

TO INVESTORS

28 February 2013

EQUITRUST INCOME FUND ARSN 089 079 854 (RECEIVER APPOINTED) (“the Fund” or “EIF”)

I refer to my previous reports and now provide my eleventh update to Investors since my appointment as Court appointed Receiver and person responsible for winding up the EIF on 21 November 2011.

1. Property Realisations

There have been 34 properties sold since my appointment with total gross realisations of approximately \$20.9 million as detailed in the table below:

1.1 Loan Book Realisations

Loan Number	Loan (Borrower)	Security location	Contract Sale Price (Excl. GST where applicable)
Securities sold/refinanced			
105648	Mountbell	Ipswich, QLD	545,500
105653	Tweed Central	Murwillumbah, NSW (23 lots)	6,612,285
105667	Resort Corp Admin	Kingscliff, NSW	885,000
105680	Morevale Land	Glenella, QLD	2,250,000
105717	Checkling	Richmond, NSW	2,100,000
105746	Western Land Corporation	Redbank Plains QLD	925,000
105652	Kristine Newton	Lennox Heads	2,750,000
105482	Gamp Developments Pty Ltd	Bowen, QLD	500,000
105622	National Resorts	Bowen, QLD	1,772,295
105004	Taylor AG & SK (refinance)	Birkdale QLD	207,584
105264	East Coast Pty Ltd	Yamba, NSW	1,500,000
105721	Kele Property Group	Port Macquarie, NSW	880,000
			\$20,927,164

There has been a significant amount of rates and land tax outstanding on the above properties, which was required to be discharged at settlement.

1.2 Properties Under Contract/Subject to Deed of Settlement

As this is a public document and to ensure I do not prejudice completion of the contracts, I will not at this time identify the individual contract values.

Loan Number	Loan (Borrower)	Security location	Settlement Date
105735	Valencia Grove	Griffith, NSW	20 March 2013
105549	Corymbia Estates	Carbrook QLD	31 March 2013
105657	Rosea Pty Ltd	Wongawallen, QLD	17 June 2013
105696	Morvale Land	Port Augusta, SA	31 March 2013
105653	Tweed Central	Murwillumbah, NSW	29 August 2013
105739	Sunset Cove Developments	Wirrina Cove, SA	Various

The status of the contracts/accepted offers with respect to the Wirrina Cove property is discussed further in section 1.3 of this report.

1.3 Properties Remaining to be Sold

A summary of the status of the six remaining properties to be realised is provided below. Again, as this is a public document and to ensure I do not prejudice any ongoing negotiations regarding the sale of the properties, I will not at this time identify their expected realisable values.

(i) Wirrina Cove

As advised in my tenth report to Investors, Ray White were engaged to sell the assets at Wirrina Cove. At the time of writing this report, a total of 105 offers have been accepted and/or contracts exchanged totalling approximately \$6.88 million with respect to residential land, rural land and marina berth under leases. A summary is provided below.

	Offers accepted/contracts exchanged (number)	Lots/marina berths remaining (number)
Marina berths	49	58
Residential land	53	22
Rural land	2	0
Caravan Park	1	0
Total	105	80

Discussions are ongoing with parties interested in acquiring the Resort, Golf Course, and Conference Centre.

There are still a number of issues that are currently being resolved in order to maximise the realisable value of the assets including:

- Removal of caveats registered on titles in order to effect a sale of the land and/or the registering of marina berth under leases.

- Recovery of outstanding levies/re-entry of delinquent under leases with respect to marina berths.
- Obtaining a new Section 23 Authorisation pursuant to the *Aboriginal Heritage Act 1988* for 32 allotments on the ocean front (Esplanade lots), 21 of which are located on an Aboriginal Site.
- Transfer of water and sewerage operations to Yankalilla District Council are currently in advanced stages of negotiations. Council agreed at its meeting on 21 February 2013 to take over the water and sewerage infrastructure. This transfer needs to occur to effectuate settlement of the residential land contracts.

(ii) Toowoomba Foundry

The marketing agent is currently finalising negotiations with an interested party with a contract offer expected within the next few days.

(iii) Collingwood Park

A contract of sale has been submitted to a party for consideration with negotiations ongoing with other parties who have expressed an interest in the property.

(iv) Maclean

Negotiations are ongoing with interested parties with a contract offer expected within the next few days.

(v) Cornwallis and Richmond

The Receiver will shortly commence a further sale campaign for both properties.

(vi) Gold Coast

The property consists of a residential house and land and is subject to possession proceedings, which are currently on foot. The proceedings were defended and are now subject to me lodging a claim and statement of claim by 18 March 2013 with mediation to take place by 7 June 2013.

1.4 Legal Proceedings

As advised in my tenth report to Investors, there are several legal actions currently on foot. I am unable to provide specific details with respect to each matter and the expected outcome of same. However, I provide an overview below:

- As indicated above, possession proceedings are underway with respect to a secured property. Mediation is to take place by 7 June 2013 after the claim is lodged and responded to;
- Two claims have been filed against the same valuer for negligence and damages in excess of \$10 million. Expert witnesses are currently finalising reports to progress the claims. Any amount recoverable will be sought against a professional indemnity insurance policy;

- A deed of settlement has been executed with respect to a claim against a guarantor. Default judgment against the remaining guarantors has been obtained and letters of demand have been served;
- Monetary judgement has been obtained against a guarantor, however a cross claim has been filed by the borrower. The matter is likely to go to trial in early/mid 2013 once evidence has been considered;
- Several proceedings are ongoing against a bankrupt/related parties to realise an interest in the surplus proceeds from the sale of a property. This is likely to result in a substantial recovery for the Fund; and
- Other claims are still being considered against borrowers/guarantors/valuers to determine if commercial recoveries are achievable.

Given the nature of these matters, they are likely to take some time to resolve. However, it is expected that the actions will realise several million dollars for the benefit of Investors.

2. Creditor Claims

2.1 Secured Creditors

As advised in my tenth report to Investors, secured creditors' claims have been discharged, with the exception of approximately \$1.1 million in respect of bank guarantees issued by the National Australia Bank.

The bank guarantees support bonds held by various Councils with respect to certain development sites. Discussions are taking place with the councils to determine when the guarantees may be released.

2.2 Other Creditors

As advised in my tenth report to Investors, there are a number of creditors that must be paid in priority to Investors, which include:

- Rates and land tax against certain properties to be realised;
- Trade creditors, which relate to liabilities necessarily incurred in the winding up of the Fund;
- Any other creditors outstanding at the date of my appointment; and
- Receiver's remuneration and outlays.

I am still investigating the amount advanced by the Mclvor Superannuation Fund to the EIF, the current balance of which is approximately \$3.3 million. Should it be substantiated that the Mclvor Superannuation Fund has a valid claim, this amount will rank in priority to Investors.

2.3 Claims by the Liquidators of EL

As advised in my tenth report to Investors, the liquidators of EL, Hall Chadwick, lodged an application for directions with the Court in relation to the extent to which they are entitled to

be indemnified out of EIF's assets for remuneration and expenses incurred by them as Administrators totalling approximately \$805,000.

Hall Chadwick has not filed the application for directions as previously foreshadowed and the Court has now adjourned the hearing to a date to be fixed. It is therefore unclear if this will proceed.

3. Piper Alderman Class Action

Piper Alderman has provided the following update:

“Class Action

Piper Alderman has completed their preliminary investigations and have finalised the principal claims to be brought against various parties for the benefit of unit holders in relation to the losses sustained to the Equititrust Income Fund (the Fund). Prior to the commencement of the claims (and with a view to obtaining further information and documentation relevant to the prosecution of the claims), Piper Alderman intend to undertake public examinations, which involves obtaining documentation through the court process from parties associated with Equititrust Limited (ET) and the Fund and examining relevant persons in court such as the former directors and auditors of Equititrust and the Fund. To this end, Piper Alderman is presently liaising with Hall Chadwick (ET's liquidators) with a view to collectively undertaking examinations. Piper Alderman has also taken action to obtain the requisite authority from ASIC to undertake examinations independently of Hall Chadwick in the event that the dealings with Hall Chadwick do not eventuate in a collaborative approach. Further, if the examinations do not eventuate in the short term, the claims may be instituted as presently formulated.

Contact

Should you have any questions about the claims, please contact William Nolan (Tel) 02 9253 9921; (e-mail) wnolan@piperalderman.com.au”

4. Receipts and Payments

I provide below a summary of the Receipts and Payments of the Fund for the period 1 January 2013 to 31 January 2013.

Summary of Receipts and Payments for the Period 1 January 2013 to 31 January 2013	
Opening Cash at Bank	3,546,113.14
Receipts	
Interest Income	5,764.76
<i>Loan Recoveries:</i>	
Kele Property Group (Port Macquarie) Pty Ltd	1,098,741.72
Morvale Land Pty Ltd	1,636.60
Rosea Pty Ltd	18,333.33

Toowoomba (Foundry Shopping Centre) Pty Ltd	3,527.33	
Tweed Central Pty Ltd	491,360.94	
Valencia Grove Pty Ltd	354,000.00	1,967,599.92
Receipt of Monies held in Trust - Legal		8,172.55
Total Receipts		1,981,537.23

Payments

Bank Charges		24.40
<i>Distressed Loan funding:</i>		
Boothers Pty Ltd	5,424.58	
Checkling Pty Ltd	66.00	
Corymbia Corporation Pty Ltd	22,076.92	
Corymbia Estates Pty Ltd	9,873.94	
East Coast Pty Ltd	2,640.00	
Kele Property Group (Port Macquarie) Pty Ltd	306,174.11	
Morvale Land Pty Ltd	1,400.52	
National Resorts Corporation	8,311.05	
Toowoomba (Foundry Shopping Centre) Pty Ltd	10,284.08	
Tweed Central Pty Ltd	139,018.45	
Valencia Grove Pty Ltd	13,681.36	
Western Land Corporation	28,684.61	
Wirrina Cove	132,214.22	679,849.84
GST Paid		211,233.00
Insurance		552.44
IT expenses		10,670.64
Legal Fees		89,905.04
Office Rental charge		5,460.95
PAYG Paid		8,120.00
Wages & associated reimbursements		8,160.62
Total Payments		1,013,976.93
Closing Cash at Bank		4,513,673.44

I note that the 'Distressed Loan Funding' relates to marketing costs, agents' fees, consultants' fees, legal fees and rates and land tax. The incurring of these costs are considered essential in terms of successfully realising the assets subject to the Fund's securities.

5. Estimated Return to Investors

I provide below an estimated return to Investors of between 11 and 17 cents in the dollar as at 31 January 2013 as follows:

	Low	High
	\$000's	\$000's
Cash at Bank	4,513	4,513
Estimated selling prices	32,130	44,765
<i>Less:</i>		
Bank guarantees	(1,100)	(1,100)
Selling costs (3.5% of sale price)	(1,124)	(1,567)
Other loan	(3,300)	(3,300)
Land tax & rates	(8,272)	(8,272)
Other unsecured creditors	(1,300)	(1,200)
Receiver's fees	(532)	(532)
Estimated net amount available to investors as at 31 Jan 2013	21,015	33,307
Total investor units	193,916	193,916
Estimated return in the dollar	0.11	0.17

The above table does not take into account future operating costs, interest on the other loan, future Receivers fees and rates and land tax. It also excludes any legal recoveries against borrowers, valuers or other third parties.

Subject to the sale of the properties currently on the market and where sale campaigns are to commence and particularly depending on the sale of the two largest properties, I anticipate commencing interim distributions to Investors shortly after 30 June 2013. The offer received for one of the two largest properties and where a contract has been issued is anticipated to settle on 28 June 2013. The other large property in South Australia has a number of different settlement dates, however the residential properties will likely settle by 30 June 2013.

The distribution to investors will take place after paying secured creditors, land tax and rates, Receivers fees and the unsecured creditors who rank ahead of Investors' interests.

6. Updated Unit Price

I have received numerous requests to provide an updated unit price. In this regard, I provide below an updated unit price as at 31 December 2012 of 16 cents, which is based on the mid-point of the high and low estimated selling prices of the secured assets as at 31 December 2012.

	\$000's
Total Value of Fund Assets as at 31 December 2012 (net of land tax and rates)	38,099
Less value of NAB facility	(1,100)
	36,999
Less Creditors and Other Payables	(6,375)
Total Net Value of Fund Assets	30,624
Total Number of Units as at 31 December 2012	193,916
Unit Price	0.16

Please note that the unit price has been calculated based on unaudited management accounts as at 31 December 2012.

I attach a copy of a letter to Centrelink confirming the unit price as at 31 December 2012, which may be used by Investors to assist with the revision of their pensions.

I have previously written to the Minister for Families, Housing, Community Services and Indigenous Affairs seeking consideration to exempt units in the Fund from social security deeming provisions to assist retirees who are income and asset tested. However, the Minister has advised that an exemption from the deeming rules are only provided in very limited circumstances and only when specific characteristics are met, including the investment ceasing to operate within the terms of the Product Disclosure Statement (PDS). The Minister considers that the freezing of distributions and the risks associated with this product is allowed for in the PDS and the constitution of the Fund and therefore an exemption will not be granted in this instance.

7. Receiver's Remuneration and Expenses

I attach a summary of my current remuneration and outlays outstanding for the period 1 September 2012 to 31 January 2013. My remuneration incurred during this period totals \$504,571.00 plus outlays of \$27,868.52 plus GST.

I anticipate that my next application for approval of my remuneration will be in March 2013. I will continue to advise Investors of all future applications with respect to seeking approval of my remuneration.

8. Updating your contact details

If Investors wish to update their postal address or bank details, a request should be submitted in writing to the following address.

Equititrust Income Fund (Receiver appointed)
C/- BDO
GPO Box 457
Brisbane QLD 4001

9. Queries

Monthly reports will continue to be uploaded to the websites www.equititrust.com.au and www.equitrustincomefund.com.au.

The remaining staff engaged by me to assist in the winding up of the Fund are located at the following address:

Postal Address: Equititrust Income Fund	Phone: 07 5510 4870
Wyndham Building	Fax: 07 5510 4907
Level 9, 1 Corporate Court	
BUNDALL QLD 4217	

Andrew Want of this office is, however, the key point of contact for all investor queries. Andrew can be contacted by the following;

Phone: 07 3237 5999
Email: andrew.want@equitrustincomefund.com.au

Should Investors have any queries in relation to the winding up of the Fund, they should contact my office on (07) 3237 5999 or by email at info@bdo.com.au.

Yours faithfully,



David Whyte
Receiver

Equititrust Income Fund (Receiver Appointed)
1 September 2012 to 31 January 2013

Employee	Position	Rate	Total Units	Total \$	Administration		Assets		Creditors		Employees		Trade-on	
					Units	\$	Units	\$	Units	\$	Units	\$	Units	\$
Whyte, David	Partner	560	393.80	220,528.00	66.10	37,016.00	276.30	154,728.00	11.40	6,384.00	0.00	0.00	40.00	22,400.00
Somerville, John	Senior Manager	425	425.90	181,007.50	48.70	20,697.50	293.20	124,610.00	23.60	10,030.00	0.00	0.00	60.40	25,670.00
Griffin, Maree	Associate	415	0.20	83.00	0.20	83.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Brush, David	Manager	390	2.50	975.00	2.50	975.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bulda, Andrew	Supervisor	350	0.50	175.00	0.50	175.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Demeyere, Chris	Senior Accountant I	310	1.30	403.00	0.00	0.00	1.30	403.00	0.00	0.00	0.00	0.00	0.00	0.00
Coulston, Jayden	Senior Accountant II	270	27.50	7,425.00	25.20	6,804.00	1.30	351.00	0.00	0.00	1.00	270.00	0.00	0.00
Want, Andrew	Senior Accountant II	270	338.50	91,395.00	325.50	87,885.00	2.80	756.00	4.10	1,107.00	0.00	0.00	6.10	1,647.00
Hogbin, Tom	Senior Accountant II	240	0.30	72.00	0.30	72.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Michalk, Dean	Senior Accountant II	220	1.40	308.00	0.00	0.00	0.00	0.00	1.40	308.00	0.00	0.00	0.00	0.00
Pembroke, Elle	Accountant I	220	1.70	374.00	1.70	374.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Jones, Annabel	Accountant I	190	7.70	1,463.00	7.70	1,463.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Alexander, Samuel	Consultant II	150	0.90	135.00	0.90	135.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Muller, Leisa	Practice Assistant	125	0.80	100.00	0.80	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Richardson, Ashley	Administrative Assistant	75	1.70	127.50	1.70	127.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL			1,204.70	504,571.00	481.80	155,907.00	574.90	280,848.00	40.50	17,829.00	1.00	270.00	106.50	49,717.00
			GST	50,457.10										
			TOTAL INC GST	555,028.10										
			AVERAGE HOURLY RATE	418.84	323.59	488.52	440.22	270.00	466.83					

DISBURSEMENT REPORT
Equititrust Income Fund (Receiver Appointed)
1 September 2012 to 31 January 2013

Item	
Airfares	4,394.46
Car Hire	200.86
Courier	464.07
Fax	7.00
General	2,567.87
Mileage	1,226.40
Parking	318.18
Photocopy	12,653.40
Postage	4,904.53
Search Fee	885.93
Taxi fares	245.82
Sub Total	27,868.52
GST	2,786.85
TOTAL	30,655.37

TO WHOM IT MAY CONCERN

28 February 2013

**EQUITITRUST INCOME FUND
ARSN 089 079 854
(RECEIVER APPOINTED) ("THE FUND")**

I refer to my court appointment on 21 November 2011 as interim Receiver and subsequent appointment on 23 November 2011 as Receiver of the Fund's assets and the person responsible for ensuring the winding up of the Fund in accordance with the terms of its constitution.

I provide an update on the estimated unit price of the fund as at 31 December 2012, calculated as follows:

	\$000's
Total Value of Fund Assets as at 31 December 2012 (net of land tax and rates)	38,099
Less value of NAB facility	(1,100)
	36,999
Less Creditors and Other Payables	(6,375)
Total Net Value of Fund Assets	30,624
Total Number of Units as at 31 December 2012	193,916
Unit Price	0.16

Should you have any queries in respect of the above, please contact Andrew Want of my office on (07) 3237 5711.

Yours faithfully,



David Whyte
Receiver