interest shall be form in the nominated by the Manager. The form will have regard to the need for the transferee to be bound to this Constitution and any other arrangements which go to the integrity of the Scheme.

### 10.3 Transmission

Subject to the provisions of this Constitution:

- a. in the case of the death of any Member the survivor or survivors (where the deceased was a joint holder) or the executors or administrators (where the deceased was the sole holder) are the only persons recognised by the Manager as having any title to or interest in the Interests registered in the deceased's name;
- b. any person becoming entitled to any Interests in consequence of the death or bankruptcy of a Member may upon:
  - i. producing to the Manager evidence of the capacity in which they propose to act under the provisions of this clause or of their title to the Interests as the Manager deems sufficient;
  - ii. in the case of the death of the Member, producing to the Manager evidence of payment of any duties the Manager may require; and
  - iii. delivering up to the Manager for cancellation the Certificate for the Interests, be registered as the holder of the Interests and the Manager shall cancel the existing Certificate for Interests and issue a new Certificate for Interests in their name;
- c. any person becoming entitled to any Interests because of the death or bankruptcy of a Member may give a good and sufficient discharge to the Manager for any money paid to them but are not entitled to receive notices of or to attend or vote at any meetings of Members until they have become registered as a Member in respect of such Interests.

### 11 Withdrawal

#### 11.1 Obligation to Redeem or Repurchase

- a. The Manager must redeem the Interests within 180 days (or such shorter period as the Manager may determine in its absolute discretion) where it determines that none of the circumstances referred to in paragraphs (b)(i) to (iv) below exists at the time the Manager receives a valid Withdrawal Request Form.
- b. Where any of the following occur the Manager must only redeem Interests within 360 days:
  - i. the Scheme's cash reserves fall and remain below 5% for 10 consecutive Business Days; or
  - ii. if in any period of 90 days, the Manager received valid net Withdrawal Request Forms equal to 10% or more of the Scheme's issued Interests and, during the period of 10 consecutive days falling within the 90 day period, the Scheme's cash reserves are less than 10% of the total assets; or



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- iii. the Manager is not satisfied that sufficient cash reserves are available to pay the Redemption Price on the appropriate date and to pay all actual and contingent liabilities of the Scheme; or
- iv. any other event or circumstance arise which the Manager considers in its absolute discretion may be detrimental to the interests of the Members of the Scheme.
- c. Notwithstanding paragraphs (a) and (b) but subject to their operation the Manager may, provided it complies with its duties under the Constitution and at law, redeem Interests within these maximum timeframes.
- d. The Manager is not required to process a Withdrawal Request Form where:
  - i. the provisions of this Constitution relating to appropriate evidence of title have not been satisfied; or
  - ii. the redemption would cause the Member's Interest to fall below any minimum investment balance, as disclosed in the product disclosure statement.
- e. In satisfying redemption requests the Manager must treat all Members of the same class equally and as between classes fairly. Where the Manager holds more than one valid Withdrawal Request Form, it shall process them in order of receipt.
- f. The days and times specified in this clause may be varied by the Manager upon not less than 30 days' notice to Members.

**11.2 Obligation to redeem for Fixed Term Members**

- a. The Redemption Date applicable to each Fixed Term Member will be each annual anniversary of the date that Fixed Term Member's Application was accepted by the Manager. For the avoidance of doubt, if a Fixed Term Member's Application is accepted by the Manager on 2 December 1999, then the first Redemption Date for those funds invested by that Fixed Term Member will be 2 December 2000 or the next Business Day thereafter. If a Fixed Term Member does not lodge a Withdrawal Request Form within the time prescribed by this clause 11.2, then the Fixed Term Member's next Redemption Date will be 2 December 2001 or the next Business Day thereafter.
- b. A Fixed Term Member or a Fixed Term Member's duly authorised agent approved by the Manager, may not less than 30 days before the Redemption Date give the Manager a Withdrawal Request Form specifying the number of Interests to be redeemed and such notice is to be accompanied by the relevant Certificates (if any).
- c. Subject to the following provisions of this clause 11.2, on receipt of a Withdrawal Request Form and Certificates (if any), the Manager must within thirty (30) days thereafter redeem the required Interests out of the Scheme at the Redemption Price applicable on the Redemption Date for that Fixed Term Member.

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- d. Subject to the Manager's rights under clause 11.5, the days and times specified in this clause 11.2 may be varied upon not less than 60 days' notice to Fixed Term Members.
- e. Notwithstanding this clause 11.2, the Manager may at its discretion allow a Fixed Term Member to withdraw from the Scheme all or part of the Fixed Term Member's funds at any time, in accordance with clause 11.15.

**11.3 Form of Members Request**

- a. The Manager will prescribe from time to time a Withdrawal Request Form.
- b. The Manager must keep a supply (either hard copy or on computer) of Withdrawal Request Forms at its registered office and principal place of business.
- c. The Manager must provide Members on request with the current Withdrawal Request Form free of charge.

**11.4 Accompanying Evidence**

Any Member who makes a request for withdrawal must do so on the current Withdrawal Request Form and also provide satisfactory evidence to the Manager of the Members title or authority to deal with the Members interest. The Manager must act reasonably in determining what is satisfactory evidence.

**11.5 Suspension by Manager**

The Manager may suspend the redemption or repurchase of Interests for such period as it determines where it is impractical to calculate the Redemption Price due to:

- a. the closure of a securities exchange or trading restrictions on a securities exchange;
- b. an emergency or other state of affairs;
- c. the declaration of a moratorium in a country where the Scheme has investments;
- d. a closure of or restrictions on trading in the relevant foreign exchange market; or
- e. the realisation of investments not being able to be effected at prices which would be realised if investments were realised in an orderly fashion over a reasonable period in a stable market.

No suspension may exceed 30 days unless a longer period is permitted by a relevant Commission exemption instrument. All outstanding redemptions and repurchases with Redemption Dates which fall within that period of suspension and any Withdrawal Request Form received while the redemption or repurchase of Interests is suspended is deemed to be received, on the first Business Day after the suspension ceases.

**11.6 Other Suspension of Redemption and Repurchase Obligation**

The Manager is not obliged to repurchase or cause the redemption of Interests in the Scheme in any of the

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following circumstances:

- a. the person making the request holds more than the Minimum Redemption Amount in the Scheme and the request relates to less than the Minimum Redemption Amount; or
- b. carrying out the repurchase or redemption will result in the person making the request holding less than the Minimum Redemption Amount in the Scheme; or
- c. the request is made:
  - i. after any notice convening a meeting of Members to vote on whether to wind up the Scheme has been sent by the Manager and before those eligible to vote have so voted; or
  - ii. while the Scheme is being lawfully wound up, whether pursuant to a resolution to wind up the Scheme or in accordance with the Constitution or otherwise;

The Manager will remain entitled in its absolute discretion to repurchase or cause the redemption of Interests in accordance with clauses 11.1 or 11.2 in the above circumstances.

#### 11.7 Staggering of Redemption Dates

Despite any provision of this Constitution, the Manager may determine more than one Redemption Date for Interests to be repurchased or redeemed pursuant to a Withdrawal Request Form and such Interests will be repurchased or redeemed over those days in such proportions as the Manager determines, provided that all such Interests are repurchased or redeemed within the time specified in clauses 11.1 or 11.2.

#### 11.8 Funding of Redemption

To fund the redemption of Interests out of the Scheme, the Manager may:

- a. apply or realise part of the Assets; or
  - b. obtain financial accommodation,
- or a combination of both.

#### 11.9 Time for Payment of Redemption Amount

The Manager will pay or cause to be paid to the Member the Redemption Amount in respect of any Interests within one Business Day of the Redemption Date.

#### 11.10 Resale and Redemption of Interests by Manager

- a. Interests repurchased out of the Manager's own funds will remain in existence and may be sold by the Manager or alternatively held by the Manager for its own benefit.
- b. Where the Manager holds Interests for its own benefit, it may redeem those Interests out of the

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Scheme. This clause 11 will apply, with the necessary changes, to that redemption.

#### 11.11 Cancellation of Interests

Interests which have been redeemed out of the Scheme will be cancelled and the Manager will record the cancellation in the Register.

#### 11.12 Transfer of Specific Assets

The Manager may determine that the Redemption Amount will be satisfied wholly or in part by the transfer of investments of the Scheme at their Market Value. Expenses incurred in respect of the transfer must be paid by the Member.

#### 11.13 Compulsory Redemption of Small Holdings

If the Redemption Price of all Interests in the Scheme held by a Member is less than the Minimum Subscription Amount, the Manager may compulsorily redeem those Interests.

#### 11.14 Components of Redemption Price and Payment of Accrued Distributions

- a. Unless the Manager otherwise notifies a Member whose Interests are redeemed or repurchased, the Redemption Price paid to that Member will comprise capital only. The Manager may notify a Member that the Redemption Price comprises part capital and part Income. Where the Redemption Price paid to a Member comprises Income and capital, the Member will be presently entitled (within the meaning of the Tax Act) to the Income component and the Manager must notify the Member of the Income component of the Redemption Price paid to them. This notice may be given at the time of redemption or repurchase but must in any case be given within 3 months of the end of the Financial Year of the Scheme in which the redemption or repurchase occurs.
- b. Where an Interest is redeemed or repurchased after a right to a distribution, whether income or capital, has accrued in respect of that Interest, that distribution may be paid to the holder of the Interest at the time of payment of the applicable Redemption Price notwithstanding that the distribution has not been paid at that time to holders of other Interests.

#### 11.15 No Required Disposal

A Member is not required to dispose of its Interests except as otherwise provided in this Constitution and the Corporations Law.

#### 11.16 Early Redemption for Fixed Term Members

Notwithstanding anything else contained in this clause 11:

- a. A Fixed Term Member shall have no right of withdrawal during any period of twelve months following the application of funds by that Fixed Term Member other than as provided in clause 11.2.

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- b. Notwithstanding the foregoing, the Manager may at its complete discretion allow a Fixed Term Member to withdraw during the first twelve months following acceptance by the Manager of the Fixed Term Member's Application or during the twelve months of any annual anniversary of a Fixed Term Member's Investment. In such circumstances, the Manager will charge the Fixed Term Member an Early Withdrawal Fee at the time of the request. In such circumstances the Redemption Date for the Fixed Term Member will be the date nominated by the Manager.

**11A Membership Post 1 February 2005**

**11A.1 Application**

This clause 11A only applies to persons who become Members of the Scheme or who invest or acquire Interests in the Scheme post 1 February 2005.

**11A.2 Investment Terms**

- a. The Prospectus issued by the Manager shall disclose the specific Investment Terms that are available to Applicants wishing to invest and hold Interests in the Scheme. Each Investment Term shall constitute a separate class of membership.
- b. For each Investment Term, the Member must lodge with the Manager a Withdrawal Request Form before the end of their investment Term. If the last day of that Member's Investment Term is not a Business Day, then the last day of that Member's Investment Term shall be the next Business Day thereafter.
- c. If a Member does not lodge a valid Withdrawal Request Form within the period prescribed in paragraph (b) above, the Member's investment in the Scheme at the end of the Investment Term, is automatically reinvested in the Scheme for the same Investment Term as their original investment.
- d. In the interests of certainty, it is confirmed that Members other than as provided above do not have the right to withdraw from the Scheme.

**11A.3 Obligation to Redeem for Members**

- a. The Manager must redeem the Interests within 180 days (or such shorter period as the Manager may determine in its absolute discretion) where it determines that none of the circumstances referred to in paragraphs (b)(i) to (iv) below exists at the time the Manager receives a valid Withdrawal Request Form.
- b. Where any of the following occur the Manager must only redeem Interests within 360 days:
- i. the Scheme's cash reserves fall and remain below 5% for 10 consecutive Business Days; or
  - ii. if in any period of 90 days, the Manager received valid net Withdrawal Request Forms equal to 10% or more of the Scheme's issued Interests and, during the period of 10

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consecutive days falling within the 90 day period, the Scheme's cash reserves are less than 10% of the total assets; or

- iii. the Manager is not satisfied that sufficient cash reserves are available to pay the Redemption Price on the appropriate date and to pay all actual and contingent liabilities of the Scheme; or
  - iv. any other event or circumstance arise which the Manager considers in its absolute discretion may be detrimental to the interests of the Members of the Scheme.
- c. Notwithstanding paragraphs (a) and (b) but subject to their operation the Manager may, provided it complies with its duties under the Constitution and at law, redeem Interests within these maximum timeframes.
- d. The Manager is not required to process a Withdrawal Request Form where:
- i. the provisions of this Constitution relating to appropriate evidence of title have not been satisfied; or
  - ii. the redemption would cause the Member's Interest to fall below any minimum investment balance, as disclosed in the product disclosure statement.
- e. In satisfying redemption requests the Manager must treat all Members of the same class equally and as between classes fairly. Where the Manager holds more than one valid Withdrawal Request Form, it shall process them in order of receipt.
- f. The days and times specified in this clause may be varied by the Manager upon not less than 30 days' notice to Members.

11A.4 Form of Members Request

- a. The Manager will prescribe from time to time a Withdrawal Request Form.
- b. The Manager must keep a supply (either hard copy or on computer) of Withdrawal Request Forms at its registered office and principal place of business.
- c. The Manager must provide Members on request with the current Withdrawal Request Form free of charge.

11A.5 Accompanying Evidence

Any Member who makes a valid request for withdrawal must do so on the current Withdrawal Request Form and also provide satisfactory evidence to the Manager of the Members title or authority to deal with the Members Interest. The Manager must act reasonably in determining what is satisfactory evidence.

11A.6 Suspension by Manager

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- a. The Manager may suspend the redemption of interests. The period of suspension must not exceed 30 days or such other period as the Manager considers reasonable.
- b. The Manager must not suspend redemption unless it reasonably believes it cannot meet valid withdrawal requests because the realisation of Assets cannot be effected at prices which would be obtained if Assets were realised in an orderly fashion over a reasonable period in a stable market.
- c. If redemption is suspended the Manager must, on the first Business Day after the suspension is lifted (assuming the Scheme is thereafter Liquid) satisfy all outstanding Withdrawal Requests.

**11A.7 Other Suspension of Redemption and Repurchase Obligation**

- a. The Manager is not obliged to repurchase or cause the redemption of interests in the Scheme in any of the following circumstances:
  - i. the person making the request holds more than the Minimum Redemption Amount in the Scheme and the request relates to less than the Minimum Redemption Amount; or
  - ii. carrying out the repurchase or redemption will result in the person making the request holding less than the Minimum Redemption Amount in the Scheme; or
  - iii. the request is made:
    - A. after any notice convening a meeting of Members to vote on whether to wind up the Scheme has been sent by the Manager and before those eligible to vote have so voted; or
    - B. while the Scheme is being lawfully wound up, whether pursuant to a resolution to wind up the Scheme or in accordance with the Constitution or otherwise;

**11A.8 Staggering of Redemption Dates**

Despite any provision of this Constitution, the Manager may determine more than one Redemption Date for Interests to be repurchased or redeemed pursuant to a Withdrawal Request Form and such Interests will be repurchased or redeemed over those days in such proportions as the Manager determines, provided that all such Interests are repurchased or redeemed within the time specified in clauses 1 1A.1 or 1 1A.2.

**11A.9 Funding of Redemption**

To fund the redemption of Interests out of the Scheme, the Manager may:

- a. apply or realise part of the Assets; or
  - b. obtain financial accommodation,
- or a combination of both.

**11A.10 Time for Payment of Redemption Amount**

The Manager will pay or cause to be paid to the Member the Redemption Amount in respect of any Interests within one Business Day of the Redemption Date.

**11A.11 Resale and Redemption of Interests by Manager**

- a. Interests repurchased out of the Manager's own funds will remain in existence and may be sold by the Manager or alternatively held by the Manager for its own benefit.
- b. Where the Manager holds Interests for its own benefit, it may redeem those Interests out of the Scheme. This clause 11A will apply, with the necessary changes, to that redemption.

**11A.12 Cancellation of Interests**

Interests which have been redeemed out of the Scheme will be cancelled and the Manager will record the cancellation in the Register.

**11A.13 Transfer of Specific Assets**

The Manager may determine that the Redemption Amount will be satisfied wholly or in part by the transfer of investments of the Scheme at their Market Value. Expenses incurred in respect of the transfer must be paid by the Member.

**11A.14 Compulsory Redemption of Small Holdings**

If the Redemption Price of all Interests in the Scheme held by a Member is less than the Minimum Subscription Amount, the Manager may compulsorily redeem those Interests.

**11A.15 Components of Redemption Price and Payment of Accrued Distributions**

- a. Unless the Manager otherwise notifies a Member whose Interests are redeemed or repurchased, the Redemption Price paid to that Member will comprise capital only. The Manager may notify a Member that the Redemption Price comprises part capital and part Income. Where the Redemption Price paid to a Member comprises Income and capital, the Member will be presently entitled (within the meaning of the Tax Act) to the Income component and the Manager must notify the Member of the Income component of the Redemption Price paid to them. This notice may be given at the time of redemption or repurchase but must in any case be given within 3 months of the end of the Financial Year of the Scheme in which the redemption or repurchase occurs.
- b. Where an Interest is redeemed or repurchased after a right to a distribution, whether income or capital, has accrued in respect of that Interest, that distribution may be paid to the holder of the Interest at the time of payment of the applicable Redemption Price notwithstanding that the distribution has not been paid at that time to holders of other Interests.



**11A.16 No Required Disposal**

A Member is not required to dispose of its Interests except as otherwise provided in this Constitution and the Law.

**11A.17 Liquid or Non-liquid Trust**

This clause 11A.17 only applies while the Scheme remains a registered managed investment scheme under Chapter 5C of the Law.

- a. Clauses 11A.1 to 11A.16 only apply while the Scheme is Liquid.
- b. While the Scheme is not Liquid, a Member may only request the Manager to redeem any Interests held by the Member in accordance with:
  - i. Part 5C.6 of the Law;
  - ii. any current withdrawal offer made by the Manager in accordance with the Law; and
  - iii. clauses 11A.1 to 11A.16, to the extent that those clauses are not inconsistent with Part 5C.6 of the Law or the terms of any current withdrawal offer made by the Manager in accordance with the Law.

**11B Premium Members**

**11B.1 Application**

This clause 11B only applies to persons who become Premium Members of the Scheme or who invest and hold Premium Interests in the Scheme.

**11B.2 Investment Terms**

- a. The Prospectus issued by the Manager shall disclose the specific terms of issue of Premium Interests that are available to Applicants wishing to invest and hold Premium Interests in the Scheme.
- b. For each Premium Member, the Member must lodge with the Manager a Withdrawal Request Form where the Premium Member wishes to have their Premium Interests redeemed.
- c. In the interests of certainty, it is confirmed that Premium Members other than as provided above in this clause 11B do not have the right to withdraw from the Scheme.

**11B.3 Obligation to Redeem for Members**

- a. The Manager must redeem the Interests within 180 days (or such shorter period as the Manager may determine in its absolute discretion) where it determines that none of the circumstances referred to in paragraphs (b)(i) to (iv) below exists at the time the Manager receives a valid

Withdrawal Request Form.

- b. Where any of the following occur the Manager must only redeem Interests within 360 days:
- the Scheme's cash reserves fall and remain below 5% for 10 consecutive Business Days; or
  - if in any period of 90 days, the Manager received valid net Withdrawal Request Forms equal to 10% or more of the Scheme's issued Interests and, during the period of 10 consecutive days falling within the 90 day period, the Scheme's cash reserves are less than 10% of the total assets; or
  - the Manager is not satisfied that sufficient cash reserves are available to pay the Redemption Price on the appropriate date and to pay all actual and contingent liabilities of the Scheme; or
  - any other event or circumstance arise which the Manager considers in its absolute discretion may be detrimental to the interests of the Members of the Scheme.
- c. Notwithstanding paragraphs (a) and (b) but subject to their operation the Manager may, provided it complies with its duties under the Constitution and at law, redeem Interests within these maximum timeframes.
- d. The Manager is not required to process a Withdrawal Request Form where:
- the provisions of this Constitution relating to appropriate evidence of title have not been satisfied; or
  - the redemption would cause the Member's Interest to fall below any minimum investment balance, as disclosed in the product disclosure statement.
- e. In satisfying redemption requests the Manager must treat all Members of the same class equally and as between classes fairly. Where the Manager holds more than one valid Withdrawal Request Form, it shall process them in order of receipt.
- f. The days and times specified in this clause may be varied by the Manager upon not less than 30 days' notice to Members.

11B.4 Form of Members Request

- The Manager will prescribe from time to time a Withdrawal Request Form.
- The Manager must keep a supply (either hard copy or on computer) of Withdrawal Request Forms at its registered office and principal place of business.
- The Manager must provide Members on request with the current Withdrawal Request Form free of charge.

**11B.5 Accompanying Evidence**

Any Member who makes a valid request for withdrawal must do so on the current Withdrawal Request Form and also provide satisfactory evidence to the Manager of the Members title or authority to deal with the Members Interest. The Manager must act reasonably in determining what is satisfactory evidence.

**11B.6 Suspension by Manager**

- a. The Manager may suspend the redemption of Premium Interests. The period of suspension must not exceed 30 days or such other period as the Manager considers reasonable.
- b. The Manager must not suspend redemptions unless the Manager reasonably believes it cannot meet valid withdrawal requests because the realisation of Assets cannot be effected at prices which would be obtained if Assets were realised in an orderly fashion over a reasonable period in a stable market.
- c. If redemption is suspended the Manager must, on the first Business Day after the suspension is lifted (assuming the Scheme is thereafter Liquid) satisfy all outstanding Withdrawal Requests.

**11B.7 Other Suspension of Redemption and Repurchase Obligation**

- a. The Manager is not obliged to repurchase or cause the redemption of Premium Interests in the Scheme in any of the following circumstances:
  - i. the person making the request holds more than the Minimum Redemption Amount in the Scheme and the request relates to less than the Minimum Redemption Amount; or
  - ii. carrying out the repurchase or redemption will result in the person making the request holding less than the Minimum Redemption Amount in the Scheme; or
  - iii. the request is made:
    - A. after any notice convening a meeting of Members to vote on whether to wind up the Scheme has been sent by the Manager and before those eligible to vote have so voted; or
    - B. while the Scheme is being lawfully wound up, whether pursuant to a resolution to wind up the Scheme or in accordance with the Constitution or otherwise;

**11B.8 Staggering of Redemption Dates**

Despite any provision of this Constitution, the Manager may determine more than one Redemption Date for Premium Interests to be repurchased or redeemed pursuant to a Withdrawal Request Form and such Premium Interests will be repurchased or redeemed over those days in such proportions as the Manager determines, provided that all such Premium Interests are repurchased or redeemed within the time specified in clause 11B.2 and 11B.3.

**11B.9 Funding of Redemption**

To fund the redemption of Premium Interests out of the Scheme, the Manager may:

- a. apply or realise part of the Assets; or
- b. obtain financial accommodation,

or a combination of both.

**11B.10 Time for Payment of Redemption Amount**

The Manager will pay or cause to be paid to the Premium Member the Redemption Amount in respect of any Premium Interests within one Business Day of the Redemption Date.

**11B.11 Resale and Redemption of Premium Interests by Manager**

- a. Premium Interests repurchased out of the Manager's own funds will remain in existence and may be sold by the Manager or alternatively held by the Manager for its own benefit.
- b. Where the Manager holds Premium Interests for its own benefit, it may redeem those Premium Interests out of the Scheme. This clause 11B will apply, with the necessary changes, to that redemption.

**11B.12 Cancellation of Premium Interests**

Premium Interests which have been redeemed out of the Scheme will be cancelled and the Manager will record the cancellation in the Register.

**11B.13 Transfer of Specific Assets**

The Manager may determine that the Redemption Amount will be satisfied wholly or in part by the transfer of investments of the Scheme at their Market Value. Expenses incurred in respect of the transfer must be paid by the Member.

**11B.14 Compulsory Redemption of Small Holdings**

If the Redemption Price of all Premium Interests in the Scheme held by a Member is less than the Minimum Subscription Amount, the Manager may compulsorily redeem those Premium Interests.

**11B.15 Components of Redemption Price and Payment of Accrued Distributions**

- a. Unless the Manager otherwise notifies a Member whose Premium Interests are redeemed or repurchased, the Redemption Price paid to that Member will comprise capital only. The Manager may notify a Member that the Redemption Price comprises part capital and part Income. Where the Redemption Price paid to a Member comprises Income and capital, the Member will be presently entitled (within the meaning of the Tax Act) to the Income component and the Manager

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must notify the Member of the Income component of the Redemption Price paid to them. This notice may be given at the time of redemption or repurchase but must in any case be given within 3 months of the end of the Financial Year of the Scheme in which the redemption or repurchase occurs.

- b. Where a Premium Interest is redeemed or repurchased after a right to a distribution, whether income or capital, has accrued in respect of that Premium Interest, that distribution may be paid to the holder of the Premium Interest at the time of payment of the applicable Redemption Price notwithstanding that the distribution has not been paid at that time to holders of other Interests.

**11B.16 No Required Disposal**

A Member is not required to dispose of its Premium Interests except as otherwise provided in this Constitution and the Corporations Law.

**11B.17 Liquid or Non-liquid Trust**

This clause 11B.17 only applies while the Scheme remains a registered managed investment scheme under Chapter 5C of the Law.

- a. Clauses 11B.1 to 11B.16 only apply while the Scheme is Liquid.
- b. While the Scheme is not Liquid, a Member may only request the Manager to redeem any Premium Interests held by the Member in accordance with:
  - i. Part 5C.6 of the Law;
  - ii. any current withdrawal offer made by the Manager in accordance with the Law; and
  - iii. clauses 11B.1 to 11B.16, to the extent that those clauses are not inconsistent with Part 5C.6 of the Law or the terms of any current withdrawal offer made by the Manager in accordance with the Law.

**11C Managers Discretion**

Notwithstanding any other provision in this Constitution, and the fact that a Members right to withdraw under the Constitution is limited as prescribed in clauses 11 to 11B, the Manager may (but is under no obligation to do so) allow a Member to withdraw before the end of their Investment Term early (and without penalty). In exercising this discretion the Manager must have regard to:

- a. the Managers statutory duties under the Law and its duties under this Constitution;
- b. the particularly unusual circumstances of the Member; and
- c. the particular financial circumstances of the Scheme at the time of the request.

Where the Manager exercises its discretion under this clause 11-C, there is no minimum time within the

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Manager must redeem the relevant Interests and pay the Redemption Amount to the Member.

#### 11D Hardship Withdrawals

- a. Subject to paragraph (b), in response to a Hardship Offer by the Manager, a Member may request the Manager to redeem Units under a Hardship Withdrawal Request in accordance with and subject to any relevant ASIC Instrument that applies or relates to the Scheme, where the Manager is satisfied that the Member complies with the criteria and conditions set out in the relevant ASIC Instrument.
- b. The other provisions of clause 11 of this Constitution will apply in respect of a Hardship Withdrawal Request with the necessary changes to the extent appropriate, except that the period for satisfaction of any Hardship Withdrawal Request is 12 months from the date of receipt.
- c. The Manager may suspend the Hardship Withdrawal Facility at any time in its discretion.

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## 12 REGISTERS

### 12.1 Member Register

The Manager will keep and maintain an up-to-date Register at the registered office or principal place of business of the Manager in such form and containing such particulars as are required by the Law or any declaration, exemption or ruling granted or made thereunder, and such other particulars as the Manager may from time to time considers appropriate.

### 12.2 Details on Register

Subject to clause 12.3, there will be entered in the Register:

- a. the names and addresses of the Members from time to time;
- b. the number of Interests from time to time held by each Member;
- c. the date on which the name of each Member was entered in the Register, and
- d. the date on which any person ceased to be a Member.

### 12.3 Expunging Information

The information relating to a Member (or any of it) may be expunged from the Register at any time after the first day of the Financial Year occurring 7 years after the Financial Year in which the Member ceased to be a Member.

### 12.4 Inspection of Register

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The Manager need not allow inspection of the Register or any part thereof by any person except where:

- a. the person seeking inspection is a Member or representative of a Member and the inspection relates to that part of the Register that contains particulars of the Member's interest relevant to that person; or
- b. the person provides to the Manager a written undertaking duly signed by the person and to the effect that inspection of the Register will not be used for any purpose other than the purpose of:
  - i. calling a meeting of Members;
  - ii. notifying a Member of a matter relating to the carrying out by the Manager of its functions and duties under the provisions of the Law or this Constitution; or
  - iii. any other purpose approved in writing by the ~~Commission~~ ASIC.

**12.5 Copies of Register**

- a. If any person has the right to inspect the Register then that person also has the right to obtain copies of those parts of the Register inspected. The costs of copying and handling will be a rate set by the Manager but shall not exceed \$2.50 per page.
- b. Paragraph (a) does not require the Manager to make available or provide copies of the Register in excess of its obligations to do so under the Law having regard to any ASIC Instrument ~~declaration or exemption made or given by the Commission~~.

**12.6 Closure of Register**

The Manager may close the Register or part of the Register for any time or times but so that no part of the Register may be closed for more than 30 days in the aggregate in each calendar year.

**12.7 Change of Member Details**

Each Member will give the Manager notice of any change of name or address on the part of such Member and the Manager, upon receiving such notification, will alter the Register accordingly.

**13 Member Meetings (Part 2G.4)**

**13.1 Managers Power to call Members Meeting (Section 252A)**

The Manager may call a meeting of the Members at any time.

**13.2 Members power to call a Meeting (Section 252B)**

- a. The Manager must call and arrange to hold a meeting of the Members to consider and vote on a proposed special or extraordinary resolution on the request of:

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- i. members with at least 5% of the votes that may be cast on the resolution; or
  - ii. at least 100 Members who are entitled to vote on the resolution.
- b. The request by the Members must:
  - i. be in writing; and
  - ii. state any resolution to be proposed at the meeting; and
  - iii. be signed by the Members proposing to move the resolution.
- c. The request may be accompanied by a statement about the proposed resolution provided by the Members making the request.
- d. Separate copies of a document setting out the request and statement (if any) may be used for signing by Members if the wording of the request and statement (if any) is identical in each copy.
- e. The percentage of the votes that Members have is to be worked out as at the midnight before the request is given to the Manager.
- f. The Manager must call the meeting within 21 days after the request is given to it. The meeting must be held not later than 2 months after the request is given to the Manager.
- g. The Manager must give to each of the Members a copy of the proposed resolution and statement (if any) at the same time, or as soon as practicable afterwards, as it gives notice of the meeting. The Manager must distribute the copies in the same way in which it gives notice of the meeting.
- h. The Manager does not have to distribute a copy of the resolution or statement if either is more than 1,000 words long or defamatory.
- i. The Manager is responsible for the expenses of calling and holding the meeting and making the distribution. The Manager may meet those expenses from the Assets.

**13.3 Failure of Manager to Call meeting of the Members (Section 252C)**

- a. Members with more than 50% of the votes carried by interests held by the Members who make a request under section 252B of the Law may call and arrange to hold a meeting of the Members and distribute the statement (if any) if the Manager does not do so within 21 days after the request is given to the Manager.
- b. The meeting must be called and the statement is to be distributed in the same way, so far as is possible, in which meetings of the Members may be called by the Manager and information is distributed to Members by the Manager. The meeting must be held not later than 3 months after the request is given to the Manager.
- c. To call the meeting the Members requesting the meeting may ask the Manager for a copy of the

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Register. The Manager must give the Members requesting the meeting the copy of the Register without charge.

- d. The Manager must pay the reasonable expenses the Members incurred because the Manager failed to call and arrange to hold the meeting and to make the distribution (if any). The Manager must not pay or be reimbursed those expenses from the Assets.

13.4 Calling of Meetings of Members by Members (Section 252D)

- a. Members who hold interests carrying at least 5% of the votes that may be cast at a meeting of Members may call and arrange to hold a meeting of the Members to consider and vote on a proposed special resolution or a proposed extraordinary resolution. The Members calling the meeting must pay the expenses of calling and holding the meeting.
- b. The meeting must be called in the same way, so far as is possible, in which meetings of the Members may be called by the Manager.
- c. The percentage of the votes carried by interests that Members hold is to be worked out as at the midnight before the meeting is called.

14 How to Call Meetings of Members

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14.1 Notice of Meetings (Section 252F)

At least 21 days notice must be given of a meeting of Members.

14.2 Notice of Meetings of Members to Members, Directors and Auditors (Section 252G)

- a. Written notice of a meeting of Members must be given to:
  - i. each Member entitled to vote at the meeting;
  - ii. each director of the Manager;
  - iii. the Auditor; and
  - iv. the auditor of the Compliance Plan.
- b. Notice to joint Members need only be given to the joint Member named first in the Register.
- c. The Manager may give notice of the meeting to a Member:
  - i. personally; or
  - ii. by sending it by post to the address for the Member in the Register or an alternative address (if any) nominated by the Member; or

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- iii. by sending it to the fax number or electronic address (if any) nominated by the Member.
- d. A defect in the notice given or failure to receive the notice does not invalidate a meeting.
- e. A notice of meeting sent by post is taken to be given 3 days after it is posted. A notice of meeting sent by fax, or other electronic means, is taken to be given on the business day after it is sent.

**14.3 Auditors Entitled to other Communications (Section 252H)**

The Manager must give the Auditor and the auditor of the Compliance Plan all communications relating to the meeting that a Member is entitled to receive.

**14.4 Contents of Notice of Meetings of Members (Section 252J)**

A notice of a meeting of Members must:

- a. set out the place, date and time for the meeting (and, if the meeting is to be held in 2 or more places, the technology that will be used to facilitate this);
- b. state the general nature of the meeting's business;
- c. if a special or extraordinary resolution is to be proposed at the meeting, set out an intention to propose the special or extraordinary resolution and state the resolution; and
- d. contain a statement setting out the following information:
  - i. that the Member has a right to appoint a proxy;
  - ii. that the proxy does not need to be a Member; and
  - iii. that if the Member appoints 2 proxies the Member may specify the proportion or number of votes the proxy is appointed to exercise.

**14.5 Notice of Adjourned Meetings (Section 252K)**

When a meeting is adjourned, new notice of the adjourned meeting must be given if the meeting is adjourned for one month or more.

**15 Members' Rights to Put Resolutions at Meetings of Members**

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**15.1 Members' Resolutions (Section 252I)**

- a. The following Members may give the Manager notice of a special or extraordinary resolution that they propose to move at a meeting of Members:
  - i. Members with at least 50% of the votes that may be cast on the resolution: or

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- ii. at least 100 Members who are entitled to vote at a meeting of Members.
- b. The notice must:
  - i. be in writing;
  - ii. set out the wording of the proposed resolution; and
  - iii. be signed by the Members giving the notice.
- c. Separate copies of a document setting out the notice may be used for signing by Members if the wording of the notice is identical in each copy.
- d. The percentage of the votes that Members have is to be worked out as at the midnight before the Members give the notice.

**15.2 Manager Giving Notice of Members' Resolutions (Section 252M)**

- a. If a Manager has been given notice of a special or extraordinary resolution under section 252L of the Law, the resolution is to be considered at the next meeting of Members that occurs more than 2 months after the notice is given.
- b. The Manager must give all the Members notice of the resolution at the same time, or as soon as practicable afterwards, and in the same way, as it gives notice of a meeting.
- c. The Manager is responsible for the cost of giving Members notice of the resolution if the Manager receives the notice in time to send it out to Members with the notice of meeting.
- d. The Members requesting the meeting are jointly and individually liable for the expenses reasonably incurred by the Manager in giving Members notice of the resolution if the Manager does not receive the Members' notice in time to send it out with the notice of meeting. A resolution may be passed at a meeting of Members that the Manager is to meet the expenses out of the Assets.
- e. The Manager need not give notice of the resolution:
  - i. if it is more than 1,000 words long or defamatory; or
  - ii. if the Members making the request are to bear the expenses of sending the notice out, unless the Members give the Manager a sum reasonably sufficient to meet the expenses that it will reasonably incur in giving the notice.

**15.3 Members' Statements to be Distributed (Section 252N)**

- a. Members may request a Manager to give to all its Members a statement provided by the Members making the request about:

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- i. a resolution that is proposed to be moved at a meeting of Members; or
  - ii. any other matter that may be properly considered at a meeting of Members.
- b. The request must be made by:
  - i. Members with at least 5% of the votes that may be cast on the resolution; or
  - ii. at least 100 Members who are entitled to vote at the meeting.
- c. The request must be:
  - i. in writing; and
  - ii. signed by the Members making the request; and
  - iii. given to the Manager.
- d. Separate copies of a document setting out the request may be used for signing by Members if the wording of the request is identical in each copy.
- e. The percentage of the votes that Members have is to be worked out as at the midnight before the request is given to the Manager.
- f. After receiving the request, the Manager must distribute to all the Members a copy of the statement at the same time, or as soon as practicable afterwards, and in the same way, as it gives a notice of a meeting.
- g. The Manager is responsible for the cost of making the distribution if the Manager receives the statement in time to send it out to Members with the notice of meeting.
- h. The Members making the request are jointly and individually liable for the expenses reasonably incurred by the Manager in making the distribution if the Manager does not receive the statement in time to send it out with the notice of meeting. A resolution may be passed at a meeting of the Members that the Manager is to meet the expenses out of the Scheme's Assets.
- i. The Manager need not comply with the request:
  - i. if the statement is more than 1,000 words long or defamatory; or
  - ii. if the Members making the request are responsible for the expenses of the distribution, unless the Members give the Manager a sum reasonably sufficient to meet the expenses that it will reasonably incur in making the distribution.

16 Holding Meetings of Members

**16.1 Time and Place for Meetings of Members (Section 252P)**

A meeting of Members must be held at a reasonable time and place.

**16.2 Technology (Section 252Q)**

A Manager may hold a meeting of the Members at 2 or more venues using any technology that gives the Members as a whole a reasonable opportunity to participate.

**16.3 Quorum (Section 252R)**

- a. The quorum for a meeting of Members is 2 Members and the quorum must be present at all times during the meeting.
- b. In determining whether a quorum is present, each individual attending as a proxy or body corporate representative is to be counted separately. However, if a Member has appointed more than one proxy or representative, these proxies or representatives only count as one person. If an individual is attending both as a Member and as a proxy or body corporate representative they shall all only be counted as one individual.
- c. A meeting of Members that does not have a quorum present within 30 minutes after the time for the start of the meeting set out in the notice of meeting is adjourned to the date, time and place the Manager specifies. If the Manager does not specify one (1) or more of those things, the meeting is adjourned to:
  - i. if the date is not specified—the same day in the next week; and
  - ii. if the time is not specified—the same time; and
  - iii. if the place is not specified—the same place.
- d. If no quorum is present at the resumed meeting within 30 minutes after the time for the start of the meeting, the meeting is dissolved.

**16.4 Chairing Meetings of Members (Section 252S)**

- a. The Manager may, in writing, appoint an individual to chair a meeting called under section 252A or 252B of the Law.
- b. The Members present at a meeting called under section 252A or 252B of the Law must elect a Member present to chair the meeting (or part of it) if:
  - i. a chairperson has not previously been appointed to chair the meeting; or
  - ii. a previously appointed chairperson is not available, or declines to act for the meeting (or part of the meeting).

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- c. The Members present at a meeting called under sections 252C, 252D or 252E of the Law must elect a Member present to chair the meeting.

16.5 Auditors' Right to be Heard at Meetings of Members (Section 252T)

- a. The Auditor and the auditor of the Compliance Plan are entitled to attend any meeting of the Members.
- b. An auditor is entitled to be heard at the meeting on any part of the business of the meeting that concerns the auditor in their capacity as auditor.
- c. An auditor may authorise a person in writing as their representative for the purpose of attending and speaking at any meeting of the Members.

16.6 Adjourned Meetings (Section 252U)

- a. A resolution passed at a meeting resumed after an adjournment is passed on the day it was passed.
- b. Only unfinished business is to be transacted at a meeting resumed after an adjournment.

16.7 Role of chairman

The chairman of a meeting of Members convened by the Manager:

- b-a. \_\_\_\_\_ has charge of the general conduct of the meeting and of the procedures to be adopted at the meeting;
- e-b. \_\_\_\_\_ may require the adoption of any procedure which is in the chairman's opinion necessary or desirable for proper and orderly debate or discussion and the proper and orderly casting or recording of votes at the general meeting;
- d-c. \_\_\_\_\_ may, having regard where necessary to the Act, terminate discussion or debate on any matter whenever the chairman considers it is necessary or desirable for the proper conduct of the meeting;
- e-d. \_\_\_\_\_ has power to cancel a meeting or postpone a meeting for any reason to such place and time as the chairman thinks fit; and
- f-e. \_\_\_\_\_ may at any time during the meeting adjourn the meeting or any business, motion, question, resolution, debate or discussion being considered or remaining to be considered by the meeting either to a later time at the same meeting or to an adjourned meeting at any time and any place,

and a decision by the chairman under this clause 16.7 is final.

16.8 Postponement of Meetings

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- a. If the chairman decides to postpone a meeting of Members in accordance with clause 16.7(d), it may do so at any time and notify Members by any means, including by publishing it in a newspaper or on the internet.
- b. A notice of postponement of a meeting of Members must specify:
  - i. the postponed date and time for the holding of the meeting; and
  - ii. the place for holding of the meeting, which may be either the same as or different from the place specified in the notice convening the meeting.
- c. The number of clear days from the giving of a notice postponing the holding of a meeting of Members to the date specified in that notice for the holding of the postponed meeting must not be less than 3 calendar days.
- d. Where:
  - i. by the terms of an instrument appointing a proxy or attorney or of an appointment of a representative, a proxy or an attorney or a representative is authorised to attend and vote at a meeting of Members to be held on a specified date or at a meeting of Members to be held on or before a specified date; and
  - ii. the date for holding the meeting is postponed to a date later than the date specified in the instrument of proxy, power of attorney or appointment of representative,

then, by the force of this clause, that later date is substituted for and applies to the exclusion of the date specified in the instrument of proxy, power of attorney or appointment of a representative unless the Member appointing the proxy, power of attorney or representative gives to the Manager notice in writing to the contrary not less than 48 hours before the time to which the holding of the meeting has been postponed.

**17 Proxies and Body Corporate Representatives**

**17.1 Who can appoint a Proxy (Section 252V)**

- a. A Member who is entitled to attend and cast a vote at a meeting of Members may appoint a person as the Member's proxy to attend and vote for the Member at the meeting.
- b. The appointment may specify the proportion or number of votes that the proxy may exercise.
- c. A Member may appoint one or 2 proxies. If the Member appoints 2 proxies and the appointment does not specify the proportion or number of the Member's votes each proxy may exercise, each proxy may exercise half of the votes.
- d. Fractions of votes resulting from the application of paragraphs (b) and (c) are to be disregarded.

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**17.2 Rights of Proxies (Section 252W)**

- a. A proxy appointed to attend and vote for a Member has the same rights as the Member:
  - i. to speak at the meeting; and
  - ii. to vote (but only to the extent allowed by the appointment).
- b. A proxy is entitled to vote on a show of hands.
- c. A proxy's authority to speak and vote for a Member at a meeting is suspended while the Member is present at the meeting.

**17.3 Manager sending Appointment Forms or Lists of Proxies must send to all Members (Section 252X)**

If the Manager sends a Member a proxy appointment form for a meeting or a list of persons willing to act as proxies at a meeting:

- a. if the Member requested the form or list—the Manager must send the form or list to all Members who ask for it and who are entitled to appoint a proxy to attend and vote at the meeting; or
- b. otherwise—the Manager must send the form or list to all its Members entitled to appoint a proxy to attend and vote at the meeting.

**17.4 Appointing a Proxy (Section 252Y)**

- a. An appointment of a proxy is valid if it is signed by the Member making the appointment and contains the following information:
  - i. the Member's name and address;
  - ii. the Scheme's name;
  - iii. the proxy's name or the name of the office held by the proxy; and
  - iv. the meetings at which the appointment may be used.
- b. An appointment of a proxy remains valid even if paragraph (a) is not strictly complied with, provided in the reasonable opinion of the Manager the intentions of the Member is clear.
- c. An undated appointment is taken to have been dated on the day it is given to the Manager.
- d. An appointment may specify the way the proxy is to vote on a particular resolution. If it does:
  - i. the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and



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- ii. if the proxy has 2 or more appointments that specify different ways to vote on the resolution—the proxy must not vote on a show of hands; and
  - iii. if the proxy is the chairperson—the proxy must vote on a poll, and must vote that way; and
  - iv. if the proxy is not the chairperson—the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.
- e. If a proxy is also a Member, this clause does not affect the way that the person can cast any votes they hold as a Member.
  - f. The appointment of a proxy does not have to be witnessed.
  - g. The later appointment of a proxy revokes an earlier appointment, if both appointments could not be validly exercised at the meeting.

17.5 Proxy Documents (Section 252Z)

- a. For an appointment of a proxy for a meeting of Members to be effective, the following documents must be received by the Manager at least 48 hours before the meeting:
  - i. the proxy's appointment; and
  - ii. if the appointment is signed by the appointor's attorney, the authority under which the appointment was signed or a certified copy of the authority.
- b. If a meeting of Members has been adjourned, an appointment and any authority received by the Manager at least 48 hours before the resumption of the meeting are effective for the resumed part of the meeting.
- c. A Manager receives an appointment authority when it is received at any of the following:
  - i. the Manager's registered office;
  - ii. a fax number at the Manager's registered office; or
  - iii. a place, fax number or electronic address specified for the purpose in the notice of meeting.
- d. An appointment of a proxy is ineffective if
  - i. the Manager receives either or both the appointment or authority at a fax number or electronic address; and
  - ii. a requirement (if any) in the notice of meeting that:

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- A. the transmission be verified in a way specified in the notice; or
- B. the proxy produce the appointment and authority (if any) at the meeting;

is not complied with.

**17.6 Validity of Proxy Vote (Section 253A)**

- a. Unless the Manager has received written notice of the matter before the start or resumption of the meeting at which a proxy votes, a vote cast by the proxy will be valid even if, before the proxy votes:
  - i. the appointing Member dies; or
  - ii. the Member is mentally incapacitated; or
  - iii. the Member revokes the proxy's appointment; or
  - iv. the Member revokes the authority under which the proxy was appointed by a third party; or
  - v. the Member transfers the Interest in respect of which the proxy was given.
- b. A proxy who is not entitled to vote on a resolution as a Member may vote as a proxy for another Member who can vote if their appointment specifies the way they are to vote on the resolution and they vote that way.

**17.7 Body Corporate Representative (Section 253B)**

- a. A body corporate may appoint an individual as a representative to exercise all or any of its powers at a meeting of Members. The appointment may be a standing one.
- b. The appointment must set out what the representative is appointed to do and may set out restrictions on the representative's powers. If the appointment is to be by reference to a position held, the appointment must identify the position.
- c. A body corporate may appoint more than one representative but only one representative may exercise the body's powers at any one time.
- d. Unless otherwise specified in the appointment, the representative may exercise, on the body corporates behalf, all of the powers that the body could exercise at a meeting or in voting on a resolution.

**18 Voting at Meetings of Members**

**18.1 How many Votes a Member has (Section 253C)**

- a. On a show of hands, each Member has one vote.
- b. On a poll, each Member has one vote for each dollar of the value of the total interests they have in the Scheme.

**18.2 Jointly held Interests (Section 253D)**

If an interest is held jointly and more than one Member votes in respect of that interest, only the vote of the Member whose name appears first in the Register counts.

**18.3 Manager and Associates cannot Vote if Interested in Resolution (Section 253E)**

The Manager and its Associates are not entitled to vote their interest on a resolution at a meeting of Members if they have an interest in the resolution or matter other than as a Member.

**18.4 How to work out the Value of an Interest (Section 253F)**

The value of an interest of a Member in the Scheme is the amount that the Manager determines in writing to be the price that a willing but not anxious buyer would pay for the Members Interest if it was sold on the Business Day immediately before the day on which the poll is taken.

**18.5 Objections to a Right to Vote (Section 253G)**

A challenge to a right to vote at a meeting of Members:

- a. may only be made at the meeting; and
- b. must be determined by the chairperson, whose decision is final.

**18.6 Votes need not all be cast in the Same Way (Section 253H)**

On a poll a person voting who is entitled to 2 or more votes:

- a. need not cast all their votes; and
- b. may cast their votes in different ways.

**18.7 How Voting is carried out (Section 253J)**

- a. A special or extraordinary resolution put to the vote at a meeting of Members must be decided on a poll.
- b. Any other resolution put to the vote at a meeting of Members must be decided on a show of hands unless a poll is demanded. The resolution is passed on a poll if it has been passed by at least 50% of the votes cast by Members entitled to vote on the resolution.

- c. On a show of hands, a declaration by the chairperson is conclusive evidence of the result. Neither the chairperson nor the minutes need to state the number or proportion of the votes recorded in favour or against.

**18.8 Matters on which a Poll may be Demanded (Section 253K)**

- a. A poll may be demanded on any resolution.
- b. A poll cannot be demanded on any resolution concerning:
  - i. the election of the chairperson of a meeting; or
  - ii. the adjournment of a meeting.
- c. A demand for a poll may be withdrawn.

**18.9 When a Poll is effectively Demanded (Section 253L)**

- a. At a meeting of Members, a poll may be demanded by:
  - i. at least five (5) Members present entitled to vote on the resolution; or
  - ii. Members present with at least 5% of the votes that may be cast on the resolution on a poll; or
  - iii. the chairperson.
- b. The poll may be demanded:
  - i. before a vote is taken; or
  - ii. before the voting results on a show of hands are declared; or
  - iii. immediately after the voting results on a show of hands are declared.
- c. The percentage of votes that Members have is to be worked out as at close of business on the day before the poll is demanded.

**19 Minutes and Members' Access to Minutes**

**19.1 Minutes (Section 253M)**

- a. A Manager must keep minute books in which it records within one month:
  - i. proceedings of meetings of Members; and

- ii. resolutions of meetings of Members.
- b. The Manager must ensure that minutes of a meeting are signed within a reasonable time after the meeting by the chairperson of the meeting or the chairperson of the next meeting.
- c. The Manager must keep the minute books at:
  - i. its registered office; or
  - ii. its principal place of business in Australia; or
  - iii. another place approved by the ~~Commission~~ASIC.
- d. A minute that is so recorded and signed is evidence of the proceeding or resolution to which it relates, unless the contrary is proved.

**19.2 Members' access to Minutes (Section 253N)**

- a. The Manager must ensure that the minute books for the meetings of Members are open for inspection by Members free of charge.
- b. A Member may ask the Manager in writing for a copy of any minutes of a meeting of the Members or an extract of the minutes.
- c. The Manager is entitled to charge a Member a copying fee of not more than \$2.50 per page or an amount not exceeding any amount prescribed, whichever is the lesser.
- d. If the Manager requires payment for the copy, the Manager must send it:
  - i. within 14 days after the Manager receives the payment; or
  - ii. within any longer period that the ~~Commission~~ASIC approves.

**20 Changing the Constitution**

**20.1 Power to Amend**

The Constitution may be modified, or repealed and replaced with a new constitution:

- a. by special resolution of the Members; or
- b. by the Manager if the Manager reasonably considers the change will not adversely affect Members' rights and Members being informed of the proposed change 30 days prior to the changes being made.

## 20.2 Lodgment of Amendment

The Manager must lodge with the ~~Commission~~ASIC a copy of the modification or the new Constitution. The modification, or repeal and replacement, cannot take effect until the copy has been lodged.

## 21 Remuneration of Manager

### 21.1 Manager's Fee Payable

- a. The Manager will be paid out of the income or capital of the Scheme a fee not exceeding 1.5 percent per annum of the Gross Asset Value of the Scheme. This fee will accrue daily and be payable in instalments, calculated and payable monthly in arrears.
- b. All monies, or income generated by the business of Pacific First Mortgage Fund<sup>1</sup> such as loan establishment fees, investment fees, performance fees, exit fees or all such income, will be treated as income of the Scheme. The Manager or Responsible Entity, other than operational expenses as described in clause 21.3, will only receive fees or any other remuneration as set forth in clause 21, ~~section (a) and subsections (i) and (ii).~~
- c. The Manager's fees will continue to be paid up to the date of completion of the final winding up of the relevant Scheme, provided the Manager remains the responsible entity of the relevant Scheme.

### 21.2 Custodian's Fees

If a custodian is appointed, the Scheme shall be responsible for payment of the custodian's fees and expenses.

### 21.3 Manager Expenses

To the extent permitted by statute the Manager will be paid or reimbursed on a full indemnity basis out of the Assets for all expenses and liabilities which the Manager may incur in connection with the relevant Scheme or in performing its obligations or exercising its powers under the Constitution including but not limited to the following:

- a. all costs, charges and expenses incurred in connection with the acquisition, maintenance, improvement, custody, transfer, financing or disposal of the Assets, including commissions, Fees and charges received from Authorised Investments, procurement fees, brokerage, legal fees, Bank charges and stamp duty;
- b. the fees and expenses of the auditors;
- c. stamp duty on cheques;
- d. all costs, charges and expenses incurred in connection with the borrowing of money on behalf of the Scheme or in connection with the Assets including stamp duty, establishment fees, legal fees and interest together with discount and acceptance fees in respect of bill facilities;

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- e. all Taxes (save those payable in respect of the Income of the Manager) whether payable or which may become payable in respect of the Scheme;
- f. fees and charges of any regulatory authority including, without limitation, local government, titles office, stamps office and the ~~Commission~~ ASIC;
- g. fees and expenses of any Approved Valuer and of any Expert from time to time employed by the Manager in the discharge of its duties under this Constitution but no reimbursement of the fees and expenses of such Expert will be paid from the Scheme where such Expert is appointed to perform the functions of the Manager;
- h. all costs, charges and expenses of and incidental to the preparation, execution and stamping of any deeds supplemental hereto;
- i. the costs of convening and holding any meeting of Members;
- j. costs of printing, postage and other fees in respect of all electronic transfers or cheques, accounts, distribution statements, notices and other documents posted to all or any Members in accordance with provisions of this Constitution including envelopes enclosing same;
- k. all costs charges and expenses incurred in relation to the preparation, and the distribution of any periodical or other report or document required by law to be prepared in respect of the Scheme or prepared by the Manager in good faith in respect of the Scheme;
- l. expenses in connection with the keeping and maintaining of financial records and registers (including the Register);
- m. all agents' fees and expenses;
- n. costs incurred by the Manager in taking necessary action in respect of any Authorised Investment made on behalf of a Member (e.g. legal proceedings instituted against a borrower in default);
- o. costs and disbursements incurred by or on behalf of the Manager in connection with the retirement of or the appointment of a substitute responsible entity or agent;
- p. costs and disbursements incurred by the Manager in the initiation, conduct and settlement of any court proceedings to enforce any provisions of the Constitution;
- q. insurance premiums involved in insuring any Asset;
- r. costs and disbursements incurred in the preparation and lodgment of returns under the law or any other statute;
- s. costs of acquiring, establishing and developing computer software systems required for the administration of the Scheme;

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- t. all other costs and disbursements and outgoings in connection with the management and administration of the Assets and the performance of the functions and duties of the Manager under the Constitution; and
- u. all costs, charges and expenses (including legal, accounting, tax, financial and other services) of establishing the Constitution including all costs of preparation, execution and stamping of this Constitution and any constitution supplemental thereto, and including the preparation, due diligence, registration, promotion and distribution of the Prospectus and the preparation, registration, distribution, due diligence and promotion of any other document prepared in respect of the Constitution, or the Scheme.

**21.4 Goods and Services Tax**

If any Supply made by the Manager to the Members under this Constitution or any variation to it is a Taxable Supply for the purposes of the GST Act:

- a. then in addition to any amount or consideration expressed as payable to the Manager elsewhere in this Constitution, but subject to issuing a valid Tax Invoice, the Manager shall be entitled to recover from the Member or the Scheme an additional amount on account of GST, such amount to be equal to the amount of the Manager's GST liability in respect of each Supply and shall be recoverable at the same time as the amount or consideration is payable for such Supply;
- b. the Manager and the Members acknowledge and agree that each Supply made by the Manager under this Constitution is made:
  - i. on a progressive or periodic basis;
  - ii. for consideration that is to be provided on a progressive or periodic basis; and
  - iii. each progressive or periodic component of the Supply is to be treated as a separate Supply.

**22 Retirement, Removal or Liquidation of Manager**

**22.1 Retirement of the Manager (Section 601FL)**

- a. If the Manager wants to retire, it must call a Members' meeting to explain its reason for wanting to retire and to enable the Members to vote on an extraordinary resolution to choose a new Manager.
- b. If the Members choose a manager and that person has consented, in writing, to becoming the Scheme's Manager:
  - i. as soon as practicable and in any event within 2 Business Days after the resolution is passed, the current Manager must lodge a notice with the Commission ASIC asking it to alter the record of the Scheme's registration to the name of the new Manager;
  - ii. if the current Manager does not lodge the notice required by paragraph (b)(i) the person

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chosen by the Members to be the new Manager may lodge that notice.

- c. If the Members do not choose a person to be the new Manager, or the person they choose does not consent to becoming the Scheme's Manager, the current Manager may apply to the court for the appointment of a temporary Manager under section 601FP of the Law.

#### 22.2 Removal of the Manager by Members (Section 601FM)

- a. If the Members want to remove the Manager, they must take action under clause 13.2 for the calling of a Members' meeting to consider and vote on:
  - i. an extraordinary resolution that the current Manager should be removed; and
  - ii. an extraordinary resolution choosing a person to be the new Manager.
- b. If the Members vote to remove the Manager and, at the same meeting, choose a person to be the new Manager that consents, in writing, to becoming the Scheme's Manager:
  - i. as soon as practicable and in any event within 2 Business Days after the resolution is passed, the Manager must lodge a notice with the ~~Commission~~ASIC asking it to alter the record of the Scheme's registration to name the person chosen as the Scheme's Manager; and
  - ii. if the current Manager does not lodge the notice required by paragraph (b)(i), the person chosen by the Members to be the new Manager may lodge that notice.

### 23 Consequences of Change of Manager

#### 23.1 Former Manager to hand over Books and Provide Reasonable Assistance (Section 601FR)

If the Manager of the Scheme changes, the former Manager must:

- a. as soon as practicable give the new Manager any books in the former Manager's possession or control that the Law requires to be kept in relation to the Scheme; and
- b. give other reasonable assistance to the new Manager to facilitate the change of manager.

#### 23.2 Rights, Obligations and Liabilities of Former Manager (Section 601FS)

- a. If the Manager of the Scheme changes the rights, obligations and liabilities of the former Manager in relation to the Scheme become rights, obligations and liabilities of the new Manager.
- b. Despite paragraph (a), the following rights and liabilities remain rights and liabilities of the former Manager:
  - i. any right of the former Manager to be paid fees for the performance of its

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functions before it ceased to be the manager; and

- ii. any right of the former Manager to be indemnified for expenses it incurred before it ceased to be the manger; and
- iii. any right, obligation or liability that the former Manager had as a Member of the Scheme; and
- iv. any liability for which the former Manager could not have been indemnified out of the Property if it had remained the Scheme's manager.

## 24 Notices

### 24.1 Notices to be in Writing

Notices given under or for the purpose of this Constitution must be written in the English language.

### 24.2 Notices to the Manager

Notices to the Manager may be addressed to its principal place of business as disclosed in the Prospectus or notified to Members from time to time.

### 24.3 Joint Members

Notices to a joint Member may be addressed to the one of them whose name first appears in the Register, at that one's address shown in the Register, and may be served at that address.

### 24.4 Form of Notice

A notice may be delivered by hand, by prepaid post or by facsimile transmission.

### 24.5 Time of Delivery

If, before 5 p.m. local time on a Business Day in the place of delivery, a party delivers a notice:

- a. by hand; or
- b. by facsimile transmission and the party completes transmission,

the notice will be taken as given on the day of delivery or transmission and in any other case on the next following Business Day.

### 24.6 Notices by Post

If a party gives a notice by prepaid post the notice will be taken as given on the second Business Day after the notice is posted.

**24.7 Incomplete Facsimile Transmission**

If a party gives a notice by facsimile transmission and the transmission is not fully legible, the party giving the notice may not rely on this clause to prove the giving of the notice.

**24.8 Facsimile Transmission reasonably believed to be Unintelligible**

A facsimile transmission may not be relied upon if the party giving the notice has reason to believe that the transmission or part of the transmission is illegible, or not an accurate representation of the original document.

**24.9 Request for Re-transmission**

A party is not entitled to object to a facsimile transmission as being not fully legible or accurate unless the party requests re-transmission within 2 hours (being hours between 9 a.m. and 5 p.m. local time on a Business Day at the place of receipt) of completion of transmission; if a facsimile transmission is made within 2 hours before 5 p.m. on a Business Day and is unintelligible, the receiving party has until 10 a.m. local time on the next Business Day at the place of receipt to request re-transmission.

**24.10 Signatures**

A notice given by the Manager must be signed by an Officer of the Manager.

**24.11 Address of Applicants**

The address for service of an Applicant is the address shown in its Application until it notifies the Manager of another address in accordance with this clause.

**24.12 Address of Members**

The address for service of a Member is the address shown in the Register, or in the case of joint Members, the address shown in the Register of the joint Member who is first named in the Register.

**24.13 Changes of address for service of the Manager**

The Manager may by notice to the ~~Commission~~ ASIC, change its address or facsimile number for service under this clause.

**25 Financial Statements**

**25.1 Preparation of Financial Statements (Section 292)**

A financial report and directors' report for the Scheme must be prepared for each Financial Year in accordance with the requirements of the Law.

**25.2 Compliance with Accounting Standards and Regulations (Section 296)**

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- a. The financial report for a Financial Year must comply with the Accounting Standards.
- b. The financial report must comply with any further requirements in the Regulations.

**25.3 True and Fair View (Section 297)**

The Financial Statements and notes for a financial year must give a true and fair view of:

- a. the financial position and performance of the Scheme; and
- b. if consolidated Financial Statements are required - the financial position and performance of the consolidated entity.

**25.4 Audit of Annual Financial Report (Section 301)**

Each Scheme must have the financial report for the Financial Year audited in accordance with division 3 of part 2M.3 of chapter 2M of the Law and obtain an Auditors report.

**25.5 Annual Financial Report to Members (Section 314)**

- a. The Manager must report to Members for a Financial Year by either:
  - i. sending Members copies of:
    - A. financial report for the year; and
    - B. the directors' report for the year (see sections 298 - 300 of the Law); and
    - C. the Auditors report on the financial report; or
  - ii. sending Members a concise financial report for the year the complies with the Law.
- b. A Scheme must report to its Members within 3 months after the end of the Financial Year.

**25.6 Members Choices for Annual Financial Information (Section 316)**

- a. A Member may request the Manager:
  - i. not to send them the annual financial reports; or
  - ii. to send them a full financial report and the directors' report and Auditors report.

A request may be a standing request or for a particular Financial Year. The Member is not entitled to a report for a financial year earlier than the one before the financial year in which the request is made.

- b. The time for complying with a request under paragraph (a)(ii) is:

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- i.        days after the request is received; or
- ii.      months after the end of the Financial Year;

whichever is later.

- c.        A full financial report, directors' report and Auditors report are to be sent free of charge unless the Member has already received a copy of them free of charge.

#### **25.7      Supplying information to the Auditor**

The Manager must supply the Auditor with any information the Auditor requests and which is necessary for the performance of the duties of the Auditor.

#### **25.8      Accounts of other Members**

- a.        The Manager must not prepare the financial report of the Scheme in such a way as to make it apparent to others reading the financial report (including Members) the details of individual Members interest.
- b.        Nothing in this Constitution is to be read as requiring the Manager to send or make available reports of Member's Interests and to any person other than the Member concerned (or the Member's authorised agents).
- c.        The Manager may disclose details of the Members Interests to those involved in the preparation and auditing of the Scheme.
- d.        This clause is subject to any requirements imposed on the Manager by law.

### **26        Auditor**

#### **26.1      Appointment**

- a.        The Manager will appoint the Auditor and the auditor of the Compliance Plan. The appointments will be a registered company auditor according to the provisions of the Law;
- b.        The appointee may be the auditor of the Manager unless otherwise restricted by the Law.

#### **26.2      Removal or Retirement of Auditor**

- a.        The Manager may remove the Auditor or auditor of the Compliance Plan at any time.
- b.        The auditors may retire after giving notice to the Manager. The auditors must give at least one month's notice unless otherwise agreed with by the Manager.

**27 General**

**27.1 Payments to Members**

Any money payable by the Manager to a Member under this Constitution may be paid by any means as directed by the Member from time to time and, in the absence of a direction, may be made by direct Bank transfer or by crossed not negotiable cheque payable to the Member or order and sent through the post to the Member at its address in the Register, or in the case of joint holders made payable to the joint holders or bearer and sent to the Members at the address shown in the register of the joint holder who is first named in the Register. Payment of a cheque drawn and posted in accordance with this clause is in full satisfaction of the monies payable to the Member and a good discharge to the Manager.

**27.2 Retention of Documents**

The Manager is to retain, and make available to the auditor for inspection at reasonable times, for a period of at least 7 years from their respective dates, the following:

- a. Applications;
- b. cancelled Certificates; and
- c. instruments of transfer and transmission.

**27.3 Copies of this Constitution**

A copy of this Constitution must be held by the Manager at its principal office and registered office and made available during normal business hours at those places for inspection by Members. A Member is entitled to a copy of this Constitution upon payment to the Manager of the reasonable costs and expenses of preparing a copy.

**27.4 Governing Law and Jurisdiction**

This Constitution is governed by and is to be construed in accordance with the laws of the State of Queensland. Each party and the Members and Applicants irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Queensland and courts entitled to hear appeals from those courts.

**27.5 No Waiver**

The failure of a party at any time to require full or partial performance of any provision of this Constitution shall not affect in any way the full right of that party to require that performance subsequently. The waiver by any party of a breach of a provision of this Constitution shall not be deemed a waiver of all or part of that provision or of any other provision or of the right of that party to avail itself of its rights subsequently. Any waiver of a breach of this Constitution shall be in writing signed by the party granting the waiver, and shall be effective only to the extent specifically set out in that waiver.

## 28 Resolution of Disputes

### 28.1 Complaints Handling System

The Manager shall establish a complaints handling framework that complies with Australian Standard - Complaints Handling AS4269 for the handling of disputes under this Constitution.

### 28.2 Essential Elements

The complaints handling process shall have as a minimum requirements for:

- a. (Commitment). There shall be a commitment to efficient and fair resolution of complaints.
- b. (Fairness). The complaints handling process shall recognise the need to be fair to both the complainant Member and the Manager.
- c. (Resources). There shall be adequate resources for complaints handling with sufficient levels of delegated authority.
- d. (Visibility). The complaints handling process shall be well publicised to Members and staff of the Manager and shall include information to Members about the right to complain.
- e. (Access). The complaints handling process shall be assessable to all Members and information shall be readily available on the details of making and resolving complaints.
- f. (Assistance). Assistance shall be available for Members in a formulation and lodgment of complaint.
- g. (Responsiveness). Complaints shall be dealt with quickly and the Members shall be treated courteously.
- h. (Charges). Complaints handling shall be at no charge to the particular complaining Member. The Manager shall be entitled to be reimbursed for its costs from Scheme assets in dealing with the particular complaints.
- i. (Remedies). The complaints handling process shall have the capacity to determine and implement remedies.
- j. (Data collection). There shall be appropriate systematic recording of complaints by Members and their outcome.
- k. (Systematic and recurring problems). Complaints shall be classified and analysed for the identification and rectification of systematic and recurring problems.
- l. (Accountability). There shall be appropriate reporting on the operation of the complaints handling process against documented performance standards.

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- m. (Review). The complaints handling process shall be reviewed annually to ensure that it is sufficiently delivering effective outcomes.

**28.3 Disputes between the Manager and Members**

A Member claiming that a dispute has arisen must notify the Manager giving details of the dispute in writing.

**28.4 Best Efforts to Resolve the Dispute**

- a. On receipt of the written notice of dispute from the Member, the Manager shall promptly reply (within 7 Business Days) acknowledging receipt of the notice of dispute.
- b. The designated dispute resolution officer of the Manager shall immediately investigate the complaint and if necessary correspond directly with the complainant Member in relation to the disputed matter.
- c. The dispute resolution officer shall within 30 Business Days of receipt of the notice of dispute from the Member finalise its investigation of the dispute and report in writing to the Member the result of the dispute.
- d. Where the dispute is not resolved to the satisfaction of the Member the Member shall have 30 days from receipt of the report of the dispute resolution officer to refer the matter to the Manager's compliance committee if a compliance committee exists or alternatively the board of the Manager.
- e. The Manager's board or compliance committee shall meet within 21 Business Days of receipt of a written complaint by a member, received pursuant to paragraph (d) to consider the dispute.
- f. The Member shall be entitled to be present at the meeting of the board or compliance committee with or without legal representation and to be heard either in person or through the Member's legal representative.
- g. Subsequent to hearing the Member's complaint the board or compliance committee shall have a maximum of 14 Business Days within which to consider the complaint and either accept, reject or resolve the dispute.
- h. The board or compliance committee must notify the Member within 21 Business Days of the hearing under paragraph (e), of its decision.
- i. If the Member is dissatisfied with the determination of board or compliance committee then the Member may refer the complaint to the Dispute Resolution Service.
- j. The Manager is entitled to be reimbursed from the Assets its reasonable costs incurred in complying with this clause.



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EXECUTED as a Deed Poll

SIGNED SEALED AND DELIVERED by )  
CITY PACIFIC LTD ACN 079 453 955 )  
in accordance with its Constitution )  
in the presence of )

\_\_\_\_\_  
Signature of Authorised Person

\_\_\_\_\_  
Name of Authorised Person

\_\_\_\_\_  
Office Held

\_\_\_\_\_  
Signature of Authorised Person

\_\_\_\_\_  
Name of Authorised Person

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Office Held

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Constitution

SCHEDULE OF AMENDMENTS:

	Amendment	Date of Deed Poll
1.	Replacement Deed Poll – Responsible Entity	11 June 1999
2.	Amending Deed – Responsible Entity	12 December 2000
3.	Amending Deed – Responsible Entity	6 August 2001
4.	Amending Deed – Responsible Entity	8 February 2005
5.	Amending Deed – Responsible Entity	20 June 2005
6.	Amending Deed – Special Resolution	Meeting 11 April 2006
7.	Amending Deed -	30 November 2007
8.	Amending Deed - Special Resolution	25 May 2009
9.	Amending Deed	6 August 2009
10.	Amending Deed	27 August 2010
11.	Amending Deed	11 2010

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### CONFIRMATION OF INSURANCE

In our capacity as Insurance Brokers to the Trilogy Group, we hereby confirm that the undermentioned Insurance Contract has been renewed for the 2012/13 year and is current at the time of preparing this confirmation:

**Insurance Class:** Investment Manager's Insurance.

**Insured Name:** Trilogy Funds Management Limited  
Trilogy Capital Services Pty Ltd,  
Cyre Trilogy Investment Management Pty Ltd

**Interest:** Insuring Clause 1. Professional Indemnity  
Insuring Clause 2. Directors & Officers Liability  
Insuring Clause 3. Comprehensive Crime Protection

**Insured Funds:** Principal Mortgage Mezzanine Finance Fund  
MDRN Syndicate No 1 – Property Sold  
MDRN Syndicate No 2 – Wound Up – Sold  
MDRN Investment Trust No 2 – Wound up – Sold  
Trilogy Investor Choice Syndicated Mortgage Income Trust  
(previously Investors Choice Income Fund)  
Trilogy Capital (Cremorne Investment) Unit Trust  
Trilogy Investor Choice Melbourne Campus Office Syndicate  
Trilogy Investor Choice Medilink Property Income Syndicate  
Trilogy First Mortgage Income Trust  
Trilogy Health Care REIT  
Trilogy Leisure REIT  
Trilogy Wholesale First Mortgage Income Trust  
Principal Mortgages Mezzanine Finance Fund  
Pacific First Mortgage Fund  
Cape Parks Fund (31/10/2010)  
Canberra Unit Trust (19/5/2011)  
Brisbane Unit Trust (19/5/2011)  
Austgrowth Property Syndicate Number 18 Unit Trust (19/5/2011)  
Canberra Property Syndicate (31/5/2011)  
Austgrowth Property Syndicate No. 18 (31/5/2011)  
Brisbane Property Syndicate (31/5/2011)  
Trilogy Epping Commercial Office Income Trust  
Austgrowth Property Syndicate No. 21  
Austgrowth Property Syndicate No. 24  
Heritage Pacific Investment Trust No. 6  
LM Wholesale First Mortgage Fund

**Situation:** Worldwide excluding USA & Canada.

**Limit of Liability:** \$20,000,000 for each of Insuring Clauses 1 & 2 any one claim and in the aggregate.  
\$10,000,000 for Insuring Clause 3 any one claim and in the aggregate.

Note: Limit for LM Wholesale First Mortgage Fund is \$10,000,000 within overall policy limit and cover is provided for a period of 90 days from date of confirmed appointment.

**Policy Wording:** Chartis Investment Manager's Insurance Policy Wording (05-08) with amendments & endorsements as agreed. London follow-form.

**Insurer:** Chartis  
Lloyds of London (Chaucer, Argo and Nexus Syndicates)

**Policy Number:** Chartis - 111159  
Lloyds – To be Advised.

**Expiry Date:** 31<sup>st</sup> October 2013

Subject to the terms and conditions of the Insurers' Policy documents.

This Certificate is issued as a matter of information only and confers no rights upon the Certificate holder. The Certificate does not amend, extend or alter the coverage afforded by the above-mentioned policy. The policy referred to is current at the date of issue of this Certificate. Whilst an expiry date has been indicated, it should be noted that the policy may be cancelled at any time in the future by either party to the contract.



Samantha McCarty  
Client Director

12<sup>th</sup> November 2012.



15 October 2012

St. George Bank  
A Division of Westpac Banking Corporation

ABN 33 007 457 141

Level 5 Central Plaza One

345 Queen St

Brisbane QLD 4000

Please reply to:

Giuseppe Guardala

Telephone 07 3232 8828

Facsimile 07 3232 8854

Email guardalag@stgeorge.com.au

RECEIVED  
17 OCT 2012

BY: .....

Mr Justin Smart  
Trilogy Funds Management  
GPO Box 1648  
Brisbane QLD 4001

Dear Sir

We are pleased to confirm that settlement has been effected on 12 October 2012.

At settlement we have discharged our mortgage over the following properties:

- Cnr Gundaroo Drive & Anthony Rolfe Ave, Gungahlin - *CANBERRA PROPERTY SYNDICATE*

In exchange, we received settlement proceeds of \$6,437,883.07 which was disbursed as follows:

• to payout (close) your bill facility (PCD 2566611)	\$ 6,429,470.28 -
• discharge fee	\$ 250.00
• credited to account no. 552898955	\$ 8,162.79 -

Should you have any questions, or if you would like to discuss these or any other issues, please do not hesitate to contact me.

Yours sincerely,

Giuseppe Guardala  
Senior Relationship Manager  
QLD Property Finance  
Corporate and Business Bank  
St. George Bank

PW-16



15 November 2011

(2)

27 NOV 2011

St. George Bank  
A Division of Westpac Banking  
Corporation  
ABN 33 007 457 141  
Level 4  
345 Queen St  
Brisbane QLD 4000  
Please reply to:  
Giuseppe Guardala  
Telephone 07 3232 8828  
Facsimile 07 3232 8854  
Email [guardalag@stgeorge.com.au](mailto:guardalag@stgeorge.com.au)

Justin Smart  
Trilogy Funds Management  
GPO Box 1648  
BRISBANE QLD 4001

Dear Sir

We are pleased to confirm that settlement has been effected on 14 November 2011.

At settlement we have discharged our mortgage over the following property:

- 53 Fairlawn Street, Nathan — *BRISBANE PROPERTY SYNDICATE.*

In exchange, we received settlement proceeds of \$6,339,773.34 which was disbursed as follows:

- to payout (close) your Bill Facility PCD2049164 \$ 6,329,119.31
- Credit funds to A/C 552898939 \$ 10,654.03

Please note that the Discharge Fee of \$250.00 was debited from account number 552898939

Should you have any questions, or if you would like to discuss these or any other issues, please do not hesitate to contact me.

Yours sincerely,

Giuseppe Guardala  
Relationship Manager  
QLD Property Finance  
Corporate and Business Bank  
St. George Bank



29 Oct 2012

CYRE as the RE for Austgrowth Unit Trust No.18  
Justin Smart  
Trilogy Funds Management  
GPO Box 1648  
BRISBANE QLD 4001

St. George Bank

A Division of

Westpac Banking Corporation

ABN 33 007 457 141 AFSL 233714

ACL 233714

Level 3, 345 Queen Street

BRISBANE QLD 4000

Telephone 07 3232 8888

Facsimile 07 3232 8940

RECEIVED  
01 NOV 2012

Dear Sir,

**CONFIRMATION OF ROLLOVER AND REDUCTION  
UNDER BILL ACCEPTANCE/DISCOUNT FACILITY**

The purpose of this letter is to confirm the details of a bill accepted and discounted by us under your Bill Acceptance/Discount Facility with us.

<i>Our reference</i>	2713432
<i>Type of bill</i>	Floating
<i>Maturity date of current bill</i>	29/10/2012
<i>Maturity date of new bill</i>	31/01/2013
<i>Face value of new bill</i>	\$ 5,808,355.96
<i>Discount rate</i>	4.1100 %
<i>Acceptance fee</i>	2.4500 %

The total amount of \$167603.88, which includes a reduction in the face value of the new bill of \$70,000.00, as requested by you, has been debited from your nominated account number 552898103 on 29/10/2012, and calculated as follows:

<i>Maturing face value (payable by you)</i>		\$ 5,878,355.96
<i>Face value of new bill</i>	\$ 5,808,355.96	
<i>Less discount</i>	\$ 60,835.54	
<i>Discounted proceeds</i>	\$ 5,747,520.42	
<i>Less acceptance fee</i>	\$ 36,648.34	
<i>Less preparation/rollover fee</i>	\$ 120.00	
<i>Proceeds of new bills (payable to you)</i>		\$ 5,710,752.08
<i>Amount debited from your nominated account</i>		\$ 167,603.88

Please notify us immediately if the particulars of this confirmation are not in accordance with your understanding of the facility.

If you have any questions with regards to the above, please do not hesitate to contact me on 07 3232 8828.

Yours sincerely

Giuseppe Guardala  
Relationship Manager

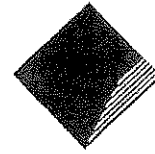
PW-18

④

# Commonwealth Bank

Commonwealth Bank of Australia  
ABN 48 123 123 124

Loan Administration  
Premium Business Services  
PO Box 5061  
Sydney NSW 2001



## Facsimile

To	City Pacific Limited are The City Pacific Mortgage	Facsimile Number	02 9232 8588
Attention	Balmain Corporation - Andrew Griffin/Marcus	Telephone Number	
From	Corporate Loan Administration Wholesale Operations Institutional and Business Services	Facsimile Number	1300 857 262
		Telephone Number	
Date	Wednesday, 5 June 2013	Number of Pages	1
SUBJECT	Cash Advance Facility		

We confirm details of your loan rollover as follows;

Maturing Amount: AUD 0.00  
 Rollover Amount: AUD 2,900,795.73 (including drawdown of \$2,900,795.73)  
 Rollover Date: 8 March 2013  
 Maturity Date: 28 August 2013  
 Rate: 5.5796% (includes margin of 2.5000%)  
 Interest due 28 Aug 2013: AUD 76,713.79

Instructions: We will debit your account 064013 10007555 with interest when due.

For the: Manager

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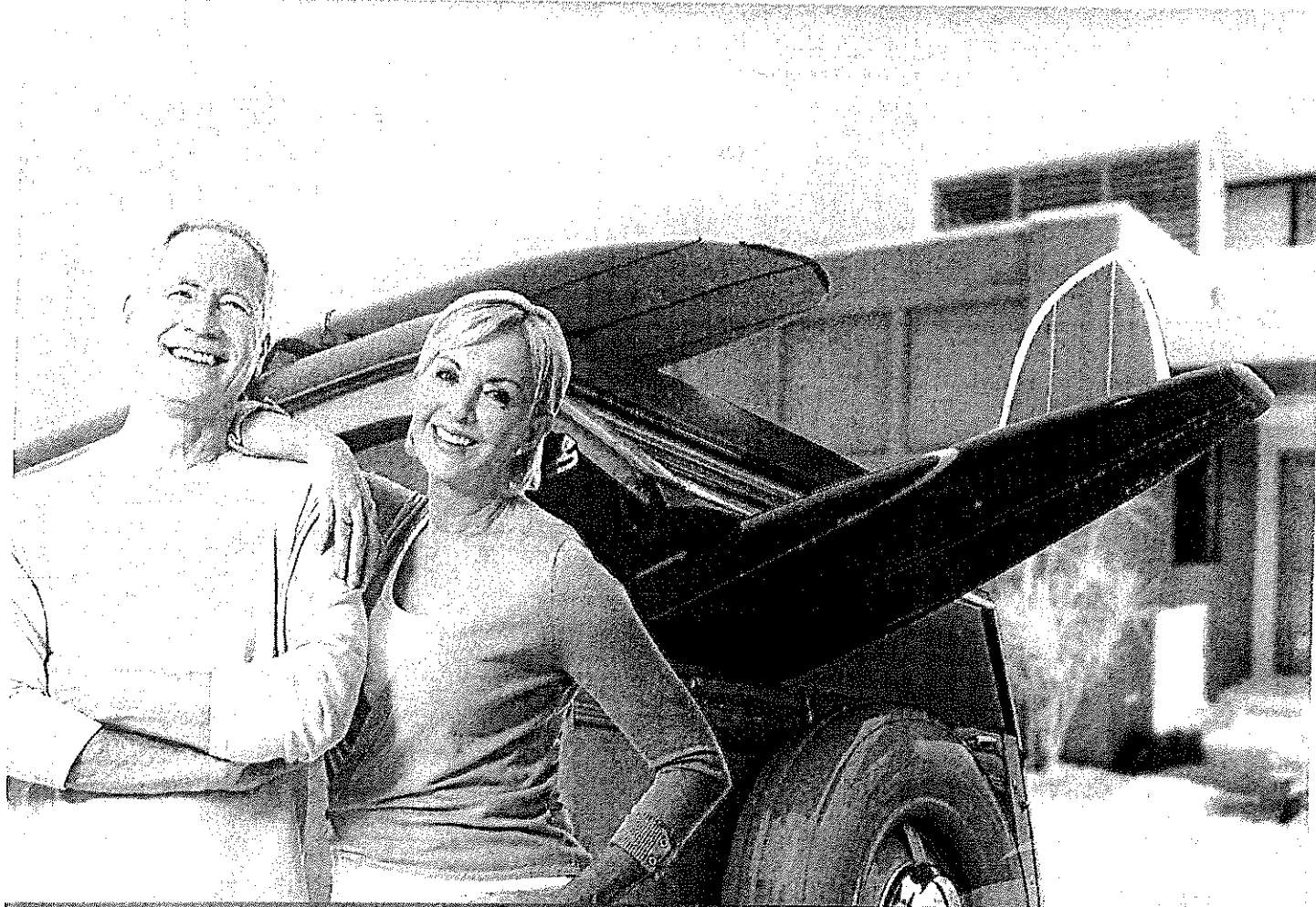
# TRILOGY

FUNDS

## Trilogy Monthly Income Trust

ARSN 121 846 722

Annual Financial Report for the year ended 30 June 2012



Trilogy Funds Management Limited ABN 69 080 383 679 AFSL 261425 Phone 1800 230 099

**Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust)**

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## Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust) Directors' report

The Directors of Trilogy Funds Management Limited (Responsible Entity), the Responsible Entity of the Trilogy Monthly Income Trust (Scheme) (formerly Trilogy First Mortgage Income Trust), present their report together with the financial statements of the Scheme for the year ended 30 June 2012.

### Responsible Entity

The Responsible Entity is incorporated and domiciled in Australia. The registered office and principal place of business of the Responsible Entity and the Scheme is:

Brisbane Club Tower  
Level 10  
241 Adelaide Street, Brisbane, Queensland

### Directors

The names of the directors in office at any time during, or since the end of the financial year are:

<i><b>Name and qualifications</b></i>	<i><b>Age</b></i>	<i><b>Experience and special responsibilities</b></i>
Robert M Willcocks Independent Non-Executive Chairman BA, LL.B, LL.M	64	Chairman of the Audit, Compliance and Risk Management Committee Former partner with Mallesons Stephen Jaques Mr Willcocks is a non-executive director of several public companies, including APAC Resources Limited, ARC Exploration Limited and Mt Gibson Iron Limited (alternate Director) Chairman - Responsible Entity since 9 October 2009
Rodger I Bacon Executive Deputy Chairman BCom(Merit), AICD, SFFin	66	Member of the Audit, Compliance and Risk Management Committee Former executive director of Challenger International Limited Mr Bacon is a director of several public and private companies including, Financial Services Institute of Australasia and Trilogy Capital Services Pty Ltd. Director – Responsible Entity since 9 July 2004
John C Barry Executive Director BA, ACA	60	Member of the Audit, Compliance and Risk Management Committee Former executive director of Challenger International Limited Mr Barry is a director of several public and private companies including Trilogy Capital Services Pty Ltd and Chairman of Westpac RE Limited Director – Responsible Entity since 9 July 2004
Philip A Ryan Executive Director and Company Secretary LL.B, Grad Dip Leg Prac, FTIA, FFIN	51	Mr Ryan is a solicitor and member of the Queensland Law Society Inc. Member of the Compliance Committee Former partner of a Brisbane law firm Mr Ryan is a director of several private companies including Trilogy Capital Services Pty Ltd Director – Responsible Entity since 13 October 1997
Rohan C Butcher Non-Executive Director Grad Dip PM, BASc(QS), Registered Builder, Licensed Real Estate Agent	43	Member of the Lending Committee Consultant to several major public and private companies providing development management services Director – Responsible Entity since 29 July 2008

## Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust) Directors' report

### Directors (continued)

<p>Nigel A Chamier Independent Non- Executive Director OAM, RN01kl, FAPI, FAIDC</p>	<p>61 Chairman of the Audit, Compliance and Risk Management Committee (resigned 14 May 2012) Chairman of NAC Investments (Qld) Pty Ltd and a Director of several private companies Mr Chamier is the Honorary Consul for Sweden Former Joint Managing Director (Qld) Jones Lang LaSalle Director – Responsible Entity since 14 October 2009 (resigned 14 May 2012)</p>
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Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Principal activities

The Scheme is a registered managed investment scheme domiciled in Australia. During the year the Scheme invested in loans secured by registered first mortgages over real property in Queensland and Victoria, with funds also held in bank deposits for liquidity purposes. The investment strategy of the Scheme is to invest in loans secured by registered first mortgages, in accordance with the Scheme's Product Disclosure Statement (PDS). The Scheme did not have any employees during the year.

### Review of operations

The net profit attributable to unitholders for the year ended 30 June 2012, after impairment losses of \$73,175 (2011: \$nil) totalled \$nil (2011: \$nil). The impairment losses recorded by the Scheme comprise impairments of interest receivable totaling \$51,920 (2011: \$nil) and impairments of mortgage loans totaling \$21,255 (2011: \$nil) (Refer Notes 8 and 9 for further details).

Distributions to unitholders during the year totalled \$829,549 (2011: \$834,392). The total carrying value of the Scheme's assets for the year ended 30 June 2012 totalled \$10,843,286 (2011: \$10,293,939), representing a net asset value (NAV) of \$1.00 per unit (2011: \$1.00).

The return to unitholders of the Scheme was as follows:

	2012	2011
	\$	\$
Distributions paid to unitholders	(752,087)	(766,519)
Distributions payable to unitholders	(77,462)	(67,873)
	(829,549)	(834,392)
Average annualised actual return to unitholders (i)	8.37%	9.25%
Year to date benchmark return to unitholders (ii)	6.60%	6.87%

(i) Represents the return on allocated units assuming re-investment of distributions and no-exit fees; and

(ii) Represents the return on the UBS Australian Bank Bill Index plus 2% p.a.

The basis for valuation of the Scheme's major asset – mortgage loans is disclosed in Note 9 to the financial statements.

### New PDS

The Responsible Entity issued a new PDS for the Scheme on 2 May 2012. Under the PDS there is no capital loss, mortgage indemnity or mortgage impairment insurance associated with the Scheme. The Responsible Entity introduced a structured redemption period, whereby investors are to provide 4 months notice to redeem their units from the Scheme.

## Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust) Directors' report

### Review of operations (continued)

#### *New PDS (continued)*

The Responsible Entity changed the Scheme's name from the *Trilogy First Mortgage Income Trust* to the *Trilogy Monthly Income Trust*.

#### *Indirect cost ratio*

The Indirect Cost Ratio (ICR) is the ratio of the Scheme's management costs over the Scheme's average net assets attributable for the year, expressed as a percentage.

Management costs include management fees and other expenses or reimbursements deducted in relation to the Scheme, but do not include transactional and operational costs. Management costs are not paid directly by the unitholders of the Scheme.

The ICR for the Scheme for the year ended 30 June 2012 is 0.84% p.a. (2011: 0.75% p.a.).

#### *Units on issue*

During the year 1,606,771 (2011: 3,015,267) units were issued, while 1,145,257 (2011: 854,610) units were redeemed from the Scheme. The Scheme held 10,692,059 (2011: 10,175,115) units as at 30 June 2012.

### Interests of the Responsible Entity

The following fees were paid to the Responsible Entity out of the Scheme property during the financial year (Refer Note 14(c)).

	2012	2011
	\$	\$
<i>Responsible Entity fees</i>		
Responsible Entity management fees	(72,500)	(65,816)
Responsible Entity management fees rebated	17,683	15,956
	<u>(54,817)</u>	<u>(49,860)</u>
Responsible Entity other management costs	26,676	(24,105)
	<u>(28,141)</u>	<u>(73,965)</u>
<i>Other fees and expenses</i>		
Expenses incurred by the Responsible Entity and not reimbursed by the Scheme	(58,945)	(59,522)
	<u>(58,945)</u>	<u>(59,522)</u>

The Responsible Entity (including its associates) do not hold any interest in the Scheme as at 30 June 2012 (2011: nil).

### Significant changes in the state of affairs

In the opinion of the Responsible Entity there were no significant changes in the state of affairs of the Scheme that occurred during the financial year.

### Events subsequent to the end of the reporting period

#### *Prospective sale of security by the Scheme*

The Responsible Entity on behalf of the Scheme, received an offer to purchase the completed site of an asset in one line. The Responsible Entity is continuing in its negotiations with the prospective purchaser in reaching agreement on acceptable terms.

Other than the item noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

## **Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust)** **Directors' report**

### **Likely developments and expected results of operations**

Further information about likely developments in the operations of the Scheme and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Scheme.

### **Environmental regulation**

The operations of the Scheme 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 Scheme.

### **Options**

No options were:

- (i) Granted over unissued units in the Scheme during or since the end of the financial year;  
or
- (ii) Granted to the Responsible Entity.

No unissued units in the Scheme were under option as at the date on which this report is made.

No units were issued in the Scheme during or since the end of the financial year as a result of the exercise of an option over unissued units in the Scheme.

### **Indemnification of officers**

#### *Indemnification*

Under the Scheme constitution the Responsible Entity is required to indemnify all current and former officers of the Responsible Entity (but not including auditors) out of the property of the Responsible Entity against:

- (a) any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgement is given in that person's favour, or in which the person is acquitted, or in the connection with an application in relation to any such proceedings in which the court grants relief to the person under the Corporations Act 2001; and
- (b) a liability incurred by the person, as an officer of the Responsible Entity or of a related body corporate, to another person (other than the Responsible Entity or a related body corporate) unless the liability arises out of conduct involving a lack of good faith.

#### *Insurance premiums*

During the financial year, the Responsible Entity paid an insurance premium in respect of a contract insuring each of the officers of the Responsible Entity. The amount of the premium is, under the terms of the insurance contract, confidential. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Responsible Entity or related body corporates. This insurance premium does not cover auditors.

The Scheme has not indemnified any auditor of the Scheme.

### **Proceedings on behalf of the Responsible Entity**

Certain parties who entered into contracts of sale with a borrower (in default) have lodged caveats over a property (over which the Scheme is mortgagee in possession [MIP]). The Responsible Entity has instructed solicitors to institute proceedings against those parties in order for the Scheme to sell through those caveats. The Responsible Entity believes that it will be successful in the litigation which will enable the Scheme to transact with a potential third party purchaser.

**Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust)**  
**Directors' report**

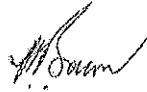
**Auditor's independence declaration**

The Auditor's independence declaration is set out on page 6 and forms part of the Directors' report for the year ended 30 June 2012.

This report is made in accordance with a resolution of the Directors of the Responsible Entity.



Philip A Ryan  
Executive Director  
Dated: 27 September 2012  
Brisbane



Rodger I Bacon  
Executive Deputy Chairman  
Dated: 27 September 2012  
Brisbane



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GPO Box 457 Brisbane QLD 4001  
Australia

**DECLARATION OF INDEPENDENCE BY PAUL GALLAGHER TO THE DIRECTORS OF TRILOGY FUNDS  
MANAGEMENT LTD AS RESPONSIBLE ENTITY FOR THE TRILOGY MONTHLY INCOME TRUST**

As lead auditor of Trilogy Monthly Income Trust for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

PA Gallagher

Director

BDO Audit Pty Ltd

Brisbane, 27 September 2012

**Trilogy Monthly Income Trust**  
(formerly Trilogy First Mortgage Income Trust)  
Statement of comprehensive income  
For the year ended 30 June 2012

	Note	2012 \$	2011 \$
<b>Revenue and other income</b>			
Interest revenue - mortgage loans	4	940,152	799,242
Interest income - financial institutions	4	70,820	120,326
		<u>1,010,972</u>	<u>919,568</u>
<b>Expenses</b>			
<i>Net gain/(loss) in fair value:</i>			
• Interest receivable - mortgage loans	8	(51,920)	-
• Mortgage loans	9	(21,255)	-
Responsible Entity management fees	14	(81,493)	(73,965)
		<u>(154,668)</u>	<u>(73,965)</u>
<b>Profit for the year before finance costs</b>		<u>856,304</u>	<u>845,603</u>
<i>Finance costs:</i>			
• Amortised borrowing costs	11(ii)	(3,528)	(2,212)
• Bank line fee	11	(23,227)	(8,999)
• Distributions to unitholders	5	(829,549)	(834,392)
		<u>(856,304)</u>	<u>(845,603)</u>
<b>Profit for the year</b>		<u>-</u>	<u>-</u>
<b>Other comprehensive income:</b>			
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>-</u>

The Statement of comprehensive income is to be read in conjunction with the accompanying notes to the financial statements.

**Trilogy Monthly Income Trust**  
 (formerly Trilogy First Mortgage Income Trust)  
 Statement of financial position  
 As at 30 June 2012

	Note	2012 \$	2011 \$
<b>Assets</b>			
Cash and cash equivalents	7	773,996	1,751,212
Trade and other receivables	8	116,327	85,751
Mortgage loans	9	9,952,963	8,456,976
<b>Total assets</b>		<u>10,843,286</u>	<u>10,293,939</u>
<b>Liabilities</b>			
Trade and other payables	10	70,827	47,364
Distributions payable	5	77,462	67,873
Borrowings	11	2,938	3,587
<b>Total liabilities (excluding liabilities attributable to unitholders)</b>		<u>151,227</u>	<u>118,824</u>
<b>Net assets attributable to unitholders</b>		<u>10,692,059</u>	<u>10,175,115</u>
<b>Total liabilities</b>		<u>10,843,286</u>	<u>10,293,939</u>

The Statement of financial position is to be read in conjunction with the accompanying notes to the financial statements.



**Trilogy Monthly Income Trust**  
(formerly Trilogy First Mortgage Income Trust)  
**Statement of cash flows**  
For the year ended 30 June 2012

	Note	2012 \$	2011 \$
<b>Cash flows from operating activities</b>			
Interest received - mortgage loans		1,000,818	902,699
Distributions paid to unitholders		(819,960)	(819,369)
Fees paid to the Responsible Entity		(77,689)	(69,077)
GST held on behalf of mortgage holders		(1,043)	(1,337)
<b>Net cash provided by/(used in) operating activities</b>	13	<u>102,126</u>	<u>12,916</u>
<b>Cash flows from investing activities</b>			
Mortgage loan funds repaid		3,180,322	5,429,923
Mortgage loan funds advanced		(4,752,601)	(7,258,368)
<b>Net cash provided by/(used in) investing activities</b>		<u>(1,572,279)</u>	<u>(1,828,445)</u>
<b>Cash flows from financing activities</b>			
Borrowing costs paid		(24,005)	(10,947)
Payments for redemption of units		(1,145,257)	(854,610)
Receipts from issue of units		1,662,201	3,050,604
<b>Net cash provided by/(used in) financing activities</b>		<u>492,939</u>	<u>2,185,047</u>
Net increase/(decrease) in cash held		(977,216)	369,518
Cash at beginning of financial year		<u>1,751,212</u>	<u>1,381,694</u>
<b>Cash at end of financial year</b>	7	<u><u>773,996</u></u>	<u><u>1,751,212</u></u>

The Statement of cash flows is to be read in conjunction with the accompanying notes to the financial statements.

## Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust)

### Notes to the financial statements

For the year ended 30 June 2012

#### **Note 1 Reporting entity**

The Trilogy Monthly Income Trust (Scheme) (formerly Trilogy First Mortgage Income Trust) is a registered managed investment scheme under the Corporations Act 2001 (Act). The financial statement of the Scheme is for the year ended 30 June 2012. As stipulated by the Scheme's constitution, the life of the Scheme is limited to a period of not more than 80 years from the anniversary of the commencement of the Scheme. At this time, the Scheme is to realise the assets and distribute all surplus funds to unitholders.

#### **Note 2 Basis of preparation**

##### **(a) Statement of compliance**

The financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board and the Act. The financial statements of the Scheme complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value for financial assets and financial liabilities.

This financial report has been prepared for a for-profit entity.

The financial statements were approved by the Board of Directors of Trilogy Funds Management Limited (Responsible Entity) on 27 September 2012.

##### **(b) Functional and presentation currency**

These financial statements are presented in Australian dollars, which is the Scheme's functional currency.

##### **(c) Key assumptions and sources of estimation**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have most significant effect on the amounts recognised are disclosed in:

- Note 8 (a): Impaired receivables;
- Note 9: Investment in financial assets; and
- Note 15: Financial risk management.

#### **Note 3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise stated. The Scheme has not early adopted any accounting standard.

##### **(a) Financial instruments**

###### **(i) Classification**

Investments and financial assets in the scope of *AASB 139 Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

## Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust)

### Notes to the financial statements

For the year ended 30 June 2012

#### **Note 3 Significant accounting policies (continued)**

##### **(a) Financial instruments (continued)**

###### *(ii) Recognition*

The Scheme recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial assets are recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

###### *(iii) Measurement*

Financial instruments are measured initially at fair value plus transaction costs except where the instrument is classed at fair value through profit or loss in which the transaction costs are expensed immediately. Transaction costs on financial assets and financial liabilities are amortised over the life of the asset or liability using the effective interest method.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the profit or loss.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Financial assets classified as loans and receivables subsequently are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

Financial liabilities arising from the redeemable units issued by the Scheme are carried at the redemption amount representing the investors' right to a residual interest in the Scheme's assets, effectively fair value at reporting date.

###### *(iv) Impairments*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

###### *(v) Derecognition*

The Scheme derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with AASB 139.

The Scheme uses the weighted average method to determine realised gains and losses on derecognition of financial assets.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

###### *(vi) Specific instruments*

###### *Cash and cash equivalents*

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

## Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust)

Notes to the financial statements  
For the year ended 30 June 2012

### **Note 3 Significant accounting policies (continued)**

#### **(b) Revenue and income recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Scheme and the revenue can be reliably measured. The following specific recognition criteria must also be met before income is recognised.

##### *(i) Interest revenue - mortgage loans and interest revenue*

Revenue is recognised as the interest accrues (using the effective interest rate method) to the net carrying amount of the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

##### *(ii) Changes in the fair value of investments*

Net gains or losses on investments held for trading or designated as at fair value through profit or loss 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, but does not include interest or dividend revenue.

#### **(c) Expenses**

All expenses, including management fees, are recognised in the profit or loss on an accruals basis.

#### **(d) Taxation**

Under current legislation the Scheme is not subject to income tax as its taxable income including assessable realised capital gains is distributed in full to the unitholders. The Scheme fully distributes its distributable income, calculated in accordance with the Scheme's constitution and applicable taxation legislation, to the unitholders who are presently entitled to the income under the constitution.

Realised capital losses are not distributed to unitholders but are retained in the Scheme to be offset against any future realised capital gains. If realised capital gains exceeds realised capital losses the excess is distributed to the unitholders.

Financial instruments held at fair value may include 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.

#### **(e) Unit prices**

The unit price is based on unit price accounting outlined in the Scheme's constitution and Product Disclosure Statement (PDS).

#### **(f) Distributions to unitholders**

Distributions to unitholders on units issued are recognised in the profit or loss as distributions paid/payable. Distributions unpaid at the end of the financial year are recognised in the Statement of financial position as a financial liability. Distributions paid to unitholders are included in cash flows from operating activities in the Statement of cash flows.

#### **(g) Applications and redemptions**

Applications received for units in the Scheme are recorded net of any entry fees payable prior to the issue of units in the Scheme. Redemptions from the Scheme are recorded gross of any exit fees payable after the cancellation of units redeemed.

The application and redemption prices are determined as the net asset value of the Scheme per the Constitution adjusted for the estimated transaction costs, divided by the number of units on issue on the date of the application or redemption.

## **Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust)**

### **Notes to the financial statements**

**For the year ended 30 June 2012**

#### **Note 3 Significant accounting policies (continued)**

##### **(h) Terms and conditions of units on issue**

The Scheme has assets consisting of mortgages and cash. Initially unitholders funds are placed in a short term investment account for which those unitholders are issued Unallocated units. This unit class becomes entitled to income distributions calculated on the interest earned from the short term investment account (no management fees or management costs are levied on unallocated units).

Once a suitable investment opportunity is found, the unitholders funds are removed from the short term investment account and are issued Allocated units, whereby their funds are lent to approved borrowers. This unit class becomes entitled to income distributions from earnings of the Scheme (less costs).

Each unit confers upon the unitholder an equal interest in the Scheme and is of equal value. A unit does not confer an interest in any particular asset or investment of the Scheme. Unitholders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- have their units redeemed;
- receive income and capital distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Scheme.

The Scheme is not required to complete a Statement of changes in equity as all unitholder funds have been classified as a financial liability.

##### **(i) Finance costs**

Interest expense includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the interest-bearing financial liability and its amount at maturity calculated on an effective interest rate basis.

##### **(j) Trade and other receivables**

Receivables are recorded at amortised cost less impairment and may include amounts for distributions and interest. Distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables.

##### **(k) Goods and services tax**

Management fees and other expenses are recognised net of the amount of GST recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC).

Payables are stated with the amount of GST included.

The GST recoverable from the ATO is included in trade and other receivables, while GST payable to the ATO is included in trade and other payables, both of which are presented in the Statement of financial position.

Cash flows are included in the Statement of cash flows on a gross basis.

##### **(l) Trade and other payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Scheme during the reporting period, which remains unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

# Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust)

## Notes to the financial statements

For the year ended 30 June 2012

### Note 3 Significant accounting policies (continued)

#### (m) Impairment of assets

At the end of each reporting period, the Responsible Entity assesses whether there is any indication that an asset maybe impaired. The assessment will include considering external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset to its carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Responsible Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### (n) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current year.

#### (o) New Accounting Standards for application in future periods

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements, except for the following:

##### (i) AASB 9 Financial Instruments (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It simplifies the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Financial assets are to be classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139. The Responsible Entity does not plan to adopt this standard early and the extent of the impact has not been determined.

### Note 4 Revenue from operations

	2012			2011		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	\$	\$	%	\$	\$	%
Cash and cash equivalents	1,224,438	70,820	5.78	2,332,676	120,326	5.16
Mortgage loans	9,067,415	940,152	10.37	7,178,148	799,242	11.13
<b>Total revenue from operations</b>		<b>1,010,972</b>			<b>919,568</b>	

### Note 5 Distributions to unitholders

Distributions paid and payable by the Scheme for the year are:

	2012		2011	
	\$	cents/unit	\$	cents/unit
<i>Unallocated units</i>				
Distribution paid during the year	(2,703)	4.15	(6,284)	4.35
Distribution payable for the year	(234)	3.23	(201)	4.41
	<b>(2,937)</b>	<b>4.08</b>	<b>(6,485)</b>	<b>4.36</b>
<i>Allocated units</i>				
Distribution paid during the year	(749,384)	8.30	(760,234)	9.33
Distribution payable for the year	(77,228)	9.16	(67,672)	8.33
	<b>(826,612)</b>	<b>8.37</b>	<b>(827,906)</b>	<b>9.25</b>
	<b>(829,549)</b>		<b>(834,392)</b>	

Cents per unit has been determined by averaging the annualised yield by class for the relevant period

# Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust)

## Notes to the financial statements

For the year ended 30 June 2012

### Note 6 Auditor's remuneration

	2012	2011
	\$	\$
During the year the following fees were paid or payable for services provided by the auditor of the Scheme:		
- audit and review of the financial reports of the Scheme (i)	(20,100)	(18,790)
- other assurance services in relation to the Scheme (i)		
• compliance plan audit	(3,800)	(3,500)
	(23,900)	(22,290)
- other services (ii)		
• taxation services	(3,450)	(3,250)
	(3,450)	(3,250)
	(27,350)	(25,540)

Auditor's remuneration is paid by the Responsible Entity, not by the Scheme (Refer Note 14).

(i) The Responsible Entity engaged BDO Audit Pty Ltd as the Scheme's auditor. Total remuneration paid and or payable to BDO Audit Pty Ltd for the year ended 30 June 2012 totalled \$23,900 (2011: \$22,290).

(ii) Taxation services have been undertaken by BDO Pty Ltd, a related practice of BDO Audit Pty Ltd. BDO Pty Ltd was engaged by the Responsible Entity on behalf of the Scheme.

### Note 7 Cash and cash equivalents

Cash at bank and in hand	773,996	1,751,212
	<u>773,996</u>	<u>1,751,212</u>

Liquidity ratio (i) 7.44% 17.40%

(i) Derived by dividing cash and cash equivalents by the total assets (excluding impairments) of the Scheme.

### Note 8 Trade and other receivables

Interest receivable - mortgages	271,037	214,677
Impairment losses	(187,090)	(135,170)
	83,947	79,507
GST receivable	32,255	896
Interest receivable - other	126	5,348
	<u>116,327</u>	<u>85,751</u>

#### (a) Impaired receivables

As part of the annual balance date review procedures, the Scheme recorded impairment losses in respect of interest receivable of \$51,920 (2011: \$nil) for the year.

Movement in the provision for impairment of receivables is as follows:

	Opening balance	Charge for the year	Amounts written off	Closing balance
	\$	\$	\$	\$
2012				
Interest receivables - mortgages	135,170	51,920	-	187,090
	<u>135,170</u>	<u>51,920</u>	<u>-</u>	<u>187,090</u>
2011				
Interest receivables - mortgages	135,170	-	-	135,170
	<u>135,170</u>	<u>-</u>	<u>-</u>	<u>135,170</u>

# Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust)

Notes to the financial statements  
For the year ended 30 June 2012

## Note 8 Trade and other receivables (continued)

### (a) Impaired receivables (continued)

The Scheme holds financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired (Refer Note 9).

In assessing whether interest receivable may be impaired, the Responsible Entity's considerations included but were not limited to:

- Valuations of security properties completed by registered valuers;
- Appraisals from real estate agents;
- Recent offers to purchase security properties arising out of marketing campaigns;
- Current market conditions as at 30 June 2012;
- Status of individual loans; and
- Estimated time to realise mortgage loans and interest receivable.

These impairment losses represent estimates of losses that may be incurred based on a number of assumptions including amounts that may be received upon repayment or sale of the security property and the period until funds are returned. In the current economic conditions there is uncertainty as to the amount that could be realised on the sale of the security property, and the time it may take to achieve a sale. Accordingly, actual impairment losses incurred may differ significantly from these estimates.

The Responsible Entity considers that, based on evidence available as at 30 June 2012, the net impaired interest on remaining mortgage loans should be recovered in full and accordingly no further impairment losses have been recorded. Refer to Note 8(b) for ageing of interest receivable - mortgages.

### (b) Past due but not impaired receivables

The following table details the Scheme's interest receivable on mortgage loans (before impairment) exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Scheme and the borrower of the loan.

	Past due but not impaired (months over-due)					
	Gross Amount	Past due and impaired	Less than 3 months	3 to 6 months	6 to 12 months	Greater than 12 months
2012	\$	\$	\$	\$	\$	\$
Interest receivable - mortgage loans	303,418	187,090	-	-	-	-
Total	303,418	187,090	-	-	-	-
2011						
Interest receivable - mortgage loans	220,921	135,170	85,751	-	-	-
Total	220,921	135,170	85,751	-	-	-

The Scheme holds financial assets whose terms have been renegotiated, but which would otherwise be past due (Refer Note 9).

### (c) Collateral pledged

No collateral is held over trade and other receivables.



# **Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust)**

## Notes to the financial statements

For the year ended 30 June 2012

### **Note 9 Investment in financial assets**

	2012	2011
<i>Held directly:</i>	\$	\$
Mortgage loans	10,199,112	8,550,642
Impairment losses	(246,149)	(93,665)
	<u>9,952,963</u>	<u>8,456,976</u>

#### **(a) Impaired mortgage loans**

As part of the annual balance date review procedures the Scheme recorded impairment losses in respect of mortgage loans of \$152,484 (2011: \$77,682) for the year. The impairment loss recorded during the year consists of \$131,229 (2011: \$77,682) relating to amounts due for borrower draw-downs (these amounts remain unpaid at the end of the financial year), while \$21,255 (2011: \$nil) relates to a fair value loss in relation to the security held on a loan.

Movement in the provision for impairment of receivables is as follows:

	Opening balance \$	Charge for the year \$	Amounts written off \$	Closing balance \$
<b>2012</b>				
Mortgage loans	93,665	152,484	-	246,149
	<u>93,665</u>	<u>152,484</u>	<u>-</u>	<u>246,149</u>
<b>2011</b>				
Mortgage loans	15,983	77,682	-	93,665
	<u>15,983</u>	<u>77,682</u>	<u>-</u>	<u>93,665</u>

In assessing whether mortgage loans may be impaired, the Responsible Entity considerations included but were not limited to:

- Valuations of security properties completed by registered valuers;
- Appraisals from real estate agents;
- Recent offers to purchase security properties arising out of marketing campaigns;
- Current market conditions as at 30 June 2012;
- Status of individual loans; and
- Estimated time to realise mortgage loans and interest receivable.

These impairment losses represent estimates of losses that may be incurred based on a number of assumptions including amounts that may be received upon repayment or sale of the security property and the period until funds are returned. In the current economic conditions there is uncertainty as to the amount that could be realised on the sale of security properties, and the time it may take to achieve a sale. Accordingly, actual impairment losses incurred may differ significantly from these estimates.

The Responsible Entity considers that, based on evidence available as at 30 June 2012, all principal on remaining mortgage loans should be recovered in full and accordingly no further impairment losses have been recorded.

# **Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust)**

## Notes to the financial statements

For the year ended 30 June 2012

### **Note 9 Investment in financial assets (continued)**

#### **(b) Past due but not impaired mortgage loans**

The following table details the Scheme's mortgage loans (before impairment) exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Scheme and the borrower of the loan.

	Past due but not impaired (months over-due)					
	Gross Amount	Past due and impaired	Less than 3 months	3 to 6 months	6 to 12 months	Greater than 12 months
<b>2012</b>	\$	\$	\$	\$	\$	\$
Mortgage loans	10,199,112	2,409,577	-	-	-	-
Total	10,199,112	2,409,577	-	-	-	-
<b>2011</b>						
Mortgage loans	8,550,642	2,112,678	-	-	-	-
Total	8,550,642	2,112,678	-	-	-	-

As at 30 June 2012, one loan (consisting of 4 residential and 1 commercial unit) remains past due and impaired for which the Scheme has taken over the site as mortgagee in possession (MIP). The Responsible Entity has completed the outstanding development works on the project, and has engaged agents to actively market the property for sale (Refer Note 18).

During the financial year 5 loan terms were renegotiated by the Scheme (2011: 1).

### **Note 10 Trade and other payables**

	2012	2011
Current	\$	\$
Borrowers draw-downs	288,801	134,299
Impairment losses	(224,894)	(93,665)
	63,908	40,634
Responsible Entity management fee and management cost	6,919	6,730
	70,827	47,364

#### **(a) Impaired borrowers draw-downs**

The Scheme recorded impairment losses in respect of draw-downs payable on mortgage loans totalling \$131,229 (2011: \$77,682) for the year. These impairment losses relates to amounts due to the Responsible Entity (including its associates) for administration & performance fees, and work-out fees on loans in default.

Movement in the provision for impairment of borrowers draw-downs is as follows:

	Opening balance	Charge for the year	Amounts written off	Closing balance
	\$	\$	\$	\$
<b>2012</b>				
Mortgage loans	93,665	131,229	-	224,894
	93,665	131,229	-	224,894

**Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust)**

Notes to the financial statements

For the year ended 30 June 2012

**Note 10 Trade and other payables**

**(a) Impaired borrowers draw-downs (continued)**

	Opening balance \$	Charge for the year \$	Amounts written off \$	Closing balance \$
2011				
Mortgage loans	15,983	77,682	-	93,665
	<u>15,983</u>	<u>77,682</u>	<u>-</u>	<u>93,665</u>

**Note 11 Borrowings**

	2012 \$	2011 \$
Secured loan - Financial institutions	-	-
Unsecured loan - Related entity	2,938	3,587
	<u>2,938</u>	<u>3,587</u>

The details of borrowings as at 30 June 2012 are set out below:

Facility	Secured	Expiry date	Facility 30 Jun 2012 \$	Utilised 30 Jun 2012 \$	Facility 30 Jun 2011 \$	Utilised 30 Jun 2011 \$
Bank loan - commercial bill (i)	Yes	9/05/2012	-	-	1,500,000	-
(ii)	No	n/a	-	2,938	-	7,540
Total facilities			-	2,938	1,500,000	7,540
Less unamortised transaction costs (ii)			-	-	-	(3,953)
Total borrowing			-	2,938	1,500,000	3,587

(i) The Responsible Entity cancelled the Scheme's credit facility during the year as it was no longer required under the new PDS. The facility was not drawn upon during the current financial year. The interest rate charged on the facility up until the closure is as follows (note the Scheme was charged a line fee on the balance of the undrawn facility);

Interest rates	2012	2011
Variable rate	<u>7.35%</u>	<u>7.35%</u>

(ii) The loan payable to the Responsible Entity includes the cost of establishing the commercial bill facility, as well as providing short term funding to the Scheme for the GST reclaimable from the ATO in its monthly business activity statement (BAS). The Responsible Entity is reimbursed from the Scheme for the costs of the commercial bill over a three year period. The Responsible Entity is reimbursed from the Scheme for the funding of GST upon receipt of funds from the ATO. The loan is not secured, and no interest is payable.

# **Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust)**

## Notes to the financial statements

For the year ended 30 June 2012

### **Note 12 Net assets attributable to unitholders**

	<b>2012</b>			<b>2011</b>		
	Units	Contributed	Accumulated	Units	Contributed	Accumulated
	No	capital	profit	No	capital	d profit
		\$	\$		\$	\$
Balance at the beginning of the reporting period	10,175,115	10,175,115	10,175,115	7,979,121	7,979,121	7,979,121
<i>Units issued:</i>						
For cash	1,606,771	1,606,771	1,606,771	3,015,267	3,015,267	3,015,267
Reinvestment of distributions	55,430	55,430	55,430	35,337	35,337	35,337
Units redeemed	(1,145,257)	(1,145,257)	(1,145,257)	(854,610)	(854,610)	(854,610)
Total comprehensive income for the year	-	-	-	-	-	-
Balance at the end of the reporting period	<u>10,692,059</u>	<u>10,692,059</u>	<u>10,692,059</u>	<u>10,175,115</u>	<u>10,175,115</u>	<u>10,175,115</u>

*The net asset value per unit are:*

Cents per unit as at 30 June 2011	\$ 1.00
Cents per unit as at 30 June 2012	\$ 1.00

Units in the Scheme entitle the unitholder to participate in distributions and proceeds on the winding up of the Scheme in proportion to the number of and amounts paid on the units held.

On a show of hands each unitholder present at a meeting in person or by proxy is entitled to one vote, and on a poll each member has one vote for each dollar of the value of the total units they have in the Scheme.

<b>Note 13 Reconciliation of cash flow from operations with profit for the year</b>	<b>2012</b>	<b>2011</b>
	\$	\$
Profit for the year	-	-
<i>Adjustments for:</i>		
Amortised borrowing costs	3,528	2,212
Impairments - Mortgage loans and interest receivable	73,175	-
Interest expense	22,948	6,796
<i>Changes in operating assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(30,577)	(15,507)
Increase/(decrease) in trade and other payables	23,463	4,392
Increase/(decrease) in distributions payable	9,589	15,023
Net cash provided by operating activities	<u>102,126</u>	<u>12,916</u>

# Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust)

## Notes to the financial statements

For the year ended 30 June 2012

### Note 14 Related party transactions

#### (a) Responsible Entity

The Responsible Entity of the Trilogy Monthly Income Trust is Trilogy Funds Management Limited ABN 59 080 383 679.

#### (b) Key management personnel:

The Scheme does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Scheme which is considered to be key management personnel. The Directors of the Responsible Entity are key personnel of that entity and their names are, Robert M Willcocks, Rodger I Bacon, John C Barry, Philip A Ryan, Rohan C Butcher, and Nigel A Chamier (resigned 14 May 2012).

The Responsible Entity is entitled to a management fee and a management cost which is determined on a daily basis, calculated on the total value of Allocated Units held by the Scheme.

No compensation is paid to the Directors of the Responsible Entity or to the key personnel of the Responsible Entity by the Scheme.

#### (c) Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

<i>Transactions recorded in the Statement of comprehensive income</i>	2012	2011
<i>Fees paid directly by the Scheme: (i)</i>	\$	\$
Responsible Entity management fees	(72,500)	(65,816)
Responsible Entity management fees rebated	17,683	15,956
	(54,817)	(49,860)
Responsible Entity other management costs	26,676	(24,105)
	(28,141)	(73,965)
<i>Transactions not recorded in the Statement of comprehensive income</i>		
<i>Fees not paid by the Scheme:</i>		
Audit and other assurance services (Refer Note 6)	(27,350)	(25,540)
Compliance fees	(14,246)	(14,549)
Custodian fees	(14,816)	(13,500)
Bank fees	(1,326)	(4,252)
Filing fees	(1,207)	(1,681)
	(58,945)	(59,522)
<i>Transactions with borrowers:</i>		
Application fees (ii)	(294,952)	(219,027)
Loan administration fees (iii)	(199,760)	(153,118)
Workout fees (iv)	(23,950)	-
	(518,662)	(372,145)
<i>Balances recorded in the Statement of financial position</i>		
Trade and other payables (i)	(6,919)	(6,730)
	(6,919)	(6,730)

# Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust)

Notes to the financial statements  
For the year ended 30 June 2012

## Note 14 Related party transactions (continued)

### (c) Transactions with related parties (continued):

- (i) The Responsible Entity is entitled to a management fee of 0.70% p.a. (plus GST), plus other management costs of 0.24% p.a. (plus GST). These fees are calculated on the total gross value of Allocated units held by the Scheme. The Responsible Entity has waived a portion of its management fee
- (ii) The Responsible Entity is entitled to receive an application fee (between 0.5% p.a. and 3.0% p.a. of the loan amount) from the borrower on each mortgage investment made by the Scheme.
- (iii) The Responsible Entity or a related party to it is entitled to receive a recurring fee (between 0.5% p.a. and 3.0% p.a. of the loan amount) from borrowers for management and oversight of the loan for its duration.
- (iv) A company associated with the Responsible Entity charges a fee for time spent on working out projects in default.

### (d) Related party investments held by the Scheme

The Scheme has no investment in the Responsible Entity or its associates.

### (e) Units in the Scheme held by other related parties

Details of holdings in the Scheme by the Responsible Entity and other schemes operated by the Responsible Entity are set out below:

Entity	Unitholding \$	Interest held %	Units issued No	Units redeemed No	Distribution paid and or payable (ii) \$
<b>30 June 2012</b>					
TWFMIT (i)	80,190	0.750	-	9,152	6,631
	80,190	0.750	-	9,152	6,631
<b>30 June 2011</b>					
TWFMIT	89,343	0.878	-	188,044	9,550
	89,343	0.878	-	188,044	9,550

(i) Trilogy Wholesale First Mortgage Income Trust.

(ii) Distributions paid/payable include an amount of \$630 (2011: \$637) in respect of the Scheme which remains unpaid at the reporting date.

### (f) Key management personnel loan disclosures

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

### (g) Other transactions within the Scheme

Apart from those details disclosed in this note, no director has entered into a material contract with the Scheme since the end of the previous year and there were no material contracts involving Directors' interests subsisting at year end.

## Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust)

### Notes to the financial statements

For the year ended 30 June 2012

#### Note 15 Financial risk management

##### Overview

The Scheme's assets principally consist of investments in cash and in loans secured by registered first mortgages over real property. It holds these investment assets at the discretion of the Responsible Entity in accordance with the Scheme's constitution and PDS.

##### Specific financial risk exposures and management

The main risks the Scheme is exposed to through its financial instruments are credit risk, liquidity risk, and market risk relating to interest rate risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Scheme's risk management framework.

The Board is responsible for developing and monitoring the Scheme's risk management policies. The Responsible Entity's risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Responsible Entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The Responsible Entity's Compliance Committee and its Audit, Compliance and Risk Management Committee oversees how management monitors compliance with the Scheme's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Scheme.

##### (a) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme and cause a loss. The Responsible Entity manages the exposure to credit risk on an ongoing basis.

The carrying amount of the Scheme's financial assets represents the maximum credit exposure. The Scheme's maximum exposure to credit risk at the reporting date is as follows:

	Note	2012 \$	2011 \$
<b>Financial assets</b>			
Trade and other receivables	8	116,327	85,751
Mortgage loans	9	9,952,963	8,456,976
<b>Total financial assets</b>		<b>10,069,290</b>	<b>8,542,727</b>

All cash held by the Scheme is invested with major Australian financial institutions.

The Scheme's mortgage assets consist of construction and development loans which require a high degree of experience in their assessment and management. The Responsible Entity has a specialised management team which focuses on each proposed loan and the credentials of the borrower and associated entities. The Responsible Entity primarily relies on the value of the underlying security property for its loans.

This risk is minimised by prudent assessment of loans and valuations of each security property by independent approved valuers from the Responsible Entity's panel of valuers.

# Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust)

## Notes to the financial statements

For the year ended 30 June 2012

### Note 15 Financial risk management (continued)

#### (a) Credit risk (continued)

Pursuant to the Scheme's investment strategy, loans to borrowers are limited to a maximum loan amount of \$5 million (2011: \$5 million) per loan, and a maximum single borrower loan amount of \$5 million (2011: \$5 million).

The ageing of trade receivables at the reporting date are all current with no amounts impaired (Refer Note 8).

The Scheme's exposure to credit risk for mortgage loans at the reporting date by geographical location, are as follows (including impairments):

Location	2012 \$	% of total %	2011 \$	% of total %
Queensland	7,782,484	78.19	6,573,133	77.72
Victoria	2,170,479	21.81	1,883,843	22.28
	<u>9,952,963</u>	<u>100.00</u>	<u>8,456,976</u>	<u>100.00</u>

The Scheme's exposure to credit risk for mortgage loans at the reporting date by loan type are as follows:

Construction & development - commercial	703,642	7.07	933,092	11.03
Construction & development - residential	331,183	3.33	2,216,347	26.21
Development land	1,706,763	17.15	1,913,165	22.62
Land subdivision	5,040,896	50.65	1,510,529	17.86
Mixed use	2,170,479	21.80	1,883,843	22.28
Total	<u>9,952,963</u>	<u>100.00</u>	<u>8,456,976</u>	<u>100.00</u>

#### (b) Liquidity risk

Liquidity risk arises from the possibility that the Scheme might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Scheme manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The following table summaries the undrawn loan commitments which represent the balance of loans approved and not in default but not fully drawn.

	No of loans	2012 Undrawn amount \$	% of total %	No of loans	2011 Undrawn amount \$	% of total %
Less than 3 months	6	397,588	27.10	5	1,025,223	38.19
3 to 6 months	2	1,069,638	72.90	1	86,835	3.23
6 to 12 months	-	-	-	1	1,572,809	58.58
	<u>8</u>	<u>1,467,226</u>	<u>100.00</u>	<u>7</u>	<u>2,684,867</u>	<u>100.00</u>



# Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust)

## Notes to the financial statements

For the year ended 30 June 2012

### Note 15 Financial risk management (continued)

#### (b) Liquidity risk (continued)

The timing of cash flows presented in the table below to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

2012	Contractual cash flows	Less than 3 months	3-6 months	6-12 months	On call
<b>Financial liabilities</b>	\$	\$	\$	\$	\$
Borrowings	2,938	-	2,938	-	-
Distributions payable	77,462	77,462	-	-	-
Unitholder funds	10,692,059	-	-	-	10,692,059
Trade and other payables	70,827	70,827	-	-	-
	10,843,286	148,289	2,938	-	10,692,059
<b>2011</b>					
<b>Financial liabilities</b>					
Borrowings	3,587	-	3,587	-	-
Distributions payable	67,873	67,873	-	-	-
Unitholder funds	10,175,115	-	-	-	10,175,115
Trade and other payables	47,364	47,364	-	-	-
	10,293,939	115,237	3,587	-	10,175,115

#### (c) Capital management

The Scheme's capital management strategy seeks to maximise unitholder value through optimising the level and use of capital resources and the mix of debt funding.

The Scheme's capital management objectives aim to:

- ensure that the Scheme complies with capital and distribution requirements of their constitutions and/or trust deeds;
- ensure sufficient capital resources to support the Scheme's operational requirements;
- continue to support the Scheme's credit worthiness; and
- safeguard the Scheme's ability to continue as a going concern.

In a stable economic environment the Scheme is generally able to alter its capital mix by adjusting distributions paid to unitholders.

The Responsible Entity considers a target liquidity range of between 5.00% and 10.00% (2011: 15.00%) to be sufficient to fund any redemption requests from unitholders. The cash liquidity of the Scheme has been disclosed at Note 7.

#### (d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Scheme's income or the value of its holdings of financial instruments. Market risk embodies the potential for both loss and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

##### i. Interest rate risk

The majority of the Scheme's financial assets are interest-bearing. Interest bearing financial assets and interest bearing financial liabilities are subject to both fixed and variable interest rates. The Scheme is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

## Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust)

Notes to the financial statements  
For the year ended 30 June 2012

### **Note 15 Financial risk management (continued)**

#### **(d) Market risk (continued)**

##### **i. Interest rate risk (continued)**

The Scheme's interest rate risk is managed on a daily basis by management in accordance with policies and procedures in place.

##### **ii. Other market risk**

The Scheme is not exposed to other material market risk on its financial assets and liabilities.

#### **Interest rate sensitivity analysis**

An increase or decrease of 100 basis points in interest rates as at the reporting date would have an immaterial effect on the net assets attributable to unitholders and operating results. This is primarily due to the interest rates attached to both financial assets and financial liabilities being a mixture of fixed and variable, and distributions are paid to investors on a monthly basis.

#### **Property value risk**

All of the Scheme's financial assets (with the exception of cash and cash equivalents and receivables) are secured by registered first mortgages over real property in Australia. As a result, the Scheme is subject to property value risk in the prevailing levels of market property values. Property value risk is managed on a regular basis by the Responsible Entity in accordance with policies and procedures in place, including but not limited to:

- The adoption of maximum loan to valuation ratios of 70.00% for new loans (2011: 70.00%); and
- Regular valuations of security properties by registered valuers.

#### **Property value sensitivity analysis**

Due to the relative short term nature of the loans originated by the Responsible Entity on behalf of the Scheme, the Scheme is not overtly exposed to fluctuations in property values.

#### **(e) Fair value estimation**

The carrying values approximate the value of the Scheme's financial assets and liabilities.

### **Note 16 Custodian of the Scheme**

The Scheme's custodian is The Trust Company (Australia) Limited. The custodian holds title to the assets of the Scheme in its name on behalf of the Scheme. The total value of assets held by the custodian at cost as at 30 June 2012 totals \$11,125,299 (2011: \$10,403,950).

The custodian is entitled to an annual administration fee of \$15,000 (2011: \$15,000) (plus GST). These fees are paid by the Responsible Entity.

The relationship between the custodian and Responsible Entity is set out in the Custodial Agreement.

### **Note 17 Litigation and contingent liabilities**

Certain parties who entered into contracts of sale with a borrower (in default) have lodged caveats over a property (over which the Scheme is MIP). The Responsible Entity has instructed solicitors to institute proceedings against those parties in order for the Scheme to sell through those caveats. The Responsible Entity believes that it will be successful in the litigation which will enable the Scheme to transact with a potential third party purchaser.

With the exception to the items listed above, there are no contingent liabilities or contingent assets at 30 June 2012 (2011: nil).

**Trilogy Monthly Income Trust (formerly Trilogy First Mortgage Income Trust)**

Notes to the financial statements

For the year ended 30 June 2012

**Note 18 Events subsequent to reporting date**

*Prospective sale of security by the Scheme*

The Responsible Entity on behalf of the Scheme, received an offer to purchase the completed site of an asset in one line. The Responsible Entity is continuing in its negotiations with the prospective purchaser in reaching agreement on acceptable terms.

Other than the item noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

**Trilogy Monthly Income Trust**  
(formerly Trilogy First Mortgage Income Trust)  
Directors' declaration

In the opinion of the Directors of Trilogy Funds Management Limited, the Responsible Entity of the Trilogy Monthly Income Trust (Scheme):

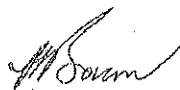
- (a) The financial statements and notes, as set out on pages 7 to 27 are in accordance with the Corporations Act 2001, including;
  - (i) giving a true and fair view of the Scheme's financial position as at 2012 and of its performance, for the financial year ended on that date: and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2; and
- (c) There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolutions of the Directors of the Responsible Entity.



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Philip A Ryan  
Executive Director  
Dated: 27 September 2012  
Brisbane



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Rodger I Bacon  
Executive Deputy Chairman  
Dated: 27 September 2012  
Brisbane



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

Level 18, 300 Queen St  
Brisbane QLD 4000,  
GPO Box 457 Brisbane QLD 4001  
Australia

## INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Trilogy Monthly Income Trust

We have audited the accompanying financial report of Trilogy Monthly Income Trust, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income 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.

### Directors' of the Responsible Entity's Responsibility for the Financial Report

The directors of the responsible entity of the Trilogy Monthly Income Trust are responsible for the preparation 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 Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### 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 about 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 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, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the responsible entity, would be in the same terms if given to the directors as at the time of this auditor's report.



## Opinion

In our opinion:

- (a) the financial report of Trilogy Monthly Income Trust is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the entity'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.

BDO Audit Pty Ltd

PA Gallagher

Director

Brisbane, 27 September 2012

PW-20

6/4 22/100

Australia and New Zealand  
Banking Group Limited A.C.N. 005 357 522



# Statement of Account

115 PITT ST  
SYDNEY 2000  
TELEPHONE NUMBERS  
STATEMENT & ACCOUNT ENQUIRIES (02)  
ALL OTHER ENQUIRIES (02)9227 1873

Account name(s) TRILOGY FUNDS MANAGEMENT LTD  
AS RESPONSBLE ENTITY FOR THE TRILOGY  
HEALTHCARE REIT

Account type FULLY DRAWN ADVANCE  
and number 8379 44935

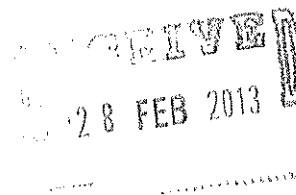
This statement shows entries  
processed by ANZ

From the date your last statement issued 31 JAN 13

To the close of business on 21 FEB 13

Statement page number 63

2013	TRANSACTION DESCRIPTION	DEBIT	CREDIT	BALANCE
31 JAN	BALANCE BROUGHT FORWARD			882,019.58DR
01 FEB	INTEREST	4413.72		886,433.30DR
19 FEB	INTEREST	2655.17		889,088.47DR
20 FEB	INC CLOSE		889088.47	0.00CR
21 FEB	CLOSE BAL	0.00		0.00CR



22.100

TOTALS AT END OF PAGE 7068.89 889088.47 0.00CR

001210

Final balance may be subject to adjustment – please see back.

Name and mailing address 2003 (37)

THE DIRECTORS  
TRILOGY FUNDS MANAGEMENT LIMITED  
GPO BOX 1648  
BRISBANE QLD 4001

Please tell us if you change your address.

PW-21



Westpac Banking Corporation ABN 33 007 457 141

①

NSW Service Centre  
1 King Street  
Concord West  
NSW 2138  
Telephone:  
Fax:

The Secretary  
Triology Funds Management Limited  
GPO Box 1648  
BRISBANE QLD 4001

10 JUN 2013

Our Ref: Bills/034430/493/CB041  
CBARS ID: 4000-0015196-0323826  
Date: 30-May-2013

Dear Sir/Madam,

**Commercial Bill Facility \$5,206,048.16**

We wish to advise that on 29/5/2013, your matured Bill(s) of \$5,206,048.16 were netted against the proceeds of the Bill(s) detailed below.

We have debited your account number 386096 at our Brisbane Office branch with \$15,231.14.

Details of the discounted Bill(s) are as follows:-

Due Date ( 30 days )	:	28-Jun-2013
Amount of Bill(s)	:	\$5,206,048.16
LESS:		
Yield Rate at 3.570%	:	\$15,231.14
		\$0.00
NET PROCEEDS	:	\$5,190,817.02


Subject to the terms contained in the Commercial Bill Line Facility Letter, unless the Bank is otherwise advised, we will rollover the Bill(s) for the agreed amount for the same term. Changes to tenor or amount of the Bill(s) must be advised in writing, a minimum of 5 Banking Days before rollover is due.

On the due date shown above you will need to provide funds in your account to cover the Bank's fees and the discount amount.

A Commercial Bill Rollover Fee of \$125.00 has been debited to your account for this service.

Should you have any queries, please contact Matt McNaughton on 07 3220 4959 for further information.

Yours sincerely,

  
Bills Supervisor  
Commercial Bills





11 June 2013

TRILOGY INVESTOR CHOICE  
MELBOURNE CAMPUS  
OFFICE SYNDICATE

Judith Lodge  
The Financial Controller  
Trilogy Funds Management Limited  
GPO Box 1648  
BRISBANE QLD 4001

13 JUN 2013

BY: .....

St. George Bank  
A Division of  
Westpac Banking Corporation  
ABN 33 007 457 141 AFSL 233714  
ACL 233714

18

Level 3, 345 Queen Street  
BRISBANE QLD 4000  
Telephone 07 3232 8888  
Facsimile 07 3232 8940

Dear Madam

**CONFIRMATION OF ROLLOVER  
UNDER BILL ACCEPTANCE/DISCOUNT FACILITY**

The purpose of this letter is to confirm the details of a bill accepted and discounted by us under your Bill Acceptance/Discount Facility with us.

<i>Our reference</i>	3090757
<i>Type of bill</i>	Floating
<i>Maturity date of current bill</i>	11/06/2013
<i>Maturity date of new bill</i>	11/07/2013
<i>Face value of new bill</i>	\$ 9,664,739.09
<i>Discount rate</i>	3.9300 %
<i>Acceptance fee</i>	2.1500 %

The total amount of \$48,316.71 has been debited from your nominated account number 552333575 on 11/06/2013, and calculated as follows:

<i>Maturing face value (payable by you)</i>		\$ 9,664,739.09
<i>Face value of new bill</i>	\$ 9,664,739.09	
<i>Less discount</i>	\$ 31,117.92	
<i>Discounted proceeds</i>	\$ 9,633,621.17	
<i>Less acceptance fee</i>	\$ 17,078.79	
<i>Less preparation/rollover fee</i>	\$ 120.00	
<i>Proceeds of new bill (payable to you)</i>		\$ 9,616,422.38
<i>Amount debited from your nominated account</i>		\$ 48,316.71

Please notify us immediately if the particulars of this confirmation are not in accordance with your understanding of the facility.

If you have any questions with regards to the above, please do not hesitate to contact me on 07 3232 8828.

Yours sincerely

Giuseppe Guardala  
Relationship Manager



MATTHEW SHEELINGS  
TRILOGY FUNDS MANAGEMENT LIMITED  
GPO BOX 1648  
BRISBANE QLD 4001

Client No: 42938  
Contract No: 40186601  
Statement Date: 2 April, 2007  
Commencement Date: 28 August, 2006  
Maturity Date: 28 February, 2007  
Interest Type: Variable  
Product Type: Interest Only Loan  
Facility Approved: \$2,618,796.00

### Transaction details for period 1 January, 2007 to 31 March, 2007

Date	Description of transaction	Debit	Credit	Balance
01/01/2007	Opening Balance	\$776,171.09		\$776,171.09
16/01/2007	Payment Received Principal Reduction		\$424,800.00	\$351,371.09
23/01/2007	Legal Fees	\$256.25		\$351,627.34
23/01/2007	Payment Received Fee Payment		\$256.25	\$351,371.09
23/01/2007	Admin Fee (payout)	\$250.00		\$351,621.09
23/01/2007	Payout		\$356,986.94	(\$5,365.85)
23/01/2007	Final Interest	\$5,365.85		\$0.00

Please quote your client number in all correspondence.

Should you have any queries regarding this statement, please contact client services on (02) 9236 0000.

For further financing requirements please contact Tim Johansen.

For change of details please see overleaf.

Investec Bank (Australia) Limited ABN 55 071 292 594 AFSL No. 231975

Sydney Level 31, The Chifley Tower, 2 Chifley Square, Sydney NSW 2000 Tel (61 2) 9293 2000 Fax (61 2) 9293 2002

Melbourne Level 49, 120 Collins Street, Melbourne VIC 3000 Tel (61 3) 8660 1000 Fax (61 3) 8660 1010

Brisbane Level 31, Riparian Plaza, 71 Eagle Street, Brisbane QLD 4000 Tel (61 7) 3018 8100 Fax (61 7) 3018 8108

Perth Level 21, 140 St Georges Terrace, Perth WA 6000 Tel (61 8) 9289 8000 Fax (61 8) 9289 8010 [www.investec.com](http://www.investec.com)

0407/002\_40186601

**TRILOGY INVESTOR CHOICE MELBOURNE CAMPUS OFFICE SYNDICATE**

**ARSN 112 377 009**

**FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2006**

**MGI WHITE HANCOCK**  
Chartered Accountants  
GPO Box 1087, BRISBANE QLD 4001  
Phone: 07 3002 4800 Fax: 07 3229 5603  
Email: [wh@mgiwh.com.au](mailto:wh@mgiwh.com.au)

## TRILOGY INVESTOR CHOICE MELBOURNE CAMPUS OFFICE SYNDICATE

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