

TO INVESTORS

10 February 2014

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

I refer to my previous reports and now provide my 17th update to Investors since my appointment as Court appointed Receiver and person responsible for winding up the EIF on 21 November 2011.

1. Property Realisations

A summary of the status of the remaining properties to settle or be sold is provided below. As this is a public document and to ensure I do not prejudice completion of the contracts, I will not at this time identify individual contract values or expected realisable values.

(i) Collingwood Park, QLD

As advised in my 16th 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. The purchaser expects that they will receive the required approvals from the Minister of Sustainability on 20 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 before the end of March 2014.

As noted in my previous reports, 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 \$118,060.27 (for each extension) for the final three extensions if the vegetation clearing approvals have not been obtained. To date the purchaser has paid \$432,887.67 in extension fees.

(iii) Wirrina Cove, SA

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

The remaining asset at Wirrina Cove is the Marina St Vincent head lease and seven remaining berths. As noted in my 16th 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.

I hope to finalise negotiations with an interested party shortly, with a contract to be executed thereafter. 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 has advised that a deposit has been paid by an interested party with a contract to be finalised and executed shortly. The contract will be subject to a 14 day finance clause and a 30 day settlement.

(v) Rosea (Wongawallan, QLD)

As advised in my 16th 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. The debtor has submitted a proposal to satisfy their obligations under a deed of settlement, which is presently being considered.

(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. The defendant has not agreed to the request for a trial date citing that further disclosure is required before they are willing to execute the request for trial date. As our solicitor's view is that disclosure has been completed, an application will be prepared to court seeking dispensation of the defendant's signature for a request for trial date.

1.1 Legal Proceedings

As advised in my 16th 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 will proceed to trial. 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. An expert witness report with respect to one of the properties has been received and served on the defendants. A further amended statement of claim will now be prepared and filed, along with a response to a request for particulars by the defendant. The expert witness report for the other property is expected to be received in the next two weeks. 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 claims are still to be determined. I anticipate that the retrospective valuations being prepared by expert valuers will be finalised by the end of February 2014 in order 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 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 solicitor's trust account and legal proceedings on foot to resolve the matter. A trial date is yet to be confirmed.

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 16th report to Investors, secured creditors' claims have been discharged, with the exception of approximately \$989,000 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.

In relation to the uncompleted works bond held by the Ipswich City Council ("ICC") with respect to a property at Redbank Plains, following consultation with a civil engineer, it has been determined that it is not commercial to complete the works as the cost of the works are likely to significantly exceed the value of the bonds (\$893,820).

As previously advised, 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 Tweed Shire Council in due course.

2.2 Other Creditors

There are a number of creditors that are required 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.

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

As advised in my 16th 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.

A claim will shortly be made against the Liquidators for the costs incurred in relation to the application. I shall also need to resolve any other claims between the Fund and the Liquidators in respect of 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.

3. Receipts and Payments

I provide below a summary of the Receipts and Payments of the Fund for the period from 18 December 2013 to 9 February 2014.

Summary of Receipts and Payments for the Period 18 December 2013 to 9 February 2014		
	\$	\$
Opening Cash at Bank		8,862,304.67
Receipts		
Interest Income		33,787.62
<i>Loan Recoveries:</i>		
Corymbia Corporation Pty Ltd	196,767.12	
Corymbia Estates Pty Ltd	144,841.04	
Toowoomba (Foundry Shopping Centre) Pty Ltd	2,573.16	
Wirrina Corporation Pty Ltd	31,220.30	375,401.62
Sundry Income		1,359.00
Total Receipts		410,548.24
Payments		
Advertising		1,805.21
Bank Charges		50.00
<i>Distressed Loan funding:</i>		
Boothers Pty Ltd	3,991.57	
Corymbia Corporation Pty Ltd	23,895.00	
Corymbia Estates Pty Ltd	48,750.00	
National Resorts Pty Ltd	5,953.00	
Wirrina Corporation Pty Ltd	262,836.76	345,426.33
IT expenses		11,518.10
Legal Fees		151,218.25
Professional Consulting Fees		2,869.50
Refund of cash bond		13,566.65
Total Payments		526,454.04
Closing Cash at Bank		8,746,398.87

Please 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 is considered essential in terms of successfully realising the assets subject to the Fund's securities.

The distressed loan funding for Corymbia Corporation Pty Ltd includes:

- Valuation fees of \$22,000, which related to an objection of the 2013 land valuation of the Collingwood Park property. The objection was successful with a refund of \$118,000 to be received from the Office of State Revenue in the next 10 days. I am waiting on advice as to whether the revised land valuation will also apply retrospectively. The successful objection to the land valuation should also result in a refund of rates for 2013, which is yet to be quantified.
- Consultants' fees of \$1,895

The distressed loan funding for Corymbia Estates Pty Ltd includes:

- Land Tax of \$48,750. The discharge of land tax at settlement of the Carbrook property was deferred pending receipt of the final payment of \$144,841 due under the contract, which has now been received.

The distressed loan funding for Wirrina Corporation Pty Ltd includes:

- Employee Termination payments of approximately \$120,000
- Legal fees of approximately \$70,000
- Advances to cover trading losses of approximately \$60,000

4. Estimated Return to Investors

I provide below an estimated return to Investors of between 11 and 12 cents in the dollar as at 31 December 2013 as follows:

	Low \$000's	High \$000's
Cash at Bank	8,931	8,931
Estimated selling prices	15,960	17,010
<i>Less:</i>		
Bank guarantees	(989)	(989)
Selling costs (3.5% of sale price)	(559)	(595)
Other unsecured creditors	(800)	(600)
Receiver's fees and outlays	(176)	(176)
Estimated net amount available to investors as at 31 December 2013	22,367	23,581
Total investor units	193,916,000	193,916,000
Estimated return in the dollar	0.11	0.12

The above table does not take into account future operating costs, future Receiver's fees and future rates and land tax. It also excludes any legal recoveries against borrowers, valuers or other third parties.

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/or 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 on 20 February 2014.

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

5. Updated Unit Price

I provide below an updated unit price as at 31 December 2013 of 11.8 cents, which is based on the mid-point of the high and low estimated selling prices of the assets as at 31 December 2013.

	\$000's
Total Value of Fund Assets as at 31 December 2013 (net of land tax and rates)	25,416
Less value of NAB facility	(989)
	24,427
Less Creditors and Other Payables	(1,453)
Total Net Value of Fund Assets	22,974
Total Number of Units as at 31 December 2013	193,916,000
Unit Price	0.118

I attach a copy of a letter to Centrelink confirming the unit price as at 31 December 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.

6. Receiver's Remuneration and Expenses

I attach a summary of my current remuneration and outlays outstanding for the period from 1 December 2013 to 31 January 2014. My remuneration incurred during this period totals \$141,538.50 plus outlays of \$10,439.95 plus GST.

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

As the Bundall office is now closed, all 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

10 February 2014

**EQUITRUST 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 31 December 2013, calculated as follows:

	\$000's
Total Value of Fund Assets as at 31 December 2013 (net of land tax and rates)	25,416
Less value of NAB facility	(989)
	<hr/>
	24,427
Less Creditors and Other Payables	(1,453)
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Total Net Value of Fund Assets	22,974
Total Number of Units as at 31 December 2013	193,916,000
Unit Price	0.118

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

Equititrust Income Fund (Receiver Appointed)
1 December 2013 to 31 January 2014

Employee	Position	Rate (\$)	Total Units	Total (\$)	Administration		Assets		Creditors		Investigation		Trade On	
					Units	(\$)	Units	(\$)	Units	(\$)	Units	(\$)	Units	(\$)
Whyte, David	Partner	560.00	40.10	22,456.00	4.20	2,352.00	18.30	10,248.00	14.70	8,232.00	-	-	2.90	1,624.00
Jarrold, Clark	Partner	485.00	1.00	485.00	-	-	-	-	1.00	485.00	-	-	-	-
Jenkins, Craig	Partner	485.00	2.00	970.00	-	-	-	-	-	-	2.00	970.00	-	-
Somerville, John	Senior Manager	425.00	141.90	60,307.50	4.50	1,912.50	118.30	50,277.50	17.10	7,267.50	-	-	2.00	850.00
Raphael, Alastair	Manager	390.00	0.90	351.00	-	-	0.90	351.00	-	-	-	-	-	-
Tipman, Daniel	Senior Accountant I	310.00	176.50	54,715.00	4.60	1,426.00	9.60	2,976.00	95.30	29,543.00	7.80	2,418.00	59.20	18,352.00
Kennedy, Nicola	Accountant II	190.00	6.40	1,216.00	6.40	1,216.00	-	-	-	-	-	-	-	-
Watson, Sarah	Financial Assistant	180.00	3.10	558.00	-	-	-	-	3.10	558.00	-	-	-	-
Richardson, Ashley	Team Assistant	75.00	0.60	45.00	0.60	45.00	-	-	-	-	-	-	-	-
Hattingsh, Moira	Team Assistant	75.00	5.80	435.00	-	-	-	-	5.80	435.00	-	-	-	-
TOTAL			378.30	141,538.50	20.30	6,951.50	147.10	63,852.50	137.00	46,520.50	9.80	3,388.00	64.10	20,826.00
			GST	14,153.84										
			TOTAL INC GST	155,692.34										
AVERAGE HOURLY RATE				374.14	342.44	434.08	339.57	345.71	324.90					

DISBURSEMENT REPORT

Equititrust Income Fund (Receiver Appointed)
1 December 2013 to 31 January 2014

Item	\$
Courier	31.63
Searches	88.03
Travel	437.21
Postage	1,744.08
Printing/photocopying	8,139.00
Sub Total	10,439.95
GST	1,044.00
TOTAL	11,483.95