



## EQUITITRUST CAPITAL

### Continuous Disclosure Statement

Equititrust Income Fund ARSN 089 079 854  
Equititrust Limited ACN 061 383 944, AFSL 230471  
Issued by Equititrust Limited on 22 December 2011

#### Equititrust Income Fund (EIF) – Updated Unit Price: KPMG audit recommendations

Since we last reported to members there have been a number of adverse events surrounding Equititrust including the appointment of a Receiver to the assets of the Fund, the suspension of Equititrust's Australian Financial Service Licence, further publicity surrounding a potential class action by Piper Alderman, and events of defaults alleged by secured creditors. We have also seen further deterioration in the finance and property sectors both domestically and internationally.

KPMG, the EIF auditor, has provided Equititrust Limited with recommendations as to further impairments to assets as at 30 June 2011. These have been adopted by the Board, and will be taken into account as the 2010-2011 Statutory Accounts are finalized. The Board is continuing to work with KPMG to finalise the audit and statutory accounts.

As a result of the further impairments and using the methodology discussed below the value of an Ordinary Unit in EIF has been determined to have an estimated value of \$0.44 (ie 44 cents).

The simplified mechanics of the calculation are as follows:

Total value of Fund Assets		\$111,165,773*
Less value of NAB facility		<u>(\$15,500,000)*</u>
		\$95,665,773*
Less Creditors and Other Payables		<u>(\$6,808,394)*</u>
		\$88,857,379*
<b>Total Net Value of Fund Assets</b>	<b>A</b>	<b>\$88,857,379*</b>
<b>Total Number of Ordinary Units issued</b>	<b>B</b>	<b>203,634,856*</b>
<b>Current value of an Ordinary Unit</b>	<b>A/B</b>	<b>\$0.44*</b>

**\*Please note that these figures are currently unaudited figures which are subject to final audit sign off and review, and are after the deduction of \$9.7m worth of capital repayments which some unit holders have received as described below.**

An extract of the relevant clauses of the EIF constitution dealing with the calculation of the unit price is included in a separate document provided on this website titled "EIF Constitution extracts – Calculation of unit value" dated June 2011.

Equititrust Limited holds 40,000,000 subordinated units in EIF and it has taken the loss of the first \$40,000,000 of impairments to asset value, such that the investment held by Equititrust Limited now has a nil value.

Unitholders should be aware of the following additional factors regarding this estimate of current unit value of Ordinary Units:

- The values used are those estimated as at 30 June 2011;
- Ongoing operating costs, including future bank interest, Receivers fees, solicitors fees, and the costs incurred in managing the EIF, have not been recognised in this calculation and equally further income earned from interest during the realization process has also not been recognised;
- The selling costs relating to secured properties, where it is likely that those properties will need to be sold to repay the debt, have been recognised wherever possible in the estimate of current asset value;
- We have not taken into account any "equalization amounts" which may be payable to some investors including those holding investments where distributions were paid on an annual basis and as such those investors have not had the same level of distributions for the current year as investors who were receiving monthly distributions. The amount involved is not material in the context of the overall calculation.
- The above figures are after any capital payments made during the period 1 July 2010 to 30 June 2011 (totalling some \$9,732,134.64). The impact on investors may vary slightly given that not all investors have received the same monthly distributions due to variations in Benchmark Rate, timing of payment of distributions (ie monthly or annual), etc.

### **Income Tax Impact on Investors**

Many investors have asked us about the impact of recent events regarding their investment in EIF on their own income tax position. Equititrust is not an expert in taxation matters and does not provide taxation advice and in addition not all investors are in the same taxation position.

So whilst we share below our understanding of the "typical" position investors are encouraged to seek their own independent expert advice on all taxation matters. Put simply though, in almost all cases, there is no assessable income from your EIF investment for the year ended 30 June 2011.



### ***Assessable Income – Monthly distribution***

For those investors who chose to receive a distribution monthly we understand the position to be as follows:

- The ordinary monthly payment received on 1 July 2010 was in relation to the 30 June 2010 year and accordingly it
  - was included in your Client Income Statement for the year ended on 30 June 2010 sent to investors on or about 31 July 2010;
  - should therefore have been included in your 30 June 2010 income tax return; and
  - therefore is not assessable income in the 2010/11 financial year;
- EIF has recorded an accounting loss and a tax loss for the year ended 30 June 2011. Accordingly as EIF has no income to distribute the ordinary monthly payments received by investors in the period 2 July 2010 to 29 March 2011 are all partial repayments of capital and therefore are not income and will not need to be included in the assessable income in an investor's tax return for the current year.
- These distributions of capital will usually need to be taken into account in calculating any capital loss incurred were you to dispose of your units in EIF.

### ***Assessable Income – At Maturity or Annual Distribution***

The vast majority of investors chose to receive distributions monthly, however, a modest number of investors elected to receive distributions once annually, on the maturity of their investment. Such distributions were paid on the first business day after the maturity date. Those investors fall into one of two categories – (1) those who have received a distribution between 1 July 2010 and 29 March 2011 and (2) those who have not received an ordinary distribution at all during this period.

For those investors who have received a distribution during the period we understand the position to be as follows:

- If the payment was received on 1 July 2010 (ie maturity date of 30 June 2010) then the whole of the payment relates to the year ended 30 June 2010 and it would all have been shown as such in your Client Income Statement for the year ended on 30 June 2010 sent to investors on or about 31 July 2010.
- If the payment was received after 1 July 2010 then part of the payment would relate to the year ended 30 June 2010 and the remaining amount relates to the current financial year (year ended 30 June 2011). The amount received in relation to the year ended 30 June 2010



was shown as “accrued” in your Client Income Statement for the year ended on 30 June 2010 sent to investors on or about 31 July 2010. As EIF will record an accounting loss and a tax loss for the year ended 30 June 2011, EIF has no income to distribute and the payment received by investors in relation to this financial year is a partial repayment of capital and, therefore, is not income and will not need to be included in the assessment of income in investor’s tax return for the current year.

- Unlike last year there will be no accrued but unpaid income at 30 June 2011 in relation to the year ended on that date.
- These distributions of capital will usually need to be taken into account in calculating any capital loss incurred were you to dispose of your units in EIF.

For those investors who have not received a distribution at all during the period since 30 June 2010 we understand the position to be as follows:

- In relation to the year ended 30 June 2010 the Client Income Statement provided to you on or about 31 July 2010 included an amount accrued at 30 June 2010 and thus to be included in your assessable income for last year. It is our current expectation that this accrued amount will be paid when funds are available from assets sales after the National Australia Bank is fully repaid.
- In relation to the year ended 30 June 2011, you have not received any payment and as EIF will record an accounting loss and a tax loss for the year ended 30 June 2011, EIF has no income to distribute and accordingly there will be no accrued amount either.

As you can see the position is different for different situations and we emphasise that investors should seek expert advice as to their own taxation position.

## **Distributions**

The NAB facility is expected to be fully repaid in 2012 from the sales proceeds of secured properties. Once the bank facility and other liabilities are fully repaid the Directors of Equititrust Limited will consider the then forward cash flow projections of EIF and provide an update to investors of the likely future distribution timetable.

Payments to investors will not recommence before the bank is fully repaid. All future payments are expected to be payments of capital and not income.

