

Balmain Trilogy Rebutts Bransgrove's Misleading Fund Monies Assertions

Balmain Trilogy said today assertions made by Matthew Bransgrove regarding the application of monies received by Trilogy Funds Management Limited (Trilogy) as Responsible Entity of the Pacific First Mortgage Fund (the Fund) were inaccurate and misleading to Unitholders.

Bransgrove asserts that there is an unexplained gap of almost \$84 million in the application of Fund monies, being the difference between \$190 million recovered in gross sales and \$106 million paid to the Commonwealth Bank of Australia (CBA) and Unitholders.

Trilogy has always been transparent in the application of Fund monies and all expenses can be traced through the Fund's accounts, which are subject to review by independent auditors.

The so called "gap" of approximately \$84 million can be explained as follows:

- Gross revenue from sales is subject to the payment of unpaid rates and levies, land tax, real estate agency commissions, sales and marketing costs and GST. **These total approximately \$22 million.**
- Once the net proceeds are received by the Fund, the Fund has to then pay for its operating expenses, management fees, net interest costs, property holding costs (rates, taxes and levies), receiver costs and the completion of assets abandoned by City Pacific Limited. **The total of these expenses is approximately \$62 million.**

Trilogy is committed to returning value to Unitholders. At the end of its tenure as manager of the Fund, City Pacific Limited (CPL) gave preference to making further advances to related entities rather than finishing projects, making payments to Unitholders or reducing the Fund's debt facility with CBA.

Payments made to parties related to CPL include:

- a \$12 million second ranking advance to a City Pacific Limited/ Raptis company in May 2008 in respect of Mariner's Cove; and
- an \$18 million advance to Marina Cove Pty Limited when Phil Sullivan was the sole director of that company in March 2009.

All expenditure has been vetted and cleared by the Fund's new auditor. Balmain Trilogy is committed to transparent and open management and will continue to rebut misleading or deceptive statements made by Bransgrove.