

TO INVESTORS

27 March 2012

EQUITITRUST INCOME FUND ARSN 089 079 854 (“EIF”) (RECEIVER APPOINTED) (“The Fund”)

I refer to my previous two reports dated 1 February 2012 and 21 February 2012 and now provide my third update to investors on the progress of the winding up of the Fund by me as Court appointed receiver of the property of the Fund.

1. Court Order

Following the appointment by the board of Equititrust Limited of Blair Pleash, Richard Albarran and Glen Oldham of Hall Chadwick as Voluntary Administrators and Will Colwell and Greg Moloney of Ferrier Hodgson on 16 February 2012 as privately appointed Receivers and Managers of Equititrust Ltd (Administrators Appointed) (Receivers and Managers Appointed) (“EL”) by NAB, it was agreed amongst the parties that in order to save any duplication of effort and costs that I would apply to the court for further directions to clarify the roles of the various insolvency practitioners appointed and for directions that I (as Court appointed receiver) should continue with the winding up of the Fund pursuant to the powers already granted to me by the Court.

The attached court order dated 29 February 2012 includes confirmation that I may:

- take all steps necessary to realise the property of the EIF, including executing documents on behalf of the responsible entity;
- bring, defend or maintain any proceedings on behalf of the EIF in the name of Equititrust Ltd (Administrators Appointed) (Receivers and Managers Appointed); and
- take all steps necessary to effect the NAB bank guarantee facility and replace the CBA bank guarantee facility (this is currently in course to replace the existing facility of approximately \$1.2M).

2. Realisation of Assets

As I have previously advised investors, the purpose of my appointment by the Court is to ensure that the Fund is wound up in accordance with its constitution. The constitution of the Fund provides that when the Fund is being wound up, all assets must be converted to money, all proper costs deducted and then a distribution made to each investor in proportion to the investor’s interest in the Fund.

The process of the winding up of the Fund for the benefit of investors is well underway.

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 individual properties and/or their expected realisable values.

As noted above, the realisation of assets the subject of security in favour of the Fund is well underway. This process involves all real property assets charged with security in favour of the EIF (in respect of the defaulting loans) either already being on the market or about to have sale campaigns commenced (with the exception of two properties). With respect to the two properties not presently subject to sales campaigns, solicitors have been instructed to commence possession proceedings in respect of one of the properties and in respect of the other, I have asked three planning consultants/real estate advisors to provide their recommendations on whether or not a revised development application should be pursued before taking that property to the market.

Marketing costs of \$240,688 have been approved in respect of the commencement of eight sale campaigns to date. I am currently obtaining updated valuations on a number of properties. I will review the estimated outcome to investors on completion of valuations and ongoing offers received/market feedback.

I summarise in the table below the sales completed since my appointment, contracts on foot and current offers accepted awaiting execution of contracts:

	\$
Sales completed	3,148,866
Five contracts on foot	4,134,820
Four offers accepted, awaiting executed contracts	6,775,140

Of the five contracts on foot, \$2.75M is due to settle on 2 April 2012, \$500K is to be confirmed and the three others are due to settle between 30 November 2012 and 23 December 2012;

Of the offers accepted, two contracts are 30 days unconditional contracts, one is a 90 days unconditional contract and the other contract involves a 30 days due diligence clause followed by a 60 day settlement.

I will update investors on the progress on the sales in my monthly reports to investors. Given the contracts on foot and offers accepted, I am hopeful that the secured creditors of the Fund (NAB and CBA) will be paid in full by the end of June 2012. With the benefit of further sales of the properties currently on the market and where sale campaigns are to commence, I am hopeful I will be able to commence interim distributions to investors in the second half of this year.

3. Legal Proceedings

There are currently nine legal actions on foot although five are largely finalised with cost orders to be recovered in four of those matters.

Judgement was handed down on one matter on 13 March 2012 in the amount of \$401,554 plus interest and costs.

The remaining actions are expected to realise several million dollars for the benefit of investors although this may take some time to realise.

Additionally, as noted above I have instructed solicitors to commence possession proceedings in respect of one property. In addition instructions have been given in relation to two actions against

the same valuer for negligence and damages in excess of \$10M. Any amount recoverable in this latter respect will be sought against a professional indemnity insurance policy.

4. Receipts and Payments

Summary of Receipts and Payments for the Receivership Period 21 November 2011 to 25 March 2012		
RECEIPTS		Amount (\$)
Transfer from pre-appointment bank account		653,867.63
Loan Recoveries:		
Rosea Pty Ltd	19,583.33	
Toowoomba (Foundry Shopping Centre) Pty Ltd	23,391.67	
Gamp Developments Pty Ltd	2,254,292.44	
Tweed Central Pty Ltd	550,116.27	
Hollyander Pty Ltd	344,457.88	3,191,841.59
Total Receipts		3,845,709.22
PAYMENTS		Amount (\$)
Bank Charges		138.20
Distressed Loan Funding:		
Checkling Pty Ltd (Receiver & Manager Appointed)	121,399.28	
Corymbia Corporation Pty Ltd	188,017.32	
CTP Pty Ltd	17,941.00	
East Coast Pty Ltd	40,867.61	
Gamp Developments Pty Ltd	75,116.47	
Gonfanon Pty Ltd (Receiver & Manager Appointed)	924.55	
Glenrowan Land Pty Ltd	4,215.00	
ICA (South Australia) Pty Ltd (Receiver & Manager Appointed)/Sunset Cove Developments Pty Ltd	312,392.48	
Kele Property Group (Port Macquarie) Pty Ltd	326.00	
Morvale Land Pty Ltd	19,535.05	
Mountbell Pty Ltd	51,990.76	
Newton, Kristine Lorraine	2,041.75	
Resort Corporation Pty Ltd (In Liquidation)	1,210.00	
Toowoomba (Foundry Shopping Centre) Pty Ltd	15,002.91	
Tweed Central Pty Ltd	65,668.04	
Valencia Grove Pty Ltd	6,305.75	
Western Lands Corporation Pty Ltd	45,500.00	
Windsor Turf Pty Ltd (Receiver & Manager Appointed)	121,506.57	1,089,960.54

Document Production - Printing/Copying		5,863.86
GST Paid		250,689.00
IT expenses		8,627.67
Legal Fees		239,250.97
Office rental		7,791.66
Purchase of office equipment		20,496.71
Reimbursement of expenses - Equititrust Limited		
Pre-appointment (prior to 21 November 2011)	653,867.63	
Post-appointment (subsequent to 21 November 2011)	305,682.62	959,550.25
Telephone/Fax/Internet		9,518.65
Wages and Salaries		25,640.37
Total Payments		2,617,527.88
Cash at Bank		1,228,181.34

5. Potential Proposed Change in Responsible Entity

A number of investors have queried with me what the effect a change in the responsible entity for the Fund would have and how this may affect the winding up of the Fund pursuant to the court orders of 21 and 23 November 2011 and 29 February 2012.

At the first meeting of creditors held by the Voluntary Administrators on 27 February 2012, Richard Albarran stated that his view was that the responsible entity should be changed. However it is my view that he did not fully articulate the reasons why he held this view or explain the key issues relating to this course of action.

In order for investors to be better informed, some of the key issues to consider in respect of a potential change in the responsible entity are, in my view, the following:

- The board of EL resolved at a meeting on 11 October 2011 to wind up the EIF;
- EL made an application to the court on 21 November 2011 requesting a replacement responsible entity however this application was refused by the judge;
- If the request was not granted, EL requested that the EIF be wound up by order of the Court (the Court made such an order);
- EL's Australian Financial Services Licence ("AFSL") is currently suspended however this does not prevent EL remaining as responsible entity during the course of the winding up of the fund;
- In the event there is a change in the responsible entity, there is a significant risk this will trigger EL's subordinated investment of \$40M to rank equally with ordinary investors. This would result in a reduction in the return to ordinary investors of approximately 17% and provide an estimated return to Equititrust Ltd of between \$11.3M and \$15.3M (based on the estimated recoveries contained in my letter to investors of 1 February 2012);
- Should the responsible entity be changed, this of itself will not affect my role as Receiver of the property of the Fund or as person responsible for ensuring the winding up of the Fund in accordance with its constitution;
- The court order in respect of my appointment is final (subject to an appeal, which has not been progressed);

- As previously advised, an appeal was lodged by EL on 19 December 2011 however has not been progressed. The appeal was not in respect of the orders made winding up the Fund but rather was to seek to clarify my powers in relation to same. In these circumstances, the winding up process continues.

Given the above comments, and particularly the estimated potential benefit of between \$11.3M and \$15.3M to EL to the detriment of ordinary investors of the EIF, I have queried why the Administrators view is to recommend a change in responsible entity and their reasons for making the comments at the first meeting of creditors. A response to my query is awaited in this respect.

6. Piper Alderman Class Action

A number of investors have queried what they should do in relation to the proposed class action proposed by Piper Alderman in relation to potential claims against directors/former directors of EL and the auditors of the EIF. Investors have asked if they should join the class action.

I have considered whether or not, as Receiver of the assets of the EIF and person responsible for winding up the Fund, I am able to prosecute any such claims on behalf of investors. The current constitution of the EIF does not allow such a course of action by me. The correct plaintiff in any such action is the individual investor or a group of investors.

Investors should take their own legal advice as to what options may be open to them in respect of these claims.

7. Premises Move

As advised in my letter of 15 March 2012, the staff and consultants engaged to assist me in the winding up of the Fund have moved to the following premises:

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

The purpose of this office move was to save costs and to avoid interference with the staff and consultants by the board of EL and persons associated with them who still occupied the Chevron Island premises.

8. Services Agreement/Reduction in Overheads

As advised in my first report to investors dated 1 February 2012, as the staff/consultants were engaged by ECGA (who also provided the premises, plant and equipment for the staff/consultants use). I entered into a services agreement covering these arrangements and in order to reduce overheads from an average of \$514K to \$147K per month.

The intention had been for the staff and consultants to be transferred to the new service provider, GCP (HQ) Pty Ltd however this had not been completed at the time of the Administrators appointment.

The staff and consultants retained to assist in the winding up of the Fund have now been terminated by the Administrators. I am now employing the majority of them direct as Receiver of the EIF to assist in the on-going winding up of the Fund.

Following ongoing reductions and the premises move, the monthly overhead costs have been reduced to between \$65K and \$70K per month. This will reduce further as property realisations are made and the loan book reduces.

9. Claim for Management Fee of \$2.8M for 2011 financial year

As advised in my letters to investors dated 1 and 21 February 2012, the board of EL had sought to reinstate a management fee of \$2.8M from the EIF for the financial year ended 30 June 2011. Such a management fee had previously been waived by the previous board of EL. Further at an investors briefing on 23 September 2011, the then CEO of EL, David Kennedy advised the fee had "not been drawn and will not be".

Mr McIvor on behalf of the board of EL has failed to respond to our requests in relation to why the board of EL considered the management fee to be payable taking into account the above comments and that pursuant to the EIF constitution, a management fee is only payable when interest distributions are being paid to investors. I remain of the view that no management fee is payable.

The Administrators wrote to me on 14 March 2012 asking for my confirmation that the sum of \$2,272,388 was due from the EIF to EL as a result of the management fee claimed. I have denied this claim and advised that after the proper reversal of the \$2.8M management fee, there is an amount owing by EL to the EIF.

10. Receivers Remuneration & Expenses

I attach a remuneration summary covering the period from 21 November 2011 to 25 March 2012 (four months) in respect of fees incurred of \$377,843.50 plus outlays of \$3,263.96 plus GST. As previously advised, this will be subject to court approval in due course. None of the fees have been drawn to date.

Substantial costs have been incurred due to the actions and lack of co-operation of Mr McIvor and the board of EL in the winding up. With Administrators appointed to EL, the court order of 29 February 2012, the premises move for the staff and consultants assisting me in the winding up and the continued realisation of the property of the Fund, the costs will continue to reduce.

11. Queries

Monthly reports will continue to be uploaded to the websites www.equitrust.com.au and www.equitrustincomefund.com.au. The latter new website is currently a copy of the old website and will be upgraded in due course.

Should investors have any queries in relation to the winding up of the Fund, they should contact the investors relation manager, Trish Riley on (07) 5510 4870 or my office on (07) 3237 5999 or by email at info@bdo.com.au. In the event investors raise queries not covered by the monthly reports, I will consider adding a frequently asked questions section to the new website.

Yours faithfully,



David Whyte
Receiver

SUPREME COURT OF QUEENSLAND

duplicate

REGISTRY: BRISBANE
NUMBER: BS 10478 OF 2011

IN THE MATTER OF EQUITITRUST LIMITED ACN 061 383 944

Applicant: EQUITITRUST LIMITED ACN 061 383 944

AND

Respondents: THE MEMBERS OF THE EQUITITRUST INCOME FUND ARSN
089 079 854 AND THE MEMBERS OF THE EQUITITRUST
PRIORITY CLASS INCOME FUND ARSN 089 079 729

ORDER

Before: Justice Dalton

Date: 29 February 2012

Initiating document: Application filed 24 February 2012

In this order, "Receiver" means Mr David Whyte, in his capacity as receiver of the property of the Equititrust Income Fund ARSN 089 079 854 (EIF) and as the person responsible for ensuring the EIF is wound up in accordance with its constitution pursuant to the Orders of Justice Applegarth of 21 November 2011 and 23 November 2011 in these proceedings (Orders),

THE COURT DIRECTS THAT:

1. Without derogating in any way from the Receiver's appointment or the Receiver's powers pursuant to the Orders, the Receiver is authorised to:
 - (a) take all steps necessary to ensure the realisation of property of EIF held by Equititrust Limited as Responsible Entity of the EIF (EL as RE of the EIF) by exercising any legal right of EL as RE of the EIF in relation to the property, including but not limited to:
 - (i) providing instructions to solicitors, valuers, estate agents or other consultants as are necessary to negotiate and/or finalise the sale of the property;
 - (ii) providing a response as appropriate to matters raised by receivers of property of EL as RE of the EIF to which receivers have been appointed;
 - (iii) dealing with any creditors with security over the property of the EIF including in order to obtain releases of security as is necessary to ensure the completion of the sale of property;



Filed on behalf of the Court Appointed Receiver

R.661

29 FEB 2012

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- (iv) appointing receivers, entering into possession as mortgagee or exercising any power of sale; and
- (v) executing contracts, transfers, releases, or any such other documents as are required to carry out any of the above;
- (b) bring, defend or maintain any proceedings on behalf of EIF in the name of EL as is necessary for the winding up of the EIF in accordance with clause 9 of its constitution, including the execution of any documents as required and providing instructions to solicitors in respect of all matters in relation to the conduct of such proceedings including, if appropriate, instructions in relation to the settlement of those actions;
- (c) take all steps necessary to effect the implementation of a NAB bank guarantee facility and the replacement of the existing CBA bank guarantee facilities including:
 - (i) providing instructions to solicitors as are necessary to negotiate and finalise the facilities and/or the security documentation required for a replacement bank guarantee facility from the NAB and the repayment of the CBA facilities and the release of any security held by the CBA;
 - (ii) dealing with NAB and CBA direct to provide for the replacement of the bank guarantees and finalise the documentation in relation to same; and
 - (iii) executing any and all facility and/or security documentation on behalf of EL as RE of the EIF or all such other legal documents as are necessary to ensure the security documentation is finalised and the CBA bank guarantee facilities replaced by the NAB bank guarantee facility.

THE ORDER OF THE COURT IS THAT:

2. That the parties appearing on this application, save for ASIC, the National Australia Bank and the receivers Messrs Colwell and Moloney, be paid their costs of and incidental to this Application, to be assessed on the standard basis, out of the EIF.

Signed: 
DEPUTY REGISTRAR

Equititrust Income Fund (Receiver Appointed)
22 November 2011 to 25 March 2012

Employee	Position	Rate	Total Units	Total \$	Administration		Assets		Creditors		Employees		Investigations		Trade-on	
					Units	\$	Units	\$	Units	\$	Units	\$	Units	\$	Units	\$
Fielding, Andrew	Partner	545	0.20	109.00	0.20	109.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Newman, Helen	Partner	545	0.60	327.00	0.60	327.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Whyte, David	Partner	545	493.30	268,848.50	13.60	7,412.00	61.10	33,299.50	40.60	22,127.00	0.20	109.00	8.50	4,632.50	369.30	201,268.50
Brushe, David	Manager	375	115.20	43,200.00	24.00	9,000.00	69.70	26,137.50	1.60	600.00	0.00	0.00	1.00	375.00	18.90	7,087.50
Raphael, Alastair	Manager	375	0.80	300.00	0.80	300.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bauer, Kirsty	Senior Accountant II	260	8.00	2,080.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.00	2,080.00	0.00	0.00
Robotham, Scott	Senior Accountant II	260	0.20	52.00	0.20	52.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Want, Andrew	Senior Accountant II	260	187.40	48,724.00	184.80	48,048.00	1.10	286.00	1.50	390.00	0.00	0.00	0.00	0.00	0.00	0.00
Coulston, Jayden	Accountant I	210	44.70	9,387.00	12.10	2,541.00	10.60	2,226.00	19.50	4,095.00	1.90	399.00	0.10	21.00	0.50	105.00
Jones, Annabel	Accountant I	210	16.40	3,444.00	16.40	3,444.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Pembroke, Elle	Accountant I	210	3.30	693.00	3.20	672.00	0.00	0.00	0.10	21.00	0.00	0.00	0.00	0.00	0.00	0.00
Richardson, Ashley	Administrative Assistant	70	9.70	679.00	9.70	679.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL			879.80	377,843.50	265.60	72,584.00	142.50	61,949.00	63.30	27,233.00	2.10	508.00	17.60	7,108.50	388.70	208,461.00
GST				37,784.35												
TOTAL INC GST				415,627.85												
AVERAGE HOURLY RATE			429.47	273.28		434.73		430.22		241.90		403.89		536.30		

DISBURSEMENT REPORT

Equititrust Income Fund (Receiver Appointed)
22 November 2011 to 25 March 2012

Item	
NSW Power of Attorney Transfer fee	90.45
Travel - Mileage	2,457.50
Mobile Internet	53.63
Postage	20.10
Photocopying	45.00
Search Fee	597.28
Sub Total	3,263.96
GST	326.40
TOTAL	3,590.36