

TO INVESTORS

19 July 2013

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

I refer to my previous reports and now provide my 13th update to Investors since my appointment as Court appointed Receiver and person responsible for winding up the EIF on 21 November 2011. As noted in my 12th report to Investors dated 18 April 2013, I am now issuing reports to Investors every two to three months in an effort to minimise costs and on the basis that the majority of the remaining properties are subject to contract.

1. Property Realisations

Since my 12th report to Investors, properties in Griffith NSW, Maclean NSW and Port Augusta, NSW have settled. There have also been numerous settlements at Wirrina Cove, which is discussed further below along with a summary of the status of the remaining properties awaiting settlement or still to be sold.

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
105549	Corymbia Estates	Carbrook QLD	29 July 2013
105657	Rosea Pty Ltd	Wongawallen, QLD	To be confirmed
105653	Tweed Central	Murwillumbah, NSW	29 August 2013
105665	Corymbia Corporation	Collingwood Park, QLD	30 August 2013
105637	Toowoomba (Foundry Shopping Centre)	Toowoomba, Qld	14 October 2013
105710A	Gonfanon Pty Ltd	Richmond, NSW	2 September 2013
105739	Sunset Cove Developments	Wirrina Cove, SA	Various

Please note that the settlement dates for the property at Carbrook has been extended since my 12th report to Investors. The extension was granted at the request of the purchaser with default interest applicable. Please also note that the Rosea loan, which is subject to a deed of settlement, was scheduled to settle on 17 June 2013, however the debtor was unable to settle. I am currently considering a proposal to extend the deed of settlement.

The properties noted above at Carbrook, Murwillumbah, and Richmond are subject to unconditional contracts.

The status of the properties that are subject to conditional contracts or under offer is provided below:

(i) WIRRINA COVE

Ray White is continuing with the sale of the remaining assets at WIRRINA COVE. At the time of writing this report, a total of 86 properties and marina berth under leases have settled with gross realisations of approximately \$5.18 million received.

As advised in previous reports, the settlement of the properties were subject to the transfer of the water and sewerage infrastructure and services at WIRRINA COVE to the District Council of YANKALILLA (Council). In this regard, the water and sewerage operations were transferred to Council on 31 May 2013, which has allowed settlements to take place to date and current and future residential land contracts to be unconditional.

With respect to the remaining assets, there are currently 80 offers that have been accepted and/or contracts exchanged totalling approximately \$3.25 million with respect to residential land, the Caravan Park and marina berth under leases. A summary is provided below.

	Offers accepted/contracts exchanged (number)	Lots/marina berths remaining (number)
Marina berths	43	15
Residential land	36	0
Caravan Park	1	0
Total	80	15

There was a considerable amount of land tax outstanding on the real property at WIRRINA COVE totalling approximately \$3.9 million. However, of this amount, I have negotiated an agreement with Revenue SA to waive the penalty amounts outstanding of approximately \$503,000. The outstanding land tax is being paid from the net proceeds received from each respective lot as settlement occurs.

An auction campaign was recently undertaken with respect to the Resort, Golf Course and Conference Centre. There were three registered bidders at the auction on 21 June 2013, however the property was passed in. Discussions with interested parties subsequent to the auction are continuing. There has been an offer submitted by a party and this is currently being considered and documented.

(ii) COLLINGWOOD PARK

A contract was executed on 10 April 2013, which is conditional upon the purchaser obtaining approval from the Ipswich City Council and the Australian Government Department of Sustainability, Water, Population and Communities by 31 July 2013 to clear the vegetation on the site with settlement scheduled for 30 days after on 30 August 2013. The purchaser has recently foreshadowed that it is unlikely the approvals will be obtained by 31 July 2013 and it is likely that an extension will be sought. The contract does allow the purchaser to extend the contract for up to 28 days up to a maximum of

three times upon payment of a non-refundable fee of \$78,706.85 (for each extension) if the approvals have not been obtained.

(iii) Toowoomba Foundry

A contract was executed on 27 May 2013, which is subject to due diligence. The contract due diligence date is 30 August 2013 with settlement to be effected 45 days thereafter.

A summary of the status of the two 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) Cornwallis

The Receiver is about to commence a new sale campaign which will start shortly. The proposed realisation strategy is a sale by auction.

(ii) Gold Coast

The property consists of a residential house and land and is subject to possession proceedings, which are currently on foot. As advised in previous reports, I have filed a claim and statement of claim. The Supreme Court of Queensland has ordered that an order for mediation be filed by 26 July 2013 with such mediation to be completed by 16 August 2013. If the matter is not resolved at mediation, a trial date will be requested by 30 August 2013.

1.3 Legal Proceedings

As advised in my 12th 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 scheduled to be completed by 16 August 2013;
- 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;
- Two other claims have recently been filed against separate valuers for negligence and damages. The amount of the claim is still to be determined and expert valuers are currently being identified to prepare reports to progress the claims;
- A deed of settlement has been executed with respect to a claim against a guarantor. Default judgment against the remaining guarantors has been obtained along with sequestration orders bankrupting the guarantors;

- Monetary judgement has been obtained against a guarantor and orders are sought to sell properties caveated to Equititrust, however a cross claim has been filed by the borrower. The matter is scheduled to go to trial at the end of July 2013;
- Proceedings are ongoing against a bankrupt/related parties to realise an interest in the surplus proceeds that have been realised 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 12th 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 two Councils with respect to certain development sites.

A deed of agreement for works and release is being finalised with respect to one of the guarantees whereby certain works are required to be undertaken for an uncompleted works bond to be released by the Tweed Shire Council while discussions are ongoing with the Ipswich City Council with respect to when the other guarantees will be called upon or released.

2.2 Other Creditors

As advised in my 12th report to Investors, there are a number of creditors that must be paid before a distribution is made 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 McIvor Superannuation Fund ('MSF') to the EIF, the current balance of which is approximately \$3.3 million. In this regard, a copy of the loan agreement provided by the purported trustee of MSF was incomplete and therefore a complete copy of the loan agreement has been requested. Despite a number of requests, I have yet to be provided with a complete copy of the loan agreement and an explanation and other documentary evidence supporting the alleged change of trustee in September 2011.

2.3 Claims by the Liquidators of EL

As advised in my 12th 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. This claim has not been served on me and has not been progressed by the liquidators.

My solicitor has previously invited Hall Chadwick to provide a detailed explanation as to their basis for seeking an indemnity from the EIF, to which a response has not been received.

Hall Chadwick have also made an application for the approval of their remuneration (in NSW). The application was made without notice to me and without serving a copy of the application and supporting material on creditors of the company (which includes investors). A request for a copy of the material was made to Hall Chadwick on 23 April 2013. When the material was provided on 13 May 2013, it was incomplete and a request for the provision of the full supporting material had to be made. As far as I am aware, the application has not yet been listed for hearing.

3. Piper Alderman Class Action

I understand that Piper Alderman is continuing to progress the claims available to Unit Holders in relation to the Fund's demise. Unit holders wishing to be part of the anticipated action should contact William Nolan on (02) 9253 9921 or email wnolan@piperalderman.com.au.

4. Receipts and Payments

I provide below a summary of the Receipts and Payments of the Fund for the period from 1 April to 30 June 2013.

Summary of Receipts and Payments for the Period 1 April 2013 to 30 June 2013		
	\$	\$
Opening Cash at Bank		4,059,635.71
Receipts		
Interest Income		25,697.94
<i>Loan Recoveries:</i>		
Boothers Pty Ltd	3,423.65	
Corymbia Estates Pty Ltd	40,000.00	
East Coast Pty Ltd	658,328.80	
Morvale Land Pty Ltd	1,895,775.25	
Rosea Pty Ltd	18,333.33	
Tweed Central Pty Ltd	2,376.41	
Valencia Grove Pty Ltd	997,990.00	
Wirrina Corporation Pty Ltd	3,880,730.07	7,496,957.51

Release of Bank Guarantees	39,066.65
Sale of Plant and Equipment	500.00
Total Receipts	7,562,222.10

Payments

Advertising	1,715.78
Bank Charges	121.50

Distressed Loan funding:

Boothers Pty Ltd	23,915.27
Corymbia Corporation Pty Ltd	59,904.23
Corymbia Estates Pty Ltd	6,117.68
East Coast Pty Ltd	103,945.70
Gonfanon Pty Ltd	2,322.71
Morvale Land Pty Ltd	771,419.81
National Resorts Corporation Pty Ltd	11,751.41
Spottiswood, Graham (A Bankrupt)	157,065.66
Toowoomba (Foundry Shopping Centre) Pty Ltd	18,924.43
Valencia Grove Pty Ltd	9,575.19
Western Land Corporation Pty Ltd	6,823.72
Windsor Turf Pty Ltd	8,277.22
Wirrina Corporation Pty Ltd	3,495,697.01
	4,675,740.04
GST Paid	79,022.00
IT expenses	20,028.40
Legal Fees	173,378.35
Office Rental charge	239.62
Printing & Stationary	125.95
Receiver's Remuneration and Outlays	889,618.08
Wages & associated reimbursements	89,376.33
Total Payments	5,929,366.05

Closing Cash at Bank **5,692,491.76**

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.

The distressed loan funding for Wirrina Corporation Pty Ltd includes:

- valuation and marketing expenses of approximately \$97,000;
- legal fees of approximately \$470,000;

- cash flow funding advanced to the Wirrina Resort and Conference Centre for its ongoing operations of approximately \$357,000;
- upgrade costs with respect to the water and sewerage infrastructure of approximately \$598,000. A condition of the transfer of the water and sewerage operations to the District Council of Yankalilla is for the infrastructure to be upgraded at a cost to the Fund. The transfer of the water and sewerage operations is necessary for the settlement of the land contracts at Wirrina Cove to be achieved; and
- land tax, rates and agent's commission of approximately \$1.8 million, which has been payable on settlement of the lots at Wirrina Cove and marina berth under lease agreements.

The distressed loan funding for Morevale Land Pty Ltd includes, inter alia, land tax of \$704,977, rates of \$35,238 and agent's commission of \$30,800 which was payable on settlement of the property in Port Augusta, SA.

5. Estimated Return to Investors

I provide below an estimated return to Investors of between 11 and 14 cents in the dollar as at 30 June 2013 as follows:

	Low	High
	\$000's	\$000's
Cash at Bank	5,692	5,692
Estimated selling prices	26,845	33,045
<i>Less:</i>		
Bank guarantees	(1,100)	(1,100)
Selling costs (3.5% of sale price)	(940)	(1,157)
Other loan	(3,394)	(3,394)
Land tax & rates	(4,397)	(4,397)
Other unsecured creditors	(800)	(400)
Receiver's fees	(182)	(182)
Estimated net amount available to investors as at 30 June 2013	21,724	28,107
Total investor units	193,916	193,916
Estimated return in the dollar	0.11	0.14

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

The low and high estimate has reduced from 12 to 16 cents in the dollar as detailed in my 12th report to Investors to 11 to 14 cents in the dollar as at 30 June 2013 respectively. The primary

reason for the reduction in the estimated return to Investors is a result of the rates and land tax on the unrealised properties that continues to accrue and the ongoing operating costs.

As advised in my 12th report to Investors, the timing of an interim distribution is dependent on settlement of the properties at Wirrina Cove, Collingwood Park, the Toowoomba foundry, Richmond and Cornwallis.

The majority of the Wirrina Cove properties/assets are expected to settle by August 2013.

As noted previously in this report, I do not know if the Collingwood Park property will settle on the contracted date of 31 August 2013. Payment of an interim distribution to Investors, which I had previously anticipated would be made in September 2013, may not be possible within this timeframe. Once the purchaser of the Collingwood Park property has confirmed the timeframe required to obtain the necessary vegetation clearing approvals, I will have a better indication of the likely timeframe for an interim distribution to Investors. In any event, I will provide a further update to investors in approximately two months.

The funds that will be available for a distribution to investors will be realised from the four largest remaining properties at Collingwood Park, Toowoomba, Richmond and Cornwallis, the sale proceeds of which are expected to be approximately \$20 million.

Please note that the distribution to Investors will take place after paying secured creditors, land tax, 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 30 June 2013 of 13 cents, which is based on the mid-point of the high and low estimated selling prices of the secured assets as at 30 June 2013.

	\$000's
Total Value of Fund Assets as at 30 June 2013 (net of land tax and rates)	35,637
Less value of NAB facility	(1,100)
	<hr/> 34,537
Less Creditors and Other Payables	(9,530)
Total Net Value of Fund Assets	<hr/> 25,007
Total Number of Units as at 30 June 2013	193,916
Unit Price	0.13

Please note that the unit price has been calculated based on unaudited management accounts as at 30 June 2013.



I attach a copy of a letter to Centrelink confirming the unit price as at 30 June 2013, 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.

7. Court Application for Receiver's Remuneration

As advised in my prior updates to Investors, an application to the Court for the approval of my remuneration was filed on 16 May 2013.

The application was heard on 12 June 2013 with the Court approving my remuneration for the period 1 September 2012 to 30 April 2013 in the amount of \$842,843.10 (inclusive of GST).

A copy of the Court Order approving my remuneration is attached for your information. The Court Order was also posted to the Equititrust Income Fund website.

Several investors have queried the amount of the Receiver's remuneration and outlays charged since the date of my appointment and why this should be paid ahead of investors' interests. In this regard, please note that two Court applications for remuneration approval have been made to date totalling approximately \$1.53 million plus GST over a 17 month period or approximately \$1.08 million per annum. In the context of the significant progress that has been made in winding up the Fund to date, this is considerably less than the \$6 million charged by Equititrust Limited in relation to managing the Fund for the year ended 30 June 2011.

As stated at section 5 above, all liabilities of the Fund are required to be paid (or funds set aside to pay same) before investors receive a distribution.

8. Receiver's Remuneration and Expenses

I attach a summary of my current remuneration and outlays outstanding for the period from 1 May to 30 June 2013. My remuneration incurred during this period totals \$181,927 plus outlays of \$144.31 plus GST.

I anticipate that my next application for approval of my remuneration will be heard in October 2013. A copy of my application in this respect will be posted to the websites www.equititrust.com.au and www.equititrustincomefund.com.au and Investors will be notified when this application has been lodged.

9. 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

10. Queries

The Bundall office was closed on 30 April 2013 and therefore any queries should be directed to Daniel Tipman of this office who can be contacted as follows;

Phone: 07 3237 5999
Email: daniel.tipman@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

TO WHOM IT MAY CONCERN

19 July 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 30 June 2013, calculated as follows:

	\$000's
Total Value of Fund Assets as at 30 June 2013 (net of land tax and rates)	35,637
Less value of NAB facility	(1,100)
	<hr/>
	34,537
Less Creditors and Other Payables	(9,530)
	<hr/>
Total Net Value of Fund Assets	25,007
Total Number of Units as at 30 June 2013	193,916
Unit Price	0.13

I confirm that there have been no distributions paid to investors during the 2013 financial year. This letter should be retained by investors for income tax purposes if required.

Should you have any queries in respect of the above, please contact Daniel Tipman of my office on (07) 3237 5704.

Yours faithfully,



David Whyte
Receiver

SUPREME COURT OF QUEENSLAND

REGISTRY: BRISBANE
NUMBER: BS 10478 OF 2011

**IN THE MATTER OF EQUITITRUST LIMITED (RECEIVERS AND MANAGERS
APPOINTED (IN LIQUIDATION) ACN 061 383 944**

Applicant: **EQUITITRUST LIMITED (RECEIVERS AND MANAGERS
APPOINTED (IN LIQUIDATION) 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 JS Douglas
Date: 12 June 2013
Initiating Document: Application filed 16 May 2013

THE ORDER OF THE COURT IS THAT:

1. Pursuant to subparagraph 3(d) of the Order of the Honourable Justice Applegarth made on 21 November 2011 and subparagraphs 5(c) and 6(c) of the Order of the Honourable Justice Applegarth made on 23 November 2011, the remuneration of David Whyte, for the period 1 September 2012 to 30 April 2013 be fixed in the amount of \$842,843.10 (inclusive of GST); and
2. The costs of and incidental to the application filed on 16 May 2013 be costs in the winding up and the receivership of the Equititrust Income Fund, to be paid out of the assets of the Equititrust Income Fund.

Signed: 



Duplicate

GADENS LAWYERS
Level 11, 111 Eagle Street
BRISBANE QLD 4000
Tel No.: 07 3231 1666
Fax No: 07 3229 5850
SZC:JSK:201204781

Equititrust Income Fund (Receiver Appointed)
1 May 2013 to 30 June 2013

Employee	Position	Rate (\$)	Total Units	Total (\$)	Administration		Assets		Creditors		Investigation		Trade On	
					Units	(\$)	Units	(\$)	Units	(\$)	Units	(\$)	Units	(\$)
Whyte, David	Partner	560.00	89.90	50,344.00	27.40	15,344.00	60.60	33,936.00	0.40	224.00	-	-	1.50	840.00
Somerville, John	Senior Manager	425.00	193.30	82,152.50	28.20	11,985.00	151.10	64,217.50	11.20	4,760.00	-	-	2.80	1,190.00
Want, Andrew	Senior Accountant I	310.00	116.00	35,960.00	115.80	35,898.00	0.20	62.00	-	-	-	-	-	-
Tipman, Daniel	Senior Accountant II	270.00	23.90	6,453.00	18.60	5,022.00	3.20	864.00	2.10	567.00	-	-	-	-
Coulston, Jayden	Senior Accountant II	270.00	9.40	2,538.00	9.20	2,484.00	-	-	0.20	54.00	-	-	-	-
Michalk, Dean	Accountant I	220.00	0.10	22.00	0.10	22.00	-	-	-	-	-	-	-	-
Kennedy, Nicola	Accountant II	190.00	13.50	2,565.00	11.00	2,090.00	1.30	247.00	-	-	1.20	228.00	-	-
Andison, Nick	Accountant II	190.00	3.70	703.00	3.70	703.00	-	-	-	-	-	-	-	-
Watson, Sarah	Financial Assistant	180.00	3.40	612.00	3.40	612.00	-	-	-	-	-	-	-	-
Fishwick, Lisa	Practice Assistant	120.00	2.50	300.00	2.50	300.00	-	-	-	-	-	-	-	-
Richardson, Ashley	Administrative Assistant	75.00	3.70	277.50	3.70	277.50	-	-	-	-	-	-	-	-
TOTAL			459.40	181,927.00	223.60	74,737.50	216.40	99,326.50	13.90	5,605.00	1.20	228.00	4.30	2,030.00
			GST	18,192.70										
			TOTAL INC GST	200,119.70										
			AVERAGE HOURLY RATE	396.01	334.25	458.99	403.24	190.00	472.09					

DISBURSEMENT REPORT
Equititrust Income Fund (Receiver Appointed)
1 May 2013 to 30 June 2013

Item	
Courier	41.71
Printing/photocopying	102.60
Sub Total	144.31
GST	14.43
TOTAL	158.74