



TO INVESTORS AS ADRESSED

22 April 2016

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

I refer to my previous reports and now provide my 26th update to Investors since my appointment as Court appointed Receiver and person responsible for winding up the EIF on 21 November 2011.

1. Asset Recoveries

1.1 Property Realisations

As advised in my 25th update to Investors, all real property assets of the Fund have now been realised. Since my appointment, 46 properties have been realised with a total gross realisation of approximately \$59.26 million.

1.2 Legal Proceedings

The remaining claim filed against a valuer for negligence and damages continues to progress. The Court timeframe was again revised to allow me to obtain an expert lending report to respond to the expert report submitted by the defendant. All material has now been filed and served in the proceedings with mediation expected to be completed by 15 July 2016. I am hopeful that the matter will be resolved at mediation to avoid the cost of a trial.

1.3 Liquidators’ claim against the Auditors and Directors and Officers

As previously advised, a Claim and Statement of Claim was filed in the Federal Court on 27 September 2013 by the Liquidators of Equititrust Limited (EL) against the Auditors, Directors and EL in its own capacity for breach of duties. The claim includes the claims that were originally contemplated as being made on behalf of the Investors of the Fund as a class action.

As previously advised, the liquidators of EL have made an application for leave to amend the claim, which is listed for hearing on 2 May 2016.

If leave is granted for the amendments to the pleading, the Respondents will have to file defences and the next substantive step in the proceeding will likely be discovery. Because of the large number of documents involved, it is anticipated that this will take several weeks to complete; following which it is likely that orders will be made for the parties to put on evidence.

The matter has not yet been given a trial date and no mediation has been scheduled.

As previously advised, the Liquidators entered into a litigation funding deed with a litigation funder, which has been approved by the Court, to fund the action against the Auditors, Directors and EL in its own capacity. Therefore, the Fund is not bearing any costs of the litigation;

however any funds realised from this claim that relate to the EIF will be paid to the Fund (after deducting the costs of the litigation). Please note that I will not be in a position to make a final distribution and finalise the winding up of the Fund until this litigation has been resolved.

2. Creditor Claims

2.1 Secured Creditors

As advised in my 25th report to investors, the Fund's indebtedness to the National Australia Bank (NAB) has now been extinguished in full.

As the NAB has been repaid in full, I understand that the Receivers and Managers appointed by NAB over EL are taking steps to retire.

2.2 Other Creditors

As previously advised, there are a number of creditors that are required to be paid (or funds retained) before further distributions can be made to Investors, which include:

- Trade creditors, which relate to liabilities necessarily incurred in the winding up of the Fund;
- Potential claims against the Fund made by the Liquidators of EL;
- 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 previously advised, repeated attempts have been made to resolve all claims between the Fund and the Liquidators in respect of a costs order awarded against EL in the proof of debt proceedings and 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.

In this regard, a conference was held with the Liquidators on 25 February 2016 at which time a framework was agreed in principle to resolve the various claims between the Fund and the Liquidators.

At this stage, documentation is being prepared to be exchanged between the parties with a further conference to be held to agree an approach to resolve all claims.

I will provide a further update in my next report to investors, however, it may be necessary for claims between the Liquidators and the Fund to be the subject of directions of the Court when finalising the winding up.

3. Receipts and Payments

I provide below a summary of the Receipts and Payments of the Fund for the period from 1 December 2015 to 31 March 2016.

Summary of Receipts and Payments for the Period 1 December 2015 to 31 March 2016		\$
Opening Cash at Bank		7,680,675.28
Receipts		
Interest Income		32,577.07
Other Income		250.00
Loan Recoveries - Checkling Pty Ltd		1,638.40
Total Receipts		34,465.47
Payments		
Advertising Expenses		(2,008.88)
Appointee Fees		(18,832.00)
Bank Charges		(49.60)
Consultant's fees		(3,000.00)
IT Expenses		(15,483.50)
Legal Fees		(38,420.34)
Printing Expenses		(2,047.91)
Total Payments		(79,842.23)
Cheques presented during period but recorded in prior periods		(70,644.53)
Closing Cash at Bank		7,564,653.99
Less unrepresented cheques		(143,545.00)
Closing Cashbook Balance		7,421,108.99

I note the following in relation to the above receipts and payments of the Fund:

- The Loan Recoveries include:
 - Final recoveries from the receiver and manager of Checkling Pty Ltd
- Advertising expenses include the costs of advertising my application to Court for remuneration approval, which was heard on 20 November 2015. Advertising of the application is a requirement of the Court.
- Consultant's fees include the costs of a witness to prepare a statement in the proceedings against a valuer.
- IT expenses include the cost of hosting and maintaining the Equititrust server and licence fees for the investor management database. During the period I arranged for the server to be transferred from an external host to a BDO platform. This has reduced monthly hosting and maintenance costs by approximately \$2,300 per month.
- Legal fees primarily relate to the costs in pursuing the remaining valuer claim and dealing with the claims by the Liquidators of EL as outlined in sections 1.2 and 2.3 of this report respectively.

The incurring of these costs is considered essential in terms of successfully recovering assets for the benefit of Investors.

4. Estimated Return to Investors

To date the following distributions have been paid to Investors:

- First interim distribution of 5 cents per unit paid in June 2014 totalling \$9.678 million
- Second interim distribution of 3 cents per unit paid in June 2015 totalling \$5.516 million
- Third interim distribution of 3 cents per unit paid in September 2015 totalling \$5.36 million.

As previously advised, the Fund recorded an accounting and tax loss for the year ended 30 June 2011. Accordingly, the Fund had no surplus income available to distribute to investors in the 2011 financial year. All payments to investors other than payments of interest accrued as at 30 June 2010 were deemed by the Fund as a partial repayment of capital.

Prior to my appointment, the Fund accounted for this partial repayment of capital as a corresponding reduction in the unit balance of the Fund. The accounting treatment for the first, second and third interim distributions paid by me in June 2014, June 2015 and September 2015 respectively has remained the same (i.e. as distributions are made, the number of units in the Fund continue to decrease in accordance with the amount distributed to investors). Therefore, the cents per unit return for each distribution is calculated based on the units in the Fund at that point in time.

In light of the above, I provide below the overall estimated return to Investors of between 12.8 cents and 13.2 cents per unit as at 31 March 2016 as follows:

	Low	High
	\$000's	\$000's
Net Estimated Value of Fund Assets as at 31 March 2016	7,421	7,421
Less:		
Creditors and Other Payables	646	396
Estimated Equalisation Payment	2,500	2,000
Estimated net amount available to investors at 31 March 2016	4,275	5,025
Add:		
3 cent interim distribution paid September 2015	5,360	5,360
3 cent interim distribution paid June 2015	5,526	5,526
5 cent interim distribution paid June 2014	9,696	9,696
Total Funds Available for Distribution to Investors	24,857	25,607
Total investor units as at 21 November 2011	193,912	193,912
Overall Estimated Return to Investors per Unit	12.8 cents	13.2 cents

The above table does not take into account future operating costs, future legal fees and future Receiver's fees.

The estimated return to investors has been revised downwards slightly by 0.1 cent since my 25th update report dated 22 December 2015 primarily due to the future operating costs not being taken into account. However, the estimated return also excludes potential legal recoveries against valuers or other third parties as outlined in sections 1.2 and 1.3 of this report and therefore it is possible that investors' overall return may be higher than this estimate.

4.1 Future Distributions to Investors

I will not be in a position to make further distributions to Investors until the remaining legal proceedings currently on foot and the claims with the Liquidators of EL have been resolved.

Please note that in estimating the funds available for distribution to Investors, I must take into account the liabilities of the Fund outstanding at the date of this report along with monies required in order to pay future liabilities that may arise in a worst case scenario. A 'provision' is required to ensure that legal and other costs can be met, including, in the event costs may be awarded against the Fund in relation to the remaining legal proceeding on foot.

I anticipate that the winding up of the Fund may take a further six to twelve months to finalise (including resolving the Liquidators' claim against the directors of EL and the auditors) and I will continue to provide updates to investors on its progress and the timing of future distributions. I will issue my next update to Investors in August 2016.

5. Receiver's Remuneration and Expenses

I attach a summary of my current remuneration and outlays outstanding for the period from 1 December 2015 to 31 March 2016. My remuneration incurred during this period totals \$63,474 plus outlays of \$1,003.14 (excluding GST). A copy of my remuneration report for this period is enclosed.

I anticipate that my next application for approval of my remuneration will be heard in August 2016. A copy of my application in this respect will be posted to the websites www.equititrust.com.au and www.equitrustincomefund.com.au and Investors will be notified when this application has been lodged.

6. 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



7. Queries

All queries should be directed to Dermot O'Brien of this office who can be contacted as follows;

Phone: 07 3237 5999

Email: Dermot.O'Brien@bdo.com.au

Yours faithfully



David Whyte
Receiver

REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 December 2015 to 31 March 2016
Equititrust Income Fund (Receiver Appointed)

Employee	Position	Rate	Totals		Task Area									
			hrs	\$	Assets	Creditors	Trade On	Investigations	Administration	hrs	\$	hrs	\$	
David Whyte	Partner	560	15.4	8,624.00	3.7	2,072.00	6.0	3,360.00	5.6	3,136.00			0.1	56.00
John Somerville	Senior Manager	440	49.8	21,912.00	11.6	5,104.00	21.6	9,504.00	10.5	4,620.00	2.2	968.00	3.9	1,716.00
Nicola Kennedy	Senior Accountant II	280	24.3	6,804.00			3.7	1,036.00	12.1	3,388.00			8.5	2,380.00
Sarah Cunningham	Team Assistant	195	1.3	253.50									1.3	253.50
Dermot O'Brien	Accountant II	195	39.9	7,780.50	5.5	1,072.50	11.5	2,242.50	26.4	5,148.00			22.9	4,465.50
Julia Mayne	Accountant II	195	89.8	17,511.00			55.5	10,822.50					7.9	1,540.50
Nicole Jackson	Team Assistant	155	0.6	93.00									0.6	93.00
Moira Hattingh	Team Assistant	80	6.2	496.00									6.2	496.00
TOTALS			227.3	63,474.00	20.8	8,248.50	98.3	26,965.00	54.6	16,292.00	2.2	968.00	51.4	11,000.50
			GST											
			TOTAL INC GST											
			AVERAGE HOURLY RATE		279		274		298		440		214	

Note: All amounts exclude GST unless otherwise noted

Disbursements for the period 1 December 2015 to 31 March 2016

Equititrust Income Fund (Receiver Appointed)

Expense Type	Amount (\$ ex GST)
Postage	1,003.14
TOTAL	1,003.14
GST	100.31
TOTAL INC GST	1,103.45