



MEDIA RELEASE
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Asset review reveals need for Pacific First Mortgage Fund write-down

Following a review of the assets of the Pacific First Mortgage Fund (Fund) in conjunction with auditors (KPMG), the gross assets have been written down by \$448.9 million for the 12 months to June 30, 2009. Gross assets in the Fund now stand at \$521.1 million. This write down represents an additional impairment of \$108.9 million from the written down value as at 31 December 2008 which was \$630.0 million.

Rodger Bacon and Andrew Griffin, joint chief executives of the Fund's investment manager BalmainTRILOGY, agreed that the additional write-down was "inevitable but extremely disappointing" for unitholders. Based on these revised accounts, the net tangible assets (NTA) stand at \$0.48 a unit.

The NTA takes into account the \$91 million owed to the Commonwealth Bank of Australia as at 30 June 2009. Since then and following some asset sales the Fund has been able to repay further \$8.7 million on 31 August 2009 to reduce the outstanding loan to \$82.3 million.

Andrew Griffin said: "The negotiations with the Commonwealth Bank are nearing conclusion and an announcement in respect of an extended facility should be made soon."

The Australian Securities and Investments Commission (ASIC) had previously extended the deadline to lodge the Fund's annual accounts to November 15. On lodging the annual accounts, Rodger Bacon said: "The write-down highlights the woeful performance of City Pacific which was RE of the Fund for that entire period. More disappointingly the biggest part of this write-down is attributable to loans to related parties of City Pacific."

Andrew Griffin said: "The strong property and debt markets that preceded the Global Financial Crisis did much to hide the damage that was already being inflicted on the Fund by City Pacific. The honeymoon ended abruptly when the markets turned and it is only now that we can see the extent of the harm that City Pacific caused. We do, however, believe that with the removal of the previous conflicts and with the benefit of significantly greater management resources that the worst for unitholders is over. The rebuilding of the Fund can begin in earnest."

He added: "Although we are mindful that some investors might support an acceleration of sales, notwithstanding the significant discounts that would result, it is critical that some of the Fund's resources are allocated to improving existing assets."

This will ensure that these assets achieve an improved return for the PFMF and consequently the value of the Fund is at least maintained and potentially enhanced.”

As part of its commitment to ensure that unitholders are closely informed as to the management of Fund, BalmainTRIOLOGY are in the process of bedding down the Investor Committee. More than 300 unitholders have expressed interest in being on the 10 person Committee (including an independent chairman), with the auditors expected to announce the successful candidates by early December so the first meeting can be held before Christmas.

BalmainTRIOLOGY was also in the process of formulating a hardship policy in accordance with ASIC guidelines. Bacon said: “We appreciate there are some genuine hardship cases among unitholders. The difficulty has been reaching agreement regarding access to funds and finding a legal solution to the constitution problems that require a redemption price of \$1.00 per unit to deliver the funds to unitholders.

“We are hopeful of having a solution in the near future for those unitholders with genuine hardship situations.”

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