

TO INVESTORS

20 December 2013

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

I refer to my previous reports and now provide my 16th update to Investors since my appointment as Court appointed Receiver and person responsible for winding up the EIF on 21 November 2011.

In my 15th update to Investors dated 22 November 2013, I indicated that I would provide a further update upon settlement of the Wirrina Resort, Golf Course and Conference Centre and after the Court hearings with respect to the Mclvor Superannuation Fund loan (‘MSF’) and the adjudication of the Fund’s proof of debt in the liquidation of Equititrust Limited. I am pleased to confirm that the Wirrina Resort, Golf Course and Conference Centre settled on 12 December 2013 and favourable Orders have been handed down with respect to the aforementioned Court hearings, further details of which are provided in this report. This report should be read in conjunction with my 15th update to Investors.

1. Property Realisations

As noted above, settlement of the Wirrina Resort, Golf Course and Conference Centre was effected on 12 December 2013.

A summary of the status of the remaining properties to settle or be sold is provided below.

(i) Collingwood Park, QLD

As advised in my 15th update to Investors, the contract of sale with respect to this property is still subject to the purchaser obtaining approval from the Australian Government Department of Sustainability, Water, Population and Communities (‘Department of Sustainability’) to clear the vegetation on the site.

The purchaser has advised that all of their consultation and advertising requirements under the Department of Sustainability pursuant to the Environmental Protection and Biodiversity Act with respect to their vegetation clearing application has been fulfilled and that they are hopeful that they will receive a favourable response from the Minister of Sustainability before February 2014.

Once approval of the vegetation clearing application has been obtained, the contract will go unconditional with settlement scheduled 30 days thereafter. Therefore it is hoped that settlement of the property will be effected in March 2014.

It should be noted that for each 28 day extension of the vegetation clearing approval condition sought by the purchaser under the contract from 17 October 2013, the purchaser is liable to pay a non-refundable fee of \$78,706.85 (for each extension) for the first four extensions and a non-refundable fee of \$118,060 (for each extension) for the final three extensions if the vegetation

clearing approvals have not been obtained. To date the purchaser has paid \$236,120 in extension fees.

(iii) Wurrina Cove, SA

As a result of the settlement of the Wurrina Resort, Golf Course and Conference Centre, all real property at Wurrina Cove has now been sold.

The remaining asset at Wurrina Cove is the Marina St Vincent head lease and eight remaining berths. As noted in my 15th update to investors, the Marina St Vincent head lease was auctioned on 7 November 2013 and sold under the hammer, however, there were unforeseen issues with the purchaser, which resulted in them being unable to complete the purchase.

There are negotiations at an advanced stage with another party, which I hope will be finalised in the next couple of weeks. It should be noted that the sale of the marina head lease is also subject to the approval of the assignment of the head lease by the South Australian Department of Transport.

(iv) Cornwallis, NSW

The Receiver and Manager appointed over this property is continuing negotiations with interested parties following the most recent auction campaign.

(v) Rosea (Wongawallan, QLD)

As advised in my last report report to investors, a sale campaign undertaken by the debtor closed on 3 October 2013. An offer for the property has been received however it is not at an acceptable level. Discussions are continuing with the debtor with respect to the offer and further payments required under a deed of settlement.

(vi) Gold Coast, QLD

As advised in previous reports, this property is subject to possession proceedings and where mediation took place on 11 September 2013. An agreement was reached to obtain possession of the property, however, this was subject to the Equititrust Premium Fund (Receivers and Managers Appointed) ('EPF') also agreeing to provide a release of its claims. At this stage, the EPF has not agreed to the release of its claims and therefore a request for a trial date has been issued to the defendant with a trial date likely to be confirmed early in the New Year.

1.1 Legal Proceedings

As advised in my 15th 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, an agreement was reached with a borrower to obtain possession of a property, however this was subject to the EPF agreeing to also provide a release of its claims. As an agreement has not been reached with the EPF, the matter is likely to proceed to trial with a trial date to be confirmed early in the New Year. A sale campaign for the property will be conducted thereafter.
- Two claims have been filed against the same valuer for negligence and damages in excess of \$10 million. Expert witness reports are expected to be received by the end of January 2014 to progress the claims. Any amount recoverable will be sought against a professional indemnity insurance policy.

- Two other claims have been filed against separate valuers for negligence and damages. The amount of the claim is still to be determined and expert valuers are still preparing retrospective valuations to progress the claims.
- Monetary judgement was obtained against a guarantor and orders sought to sell properties caveated to Equititrust, however a cross claim was filed by the borrower. To avoid the cost of going to trial, a settlement was recently agreed at \$570,000. As advised in my previous reports, the EPF has asserted a claim to some of these proceeds, however, this is strongly disputed and the matter is still to be resolved.
- 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.
- The proceeds from the sale of a property are currently in dispute with the EPF with proceeds of approximately \$423,000 currently held in my solicitors trust account and legal proceedings on foot to resolve the matter. The matter is likely to proceed to trial early in the New Year.
- Other claims are still being considered against guarantors and 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 15th report to Investors, secured creditors' claims have been discharged, with the exception of approximately \$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.

Discussions are ongoing with the Ipswich City Council ("ICC") with respect to when the guarantees will be called upon or released with respect to a property at Henty Drive, Redbank Plains QLD. ICC has advised that the works required in respect of the bonds will significantly exceed the value of the bonds (\$893,820), however have yet to substantiate the estimated costs for the works.

Since my last report two bank guarantees were released by the Tweed Shire Council in November 2013 (bonds totalling \$103,759 have been cancelled). The remaining bonds totalling \$94,500 will be called on by the Council in due course.

2.2 Other Creditors

As advised in my 15th report to Investors, there are a number of creditors that require to be paid (or funds retained) 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.

As I had significant doubts about who the correct trustee of the Mclvor Superannuation Fund ('MSF') was, an application was filed with the Court on 12 November 2013 seeking an order to pay the monies due under a loan granted by the MSF into Court so that the interest stops accruing. Please note that I have received legal advice confirming that the loan is due and payable and cannot be set off against any other claims.

This application was heard on 2 December 2013 whereby the judge ordered that the Fund pay into Court the amount of \$3,495,953.42 and that this payment discharges the liabilities of the Fund under the loan.

The purported trustee of the MSF, MSM Family Holdings Pty Ltd, was represented at the hearing on 2 December 2013 and sought payment of their costs allegedly spent by it trying to recover monies owed under the loan. The Court awarded the costs of and incidental to the application against MSM Family Holdings Pty Ltd. The Court also granted any party the opportunity to make an application to claim recovery costs by 13 December 2013. No application was filed by MSM Family Holdings Pty Ltd or any other party within this time and therefore no recovery costs will be payable.

The monies owed to the MSF have now been paid into Court and therefore whoever is the correct trustee of the MSF will have to prove to the Court that they are entitled to the monies before they are released.

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

As advised in my 15th update to Investors, I lodged an application with the Supreme Court of Queensland on 24 July 2013 appealing the decision of the Liquidators of EL (Hall Chadwick) to adjudicate on a proof of debt lodged by the Fund. The matter was heard on 5 December 2013 and the Court determined that the Liquidators had no right to rule on the proof of debt. The Court also awarded costs against the Liquidators.

As the proof of debt matter has now been resolved, it is hoped the Liquidators will now properly articulate any claims they may have against the Fund and proceed to resolve these in the short term. The potential claims have been discussed in my previous reports.

3. Receipts and Payments

I provide below a summary of the Receipts and Payments of the Fund for the period from 21 November 2013 to 17 December 2013.

Summary of Receipts and Payments for the Period 21 November 2013 to 17 December 2013	
	\$
Opening Cash at Bank	11,993,528.25
Receipts	
Interest Income	18,447.44
<i>Loan Recoveries:</i>	
Corymbia Corporation Pty Ltd	78,706.85
East Coast Pty Ltd	1,507.06

Kele Property Group (Port Macquarie) Pty Ltd	4,223.14	
Toowoomba (Foundry Shopping Centre) Pty Ltd	2,542.10	
Wirrina Corporation Pty Ltd	2,175,133.80	2,262,112.95
Sundry Income		633.33
Total Receipts		2,281,193.72

Payments

Bank Charges		24.40
Bank Guarantee Charges		63,429.71
<i>Distressed Loan funding:</i>		
Boothers Pty Ltd	54,503.27	
Corymbia Corporation Pty Ltd	2,652.19	
Rosea Pty Ltd	1,100.00	
Tweed Central Pty Ltd	56,595.00	
Wirrina Corporation Pty Ltd	1,051,087.84	1,165,938.30
Payment of Monies into Court (Mclvor Superannuation Fund loan)		3,495,953.42
Receiver's Remuneration		667,795.70
Receiver's Outlays		19,275.77
Total Payments		5,412,417.30
Closing Cash at Bank		8,862,304.67

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 Boothers Pty Ltd includes:

- Council rates of approximately \$52,000; and
- Insurance expenses of approximately \$2,400.

The distressed loan funding for Wirrina Corporation Pty Ltd includes:

- Land Tax of approximately \$423,000;
- Council Rates of approximately \$17,000;
- Insurance of approximately \$38,000;
- Legal Fees of approximately \$31,000;
- Agent's commission of approximately \$58,000; and
- Advances to cover trading losses and GST/PAYG liability of approximately \$475,000.

4. Estimated Return to Investors

As advised in my 15th update to Investors, the estimated return as at 21 November 2013 was between 11 and 12 cents in the dollar. Given the period of time since my last report, I do not intend to update the estimated return to investors at this time. However, please note that I will provide a further update to Investors at the end of January/early February 2014, in which I will provide an estimated return along with an estimated unit value as at 31 December 2013 for the purposes of assisting Investors with the revision of their pensions with Centrelink.

4.1 Interim Distribution to Investors

The timing of an interim distribution to Investors is still dependent on the timing of the settlement of the Collingwood Park property and on the resolution of the claims with the Liquidators.

As noted previously in this report, it is hoped that the Collingwood Park contract will become unconditional by February 2014 and the Liquidators' purported claims will be resolved early in the New Year.

In any event, I will update Investors further with respect to the anticipated timing of an interim distribution at the end of January/early February 2014.

5. Court Application for Receiver's Remuneration

An application to Court for the approval of my remuneration for the period 1 May 2013 to 31 October 2013 was heard on 28 November 2013 with the Court approving my remuneration of \$667,795.70 (inclusive of GST).

A copy of the Court Order approving my remuneration is attached for your information. The Court Order has also been posted to the websites www.equititrust.com.au and www.equititrustincomefund.com.au.

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 three Court applications for remuneration approval have been made to date totalling approximately \$2.14 million plus GST (23 months averaging approximately \$93,000 per month or \$1.12 million per annum). In the context of the significant progress that has been made in the winding up of 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 2.2 of this report, all liabilities of the Fund are required to be paid (or funds set aside to pay same) before Investors receive a distribution.

6. Receiver's Remuneration and Expenses

I attach a summary of my current remuneration and outlays outstanding for the period from 1 November to 30 November 2013. My remuneration incurred during this period totals \$82,227 plus outlays of \$3,052 plus GST.

I anticipate that my next application for approval of my remuneration will be heard in or around March 2014. 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

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

Duplicate

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 Dalton
Date: 28 November 2013
Initiating Document: Application filed 12 November 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 May 2013 to 31 October 2013 be fixed in the amount of \$667,795.70 (inclusive of GST); and
2. The costs of and incidental to the application filed on 12 November 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:



A/ Deputy Registrar



Order
Filed on behalf of the court appointed receiver
Form 59 R. 661

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 November 2013 to 30 November 2013

Employee	Position	Rate (\$)	Total Units	Total (\$)	Administration		Assets		Creditors		Trade On	
					Units	(\$)	Units	(\$)	Units	(\$)	Units	(\$)
Whyte, David	Partner	560.00	30.00	16,800.00	11.80	6,608.00	14.70	8,232.00	2.10	1,176.00	1.40	784.00
Somerville, John	Senior Manager	425.00	65.50	27,837.50	9.40	3,995.00	49.80	21,165.00	5.50	2,337.50	0.80	340.00
Tipman, Daniel	Senior Accountant I	310.00	112.40	34,844.00	23.40	7,254.00	7.80	2,418.00	61.30	19,003.00	19.90	6,169.00
Kennedy, Nicola	Accountant II	190.00	6.20	1,178.00	5.80	1,102.00	0.40	76.00	-	-	-	-
Jackson, Nicole	Practice Assistant	150.00	6.70	1,005.00	-	-	-	-	6.70	1,005.00	-	-
Hattingh, Moira	Administration Assistant	75.00	7.50	562.50	-	-	-	-	7.50	562.50	-	-
TOTAL			228.30	82,227.00	50.40	18,959.00	72.70	31,891.00	83.10	24,084.00	22.10	7,293.00
				GST	8,222.70							
				TOTAL INC GST	90,449.70							
				AVERAGE HOURLY RATE	360.17	376.17	438.67	289.82	330.00			

DISBURSEMENT REPORT

Equititrust Income Fund (Receiver Appointed)
1 November 2013 to 30 November 2013

Item	\$
Searches	72.90
Postage	2,375.88
Printing/photocopying	604.20
Sub Total	3,052.98
GST	305.30
TOTAL	3,358.28