EQUITITRUST INCOME FUND

ARSN 089 079 854

Condensed Interim Financial Report

31 December 2009

EQUITITRUST INCOME FUND
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DIRECTORS' REPORT

The directors of Equititrust Limited ('the Responsible Entity'), the Responsible Entity of Equititrust Income Fund ('the Scheme'), present their report together with the financial report of the Scheme, for the six months ended 31 December 2009 and the auditor's report thereon.

Responsible entity

The registered office and principal place of business of the Responsible Entity and the Scheme is 1st floor, 67 Thomas Drive, Chevron Island, Queensland.

Equititrust Limited (ABN 74 061 383 944) has been the Responsible Entity since 6 December 1999.

The directors of Equititrust Limited during or since the end of the financial half-year are:

Name, qualifications and independence status	**Age**	**Experience, responsibilities and other directorships**
Mark McIvor LLB Executive Director Appointed 1 July 1995	53	Mark McIvor is the founder of Equititrust Limited. He has been a lawyer for over 26 years, specialising in mortgage investment and property lending.
Thomas John Haney Non-executive director Appointed 3 July 2000	52	Thomas John Haney has over 28 years experience in law and mortgage finance. He is a solicitor of the Supreme Court of Queensland and New South Wales
Wayne McIvor Mortgage Manager Appointed 10 August 2000	55	Wayne McIvor has a property and management background and has been pivotal in Equititrust's lending team for over 14 years.

Review and results of operations

The Scheme continued to invest solely in mortgage loans secured by first mortgages on real property and cash investments during the six months ended 31 December 2009.

The net profit from operations before investors financing costs for the half-year was $8,557,208 (2008: $10,143,309).

During the period:

- The Scheme repaid the remaining $29,000,000 of a facility of $90,000,000 which has now been fully repaid.
- The Fund continued as a non-liquid fund and on 20 December 2009 a pro-rate redemption payment of $3,000,000 was made to investors with valid unpaid redemption requests. A further payment of $3,000,000 was made to investors on 19 March 2010.
- Hardship payments of $ 2,685,686 were made to investors during the period.

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DIRECTORS' REPORT

Events subsequent to balance date

Subsequent to the half-year end the following events have occurred:

- The Scheme received confirmation from an existing financier that the current loan facility of $35million which expires on 31 March 2010 will continue to be renewed on a monthly basis pending a review of the Fund's cash flow forecast and business model by an independent accountant appointed by the Responsible Manager. On completion of the review the bank will be in a position to determine whether they will renew the facility or alternatively reach an agreement with the Responsible Manager for the facility to be repaid over an appropriate timeframe.

  Should the facility renewal not be granted and while there is no event of default the banks acceptable terms for repayment would include;

  - Amortisation at $3million per month commencing 30 days of notice from the bank that renewal would not be granted.
  - The bank being entitled reprice the facility during the repayment term.
  - Other existing facility terms and conditions including no redemption payments to investors without the bank's prior consent.

  Management's cash flow projections support the ability of the Scheme to meet these obligations should the amortised bank debt repayments be required.

- Distribution rates to investors were increased by 0.25% on 8 February 2010.

There have been no other significant changes in the nature of the Scheme's operation during the period.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 3 and forms part of the directors' report for the six months ended 31 December 2009.

Signed in accordance with a resolution of the directors of Equititrust Limited.

Wayne McIvor
Director

31 March 2010

Gold Coast

KPMG

LEAD AUDITOR’S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATION ACT 2001

To: the directors of Equititrust Limited, the Responsible Entity for Equititrust Income Fund

I declare that, to the best of my knowledge and belief, in relation to the review for the six months ended 31 December 2009 there has been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

P G Steer
Partner

Gold Coast

31 March 2010

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CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR SIX MONTHS ENDED 31 DECEMBER 2009

	Note	31 December 2009 $	31 December 2008 $
Revenue			
Interest income		17,112,314	23,777,639
Net investment income		17,112,314	23,777,639
Expenses			
Management fee		(2,267,871)	(2,918,890)
Profits from operating activities before finance costs		14,844,443	20,858,749
Finance costs			
Interest expense		(1,636,668)	(4,950,178)
Distribution expense to investors	5	(8,557,208)	(10,143,309)
Return on subordinated investment		(4,650,567)	(5,765,262)
Total finance costs		(14,844,443)	(20,858,749)
Net profit / Total comprehensive income		-	-

The condensed statement of comprehensive income is to be read in conjunction with the notes to the condensed financial statements

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CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Note	31 December 2009 $	30 June 2009 $
Assets			
Cash and cash equivalents		6,719,793	12,638,829
Loans and receivables:			
Interest and other receivables		4,412,599	3,554,903
Mortgage loans	6	275,172,220	301,837,210
Total assets		286,304,612	318,039,942
Liabilities			
Financial liabilities measured at amortised cost:			
Accounts payable		3,508,506	4,183,722
Distributions payable	5	2,424,718	2,877,054
Interest bearing liabilities	11	35,000,000	64,000,000
Deferred income		325,535	452,790
Total liabilities (excluding net assets attributable to investors)		41,258,759	71,513,566
Net assets attributable to investors - liability	4	245,045,753	246,517,276
Net assets		100	100
Equity		100	100

The condensed statement of financial position is to be read in conjunction with the notes to the condensed financial statements

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CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR SIX MONTHS ENDED 31 DECEMBER 2009

	Settlement sum		Total equity	
	2009	2008	2009	2008
	$	$	$	$
Opening balance at 1 July	100	100	100	100
Net profit/(loss) for the period	-	-	-	-
Closing balance at 31 December	100	100	100	100

The condensed statement of changes in equity is to be read in conjunction with the notes to the condensed financial statements

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CONDENSED STATEMENT OF CASH FLOWS
FOR SIX MONTHS ENDED 31 DECEMBER 2009

	Note	31 December 2009 $	31 December 2008 $
Cash flows from operating activities			
Interest received – mortgage loans		15,541,361	22,787,064
Interest received – cash and cash equivalents		114,955	231,327
Distributions paid to investors		(9,009,544)	(9,976,873)
Interest paid		(1,636,6680	(4,950,178)
Return on subordinated investment		(5,247,208)	-
Management fee		(1,875,398)	-
Interest warranty fee paid		-	(7,201,466)
Net cash flows (used in)/from operating activities		(2,112,502)	889,874
Cash flows from investing activities			
Mortgage loans advanced		(16,368,620)	(102,446,057)
Mortgage loans repaid		43,033,610	158,704,808
Net cash (used in) investing activities		26,664,990	56,258,751
Cash flow from financing/investor's activities			
Proceeds from issue of redeemable units – investors		4,360,820	51,007,246
Payments on withdrawal of redeemable units – investors		(5,832,344)	(79,236,360)
Proceeds from borrowings		17,000,000	-
Repayment of borrowings		(46,000,000)	(27,000,000)
Net cash from financing/investors' activities		(30,471,524)	(55,229,114)
Net increase in cash and cash equivalents		(5,919,036)	1,919,511
Cash and cash equivalents at 1 July		12,638,829	9,786,260
Cash and cash equivalents at 31 December		6,719,793	11,705,771

The condensed statement of cash flows is to be read in conjunction with the notes to the condensed financial statements

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Notes to the Condensed Interim Financial Report

1. Reporting entity

Equititrust Income Fund (the 'Scheme') is a registered managed investment scheme under the Corporations Act 2001. The condensed financial report of the Scheme is for the six months ended 31 December 2009.

2. Statement of compliance

The condensed financial report is a general-purpose financial report, which has been prepared in accordance with AASB 134 *Condensed Financial Reporting* and the Corporations Act 2001.

The condensed financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Scheme as at and the for year ended 30 June 2009.

The condensed financial report was authorised for issue by the directors on 31 March 2010.

3. Significant accounting policies

(i) Changes in accounting policy

Except as described below, the accounting policies applied by the Scheme in this condensed interim financial report are the same as those applied by the Scheme for the year ended 30 June 2009.

The Scheme applies amended AASB 101 *Presentation of financial statements (September 2007)* and AASB 2007-8 *Amendments to Australian Accounting Standards resulting from AASB 101*, which are applicable for interim and annual periods beginning on or after 1 January 2009. This presentation has been applied within these condensed interim financial statements as of and for the six-month period ended on 31 December 2009.

The Scheme applies accounting standard AASB 2008-02 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation.* There has been no change to the classification of the units issued by the scheme as a result of application of this standard. As such the application of the standard has not had an impact on any amounts recognised within the financial statements.

(ii) Going concern

In preparing the financial statements on a going concern basis, fundamental to this assertion is that the Fund will remain in operation as a non-liquid fund. In addition, management highlight the following critical assumptions required to be managed:

- Ongoing financial support of the Fund's current lender or access to other alternative lenders and compliance with the terms and conditions of the facility
- Maintenance of underlying property values supporting the current mortgage loan amounts carried
- Ability of the Fund to continue income distributions to investors.
- Receipt of mortgage loan repayments from borrowers as scheduled.

The Scheme's current bank loan facility of $35,000,000 is due to expire on 31 March 2010. The Fund is in the process of negotiating the extension/renewal/revision to this facility. We anticipate until finalisation of the negotiations, we will be able to extend repayment on a month by month basis. This will be subject to a review of the Funds projected cashflow and business model by an independent accountant appointed by the Responsible Manager.

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Notes to the Condensed Interim Financial Report

(ii) Going concern (contd)

In the case that our negotiations are unsuccessful, the future cash flows forecasts are capable of achieving a debt amortisation of $3million per month until repaid.

The property and the financial services sectors have continued to experience adverse market conditions during the half-year which has impacted the capacity of the Scheme’s customers to make repayments and/or refinance existing mortgage loan repayments. –

The Scheme’s mortgage loans are however secured by registered first mortgages over real property, that maintain the adoption of maximum loan to valuation ratios of 80% at commencement of a loan. Management, based on the assumptions in the future cash flows, are of the opinion that an appropriate level of mortgage loan repayments will be received over the relevant period. In any event, even in the situation where repayments are delayed, the directors are of the opinion that upon default or term, any expected proceeds from the sale of the mortgaged properties will be sufficient to repay the existing bank loan facility and provide some repayments to investors that have requested redemption of funds.

The adverse conditions in the property and the financial services sectors also continue to have a negative impact on the Scheme’s fundraising ability. This has resulted in the Responsible Entity deciding to continue to operate as a non-liquid fund, as permitted by the Scheme’s constitution. The Scheme is permitted to make periodic withdrawal offers to all investors in the pending withdrawal pool. The last pro-rata payment of $3,000,000 was made on 19 March 2009. Further pro-rata offers are planned, subject to available liquidity and the approval of the Fund’s current lender. At the date of this report the Responsible Entity holds valid redemption requests totalling $52,285,743 (30 June 2009: $49,694,805) which will either be repaid or converted to term investments at the investors election, before the Scheme can be reopened as liquid. Management, based on the assumptions in the future cash flows in relation to deferred redemptions requests, are of the opinion that the Scheme will continue to be able to operate on a non-liquid basis over the relevant period.

The directors of the Responsible entity, based on the assumptions above and incorporated into the future cash flows, are of the opinion that the Scheme will continue as a going concern. If we are unsuccessful in managing these conditions, the Fund may be unable to realise its assets and discharge its liabilities in the normal course of business.

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Notes to the Condensed Interim Financial Report

4. Net assets attributable to investors - liability

	Opening Balance	*Applications*	*Transfers*	*Redemptions*	*Closing Balance*
	$	*$*	*$*	*$*	*$*
31 December 2009					
Ordinary investments	206,484,503	4,360,820	-	(5,832,343)	205,012,980
Subordinated investment	40,032,773	-	-	-	40,032,773
Total	246,517,276	4,360,820	-	(5,832,343)	245,045,753
30 June 2009					
Ordinary investments	277,510,458	13,193,674	(42,136,143)	(42,083,486)	206,484,503
Subordinated investment	-	40,300,000	42,136,143	(42,403,370)	40,032,773
Total	277,510,458	53,493,674	-	(84,486,856)	246,517,276

5. Distributions paid and payable

	31 December 2009	31 December 2008
	$	$
The distributions for the half- year comprise:		
Total distributions paid	6,132,490	6,630,269
Total distributions payable	2,424,718	3,513,040
	8,557,208	10,143,309

6. Mortgage loans

	31 December 2009	30 June 2009
	$	$
Opening balance	301,837,210	394,957,425
Advances	16,368,620	130,955,040
Repayments	(43,033,610)	(224,075,255)
Closing balance	275,172,220	301,837,210

The majority of the Scheme's financial assets are secured by registered first mortgages over real property. As a result, the Scheme is subject to property value risk with fluctuations in the prevailing levels of market property values.

The Scheme's property value risk is managed on a regular basis by management in accordance with policies and procedures in place, including but not limited to:

- The adoption of maximum loan to valuation ratios of 80%; and
- Regular valuations of security properties by registered panel-valuers.

The property and the financial services sectors have experienced significant adverse market conditions during and subsequent to the half-year end. These conditions may result in a decline in property values, which should they be significant, may result in diminished security values, which may result in losses should properties held as security be realised below the loan and receivable book values.

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Notes to the Condensed Interim Financial Report

7. Financial risk management

Financial risk management objectives and policies are consistent with that disclosed in the annual financial report as at and for the year ended 30 June 2009.

8. Contingencies

There are contingent liabilities of $695,665 (30 June 2009: $750,865) in respect of guarantees issued by a bank to borrowers on behalf of the Scheme. These guarantees have been included in the borrowers approved loan facilities.

9. Related parties

Related party transactions

From time to time directors of the Responsible Entity, or their director-related entities, may invest or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors.

Related party investments held by the Scheme

The Scheme has no investments in Equititrust Ltd or its associates (2008: nil).

Units in the Scheme held by other related parties

Details of investments in the Scheme by the Responsible Entity or its related parties are set out below:

31 December 2009	**Unit Holding paid/payable**	**Interest held**	**Applications**	**Withdrawals**	**Distributions**
Equititrust Ltd	40,032,773	16.34%	-	-	$4,650,567
Shakespeare Haney Premium Income Fund	5,232,389	2.14%	-	$312,418	$190,194
MM Holdings Pty Ltd	1,175,176	0.48%	$303,324	-	$45,122

30 June 2009	**Unit Holding paid/payable**	**Interest held**	**Applications**	**Withdrawals**	**Distributions**
Equititrust Ltd	40,032,773	16.24%	*$40,300,000	*$42,403,369	$9,913,409
Shakespeare Haney Premium Income Fund	5,232,389	2.12%	-	$2,767,711	$571,363
MM Holdings Pty Ltd	871,852	0.35%	871,852	-	$43,265

***** These applications and withdrawals were made prior to the deferral of redemption on 31 October 2008.

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Notes to the Condensed Interim Financial Report

9. Related parties (contd)

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 condensed reporting period to 31 December 2009.

Other transactions within the Scheme

As at 31 December 2009 the Scheme owed a management fee of $392,473 (December 2008: $485,547) to the responsible entity. As at 31 December 2009 the Fund also owed $3,104,843 (December 2008: $3,031,967) to the responsible entity being the balance owed on its yield from its subordinated investment in the Fund.

Apart from those details disclosed in this note, no director has entered into a material contract with the Scheme since the end of the previous year and there were no material contracts involving directors' interests subsisting at 31 December 2009.

10. Liquidity

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

During the period ended 31 December 2009 the Fund continued to suspend redemptions. However hardship payments of $2,685,686 were made to investors who were experiencing hardship and were able to prove hardship in accordance with the ASIC relief instrument. A pro-rata distribution of $3,000,000 was also made to investors with unpaid redemption requests.

The Scheme would continue to manage liquidity on the basis that it is able to meet Scheme costs, make further advances to borrowers to enhance and protect asset value, meet bank liability obligations and pay investor distributions. Provided these obligations are met and there is sufficient available liquidity then further payments in respect of investor hardship and unpaid redemption requests will be considered and paid to the extent that the Scheme is able to continue in the best interests of all stakeholders.

At the date of this report, unpaid redemption requests of the Scheme were $52,285,743.

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Notes to the Condensed Interim Financial Report

11. Interest bearing liabilities

	31 December 2009 $	30 June 2009 $
Borrowings secured - first registered mortgage debenture charge over the assets of the Scheme	-	29,000,000
Borrowings secured - second registered mortgage debenture charge over the assets of the Scheme	35,000,000	35,000,000
	35,000,000	64,000,000

The remaining finance facility is an interest only facility secured over the Scheme's mortgage loans and is ongoing, subject to annual review. This facility was fully utilised up to $35,000,000 at 31 December 2009 ($64,000,000 at 30 June 2009), with unutilised facilities available of nil ($249,135 at 30 June 2009).

The Scheme's bank loan facility of $35,000,000 facility is due to expire on 31 March 2010. The bank will continue to renew the facility on a monthly basis pending a review of the Funds cashflow projection and business model by an independent accountant appointed by the Responsible Manager. The directors, based on the assumptions in the future cash flows, are of the opinion that existing bank covenants will be met and that should renewal of the facility not be granted the Scheme will be able to meet its amortisation obligations of $3million per month.

12. Contingent liabilities

From time to time the Fund is party to litigations in the normal course of its business as a money lender. The Directors are not aware of any material liability likely to arise to the Fund as a result of litigation matters at half year end and subsequent to 31 December 2009.

13. Events subsequent to reporting date

Subsequent to the half-year end the following events have occurred:

- The Scheme received confirmation from an existing financier that the current loan facility of $35million which expires on 31 March 2010 will continue to be renewed on a monthly basis pending a review of the Funds cash flow forecast and business model by an independent accountant appointed by the Responsible Manager. On completion of the review the bank will be in a position to determine whether they will renew the facility or alternatively reach an agreement with the Responsible Manager for the facility to be repaid over an appropriate timeframe.

  Should the facility renewal not be granted and while there is no event of default the banks acceptable terms for repayment would include;

  - Amortisation at $3million per month commencing 30 days of notice from the bank that renewal would not be granted.
  - The bank being entitled reprice the facility during the repayment term.
  - Other existing facility terms and conditions including no redemption payments to investors without the bank's prior consent.

  Management's cash flow projections support the ability of the Scheme to meet these obligations should the amortised bank debt repayments be required.

- Distribution rates to investors were increased by 0.25% on 8 February 2010.

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DIRECTORS' DECLARATION

In the opinion of the directors of Equititrust Limited, Responsible Entity of Equititrust Income Fund ("the Scheme"):

1. the financial statements and notes set out on pages 4 to 13, are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of the financial position of the Scheme as at 31 December 2009 and of its performance, as presented by the results of its operations and its cash flows, for the six months ended on that date; and

   (b) complying with Australian Accounting Standards AASB 134 *Condensed Financial Reporting* and the Corporations Regulations 2001; and

2. 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 directors of Equititrust Limited.

Wayne McIvor
Director

Gold Coast

31 March 2010

KPMG

Independent auditor’s review report to the members of Equititrust Income Fund

Report on the financial report

We have reviewed the accompanying condensed financial report of Equititrust Income Fund (“the Scheme”), which comprises the condensed statement of financial position as at 31 December 2009, condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flow for six months ended on that date, and other explanatory notes 1 to 13 and the directors’ declaration set out on pages 4 to 14.

Directors’ responsibility for the condensed financial report

The directors of Equititrust Limited (the Responsible Entity) are responsible for the preparation and fair presentation of the condensed financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the condensed financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibility

Our responsibility is to express a conclusion on the condensed financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Condensed and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the condensed financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Scheme’s financial position as at 31 December 2009 and its performance for the six months ended on that date; and complying with Australian Accounting Standard AASB 134 *Condensed Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Equititrust Income Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a condensed financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Independent auditor's review report to the members of Equititrust Income Fund

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the condensed financial report of Equititrust Income Fund is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the scheme's financial position as at 31 December 2009 and of its performance for the six months ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Condensed Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

P G Steer
Partner

Gold Coast

31 March 2010