

TO INVESTORS

30 January 2015

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

I refer to my previous reports and now provide my 22nd update to Investors since my appointment as Court appointed Receiver and person responsible for winding up the EIF on 21 November 2011.

1. Asset Recoveries

1.1 Property Realisations

I advise that all real property assets of the Fund have now been realised. A summary of the property that has settled since my 21st update to investors and matters that are still to be finalised are provided below.

(i) Gold Coast, QLD

As advised in my previous report to investors, an agreement was reached with the defendant with settlement effected on 27 October 2014 with gross proceeds of \$1.75 million realised. The EIF no longer holds any interest in the property.

(ii) Wirrina Cove, SA

As advised in my previous report to investors, the only outstanding matter at Wirrina Cove is the resolution of objections to the land tax assessments of certain lots. In this regard, the South Australian Valuer-General has reduced the 2013/14 taxable site value from \$4.89 million to \$3.29 million and, therefore, a land tax refund of approximately \$60,000 is expected. The reduction in the taxable site values adopted by the South Australian Valuer-General is still higher than a valuation obtained, however, it is not considered commercially worthwhile to seek a review of the South Australian Valuer-General's decision given the risks and costs involved.

(iii) Cornwallis, NSW

As previously advised, the sale of the land and business settled on 22 May 2014 with gross realisations of \$3.5 million received by the Receiver and Manager appointed over the assets. There have been some delays experienced by the Receiver and Manager in finalising the Receivership due to post settlement issues, however, I have been advised that these matters will be resolved in the next month.

1.2 Legal Proceedings

As advised in my 21st 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:

- Two claims have been filed against the same valuer for negligence and damages in excess of \$10 million. On 10 December 2014, the Court ordered a revised timetable as follows:
 - (i) By 19 December 2014, the plaintiff serve further documents on the defendants.
 - (ii) By 13 February 2015, the defendants deliver any expert reports.
 - (iii) By 6 March 2015, the plaintiff deliver any expert report in reply to any expert reports delivered by the defendants.
 - (iv) The matter will be listed for a review on 11 March 2015.

The Judge listed the matter for review on 11 March 2015 in order to review the position after all the expert evidence has been obtained.

Any amount recoverable with respect to the claims will be sought against a professional indemnity insurance policy.

- Two other claims have been filed against separate valuers for negligence and damages.

We are currently finalising a Reply to the Defence filed by the Defendants on 19 December 2014, which is due to be filed by 30 January 2015.

It has been determined that it is not commercial to continue with the other claim following further analysis of the expert valuer's report. As such, this claim will be withdrawn.
- An agreement has been reached with the relevant parties to apportion the surplus proceeds that have been realised from the sale of a property. Settlement proceeds of approximately \$1.8 million will be received in the next 7 days.

I am hopeful that these claims can be finalised this calendar year.

1.3 Liquidators' claim against the Auditors and Directors and Officers

As Investors may be aware, a Claim and Statement of Claim was filed in the Federal Court on 27 September 2013 by the Liquidators of Equititrust Limited against the Auditors, Directors and Equititrust Limited in its own capacity for breach of duties. The claim includes the claims that were originally contemplated as being made on behalf of the Investors of the Fund as a class action.

The Liquidators have entered into a litigation funding deed with a litigation funder, which has been approved by the Court, to fund the action.

I have been provided with the following update from the Liquidators' solicitors in relation to the status of the claim and the public examination:

- a) following the dismissal of the Auditor's application to set-aside the summonses to appear at the examinations (and their subsequent application for leave to appeal), examinations took place in July 2014 and September 2014;
- b) various directors, employees and auditors have been examined but not everyone in respect of whom summonses were issued have been examined;
- c) each of the examinations were adjourned at the completion of the sessions rather than the examinees being released, in order to allow the Liquidator to call back individuals for a further examination if required; and

- d) an Amended Statement of Claim was filed on 31 October 2014 following the examinations.

On 3 December 2014, the Court ordered, inter alia, the following:

- (i) By 27 February 2015, the Defendants are to file and serve their Defences to the Amended Statement of Claim;
- (ii) By 20 March 2015, the Plaintiff is to file and serve any Reply to the Defences; and
- (iii) Proceedings are to be listed for directions by the Court on 25 March 2015.

Any funds realised from this claim will be paid to the Fund and after deducting the costs of the litigation.

I will keep Investors updated as to the progress, however, Investors should note that I will not be in a position to make a final distribution and finalise the winding up of the Fund until this litigation has been resolved.

2. Creditor Claims

2.1 Secured Creditors

As advised in my 21st report to Investors, secured creditors' claims have been discharged, with the exception of approximately \$989,000 in respect of bank guarantees issued by the National Australia Bank. The bank guarantees support bonds held by two Councils with respect to certain development sites.

As previously advised, it has been determined that it is not commercial to complete the outstanding works as the costs of the works are likely to significantly exceed the value of the bonds. Discussions are ongoing with the respective Councils to settle these matters.

2.2 Other Creditors

As previously advised, there are a number of creditors that are required to be paid (or funds retained) before further distributions can be made to Investors, which include:

- Trade creditors, which relate to liabilities necessarily incurred in the winding up of the Fund;
- Claims against the Fund made by the Liquidators of Equititrust Limited;
- Any other creditors outstanding at the date of my appointment; and
- Receiver's remuneration and outlays.

2.3 Claims by the Liquidators of Equititrust Limited ('EL')

As previously advised, I continue with efforts to resolve a claim against the Liquidators for the costs incurred in relation to the application in addition to resolving any other claims between the Fund and the Liquidators in respect of the amount owing at the date of their appointment (where I consider monies are owing to the Fund) and any amount due to the Liquidators after their appointment in relation to costs reasonably and properly incurred by them pursuant to the terms of the Fund's constitution. However, despite numerous requests by my solicitor to the Liquidators' solicitor for a response to a proposal to resolve the matter, one is yet to be received.

I am currently considering what further action can be taken in order to resolve this matter without further delay.

3. Receipts and Payments

I provide below a summary of the Receipts and Payments of the Fund for the period from 13 October 2014 to 26 January 2015.

Summary of Receipts and Payments for the Period		
13 October 2014 to 26 January 2015		
	\$	\$
Opening Cash at Bank		12,450,152.77
Receipts		
Interest Income		67,634.05
Loan Recoveries:		
Boothers Pty Ltd	1,750,000.00	
Wirrina Cove	120.00	1,750,120.00
Total Receipts		1,817,754.05
Payments		
Agent's Fees		16,500.00
Bank Charges		56.40
Bank Guarantee/Cash Bond		28,440.06
<i>Distressed Loan funding:</i>		
Boothers Pty Ltd	60,438.66	
Corymbia Corporation Pty Ltd	42,955.61	
Corymbia Estates Pty Ltd	17,746.20	
Graham Spottiswood (A Bankrupt)	80,209.75	
Tweed Central Pty Ltd	3,955.60	
Wirrina Cove	11,906.00	217,211.82
GST Paid		246,263.37
IT Expenses		20,396.33
Legal Fees		139,019.54
Printing and Stationery		1,452.17
Total Payments		669,339.69
Closing Cash at Bank		13,598,567.13

The 'Distressed Loan Funding' for Boothers Pty Ltd includes:

- Legal fees of approximately \$60,000, which relate to possession proceedings for a Gold Coast property that ultimately settled.



The 'Distressed Loan Funding' for Corymbia Corporation Pty Ltd relates to costs in pursuing a legal action and includes:

- Legal fees of approximately \$34,700
- Expert Witness fees of approximately \$8,250

The 'Distressed Loan Funding' for Corymbia Estates Pty Ltd relates to costs in pursuing a legal action and includes:

- Legal fees of approximately \$9,500
- Expert Witness fees of approximately \$8,250

The 'Distressed Loan Funding' for Wirrina Corporation Pty Ltd includes:

- Settlement monies payable in relation to the demountable buildings at Marina St Vincent of \$7,500
- Legal fees of approximately \$2,900
- Valuer fees of approximately \$1,500 to support an objection to the land tax assessment

The 'Distressed Loan Funding' for Graham Spottiswood (A Bankrupt) includes:

- Legal fees incurred to secure an interest in the surplus proceeds from the sale of a property

The 'Distressed Loan Funding' for Tweed Central Pty Ltd includes:

- Legal fees incurred in progressing a claim against a Valuer

The "Legal Fees" of \$139,019.54 includes:

- Assessed costs of \$54,016.19 payable to Equititrust Limited's legal counsel in relation to the court application to wind up the Fund
- The balance of approximately \$85,000 relates to legal fees which cannot be attributed to a borrower and are recorded as scheme expenses

The incurring of these costs is considered essential in terms of successfully recovering assets for the benefit of Investors.

4. Estimated Return to Investors

I provide below an overall estimated return to Investors of between 11.9 and 12 cents in the dollar as at 26 January 2015 as follows:

	Low	High
	\$000's	\$000's
Net Estimated Value of Fund Assets as at 26 January 2015	\$15,398	\$15,398
Less: Creditors and Other Payables	(\$2,069)	(\$1,819)
Estimated net amount available to investors as at 26 January 2015	13,329	13,579
Total investor units as at 26 January 2015	184,234	184,234
Estimated Value of Remaining Units as at 26 January 2015	7.2 Cents	7.4 Cents



5 cent interim distribution paid to investors	\$9,678	\$9,678
Total investor units as at 21 November 2011	193,912	193,912
Overall Estimated Return in the Dollar	11.9 Cents	12.0 Cents

The above table does not take into account future operating costs, future legal fees and future Receiver's fees.

It also excludes any potential legal recoveries against borrowers, valuers or other third parties.

4.1 Distributions to Investors

As advised in my previous report, an interim distribution of 5 cents per unit was made on 20 June 2014.

The timing of further distributions to Investors continues to be dependent on the timing of the resolution of the legal proceedings currently on foot and the resolution of the claims with the Liquidators of Equititrust Limited.

I anticipate that the winding up of the Fund may take a further twelve to eighteen months to finalise (including resolving the Liquidators' claim against the auditors), however, I continue to be hopeful that I will be in a position to make a further distribution to Investors before June 2015.

In order to reduce costs, I will issue my next update to Investors in April 2015 when I will update Investors further with respect to the anticipated timing of the next distribution to investors.

5. Updated Unit Price

I provide below an updated unit price as at 31 December 2014 of 7.4 cents, which is based on the mid-point of the high and low estimated net assets as at 31 December 2014.

	\$000's
Total Value of Fund Assets as at 31 December 2014	15,735
Less value of NAB facility	(989)
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	14,746
Less Creditors and Other Payables	(1,080)
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Total Net Value of Fund Assets	13,666
Total Number of Units as at 31 December 2014	184,234
Unit Price	7.4 cents

I attach a copy of a letter to Centrelink confirming the unit price as at 31 December 2014, which may be used by Investors to assist with the revision of their pensions.

As previously advised, I have 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.

6. Receiver's Remuneration and Expenses

I attach a summary of my current remuneration and outlays outstanding for the period from 7 October 2014 to 26 January 2015. My remuneration incurred during this period totals \$118,875 plus outlays of \$2,519.14 plus GST.

I anticipate that my next application for approval of my remuneration for the period 1 May 2014 to 31 December 2014 will be heard in February 2015. I am still finalising my affidavit to support the application, however, my remuneration claimed will be approximately \$475,000 plus GST. A copy of my application in this respect will be posted to the websites www.equitrust.com.au and www.equitrustincomefund.com.au and Investors will be notified when this application has been lodged.

7. 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.

Equitrust Income Fund (Receiver Appointed)
C/- BDO
GPO Box 457, Brisbane, QLD 4001

8. Queries

All queries should be directed to Dermot O'Brien of this office who can be contacted as follows;

Phone: 07 3237 5999
Email: Dermot.O'Brien@bdo.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

REMUNERATION REPORT - Summary of professional fees by category of work for the period 7 October 2014 to 26 January 2015
Equititrust Income Fund (Receiver Appointed)

Employee	Position	Rate	Totals		Task Area									
			hrs	\$	Assets	Creditors	Trade On	Investigations	Administration					
			hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$		
David Whyre	Partner	560	21.3	11,928.00	12.4	6,944.00	1.6	896.00	3.5	1,960.00	0.3	168.00	3.5	1,960.00
John Somerville	Senior Manager	440	59.4	26,136.00	29.9	13,156.00	8.5	3,740.00	0.9	396.00	0.5	220.00	19.6	8,624.00
Daniel Tipman	Supervisor	360	56.5	20,340.00	2.9	1,044.00	16.1	5,796.00	18.0	6,480.00			19.5	7,020.00
Jayden Coulston	Supervisor	360	0.2	72.00									0.2	72.00
Michael Dharmaratne	Supervisor	320	1.1	352.00			0.6	192.00					0.5	160.00
Daniel Tipman	Supervisor	320	139.3	44,576.00	29.7	9,504.00	76.7	24,544.00	23.4	7,488.00			9.5	3,040.00
Nicola Kennedy	Accountant I	225	20.4	4,590.00			9.1	2,047.50	8.2	1,845.00	0.5	112.50	2.6	585.00
Dermot O'Brien	Undergraduate	195	46.5	9,067.50									46.5	9,067.50
Nicole Jackson	Team Assistant	155	0.5	77.50			0.5	77.50						
Molira Hattingsh	Team Assistant	80	21.7	1,736.00	2.3	184.00							19.4	1,552.00
TOTALS			366.9	118,875.00	77.2	30,832.00	113.1	37,293.00	54.0	18,169.00	1.3	500.50	121.3	32,080.50
			GST	11,887.50										
			TOTAL INC GST	130,762.50										
			AVERAGE HOURLY RATE	324	399	330	336	385	264					

Note: All amounts exclude GST unless otherwise noted

Disbursements for the period 7 October 2014 to 26 January 2015

Equititrust Income Fund (Receiver Appointed)

Expense Type	Amount (\$ ex GST)
Photocopy	0.60
Search Fee	560.48
Postage	1,792.27
Accommodation	135.79
Parking	30.00
TOTAL	2,519.14
GST	251.91
TOTAL INC GST	2,771.05

TO WHOM IT MAY CONCERN

30 January 2015

**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 2014, calculated as follows:

	\$000's
Total Value of Fund Assets as at 31 December 2014	15,735
Less value of NAB facility	(989)
	<hr/>
	14,746
Less Creditors and Other Payables	(1,080)
	<hr/>
Total Net Value of Fund Assets	13,666
Total Number of Units as at 31 December 2014	184,234
Unit Price	7.4 cents

Should you have any queries in respect of the above, please contact Dermot O'Brien of my office on (07) 3237 5999.

Yours faithfully

David Whyte
Receiver