

# Annual Financial Report

*For the year ended 30 June 2024*

*Pacific First Mortgage Fund*

**Pacific First Mortgage Fund**

(Formerly City Pacific First Mortgage Fund)

ARSN 088 139 477

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

**Pacific First Mortgage Fund**  
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**Pacific First Mortgage Fund  
Directors' report  
30 June 2024**

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

**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 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:

<b>Name and qualifications</b>	<b>Age</b>	<b>Experience and special responsibilities</b>
Robert M Willcocks Independent Non-Executive Chairman BA, LL.B, LL.M	75	Member of the Audit & Risk Committee Former partner with Malesons Stephen Jaques (now King & Wood Malesons) 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 Executive 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 Managing Director and Company Secretary LL.B, Grad Dip Leg Prac, FTIA, FFIN	63	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	55	Member of the Lending Committee Consultant to several major companies providing development management services Director – Responsible Entity since 29 July 2008
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	28	Member of the Compliance Committee, Audit & Risk 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

**Pacific First Mortgage Fund**  
**Directors' report**  
**30 June 2024**

**Directors (continued)**

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
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**Principal activities**

The Scheme is a registered managed investment scheme domiciled in Australia. The Scheme did not have any employees during the year.

**Review of operations and results**

The net loss attributable to unitholders for the year ended 30 June 2024 totalled \$208,886 (2023: profit \$3,880,475).

Total assets of the Scheme totalled \$11,509,828 as at 30 June 2024 (2023: \$11,770,922). The Scheme's total asset position will continue to reduce as the net Scheme assets are returned to unitholders following the finalisation of the legal proceedings.

*Non-liquid Scheme*

The Directors of the Former Responsible Entity resolved on 13 October 2008 that the Scheme was a non-liquid registered managed investment scheme in accordance with the Constitution and the Corporations Act 2001.

*Units on issue*

During the year no units were issued (2023: nil), or redeemed from the Scheme (2023: nil). The Scheme had 879,122,759 ordinary units on issue as at 30 June 2024 (2023: 879,122,759).

*Scheme wind-up*

During the period, the Responsible Entity resolved all outstanding litigation and has taken steps to wind-up the Scheme and return proceeds to unitholders. On 21 March 2024, the Scheme published its resolution to commence the formal wind-up of the Scheme pursuant to s601NC of the Corporations Act 2001 on the basis that it considers the Scheme's purpose has been accomplished. The wind-up of the Scheme is permitted 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, the Scheme prepared the wind-up procedures and filed an application with the Federal Court of Australia seeking directions in relation to the winding-up of the Scheme.

*Litigation recovery right (LRR)*

All unitholders were issued a LRR, for nil value, for each ordinary unit held in the Scheme on 15 March 2011. The LRR is a separate and transferrable entitlement that has been created to ensure all unitholders retain the right to their pro rata share of any net proceeds, after allowing for any costs borne by the ordinary unitholders, resulting from successful litigation undertaken. The Scheme had on issue 887,040,412 LRR units as at 30 June 2024 (2023: 887,040,412), and no further LRR units were issued during the year (2023: nil), nor were any redeemed (2023: nil).

**Net assets attributable to unitholders (unaudited non-IFRS disclosure)**

	2024				2023			
	Ordinary Units No	Contributed Capital \$	Litigation Recovery Right (LRR) Units No	Accumulated Profits \$	Ordinary Units No	Contributed Capital \$	Litigation Recovery Right (LRR) Units No	Accumulated Profits \$
Balance - 1 July	879,122,759	726,610,156	887,040,412	10,280,765	879,122,759	726,610,156	887,040,412	6,400,290
Units issued	-	-	-	-	-	-	-	-
Units redeemed	-	-	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-	-	-
TCI* for the year	-	-	-	(208,886)	-	-	-	3,880,475
Balance - 30 June	879,122,759	726,610,156	887,040,412	10,071,880	879,122,759	726,610,156	887,040,412	10,280,765

\* TCI = Total comprehensive income

*Net asset value per unit*

	2024	2023
Net asset value per ordinary unit (i)	\$ 0.0016	\$ 0.0117
Estimated net asset value per LRR unit (ii)	\$ 0.0099	\$ -

**Review of operations and results (continued)**

**Net assets attributable to unitholders (unaudited non-IFRS disclosure) (continued)**

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 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.

(i) The primary right of the LRR unit is an entitlement to the pro rata share of the net proceeds of litigation. The Scheme's net assets have been attributed to the net asset value of the Ordinary unitholders after application of the preliminary estimated net proceeds of litigation to LRR units.

Net proceeds of litigation is the gross proceeds from any litigation less the Responsible Entity's estimate of the total liabilities, loss, costs and expenses incurred by the Scheme, or the Responsible Entity's assessment of any detriment suffered by the Scheme, in connection with any litigation. The net proceeds of litigation will be determined by the Responsible Entity having regard to the above in its absolute discretion.

*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 5.43% p.a. (2023: 8.62% p.a.).

**Interests of the Responsible Entity**

The following fees were paid to the Responsible Entity and its associates out of the Scheme property during the financial year (refer Note 9(c)).

	2024	2023
	\$	\$
<i>Expenses</i>		
Responsible Entity management fees (i)	59,526	98,412
Registry fees (ii)	336,567	334,394
Expenses reimbursed (ii)	223,097	153,900
	619,190	586,706

(i) From 1 July 2022 to 31 March 2023 the Responsible Entity was entitled to a management fee of 1.50% p.a. (plus GST less RITC) calculated on the monthly gross asset value of the Scheme. From 1 April 2023, the management fees have been reduced to 0.50% p.a.

(ii) The Responsible Entity incurs costs on behalf of the Scheme for which it is reimbursed in accordance with the Constitution.

The Responsible Entity (including its associates) does not hold any units in the Scheme as at 30 June 2024 (2023: 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 period.

**Events subsequent to the end of the reporting year**

*Federal Court of Australia - Directions*

On 11 June 2024, the Responsible Entity filed an application with the Federal Court of Australia seeking directions in relation to the winding-up of the Scheme. The final hearing was held on 15 July 2024 and the Court granted the Orders sought by the Responsible Entity to distribute the Net Proceeds of Litigation within the meaning of the constitution for the Scheme to the LRR unitholders.

*Return of capital to unitholders*

In August 2024, the Scheme paid an amount to investors equating to approximately \$0.0099 per unit held in relation to the LRR units and \$0.0005 per unit held to the ordinary unitholders. The payments to the LRR unitholders is related to the litigation proceeds received from the Scheme's successful legal claims. An interim return of capital payment to ordinary unitholders was paid with a final payment to be made before the end of the calendar year.

**Events subsequent to the end of the reporting year (continued)**

Other than the above and what has been reported in the Litigation and contingent liabilities section, 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.

**Litigation and contingent liabilities**

*Claim against former directors and officers of City Pacific Limited*

Following judgment entered against certain directors of City Pacific Limited, the Responsible Entity reports as follows:

Philip Sullivan is now bankrupt, and Mr Anthony Castley of William Buck was appointed as trustee in August 2019 to administer the estate. Mr Castley has provided a circular to creditors outlining his findings concerning the bankruptcy estate. In December 2022, Mr Castley provided a Notice to Creditors proposing to retire as trustee and appoint Ms Moira Kathleen Carter of BRI Ferrier as the new trustee. No further report has been received. As at 21 March 2024, the final report from the Bankruptcy Trustee for the Estate of Sullivan remained outstanding.

*Other proceedings*

While the Responsible Entity has not been served with new proceedings during the period in relation to the Scheme, directors note that litigation may still arise but have commenced final wind up proceedings.

**Likely developments and expected results of operations**

As the Scheme's remaining mortgage security properties have now been sold it is the intention of the Responsible Entity to return the net proceeds to unitholders as soon as practical.

**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.

**Pacific First Mortgage Fund  
Directors' report  
30 June 2024**

**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

26 September 2024  
Brisbane



Justin J Smart  
Executive Director

26 September 2024  
Brisbane

**DECLARATION OF INDEPENDENCE BY T J KENDALL TO THE DIRECTORS OF TRILOGY FUNDS  
MANAGEMENT LIMITED AS RESPONSIBLE ENTITY OF PACIFIC FIRST MORTGAGE FUND**

As lead auditor of Pacific First Mortgage Fund for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



**T J Kendall**  
Director

**BDO Audit Pty Ltd**

Brisbane, 26 September 2024



**Pacific First Mortgage Fund**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2024**

	Note	2024 \$	2023 \$
<b>Revenue and other income</b>			
Interest revenue - cash and cash equivalents		469,907	212,720
Other income		-	4,600,000
		<u>469,907</u>	<u>4,812,720</u>
<b>Expenses</b>			
Legal expenses		(51,371)	(325,356)
Responsible Entity management fees	9(c)	(59,526)	(98,412)
Other expenses	5	(567,896)	(508,477)
		<u>(678,793)</u>	<u>(932,245)</u>
<b>(Loss)/profit for the year before finance costs</b>		<u>(208,886)</u>	3,880,475
<i>Finance costs:</i>			
• Interest expense		-	-
<b>(Loss)/profit for the year attributable to unitholders</b>		<u>(208,886)</u>	<u>3,880,475</u>
<b>Other comprehensive income</b>			
Other comprehensive income		-	-
<b>Total comprehensive income for the year attributable to unitholders</b>		<u>(208,886)</u>	<u>3,880,475</u>

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

**Pacific First Mortgage Fund**  
**Statement of financial position**  
**As at 30 June 2024**

	<b>Note</b>	<b>2024</b>	2023
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
Cash and cash equivalents	6	<u>11,509,828</u>	11,770,922
<b>Total assets</b>		<u><b>11,509,828</b></u>	<u>11,770,922</u>
<b>Liabilities</b>			
Trade and other payables	7	<u>1,437,948</u>	1,490,157
<b>Total liabilities (excluding liabilities attributable to unitholders)</b>		<u><b>1,437,948</b></u>	<u>1,490,157</u>
<b>Net assets attributable to unitholders</b>		<u><b>10,071,880</b></u>	<u>10,280,765</u>

In accordance with AASB 132 *Financial Instruments: Presentation*, Unitholders' Funds are classified as a liability and accordingly the Fund has no equity for financial statement purposes.

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

**Pacific First Mortgage Fund**  
**Statement of cash flows**  
**For the year ended 30 June 2024**

	Note	2024 \$	2023 \$
<b>Cash flows from operating activities</b>			
Interest received - cash and cash equivalents		469,907	212,720
Other income received		-	4,602,731
Responsible Entity management fees		(59,526)	(98,412)
Other costs paid		(667,914)	(828,571)
<b>Net cash (used in)/provided by operating activities</b>	8	<u>(257,533)</u>	<u>3,888,468</u>
<b>Cash flows from financing activities</b>			
Payments for return of capital to unitholders		(3,561)	(33,684)
<b>Net cash used in financing activities</b>		<u>(3,561)</u>	<u>(33,684)</u>
Net (decrease)/increase in cash and cash equivalents		(261,094)	3,854,784
Cash at beginning of the reporting period		11,770,922	7,916,138
<b>Cash and cash equivalents at end of financial year</b>	6	<u>11,509,828</u>	<u>11,770,922</u>

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

**Pacific First Mortgage Fund**  
**Notes to the financial statements**  
**30 June 2024**

**Note 1 Reporting entity**

Pacific First Mortgage Fund (Scheme) is a registered managed investment scheme under the Corporations Act 2001 (Act). 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. The Scheme is a for-profit entity.

The Scheme was constituted on 23 June 1998 and will terminate on 23 June 2078, 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.

**Note 2 Basis of preparation**

**(a) Statement of compliance**

The remaining mortgage loans held by the Scheme were realised during the financial year ended 30 June 2015. As a result, it is the intention of Trilogy Funds Management Limited (Responsible Entity) to wind-up the Scheme once all standing consequences of litigation have been resolved (refer Note 12).

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 comply with International Financial Reporting Standards and interpretations in their entirety.

In adopting the wind-up basis of reporting, the assets are stated at their anticipated settlement amounts. The estimated net residual value of the asset 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 on 26 September 2024.

**(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 the most significant effect on the amounts recognised are disclosed in:

- Note 10(a): Financial risk management (credit risk)

**Pacific First Mortgage Fund**  
**Notes to the financial statements**  
**30 June 2024**

**Note 3 Significant accounting policies**

The Accounting Policies adopted are consistent with those of the previous financial year.

There are no new relevant Accounting Standards mandatory for future reporting periods which need to be considered for early adoption.

**(a) Expenses**

All expenses, including management fees, are recognised in the statement of profit or loss and other comprehensive income on an accruals basis.

**(b) 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.

**(c) Unit prices**

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

**(d) 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.

**(e) Increase/decrease in net assets attributable to unitholders**

Income that has not been distributed to unitholders has been recognised in the statement of profit or loss and other comprehensive income in either the current or a previous period and attributed to unitholders.

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

**(f) Issued units**

*Ordinary units*

Units issued to unitholders represent a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme.

*Litigation recovery right (LRR)*

The LRR is a separate and transferrable entitlement that has been created to ensure all unitholders retain the right to their pro rata share of any net proceeds resulting from successful litigation undertaken.

**(g) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

**(h) 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.

**(i) 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.

**(j) 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.

**(k) Impairment of non-financial assets**

At the end of each reporting period, the Responsible Entity assesses whether there is any indication that an asset may be 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 and other comprehensive income.

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.

**Pacific First Mortgage Fund**  
**Notes to the financial statements**  
**30 June 2024**

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

**(l) Comparative figures**

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

**Note 4 Auditor's remuneration**

During the period the following fees were paid or payable for services provided by the auditor of the Scheme, BDO Audit Pty Ltd:

	2024	2023
	\$	\$
<i>Audit and other assurance services</i>		
• Audit and review of the financial statements	19,750	18,750
• Audit of the compliance plan	4,800	4,800
Total remuneration for audit and other services	<u>24,550</u>	<u>23,550</u>

**Note 5 Other expenses**

	2024	2023
	\$	\$
Insurance	105,891	60,340
Registry fees	336,567	334,394
Audit and taxation fees	33,056	29,013
Investor mailout and regulatory costs	76,870	64,866
Custodian fees	15,369	18,968
Bank fees and other expenses	143	896
	<u>567,896</u>	<u>508,477</u>

**Note 6 Cash and cash equivalents**

	2024	2023
	\$	\$
Cash at bank	<u>11,509,828</u>	<u>11,770,922</u>
Cash liquidity of the Scheme (i)	100.00%	100.00%

(i) Cash liquidity is calculated by dividing cash and cash equivalents by the total assets of the Scheme.

**Note 7 Trade and other payables**

	2024	2023
	\$	\$
Trade payables	47,095	100,100
Unpaid return of capital (i)	1,354,753	1,358,315
Accrued audit and taxation fees	29,100	28,650
Other payables	7,000	3,092
	<u>1,437,948</u>	<u>1,490,157</u>

(i) Return of capital monies remain outstanding for a number of unitholders due to necessary banking details being unavailable at the time of processing, thus preventing the payments from being made. The Responsible Entity will continue to process payments as updated banking details are obtained.

**Pacific First Mortgage Fund**  
**Notes to the financial statements**  
**30 June 2024**

**Note 8 Reconciliation of cash flows from operating activities**

	<b>2024</b>	2023
	\$	\$
(Loss)/profit for the year attributable to unitholders	<b>(208,886)</b>	3,880,475
<i>Changes in operating assets and liabilities:</i>		
(Decrease)/increase in trade and other payables	<b>(48,647)</b>	7,993
Net cash (used in)/provided by operating activities	<b>(257,533)</b>	<u>3,888,468</u>

**Note 9 Related party transactions**

**(a) Responsible Entity**

The Responsible Entity of the Pacific First Mortgage Fund is Trilogy Funds Management Limited ABN 59 080 383 679. City Pacific Limited ceased to act as Responsible Entity of the Scheme on 7 July 2009.

**(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, Clinton B Arentz and Henry F Elgood. The Responsible Entity also has four Non-Executive Directors being Robert M Willcocks, Rodger I Bacon, Rohan C Butcher and Patrice A Sherrie.

The Responsible Entity is entitled to a management fee which is calculated as a proportion of total gross assets of 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 profit or loss and other comprehensive income**

	<b>2024</b>	2023
	\$	\$
<i>Expenses</i>		
Responsible Entity management fees - gross (i)	<b>59,526</b>	98,412
Registry fees (ii)	<b>336,567</b>	334,394
Expenses reimbursed (ii)	<b>223,097</b>	153,900
	<b>619,190</b>	<u>586,706</u>



**Pacific First Mortgage Fund**  
**Notes to the financial statements**  
**30 June 2024**

**Note 9 Related party transactions (continued)**

**(c) Transactions with related parties (continued)**

**ii. Balances recorded in the statement of financial position**

	<b>2024</b>	2023
	\$	\$
Trade and other payables (i)(ii)	<u><b>47,095</b></u>	<u>100,100</u>

(i) From 1 July 2022 to 31 March 2023 the Responsible Entity was entitled to a management fee of 1.50% p.a. (plus GST less RITC) calculated on the monthly gross asset value of the Scheme. From 1 April 2023, the management fees have been reduced to 0.50% p.a.

(ii) The Responsible Entity incurs costs on behalf of the Scheme for which it is reimbursed in accordance with the Constitution.

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

The Scheme has no investment in the Responsible Entity or its associates (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 has entered into a material contract with the Scheme from inception to the end of the financial year and there were no material contracts involving Directors' interests subsisting at year end.

**Note 10 Financial risk management**

**Overview**

The Scheme's assets principally consist of investments in cash. The Scheme previously also held loans secured by registered first mortgages over real property, however all such loans were realised during the 2015 financial year. 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, 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.

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 & Risk 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.

**Note 10 Financial risk management (continued)**

**Specific financial risk exposures and management (continued)**

**(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 \$
<b>Financial assets</b>			
Cash and cash equivalents	6	<u>11,509,828</u>	11,770,922
<b>Total financial assets</b>		<u>11,509,828</u>	<u>11,770,922</u>

This risk is minimised by regularly reviewing the Scheme's trade and other receivables. The ageing of trade receivables at the reporting date are all current with no amounts past due or impaired.

**(b) Liquidity risk**

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

	Carrying amount \$	Contractual cash flows \$	< 3 months \$	3-6 months \$	6-12 months \$
<b>2024</b>					
<b>Financial liabilities</b>					
Unitholder funds	10,071,880	10,071,880	9,205,348	866,532	-
Trade and other payables	1,437,948	1,437,948	83,195	1,354,753	-
	<u>11,509,828</u>	<u>11,509,828</u>	<u>9,288,543</u>	<u>2,221,285</u>	<u>-</u>
<b>2023</b>					
<b>Financial liabilities</b>					
Unitholder funds	10,280,765	10,280,765	-	-	10,280,765
Trade and other payables	1,490,157	1,490,157	131,842	-	1,358,315
	<u>11,770,922</u>	<u>11,770,922</u>	<u>131,842</u>	<u>-</u>	<u>11,639,080</u>

**(c) Capital management**

The Scheme's capital management strategy seeks to maximise the return of capital to unitholders 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 its Constitution and PDS; and
- ensure sufficient capital resources to support the Scheme's operational requirements.

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**Note 10 Financial risk management (continued)**

**(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.

The Scheme's objective was designed to provide investors with regular income from a pool of high yielding mortgage loans secured by registered first and second mortgages over real property and in certain circumstances collateral security. However given, amongst other things, the default by developers, the reduction in the market values and the inability to sell assets at reasonable prices, the Scheme was forced to suspend distributions to investors and subsequently commence liquidation of all Scheme assets in order to return capital to unitholders.

**i. Interest rate risk**

The Scheme has no interest-bearing financial liabilities as at 30 June 2024 (2023: nil) and therefore has no exposure to interest rate risk.

**Interest rate sensitivity analysis**

The Scheme's financial assets are subject to variable interest rates. The following table indicates the impact on how profit and equity values reported at the end of the financial year would have been affected by a 1.00% increase/decrease in interest rates during the year.

	<b>Profit / (loss) \$</b>	<b>Unitholder funds \$</b>
<b>2024</b>		
<b>Financial assets</b>		
+1.00% in interest rates	116,404	116,404
-1.00% in interest rates	(116,404)	(116,404)
<b>2023</b>		
<b>Financial assets</b>		
+1.00% in interest rates	98,435	98,435
-1.00% in interest rates	(98,435)	(98,435)

**(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.

The aggregate fair values and carrying amounts of financial assets and liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

**Note 11 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 2024 totals \$11,509,828 (2023: \$11,770,922).

The custodian is entitled to an annual administration fee of \$15,000 (plus GST) (2023: \$15,000 (plus GST)), which is paid by the Scheme. The relationship between the custodian and Responsible Entity is set out in the Custodial Agreement.

**Pacific First Mortgage Fund**  
**Notes to the financial statements**  
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**Note 12 Litigation and contingent liabilities**

*Claim against former directors and officers of City Pacific Limited*

Following judgment entered against certain directors of City Pacific Limited, the Responsible Entity reports as follows:

Philip Sullivan is now bankrupt, and Mr Anthony Castley of William Buck was appointed as trustee in August 2019 to administer the estate. Mr Castley has provided a circular to creditors outlining his findings concerning the bankruptcy estate. In December 2022, Mr Castley provided a Notice to Creditors proposing to retire as trustee and appoint Ms Moira Kathleen Carter of BRI Ferrier as the new trustee. No further report has been received. As at 21 March 2024, the final report from the Bankruptcy Trustee for the Estate of Sullivan remained outstanding.

*Other proceedings*

While the Responsible Entity has not been served with new proceedings during the period in relation to the Scheme, directors note that litigation may still arise but have commenced final wind up proceedings.

**Note 13 Events subsequent to reporting date**

*Federal Court of Australia - Directions*

On 11 June 2024, the Responsible Entity filed an application with the Federal Court of Australia seeking directions in relation to the winding-up of the Scheme. The final hearing was held on 15 July 2024 and the Court granted the Orders sought by the Responsible Entity to distribute the Net Proceeds of Litigation within the meaning of the constitution for the Scheme to the LRR unitholders.

*Return of capital to unitholders*

In August 2024, the Scheme paid an amount to investors equating to approximately \$0.0099 per unit held in relation to the LRR units and \$0.0005 per unit held to the ordinary unitholders. The payments to the LRR unitholders is related to the litigation proceeds received from the Scheme's successful legal claims. An interim return of capital payment to ordinary unitholders was paid with a final payment to be made before the end of the calendar year.

Other than the above and what has been reported in the Litigation and contingent liabilities section, 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.

**Pacific First Mortgage Fund  
Directors' declaration**

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

- (a) The financial statements and notes, as set out on pages 7 to 18 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  
Managing Director

26 September 2024  
Brisbane



Justin J Smart  
Executive Director

26 September 2024  
Brisbane

## INDEPENDENT AUDITOR'S REPORT

To the members of Pacific First Mortgage Fund

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Pacific First Mortgage Fund (the Registered 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 then ended, and notes to the financial report, including material accounting policy information and the directors' declaration of Trilogy Funds Management Limited as Responsible Entity of Pacific First Mortgage Fund.

In our opinion the accompanying financial report of Pacific First Mortgage Fund, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Registered Scheme's financial position as at 30 June 2024 and of its financial performance for the year ended on that date; 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 Registered Scheme in accordance with 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 (including Independence Standards)* (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 Trilogy Funds Management Limited as Responsible Entity of Pacific First Mortgage Fund, 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 - Basis of preparation**

We draw attention to Notes 1, 2 and 13 of the financial report, which describes the basis of preparation. The financial report of the Registered Scheme has been prepared on a wind-up basis, given the Directors of Trilogy Funds Management Limited as Responsible Entity of Pacific First Mortgage Fund intend to wind up the Registered Scheme following the grant of Orders by the Court to distribute the net proceeds of the litigation withing the meaning of the Constitution for the Scheme to the LRR Unitholders and return of capital to the unitholders. Our opinion is not modified in respect of this matter.

### **Other information**

The directors of Trilogy Funds Management Limited as Responsible Entity of Pacific First Mortgage Fund are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Registered Scheme's Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this 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 Trilogy Funds Management Limited as Responsible Entity of Pacific First Mortgage Fund 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 are responsible for assessing the Registered 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 Registered Scheme or to cease operations, or has no realistic alternative but to do so.



### Auditor's responsibilities 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf)

This description forms part of our auditor's report.

**BDO Audit Pty Ltd**

BDO

A handwritten signature in black ink that reads 'T J Kendall'. The signature is written in a cursive style with a horizontal line above the first few letters.

**T J Kendall**

Director

Brisbane, 26 September 2024





## *Pacific First Mortgage Fund*



### **Trilogy Funds Management Pty Limited**

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This report is issued by Trilogy Funds Management Limited (Trilogy Funds) ABN 59 080 383 679 AFSL 261425 as issuer of units in the Pacific First Mortgage Fund (Trust) ARSN 088 139 477. This Trust is closed for new investment. This advice is general advice only and does not consider your objectives, financial situation or needs. You should consider whether the advice is suitable for you and your personal circumstances and we recommend that you seek personal financial product advice on your objectives, financial situation or needs before making any investment decision. You should understand the risks and seek personal advice from a licensed financial adviser before making an investment decision. The Trust is not a bank deposit and Trilogy Funds does not guarantee its performance. Past performance is not a reliable indicator of future performance.