

TO INVESTORS AS ADDRESSED

30 November 2018

EQUITITRUST INCOME FUND
(RECEIVER APPOINTED) (the Fund or EIF)
ARSN 089 079 854

1. INTRODUCTION

I refer to my previous reports and provide my 33rd update to Investors since my appointment as Court appointed Receiver and person responsible for winding up the EIF on 21 November 2011. This report should be read in conjunction with my previous reports to Investors.

In summary:

- There have been three distributions to Investors to date totalling 11 cents in the dollar and based on the reducing number of units held. This equates to 10.6 cents in the dollar of the units held at the date of my appointment on 21 November 2011
- The current total estimated return to Investors is between 12.6 and 12.8 cents in the dollar as detailed at Section 5 of this report, with the further estimated distributions of between 2 and 2.2 cents in the dollar.

The remaining matters to be completed in order to finalise the winding up, are as follows:

- Resolve the claims by the Liquidators (refer Section 3.2)
- The Liquidators of Equititrust Ltd (In Liquidation) (Receivers and Managers Appointed) (EL) to resolve the proceedings against the directors of EL and the auditors of the fund. If successful, any balance of funds will be paid to the Fund after deducting the costs of the proceedings and a payment to the litigation funder (refer Section 2.1)
- Apply to Court for authority to pay an equalisation payment to Investors who did not receive a return of capital in the 2011 financial year (refer Section 5.2) and pay a final distribution (including the equalisation payment) to Investors to finalise the receivership.

The timing of the equalisation payment and final distribution to Investors is uncertain primarily as it is unknown when the proceedings against the directors of EL and the auditors of the Fund will be resolved. I will continue to hold all funds in an interest bearing account until these directions are sought and the final distribution is ready to be made.

2. LEGAL PROCEEDINGS

2.1. Liquidators' claim against the Auditors and Directors and Officers

As previously advised, a Claim and Statement of Claim was filed in the Federal Court on 27 September 2013 by the Liquidators of EL against the Auditors, Directors and EL 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.

I have received an update from the Liquidators' solicitors and note the following in relation to the proceedings:

- On 26 April 2018, Foster J set the proceedings down for final hearing commencing on 18 March 2019, for five weeks
- The parties to the litigation attended a mediation in September 2018 and are currently in ongoing confidential discussions. Otherwise the proceedings are listed for a case management conference on 13 December 2018.

As previously advised, the Liquidators entered into a litigation funding deed with a litigation funder, which has been approved by the Court, to fund the action against the Auditors, Directors and EL in its own capacity.

Therefore, the Fund is not bearing any costs of the litigation, however, any funds realised from this claim that relate to the EIF will be paid to the Fund (after deducting the costs of the litigation).

Please 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. I will provide a further update to Investors in my next report.

3. CREDITOR CLAIMS

3.1. Other Creditors

As previously advised, there are a number of creditors that are required to be paid 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
- Potential claims against the Fund made by the Liquidators of EL (refer Section 3.2 below)
- Any other creditors outstanding at the date of my appointment
- Receiver's remuneration and outlays.

3.2. Claims by the Liquidators of EL

As advised in my last report to Investors, repeated attempts have been made to resolve all claims between the Fund and the Liquidators in respect of a costs order awarded against EL in the proof of debt proceedings and 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.

The Liquidators' total claims are for approximately \$2.1M (remuneration of \$1.2M and expenses of \$0.9M), which seems unreasonable as I have been in control of the Fund since before their appointment and Receivers have been appointed to the second mortgage fund, Equititrust Premium Fund. Therefore, in my opinion, there has been little for them to do other than pursue the proceedings against the Auditors and Directors, which is subject to litigation funding.

A detailed review of their claim has been undertaken however has been hampered by no timesheets being provided for the Voluntary Administration period. However, my review of the Liquidators' timesheet entries totalling \$1.2M has only been able to identify approximately \$8,000 as directly relating to the Fund.

The Liquidators have not separated the narrations to differentiate the work done on the following distinct matters:

- general Liquidators' work for the corporate entity, EL
- the EIF
- the EPF
- the EPCIF
- the Sophisticated Fund.

The invoices provided in relation to the Liquidators' expenses have also been redacted to the point that there is insufficient information for me to make a proper assessment as to the extent they are justifiable expenses against the Fund.

On 3 August 2018 my solicitors filed an application for directions under proceeding 10478 of 2011 in the Supreme Court of Queensland.

The application sought the following directions:

- That the Liquidators be directed to, inter alia:
 - call for and adjudicate upon claims against EL
 - Identify whether EL has a claim for indemnity from property of the EIF
 - provide the Receiver with notice of any eligible claims against the property of the EIF
- That the Receiver be able to accept or reject the eligibility of the claims and provide his reasoning to the Liquidators for rejecting any claims
- That the Receiver may apply Court for directions to determine the eligibility of any claims.

The application was set down to be heard on 30 August 2018, however, following discussions with the Liquidators, it was agreed to adjourn the hearing until 20 September 2018 so that both parties could file and serve further affidavits and submissions. The Court made orders to that effect on 30 August 2018.

A further adjournment was agreed between the parties on 20 September 2018, with the matter again adjourned until 12 October 2018 so that further submissions could be made. The Court made orders to that effect on 20 September 2018.

The matter was heard on 12 October 2018 where Justice Boddice reserved his decision and directed that the parties provide their preferred version of the Orders, together with short written submissions as to why that version of the Orders should be made on 15 October 2018. After the decision was

reserved, further without-prejudice discussion occurred between the parties with a view to narrowing the matters in dispute as regards the proposed Orders. The principal points of disagreement remained the process for payment of disbursements, where the Liquidators continued to seek to supply only redacted invoices, and the order proposed by the Liquidators that the Receiver not be permitted to distribute any funds in the receivership without further Court order.

At the date of this report, the Court is yet to deliver its judgement in relation to the matter. Once judgement is received, I will arrange for the sealed order to be uploaded on the EIF websites and notify Investors.

4. RECEIPTS AND PAYMENTS

I provide below a summary of the Receipts and Payments of the Fund for the period from 1 June 2018 to 31 October 2018.

Summary of Receipts and Payments for the period	
1 June 2018 to 31 October 2018	
	(\$)
Opening Cashbook Balance	6,305,171.35
Receipts	
Interest Income	72,523.35
GST Received	91,957.75
Loan Recoveries - Wirrina Cove	156.87
Valuer Claim Settlement	1,575,000.00
Total Receipts	1,739,637.97
Payments	
Advertising	(3,061.65)
Bank Charges	(50.00)
IT Expenses	(8,316.00)
Legal Fees	(62,114.65)
Printing & Stationery Expenses	(4,345.14)
Total Payments	(77,887.44)
Closing Cashbook Balance	7,966,921.88

I note the following in relation to the above receipts and payments of the Fund:

- The loan recovery relates to minor debtor collections for an outstanding water bill on Wirrina Cove, which has now been finalised
- The valuer claim was settled for \$1.575m. For further details, please refer to my 32nd report to Investors
- Advertising relates to notice requirements for the directions application brought by the Receiver to deal with the Liquidators' claims
- IT expenses include the cost of hosting and maintaining the Equititrust server and licence fees for the Investor management database
- Legal fees primarily relate to:
 - the costs in settling the valuer claim
 - dealing with the claims by the Liquidators of EL (see Section 2.1).
- Printing and stationery expenses relate to the external cost of copying and issuing correspondence to Investors.

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

5. ESTIMATED RETURN TO INVESTORS

To date the following distributions have been paid to Investors:

- First interim distribution of 5 cents per unit paid in June 2014 totalling \$9.696 million
- Second interim distribution of 3 cents per unit paid in June 2015 totalling \$5.526 million
- Third interim distribution of 3 cents per unit paid in September 2015 totalling \$5.36 million.

As previously advised, the Fund recorded an accounting and tax loss for the year ended 30 June 2011. Accordingly, the Fund had no surplus income available to distribute to Investors in the 2011 financial year. All payments to Investors other than payments of interest accrued as at 30 June 2010 were deemed by the Fund as a partial repayment of capital.

Prior to my appointment, the Fund accounted for this partial repayment of capital as a corresponding reduction in the unit balance of the Fund. The accounting treatment for the first, second and third interim distributions paid by me in June 2014, June 2015 and September 2015, respectively, has remained the same (i.e. as distributions are made, the number of units in the Fund continue to decrease in accordance with the amount distributed to Investors). Therefore, the cents per unit return for each distribution is calculated based on the units in the Fund at that point in time.



In light of the above, I provide below the overall estimated return to Investors of between 12.6 cents and 12.8 cents per unit as at 31 October 2018 as follows:

Estimated Return to Investors	Low	High
	\$000's	\$000's
Cash at Bank as at 31 October 2018	7,967	7,967
<i>Add:</i>		
Outstanding GST Refunds	10	10
Estimated Value of Fund Assets as at 31 October 2018	7,977	7,977
<i>Less:</i>		
Estimated Creditors and Other Payables	(540)	(290)
Estimated Receiver's Remuneration - 1 November 2017 to 31 May 2018	(247)	(247)
Estimated Receiver's Disbursements - 1 November 2017 to 31 May 2018	(9)	(9)
Estimated Receiver's Remuneration - 1 June 2018 to 31 May 2019	(230)	(155)
Estimated Receiver's Disbursements - 1 June 2018 to 31 May 2019	(15)	(10)
Estimated Receiver's Costs (e.g. legal fees, IT costs etc.) - 1 June 2018 to 31 May 2019	(255)	(160)
Estimated Equalisation Payment	(2,924)	(2,924)
Estimated Net Amount Available to Investors as at 31 May 2018	3,757	4,182
<i>Add:</i>		
3 cent Interim Distribution paid September 2015	5,360	5,360
3 cent Interim Distribution paid June 2015	5,526	5,526
5 cent Interim Distribution paid June 2014	9,696	9,696
Total Funds Available for Distribution to Investors	24,339	24,764
Total Investor Units as at 21 November 2011	193,912	193,912
Overall Estimated Return to Investors per Unit	12.6	12.8

The above estimate is consistent with my previous update and is prepared on the following basis:

- It includes all estimated future recoveries, Receiver's fees and costs and excludes any recoveries from the Liquidators' proceedings as the matter is before the Court and any recovery for the benefit of the Fund is uncertain (see Section 2.1)
- That the winding up of the Fund will be finalised by 30 June 2019. If the winding up of the Fund extends beyond 30 June 2019, the estimated return to Investors may change.

5.1. Future Updates and Distributions to Investors

As previously advised, I will not be in a position to make further distributions to Investors until the Liquidators of EL finalise their proceedings (see Section 2.1) and the claims by the Liquidators of EL have been resolved (see Section 3.2).

I anticipate that the winding up of the Fund may take a further seven months or more to finalise unless out of Court settlements can be reached in relation to the above Liquidators' claims against the directors of EL and the auditors of the Fund. The timing of the final distribution to Investors is therefore uncertain. I will continue to hold all funds in an interest bearing account until the final distribution is ready to be made.

I will continue to provide updates to Investors on the winding up progress and the timing of future distributions. I will issue my next update to Investors by 31 March 2019 unless the Liquidators' settle their claim against the directors and auditors of EL in the interim. Should this occur, I will update Investors upon confirmation of settlement of the proceedings and advise of any further monies to be received by the Fund.

5.2. Equalisation Payment to Investors

As previously advised, an equalisation payment is proposed to Investors who did not receive a partial repayment of capital during the period from 1 July 2010 up until the cessation of distribution payments in March 2011. These Investors include Investors that elected to receive distribution payments annually and where their investments did not mature during this period.

The equalisation payment is also proposed to ensure an equitable return of capital is paid to all Investors given the different interest rates applicable for each class of unit which was used in calculating the partial return of capital paid at the relevant time.

In this regard, I have calculated the total equalisation payment to Investors to be \$2.924M across 2,447 separate Investor accounts. An adjustment for the equalisation payment is reflected in the estimated return to Investors at Section 5 and is in line with the estimate in my previous reports to Investors.

My solicitors have commenced preparing the relevant material for the Court application to approve the equalisation payment. However, as I am also required to seek orders from the Court in relation to the finalisation of the winding up of the Fund (including payment of a final distribution), I have determined, in conjunction with my solicitors, that it would be more appropriate to join the applications and seek orders to distribute both the equalisation payment and a final distribution at the same time.

This means that there will be one final distribution instead of two small distributions, which will save on both professional and external costs in applying for and distributing separate amounts to Investors.

Investors will be advised of the application in due course and a copy of the relevant documentation will be uploaded to the websites www.equititrustincomefund.com.au and www.equititrust.com.au.

6. RECEIVER'S REMUNERATION AND EXPENSES

I attach a summary of my current remuneration and outlays incurred since my last report to Investors, which covers the period from 1 June 2018 to 31 October 2018 totalling \$77,685.50 plus outlays of \$1,505.48 (both excluding GST).

The last Court approval of my remuneration covering the 12 months ended 31 October 2017 was heard on 20 December 2017 and approved in the amount of \$289,601.50 (excluding GST), equating to \$24,133 (excluding GST) per month. My unbilled remuneration since then, covering the period from 1 November 2017 to 31 October 2018 (including the period detailed above), totals \$247,081.50 (excluding GST), equating to \$20,590 (excluding GST) per month.

The main tasks undertaken during the period were:

- Correspondence with Investors, including:
 - Confirmation of unit holding balance
 - Change of details
 - Transfer of units.
- Ongoing maintenance and updating of the Investor database
- Correspondence with Investors' financial advisors seeking updates in relation to the Fund
- Reviewing expert reports and documentation in relation to the valuer claim. Meetings and correspondence with my solicitors and counsel in relation to the claim. Attending mediation and subsequent negotiations to settle the claim
- Reviewing correspondence from the Liquidators and their solicitors in relation to the claim against the auditors and directors and EL
- Preparing and lodging statutory returns
- Review and payment of costs incurred on behalf of the EIF, including advertising, legal, IT and printing costs
- Preparing my remuneration application to Court and supporting material for the period 1 November 2016 to 31 October 2017
- Liaising with my solicitors in relation to the remuneration application to Court for the period 1 November 2016 to 31 October 2017
- Reviewing claim and Court application made by former employee in respect of the realisation of assets subject to the Fund's security over a borrower. Liaise with my solicitors in relation to responding to the claim
- Finalisation of equalisation payment calculations
- Preparation of explanatory notes to the equalisation payment to assist in the preparation of the Court application, including reference to issues where manual review and adjustments were required. These included where:

- New units were acquired and reinvestments took place during FY2011
- Units were transferred to different/new unit holdings during FY2011 and at a later date
- Hardship and redemption payments were made during FY2011.
- Correspondence with the Liquidators regarding insufficient documentation provided to support their claim for remuneration and expenses from the Fund
- Liaising with my solicitors and ASIC in relation to the extension of EL's Australian Financial Services Licence suspension
- Liaising with and instructing my solicitors and counsel in relation to the application to Court to determine the Liquidators' indemnity claims for payment of fees and expenses from the Fund
- Considering and liaising with my solicitors and counsel regarding the affidavits filed by the Liquidators and reviewing and considering orders proposed by the Liquidators and alternative orders to be sought on behalf of the EIF.

My solicitors have prepared the next application for approval of my remuneration for the period 1 November 2017 to 31 October 2018 in the amount of \$247,081.50 (excluding GST). I anticipate that the application will be filed and Investors notified of the application within 7 days of this report, with the matter to be heard in the Supreme Court of Queensland in late December 2018.

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.

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

8. QUERIES

All queries should be directed to this office, as follows:

Phone: (07) 3237 5999
Email: equititrust@bdo.com.au

All updates to Investors are posted to the websites; www.equitrustincomefund.com.au and www.equititrust.com.au.

Yours faithfully



David Whyte
Receiver

REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 June 2018 to 31 October 2018
Equititrust Income Fund (Receiver Appointed)

Employee	Position	Rate	Totals			Task Area									
			hrs	\$	Assets		Creditors		Trade On		Investigations		Administration		
			hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$	
David Whyte	Partner	595	15.4	9,163.00	0.3	178.50	9.9	5,890.50	5.2	3,094.00					
David Whyte	Partner	580	2.5	1,450.00	0.1	58.00	1.4	812.00	1.0	580.00					
Charles Haines	Associate Director	510	0.1	51.00			0.1	51.00							
Charles Haines	Associate Director	470	0.1	47.00	0.1	47.00									
Jayden Coulston	Manager	445	69.1	30,749.50	1.3	578.50	52.4	23,318.00			6.3	2,803.50		9.1	4,049.50
Jayden Coulston	Manager	430	15.0	6,450.00			12.5	5,375.00			1.2	516.00		1.3	559.00
Megan Dopking	Senior Accountant	320	0.3	96.00										0.3	96.00
Megan Dopking	Senior Accountant	310	1.8	558.00			1.8	558.00							
George Lethbridge	Graduate Accountant	220	18.1	3,982.00			17.7	3,894.00						0.4	88.00
Antoinette Fielding	Graduate Accountant	220	47.9	10,538.00	4.3	946.00	38.5	8,470.00			1.7	374.00		3.4	748.00
Sarah Cunningham	Accounting Assistant	220	0.1	22.00										0.1	22.00
Eloise Carroll	Graduate Accountant	220	17.1	3,762.00					0.2	44.00				2.6	572.00
Antoinette Fielding	Graduate Accountant	215	10.4	2,236.00	0.3	64.50	9.9	2,128.50						0.2	43.00
Ryan Whyte	Undergraduate	180	28.9	5,202.00			27.8	5,004.00						1.1	198.00
Ryan Whyte	Undergraduate	175	3.8	665.00			3.8	665.00							
George Lethbridge	Graduate Accountant	175	9.4	1,645.00	0.5	87.50	8.0	1,400.00			0.4	70.00		0.5	87.50
Moira Hattingh	Practice Assistant	100	8.6	860.00										8.6	860.00
Moira Hattingh	Practice Assistant	95	2.2	209.00										2.2	209.00
TOTALS			250.8	77,685.50	6.9	1,960.00	198.1	60,712.00	6.4	3,718.00	9.6	3,763.50	29.8	7,532.00	
			GST	7,768.55											
			TOTAL INC GST	85,454.05											
AVERAGE HOURLY RATE			310	284	306	581	392	253							

Note: All amounts exclude GST unless otherwise noted

Disbursements for the period 1 June 2018 to 31 October 2018

Equititrust Income Fund (Receiver Appointed)

Expense Type	Amount (\$ ex GST)
Postage	1,444.52
Search Fee	60.96
TOTAL	1,505.48
GST	150.55
TOTAL INC GST	1,656.03