Trilogy Funds

LM Wholesale First Mortgage Income Fund

Annual Financial Report
30 June 2024

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Issued by Trilogy Funds Management Limited
in its capacity as Responsible Entity

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LM Wholesale First Mortgage Income Fund
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LM Wholesale First Mortgage Income Fund
Directors' report
For the year ended 30 June 2024

The Directors of Trilogy Funds Management Limited (Responsible Entity), the Responsible Entity of the LM Wholesale First Mortgage Income Fund (Scheme and WFMIF), present their report together with the financial statements of the Scheme for the year ended 30 June 2024.

Scheme information

The Scheme is a registered managed investment scheme domiciled in Australia and was registered on 22 March 2002.

Trilogy Funds Management Limited was appointed the Responsible Entity of the Scheme on 16 November 2012.

The previous Responsible Entity of the Scheme was LM Investment Management Limited (Receivers and Managers Appointed) (In Liquidation) (hereinafter referred to as the Former Responsible Entity or LMIM), who was the Responsible Entity from the registration of the Scheme until 16 November 2012.

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 Level 26, 10 Eagle Street, Brisbane, QLD, 4000.

Directors

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

Name and qualifications	***Age***	***Experience and special responsibilities***
Robert M Willcocks Independent Non-Executive Chairman BA, LL.B, LL.M	76	Member of the Audit & Risk Committee Former partner with Mallesons Stephen Jaques (now King & Wood Mallesons) Mr Willcocks has been a non-executive director (sometimes Chairman) of a number of listed companies Chairman – Responsible Entity since 9 October 2009
Rodger I Bacon Non-Executive Deputy Chairman BCom(Merit), AICD, SFFin	78	Former executive director of Challenger International Limited Mr Bacon is a former director of several companies including, Financial Services Institute of Australasia Director – Responsible Entity until 30 June 2023 Non-Executive Director – Responsible Entity since 30 June 2023
John C Barry Executive Director BA, FCA	72	Chairman of the Audit & Risk Committee Former executive director of Challenger International Limited Mr Barry is a director of several companies, including former 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	63	Member of the Compliance Committee Mr Ryan is a solicitor and member of the Queensland Law Society Inc. Former partner of a Brisbane law firm Mr Ryan is a director of several companies Director – Responsible Entity since 13 October 1997
Rohan C Butcher Non-Executive Director Grad Dip PM, BASc(QS), Registered Builder, Licensed Real Estate Agent	63	Member of the Lending Committee Consultant to several major companies providing development management services Director – Responsible Entity since 29 July 2008

Directors (continued)

Name and qualifications	*Age*	*Experience and special responsibilities*
Justin J Smart Executive Director and Company Secretary BCom, CPA	52	Member of the Audit & Risk Committee Mr Smart is a director of several private companies and has over 20 years experience in the financial services industry Director – Responsible Entity from 1 January 2023 Company Secretary - Responsible Entity from 11 July 2013
Henry F Elgood Executive Director MAICD	29	Member of the Audit & Risk Committee, and Compliance Committee Mr Elgood is a non-executive director of several private companies Director – Responsible Entity from 1 January 2023
Clinton B Arentz Executive Director MBA, SIA (Aff)	61	Chairman of the Workout Committee Head of Lending & Property Mr Arentz is a former director of Winston Development Services, and has over 25 years experience in property development, asset management, project delivery, construction lending and property finance Director – Responsible Entity from 1 January 2023
Patrice A Sherrie Independent Non-Executive Director GAICD, FCA, B Bus	61	Member of the Audit & Risk Committee Patrice has over 35 years' experience in chartered accounting and commerce and is, and has been, a non executive director of listed and unlisted organisations across multiple industries Independent Non-Executive Director – Responsible Entity from 25 February 2024

Principal activities

The Scheme holds Class B units in the LM First Mortgage Income Fund (Receivers and Managers Appointed) (Receiver Appointed) (hereinafter referred to as the FMIF) in accordance with the Scheme's Constitution and in accordance with the investment policy of the Scheme that was outlined in the product disclosure statement (PDS). The Scheme remains closed to new investor applications and investor redemptions with the exception of approved hardship withdrawals (also currently suspended).

There were no significant changes in the nature of the Scheme's activities during the year. The Scheme did not have any employees during the year.

Review of operations and results

Financial overview
The net loss attributable to unitholders after incorporating the impairment loss of $638,031 (2023 impairment recovery: $1,287,264) for the year ended 30 June 2024 totalled $831,188 (2023: profit $1,112,606).

The net assets of the Scheme as at 30 June 2024 were $10,802,338 (2023: $11,633,526), resulting in a net asset value (NAV) per unit of $0.1208 (2023: $0.1301) (refer Note 10). This decrease in NAV was primarily due to the decrease in value of the Scheme's investment in the FMIF.

Review of operations and results (continued)

Appointment of Receiver to the FMIF

As noted in the 2013 Annual Financial Report, Mr David Whyte of BDO (hereinafter referred to as the Receiver or BDO) was appointed Receiver of the FMIF, the unlisted managed investment Scheme which the Scheme invests in, on 8 August 2014 by the Supreme Court of Queensland.

Update from the Receiver to the FMIF

In the 45th report from the Receiver, being 28 March 2024, the Receiver provided an update regarding the legal proceeding between the liquidator, Mr John Park, and the Receiver. Following Mr Park's Statement of Claim served on 24 February 2023, a strike out application was lodged by the Receiver. The application was heard before the court on 16 June 2023 where it was dismissed. The Receiver was given the opportunity to file and serve a defence to the dismissal. The Receiver's defence was filed on 7 September 2023, following this, the Court ordered the parties to attend mediation which was held on 30 October 2023 and was adjourned, to resume by 13 February 2024.

In February 2024, following the mediation, the parties agreed to consent orders to resolve proceedings. The Court made orders on 19 February 2024 to the effect that; the Receiver can request LMIM as RE of FMIF to carry out the settlement with respect to the seventh defendant, the proceedings be dismissed, the Receivers costs of the proceedings be paid out of FMIF and the plaintiffs costs be paid from the Scheme's assets on the indemnity basis. Subsequently, the costs awarded to defendants first through fourth and defendants sixth and seventh have been paid in line with the terms of the settlement outlined in the annual financial report of the Scheme as at and for the year ended 30 June 2023.

During the period the Receiver filled an application with court requesting consent to wind up the FMIF. On 27 May 2024, the Receiver's application to wind up the FMIF was heard in the Supreme Court of Queensland where the Honourable Justice Kelly made orders authorising the Receiver to finalise the winding up of FMIF. Subsequently, on 30 May 2024, the Receiver provided a notice to investors informing them of the outcome of the Court hearing and advising that they intend to pay a final distribution to investors on or around 31 July 2024.

Units on issue

During the year no units were issued (2023: nil), or redeemed from the Scheme (2023: nil). The Scheme had 89,419,882 units on issue as at 30 June 2024 (2023: 89,419,882).

Indirect cost ratio (ICR)

The ICR is the ratio of the Scheme's management costs over the Scheme's average net assets for the year, expressed as a percentage.

The ICR for the Scheme for the year ended 30 June 2024 is 1.16% p.a. (2023: 1.15%).

Fees paid to the Responsible Entity

The following fees were paid or payable to the Responsible Entity and its associates out of the Scheme property during the financial year (refer Note 12(c)).

	2024	2023
	$	$
Responsible Entity fees and other costs		
Responsible Entity management fees	**59,841**	60,580
Registry and other investor-related service fees (i)	**27,119**	23,249
	86,960	83,829

(i) Fees relating to registry and other investor-related services are charged to the Responsible Entity, which are then on-charged to the Scheme.

Significant changes in the state of affairs

Intention to wind-up

The financial statements of the Scheme have been prepared on a wind-up basis as it is the Responsible Entity's intention to realise all Scheme assets and return net proceeds to unitholders. The Responsible Entity has adopted this accounting basis as a result of the FMIF being in the process of being wound-up. Under the wind-up basis of reporting, assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.

Insurance

During the period, the Responsible Entity obtained investment management insurance (IMI) from Quanta Insurance Group Pty Ltd. The policy is effective for 12 months from 21 September 2023 to 21 September 2024 and is an appropriate policy that meets the license requirements for the Responsible Entity.

Events subsequent to the end of the reporting year

Scheme wind-up

Subsequent to the end of the period, on 1 August 2024, the Receiver of FMIF made a final distribution to the Scheme in the amount of $10,192,150.

On 13 September 2024, the Responsible Entity published its resolution to commence the formal wind-up of the Scheme pursuant to s601NC of the Corporations Act 2001 (Cth) on the basis that it considers that the Scheme's purpose has been accomplished. The Responsible Entity is permitted to wind-up the Scheme unless a meeting is called to consider the proposed winding-up of the Scheme within 28 days of this notice. As no meeting was called within 28 days, the Responsible Entity has commenced the wind-up of the Scheme and has attended to the initial fillings with ASIC.

On 12 October 2024, the Responsible Entity released an update declaring for any person having any claim, whether as creditor or beneficiary or otherwise, is required to send particulars of the person’s claim to the Responsible Entity, not later than 23 November 2024, being a date at least six weeks after the date of publication of the notice. After 23 November 2024, and prior to the winding-up of the Scheme, the Responsible Entity will distribute the Scheme property having regard only to claims, whether formal or not, of which Responsible Entity has notice at the time of the distribution. The Responsible Entity will not be liable to any person of whose claim the Responsible Entity had no notice at the time of the distribution.

Insurance

Subsequent to the end of the period, the Responsible Entity extended the insurance policy with Quanta Insurance Group Pty Ltd until December 2024.

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:

Indemnification of officers (continued)

(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.

Indemnification of auditors

To the extent permitted by law, the Scheme has agreed to indemnify its auditors, Moore Australia Audit (QLD) Pty Ltd, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Moore Australia Audit (QLD) Pty Ltd during or since the financial year.

Proceedings on behalf of the Responsible Entity

No person has applied for leave of Court to bring proceedings on behalf of the Responsible Entity or intervene in any proceedings to which the Responsible Entity is a party for the purpose of taking responsibility on behalf of the Responsible Entity for all or any part of those proceedings. The Responsible Entity was not a party to any such proceedings during the year.

Contingent liabilities

Advisor commissions

Included in trade and other payables at the time of the Responsible Entity's appointment was a balance of $301,934 for accrued commissions owed to financial advisors who had previously introduced new investors to the Scheme. The Scheme has retained this accrual in the Statement of financial position, however the Responsible Entity has ceased to accrue any further commissions subsequent to its appointment until legal advice is obtained as to the extent, if any, of the Scheme's legal obligation to accrue such commissions.

Consequently, the Scheme may be liable for the payment of additional commissions to advisors pertaining to the period from the Responsible Entity's appointment to the date of this report, however the Responsible Entity is unable to quantify the value of any additional accrual required at this point in time.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

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

Philip A Ryan
Managing Director

28 October 2024
Brisbane

Justin J Smart
Executive Director

28 October 2024
Brisbane

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To the Board of Directors of Trilogy Funds Management Limited, the Responsible Entity of LM Wholesale First Mortgage Income Fund

Auditor's Independence Declaration

Under section 307C of the *Corporations Act 2001*

As lead audit partner for the audit of the financial statements of LM Wholesale First Mortgage Income Fund for the financial year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Moore Australia

Moore Australia Audit (QLD) Pty Ltd
Chartered Accountants

AM Robertson

AM Robertson
Director

Date: 28 October 2024

LM Wholesale First Mortgage Income Fund
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Note	2024 $	2023 $
Revenue and other income			
Recovery of previously recognised impairment	8	**-**	1,287,264
Expenses			
Audit expenses		**(19,950)**	(21,450)
Compliance fees		**(2,315)**	(2,170)
Custodian fees		**(13,504)**	(12,528)
Impairment losses - financial assets	8	**(638,031)**	-
Insurance expenses		**(63,509)**	(42,586)
Legal expenses		**-**	(4,465)
Registry and other investor related fees	12(c)	**(27,119)**	(23,249)
Responsible Entity management fees	12(c)	**(59,841)**	(60,580)
Taxation fees		**(5,357)**	(5,518)
Other expenses		**(1,562)**	(2,112)
		(831,188)	(174,658)
(Loss)/profit for the year before finance costs		**(831,188)**	1,112,606
Other comprehensive income			
Other comprehensive income		**-**	-
(Loss)/profit for the year attributable to unitholders		**(831,188)**	1,112,606
Total comprehensive loss/(profit) for the year		**(831,188)**	1,112,606

The statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

LM Wholesale First Mortgage Income Fund
Statement of financial position
As at 30 June 2024

	Note	2024 $	2023 $
Assets			
Cash and cash equivalents	6	**997,278**	1,183,048
Trade and other receivables	7	**10,650**	14,720
Financial assets	8	**10,192,150**	10,830,181
Total assets		**11,200,078**	12,027,949
Liabilities			
Trade and other payables	9	**340,721**	337,404
Distributions payable	4	**57,019**	57,019
Total liabilities (excluding liabilities attributable to unitholders)		**397,740**	394,423
Net assets		**10,802,338**	11,633,526
Represented by:			
Net assets attributable to unitholders	10	**10,802,338**	11,633,526

The statement of financial position should be read in conjunction with the accompanying notes

LM Wholesale First Mortgage Income Fund
Statement of cash flows
For the year ended 30 June 2024

	Note	2024 $	2023 $
Cash flows from operating activities			
Payments to suppliers		**(103,528)**	(110,275)
Fees paid to Responsible Entity		**(81,888)**	(82,811)
GST-related receipts/(payments)		**(354)**	(94)
Net cash used in operating activities	11	**(185,770)**	(193,180)
Net decrease in cash and cash equivalents		**(185,770)**	(193,180)
Cash at beginning of the reporting period		**1,183,048**	1,376,228
Cash and cash equivalents at end of financial year	6	**997,278**	1,183,048

The statement of cash flows should be read in conjunction with the accompanying notes

Note 1 Reporting entity

LM Wholesale First Mortgage Income Fund (Scheme and WFMIF) is a registered managed investment scheme under the Corporations Act 2001 (Act). The Scheme is a for-profit entity.

The Scheme was constituted on 22 March 2002 and will terminate on 22 March 2082, unless terminated in accordance with the Scheme's Constitution. At this time, the Scheme is to realise all assets and satisfy all liabilities, with surplus funds being distributed to unitholders. It is the intention of the Responsible Entity to wind-up the Scheme following the completion of the winding up of the LM First Mortgage Income Fund (Receivers and Managers Appointed) (Receiver Appointed) (hereinafter referred to as the FMIF).

Note 2 Basis of preparation

(a) Statement of compliance

The financial report is 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 report of the Scheme complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

The financial statements of the Scheme are for the year ended 30 June 2024, and have been prepared on a wind-up basis rather than on a going concern basis. Under the wind-up basis of reporting, assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.

In adopting the wind-up basis of reporting, assets are stated at their anticipated settlement amounts. The estimated net residual value of assets represents the Responsible Entity's best estimate of the recoverable value of assets, net of selling expenses. Given the uncertainties in valuing assets on a wind-up basis, it is likely that the valuation of assets included in these financial statements may differ from actual values on realisation.

The financial statements were approved by the Board of Directors of Trilogy Funds Management Limited (Responsible Entity) on 28 October 2024. The Directors have the power to amend and reissue the financial report.

(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 the financial report 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 assessing the anticipated settlement amounts that have most significant effect on the amounts recognised are disclosed in:

- Note 8: Financial assets; and
- Note 13: Financial risk management

Fair value of financial assets

When the fair value of financial assets recorded in the Statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

The judgements include considerations of liquidity and model inputs such as credit risk (both own and counterparty’s), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The Responsible Entity's considerations for the assessment of the Fund's investment in an unlisted managed investment scheme (MIS) are disclosed in Note 8.

Note 2 Basis of preparation (continued)

(d) Information provided by the previous Responsible Entity - LM Investment Management Limited (Receivers and Managers Appointed) (In Liquidation) (hereinafter referred to as the Former Responsible Entity or LMIM)

Trilogy Funds Management Limited registered as the Responsible Entity of the Scheme on 16 November 2012, and was not the Responsible Entity of the Scheme at any time prior to that date. Accordingly, the Board of the Responsible Entity did not have oversight or control over the Scheme's financial reporting systems, risk management systems or internal control systems prior to 16 November 2012.

LMIM did not lodge audited financial accounts or statements for the financial years ended 30 June 2012, and 30 June 2013. The Directors of the Responsible Entity prepared audited financial accounts and provided the Directors' Declaration for the financial years ended 30 June 2012 and 30 June 2013 in accordance with section 295(4)(d) of the Corporations Act 2001, but subject to the above limitations and based on:

(i) the assumption that, during the period from 1 July 2011 to 16 November 2012, that LMIM was the Responsible Entity of the Scheme, the financial reporting systems, risk management systems and internal control systems of the Scheme were operating effectively in all material respects in relation to financial reporting risks. The Directors have no reason to not make this assumption, however, the Directors are not in a position to verify the assumption beyond what the Scheme's auditor has done; and

(ii) assurances provided by LMIM in respect of the information and records made available to Trilogy as part of the arrangements involving the replacement of LMIM by Trilogy as Responsible Entity of the Scheme. The Directors have no reason to not accept these assurances, however, the Directors are not in a position to verify the assurances beyond what the Scheme's auditor has done.

Note 3 Material accounting policies

(a) Financial instruments

The nature and effects of the key changes to the Scheme's accounting policies resulting from the adoption of *AASB 9 Fianncial Instruments* are summarised below.

(i) Classification and measurement of financial assets and financial liabilities
AASB 9 requires that all financial liabilities be classified at amortised cost, except in certain circumstances. None of these circumstances apply to the Scheme.

(ii) Impairment of financial assets
Under the impairment model in AASB 9 applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income (FVOCI), but not to investments in equity instruments.

(iii) Accounting policies
AASB 9 contains three principal classification categories for financial assets:

a) measured at amortised cost;
b) fair value through other comprehensive income (FVOCI); and
c) fair value through profit and loss (FVTPL).

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Note 3 Material accounting policies (continued)

(a) Financial instruments (continued)

Financial assets at amortised cost

Loans and receivables
Loans and receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method less any allowance under the expected credit loss (ECL) model.

Recoverability of loans and receivables
At each reporting date, the Scheme assesses whether financial assets carried at amortised cost are 'credit-impaired'. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Scheme recognises loss allowances at an amount equal to lifetime ECL on trade and other receivables. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the trade receivable and are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Scheme in accordance with the contract and the cash flows that the Scheme expects to receive).

The Scheme analyses the age of outstanding receivable balances and applies historical default percentages adjusted for other current observable data as a means to estimate lifetime ECL. Debts that are known to be uncollectable are written off when identified.

(b) Cash and cash equivalents
Cash and cash equivalents include cash on hand, at call deposits with banks or financial institutions, and term deposits maturing within three months or less.

(c) Expenses
All expenses, including management fees, are recognised in the Statement of profit or loss and other comprehensive income 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.

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.

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.

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

Note 3 Material accounting policies (continued)

(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. Income distributions paid to unitholders are included in cash flows from operating activities, while capital distributions paid to unitholders are included in cash flows from investing activities in the Statement of cash flows.

Class A unitholders' distribution entitlements are calculated in accordance with declared distribution rates and are either distributed to unitholders in cash or are reinvested via the purchase of additional units in the Scheme.

Class B unitholders' distribution entitlements are calculated in accordance with declared distribution rates and the distribution entitlements are rolled up into the published unit price.

(g) Applications and redemptions

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

(h) Terms and conditions of units on issue

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) Increase/decrease in net assets attributable to unitholders

Non-distributable income is transferred directly to net assets attributable to unitholders and may consist of unrealised changes in the net fair value of investments, accrued income not yet assessable, expenses provided or accrued which are not yet deductible, net capital losses and tax free or tax deferred income. Net capital gains on the realisation of any investments (including any adjustments for tax deferred income previously taken directly to net assets attributable to unitholders) and accrued income not yet assessable will be included in the determination of distributable income in the same year in which it becomes assessable for tax. Excess and undistributed income is also transferred directly to net assets attributable to unitholders.

(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 position of the Scheme is presented in the statement of financial position on a net basis.

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

Note 3 Material accounting policies (continued)

(l) Advisor commissions

Advisor commissions were paid to the unitholders' investment advisors and were calculated as a percentage of funds invested. These commissions were paid monthly in arrears and were brought to account on an accruals basis. The Scheme ceases to pay advisor commissions when the related units are redeemed.

(m) 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.

(n) Impairment of non-financial assets

At the end of each reporting period, the Responsible Entity assesses whether there is any indication that an asset maybe impaired. The Responsible Entity's assessment for impairment for the year ended 30 June 2024 is disclosed in Note 8.

(o) Comparative figures

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

Note 4 Distributions to unitholders

As at 30 June 2024, $57,019 of distributions declared prior to the 30 June 2012 financial year remained payable to unitholders (2023: $57,019). No further distributions have been declared since the 30 June 2012 financial year. The directors of the Former Responsible Entity made the decision to suspend distributions from the Scheme from 1 January 2011 and there has been no change to this decision during the year.

Note 5 Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Scheme, Moore Australia Audit (QLD) Pty Ltd previously known as Nexia Brisbane Audit Pty Ltd:

	2024	2023
	$	$
Audit and other assurance services		
• Audit and review of the financial statements	**17,243**	16,500
• Audit of the compliance plan	**4,950**	4,950
Total auditor's remuneration	**22,193**	21,450

Note 6 Cash and cash equivalents

	2024	2023
	$	$
Cash at bank	**997,278**	1,183,048

Note 7 Trade and other receivables

	2024	2023
	$	$
Prepaid expenses	**9,771**	14,195
GST receivable	**879**	525
	10,650	14,720

(a) Impaired receivables

As at 30 June 2024 no receivables were considered to be impaired (2023: nil).

Note 7 Trade and other receivables (continued)

(b) Not past due or impaired receivables

The Scheme does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

(c) Collateral pledged

No collateral is held over trade and other receivables.

Note 8 Financial assets

	2024	2023
	$	$
Designated at fair value through profit or loss		
Investment in unlisted managed investment scheme	**90,688,217**	90,688,217
Impairment losses	**(80,496,067)**	(79,858,036)
	10,192,150	10,830,181

The Scheme invests in an unlisted managed investment scheme, the FMIF which in turns invests in a portfolio of registered first mortgages over a selection of properties and cash.

(a) Movement in financial assets

A reconciliation of the carrying value of the investment in unlisted managed investment schemes during the year is set out below:

	2024		2023	
	Units	**$**	Units	$
Balance at beginning of period	**99,488,929**	**10,830,181**	99,488,929	9,542,917
Fair value adjustments	**-**	**(638,031)**	-	1,287,264
Balance at end of period	**99,488,929**	**10,192,150**	99,488,929	10,830,181
Value of investment per unit		**0.1024**		0.1089

(b) Impairment of financial assets

As at 30 June 2024, as part of the annual balance date review procedures the Scheme recorded impairment losses in respect of its investment in the FMIF of $638,031 for the year (2023 impairment writeback: $1,287,264). As a result of the distribution of capital and the impairment writeback recorded during the period, the Scheme's investment value reduced from $0.1089 per unit as at 30 June 2023, to $0.1024 per unit as at 30 June 2024.

Movement in the provision for impairment of financial assets is as follows:

	Opening balance	**Charge / (writeback) for the year**	**Amounts written off**	**Closing balance**
	$	**$**	**$**	**$**
2024				
Investment in FMIF	79,858,036	638,031	-	80,496,067
2023				
Investment in FMIF	81,145,300	(1,287,264)	-	79,858,036

Directors' valuation

BDO as Receiver of the FMIF published management accounts (unaudited) of the FMIF for the year ended 30 June 2024 in September 2024. BDO determined the net asset value per unit to be $0.1020 based on 492,125,624 units (2023: $0.1089).

Subsequent to the end of the period, on 1 August 2024, the Receiver of FMIF made a final distribution to the Scheme in the amount of $10,192,150. The value of the investment at 30 June 2024 has been determined based on the known final distribution.

Note 9 Trade and other payables

	2024	2023
	$	$
Trade payables	**-**	6,050
Commissions payable (i)	**301,934**	301,934
Other payables	**26,060**	21,764
Fees and costs payable to the Responsible Entity and its related parties	**12,727**	7,656
	340,721	337,404

(i) The Responsible Entity has ceased accruing further advisor commissions since the time of its appointment until legal advice is sought as to the extent, if any, of its legal obligation to accrue such commissions (a process that has proved difficult to finalise due to a lack of relevant information being readily accessible). Refer Note 16 for further details.

Note 10 Net assets attributable to unitholders

	2024			2023		
	Ordinary units	**Contributed capital**	**Accumulated profits**	Ordinary units	Contributed capital	Accumulated profits
	No	**$**	**$**	No	$	$
A Class Units						
Opening balance	**79,855,271**	**79,949,975**	**79,949,975**	79,855,271	79,949,975	79,949,975
Units issued	**-**	**-**	**-**	-	-	-
Units redeemed	**-**	**-**	**-**	-	-	-
Reinvestments *	**-**	**-**	**-**	-	-	-
	79,855,271	**79,949,975**	**79,949,975**	79,855,271	79,949,975	79,949,975
B Class Units						
Opening balance	**9,564,611**	**14,695,581**	**14,695,581**	9,564,611	14,695,581	14,695,581
Units issued	**-**	**-**	**-**	-	-	-
Units redeemed	**-**	**-**	**-**	-	-	-
Reinvestments	**-**	**-**	**-**	-	-	-
	9,564,611	**14,695,581**	**14,695,581**	9,564,611	14,695,581	14,695,581
Investor funds	**89,419,882**	**94,645,556**	**94,645,556**	89,419,882	94,645,556	94,645,556
Cumulative movement **	**-**	**-**	**(83,843,218)**	-	-	(83,012,030)
Net assets ***	**89,419,882**	**94,645,556**	**10,802,338**	89,419,882	94,645,556	11,633,526

* Units issued upon reinvestment of distributions
** Cumulative movement in changes in net assets attributable to unitholders
*** Net assets attributable to unitholders

	2024	2023
Net asset value per unit as at 30 June	**$ 0.1208**	$ 0.1301

Class A unitholders distribution entitlements are calculated in accordance with declared distribution rates and are either distributed to unitholders in cash or are reinvested via the purchase of additional units in the Scheme.

Class B unitholders distribution entitlements are calculated in accordance with declared distribution rates and the distribution entitlement is rolled up into the published unit price.

Note 11 Reconciliation of cash flows from operating activities

	2024	2023
	$	$
(Loss)/profit for the year attributable to unitholders	**(831,188)**	1,112,606
Adjustments for:		
Impairment losses/(gains) - financial assets	**638,031**	(1,287,264)
Changes in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	**4,070**	(14,289)
Increase/(decrease) in trade and other payables	**3,317**	(4,233)
Net cash provided by operating activities	**(185,770)**	(193,180)

Note 12 Related party transactions

(a) Responsible Entity

LMIM was removed as Responsible Entity of the Scheme on 16 November 2012. Trilogy was appointed Responsible Entity for the Scheme on 16 November 2012.

(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. The Executive Directors of the Responsible Entity are key personnel of that entity and their names are John C Barry, Philip A Ryan, Justin J Smart, Henry F Elgood and Clinton B Arentz. The Responsible Entity also has four Non-Executive Directors being Robert M Willcocks, Rodger I Bacon, Rohan C Butcher and Patrice A Sherrie.

The Directors of the Former Responsible Entity were also key personnel of the Scheme until 16 November 2012 and their names are, Peter Drake, Lisa Darcy (resigned 21 June 2012), Eghard van der Hoven, Francene Mulder, Simon Tickner (resigned 13 July 2012), Grant Fischer (resigned 12 August 2012), and John O'Sullivan (resigned 19 September 2012).

No compensation is paid to the Directors of the Responsible Entity, nor 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 profit or loss and other comprehensive income

	2024	2023
	$	$
Responsible Entity fees and other costs		
Responsible Entity management fees	**59,841**	60,580
Registry and other investor-related service fees (i)	**27,119**	23,249
	86,960	83,829

(i) Fees relating to registry and other investor-related services are charged to the Responsible Entity, which are then on-charged to the Scheme.

Note 12 Related party transactions (continued)

(c) Transactions with related parties (continued)

ii. Balances recorded in the Statement of financial position

	Note	2024 $	2023 $
Financial assets	8	**10,192,150**	10,830,181

(d) Investing activities

Details of the Scheme's investments in other schemes operated by LMIM or its affiliates are set out below, and have been based on the equivalent of $1.00 per unit.

Scheme	Investment at year end No	Held in related scheme at year end (i) %	Units acquired during year No	Units redeemed during year (ii) No	Interim capital distributions paid or payable $
2024					
FMIF - Class B Units	99,488,929	20.22	-	-	-
2023					
FMIF - Class B Units	99,488,929	20.22	-	-	-

(i) The interest held in related schemes at year end is based upon the total number of units disclosed in the management accounts of the FMIF for the year ended 30 June 2024.

(ii) The total value of units in the FMIF redeemed by the Scheme during the year was nil (2023: nil).

(e) 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.

(f) Other transactions within the Scheme

Apart from those details disclosed in this note, no Director of the Responsible Entity has entered into a material contract with the Scheme from inception to the end of the financial year and no material contracts involving Directors of the Responsible Entity's interests subsisted at year end.

Note 13 Financial risk management

Statement of responsibility

The statements below relate to the management of the Scheme following the appointment of Trilogy as the Responsible Entity.

Overview

The Scheme's assets principally consist of investments in cash and units in a registered managed investment scheme, the FMIF. The Scheme, through its investment in the FMIF, holds this investment asset in accordance with the Scheme’s constitution and PDS. The Scheme remains closed to new investor applications and investor redemptions with the exception of approved hardship withdrawals.

Specific financial risk exposures and management

The main risks the Scheme is exposed to through its financial instruments are credit risk, liquidity risk, operational 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.

Note 13 Financial risk management (continued)

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. 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	2024	2023
		$	$
Financial assets			
Cash and cash equivalents	6	**997,278**	1,183,048
Trade and other receivables	7	**10,650**	14,720
Financial assets	8	**10,192,150**	10,830,181
Total financial assets		**11,200,078**	12,027,949

The FMIF's investments consisted primarily of construction and development loans which required a high degree of experience in their assessment and management. This risk is no longer relevant as all properties secured by loans written by the FMIF have been realised.

The ageing of trade receivables at the reporting date are all current with no amounts impaired (refer Note 7).

(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's liquidity risk is managed on a daily basis by the Responsible Entity in accordance with policies and procedures in place. The Scheme's overall liquidity risks are monitored on a monthly basis by the Board of Directors. As the Scheme has limited cash reserves due to the cessation of distributions from the FMIF in recent times, the Responsible Entity provides funding to allow the Scheme to meet its working capital requirements (refer Note 14 for details).

The timing of cash flows presented in the table below to settle financial liabilities reflect the earliest contractual settlement date.

Note 13 Financial risk management (continued)

(b) Liquidity risk (continued)

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

	Carrying amount	Contractual cash flows	< 3 months	3-6 months	On call
	$	$	$	$	$
2024					
Financial liabilities					
Trade and other payables	340,721	340,721	38,787	-	301,934
Distributions payable	57,019	57,019	-	-	57,019
Unitholder funds *	10,802,338	10,802,338	-	-	10,802,338
	11,200,078	11,200,078	38,787	-	11,161,291
2023					
Financial liabilities					
Trade and other payables	337,404	337,404	35,470	-	301,934
Distributions payable	57,019	57,019	-	-	57,019
Unitholder funds *	11,633,526	11,633,526	-	-	11,633,526
	12,027,949	12,027,949	35,470	-	11,992,479

* Redemptions and distributions to unitholders remain suspended as resolved by the Former Responsible Entity following the closure of the FMIF.

(c) Capital management

As the Scheme has limited cash reserves and is reliant upon distributions from the FMIF to complete realisation of its remaining assets, the Scheme has limited capital management objectives at present. Furthermore, the ability to satisfy its liabilities as they fall due is currently dependent upon the ongoing financial support provided by the Responsible Entity (refer Note 14 for details).

(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 Scheme is not materially exposed to interest rate risk on its financial assets and liabilities.

ii. *Property value risk*

All of the Scheme's financial assets (with the exception of cash and cash equivalents and receivables) are units in a fund which has realised all of its mortgage securities. As a result, the Scheme is no longer subject to property value risk in the prevailing levels of market property values.

iii. *Other market risk*

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

(e) Fair value estimation

The fair values of financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form.

Financial assets held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs on financial assets at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the profit or loss.

Note 13 Financial risk management (continued)

(f) Fair value hierarchy

(i) Classification of financial assets and financial liabilities

The Scheme classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The valuation techniques used by the Scheme to measure fair value maximise the use of observable inputs and minimise the use of unobservable inputs.

The table below sets out the Scheme's financial assets and financial liabilities measured at fair value according to the fair value hierarchy as at 30 June 2024 and 30 June 2023.

	Level 1 $	Level 2 $	Level 3 $	Total $
2024				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Investment in unlisted MIS	-	-	10,192,150	10,192,150
Financial liabilities	-	-	-	-
2023				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Investment in unlisted MIS	-	-	10,830,181	10,830,181
Financial liabilities	-	-	-	-

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include investments held by the Scheme. As observable prices are not available for these securities, the Responsible Entity has used information that is publicly available in the determination of fair value.

(ii) Transfers between levels

There were no transfers between the levels in the fair value hierarchy during the reporting periods 30 June 2024 and 30 June 2023.

Note 14 Economic dependency

It has been determined that the FMIF be wound-up in an effort to realise all its assets and provide a return to existing unitholders following the repayment of all amounts due to the Responsible Entity. As the Scheme's single investment is in the FMIF, the Scheme is considered to be economically dependent on the FMIF. Accordingly, the wind-up of the FMIF will ultimately result in the realisation of the Scheme's investment in the FMIF over time. Therefore it is the intention of the Responsible Entity to wind-up the Scheme once the wind-up of the FMIF has been completed.

Note 15 Custodian of the Scheme

The Scheme’s custodian is The Trust Company Limited. The custodian holds title to the assets of the Scheme in its name on behalf of the Scheme. The relationship between the custodian and Responsible Entity is set out in the Custodial Agreement.

The custodian is entitled to a minimum annual administration fee of $13,291 (plus GST) (2023: $12,613 (plus GST)). The Custodian fees are paid by the Scheme.

Note 16 Contingent liabilities

Advisor commissions
Included in trade and other payables at the time of the Responsible Entity's appointment was a balance of $301,934 for accrued commissions owed to financial advisors who had previously introduced new investors to the Scheme. The Scheme has retained this accrual in the Statement of financial position, however the Responsible Entity has ceased to accrue any further commissions subsequent to its appointment until legal advice is obtained as to the extent, if any, of the Scheme's legal obligation to accrue such commissions.

Consequently, the Scheme may be liable for the payment of additional commissions to advisors pertaining to the period from the Responsible Entity's appointment to the date of this report, however the Responsible Entity is unable to quantify the value of any additional accrual required at this point in time.

Note 17 Events subsequent to reporting date

Subsequent to the end of the period, on 1 August 2024, the Receiver of FMIF made a final distribution to the Scheme in the amount of $10,192,150.

On 13 September 2024, the Responsible Entity published its resolution to commence the formal wind-up of the Scheme pursuant to s601NC of the Corporations Act 2001 (Cth) on the basis that it considers that the Scheme's purpose has been accomplished. The Responsible Entity is permitted to wind-up the Scheme unless a meeting is called to consider the proposed winding-up of the Scheme within 28 days of this notice. As no meeting was called within 28 days, the Responsible Entity has commenced the wind-up of the Scheme and has attended to the initial fillings with ASIC.

On 12 October 2024, the Responsible Entity released an update declaring for any person having any claim, whether as creditor or beneficiary or otherwise, is required to send particulars of the person’s claim to the Responsible Entity, not later than 23 November 2024, being a date at least six weeks after the date of publication of the notice. After 23 November 2024, and prior to the winding-up of the Scheme, the Responsible Entity will distribute the Scheme property having regard only to claims, whether formal or not, of which Responsible Entity has notice at the time of the distribution. The Responsible Entity will not be liable to any person of whose claim the Responsible Entity had no notice at the time of the distribution.

Subsequent to the end of the period, the Responsible Entity extended the insurance policy with Quanta Insurance Group Pty Ltd until December 2024.

LM Wholesale First Mortgage Income Fund
Directors' declaration

In the opinion of the Directors of Trilogy Funds Management Limited (Responsible Entity), the Responsible Entity of LM Wholesale First Mortgage Income Fund (Scheme):

(a) The financial statements and notes, as set out on pages 7 to 22 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Scheme's financial position as at 30 June 2024 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 resolution of the Board of Directors of the Responsible Entity.

Philip A Ryan
Executive Director

28 October 2024
Brisbane

Justin J Smart
Executive Director

28 October 2024
Brisbane

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LM WHOLESALE FIRST MORTGAGE INCOME FUND

Opinion

We have audited the accompanying financial report of LM Wholesale First Mortgage Income Fund ("the Scheme"), which comprises the statement of financial position as at 30 June 2024, the statement of profit or loss and other comprehensive income and the statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of Trilogy Funds Management Limited, the Responsible Entity of the Scheme. The financial report has been prepared on a liquidation basis as the Scheme is not expected to continue in operation as a going concern.

In our opinion, the accompanying financial report of LM Wholesale First Mortgage Income Fund, which has been prepared on a liquidation basis, is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Scheme's financial position as at 30 June 2024 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Responsible Entity (Trilogy Funds Management Limited), would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material uncertainty regarding the carrying value and the recoverability of investment

Without qualifying our opinion, we draw attention to Note 2 (c) in the financial report which indicates that the Scheme's investment in LM First Mortgage Income Fund ("FMIF") may not be recoverable when required at the amount recorded in the financial report at 30 June 2024. As a result of this matter there is significant uncertainty whether the Scheme will recover the value of the investment at the stated carrying value; accordingly, we bring it to your attention.

MOORE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
LM WHOLESALE FIRST MORTGAGE INCOME FUND (Continued)

Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information in the Scheme's annual report for the year ended 30 June 2024, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Responsible Entity 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 preparing the financial report, the directors of the Responsible Entity are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so. The financial report has been prepared on a liquidation basis as the Scheme is not expected to continue in operation as a going concern.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
LM WHOLESALE FIRST MORTGAGE INCOME FUND (Continued)

material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Moore Australia

Moore Australia Audit (QLD) Pty Ltd
Chartered Accountants

M Robertson.

AM Robertson
Director

Brisbane
28 October 2024

Find out more.

Start a conversation with us today.
Call 1800 230 099 or
email investorrelations@trilogyfunds.com.au

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