



TO INVESTORS AS ADRESSED

31 August 2016

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

I refer to my previous reports and now provide my 27th 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 26th 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. In this regard, mediation was held on 13 July 2016, however a commercial settlement could not be reached.

The defendant has advised that it will be amending its defence and our respective solicitors are currently seeking to agree a timetable to bring the matter to trial. This will include any reply to the amended defence, any further disclosure to be made and for experts in the same discipline to meet with a view to identifying the matters in respect of which they agree and disagree, and attempt to resolve any disagreement. This is anticipated to be completed by 20 December 2016 with a trial to follow in the New Year.

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.

The Liquidators of Equititrust Limited made an application for leave to amend the statement of claim, which was heard by Foster J on 2 and 3 May 2016. Judgment on the application has been reserved.

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 there are no outstanding court orders while judgment is pending on the Liquidators' application.

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 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 (refer section 2.2 below);
- Any other creditors outstanding at the date of my appointment; and
- Receiver's remuneration and outlays.

2.2 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.

As the matter is still not resolved, I intend making an application to Court seeking directions on how this should be resolved and to put in place a timetable to do so.

The application will also seek directions on an 'equalisation payment' due to certain investors, which is addressed further at section 4.2 below.

3. Receipts and Payments

I provide below a summary of the Receipts and Payments of the Fund for the period from 1 April 2016 to 31 July 2016.

**Summary of Receipts and Payments for the Period 1 April
2016 to 31 July 2016**

	\$
Opening Cashbook Balance	7,421,108.99
Receipts	

Interest Income	26,437.53
Other Income	170.00
Total Receipts	26,607.53
Payments	
Agent's Fees	(55,746.28)
Bank Charges	(40.00)
Printing & Stationery Expenses	(2,043.71)
IT Expenses	(7,258.90)
Legal Fees	(33,334.07)
Total Payments	(98,422.96)
Closing Cashbook Balance	7,349,293.56

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

- Agent's fees include the costs of expert witness reports 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.
- 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 2.2 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 12.7 cents and 13.1 cents per unit as at 31 July 2016 as follows:

	Low	High
	\$000's	\$000's
Net Estimated Value of Fund Assets as at 31 July 2016	7,349	7,349
Less:		
Creditors and Other Payables	735	485
Estimated Equalisation Payment	2,500	2,000
Estimated net amount available to investors at 31 July 2016	4,114	4,864
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	24,696	25,446
Total investor units as at 21 November 2011	193,912	193,912
Overall Estimated Return to Investors per Unit	12.7 cents	13.1 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 26th update report dated 22 April 2016 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.

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 January 2017.

4.2 Equalisation Payment to Investors

As previously advised, an 'equalisation payment' is proposed to investors, and will be the subject of an application to Court to approve same, who did not receive a partial repayment of capital during the period from 1 July 2010 up until the cessation of distribution payments in March 2011. These investors include investors that elected to receive distribution payments annually and where their investments did not mature during this period.

The 'equalisation payment' is also proposed to ensure an equitable return of capital is paid to all investors given the different interest rates applicable for each class of unit which was used in calculating the partial return of capital paid at the relevant time.

The proposed methodology for the 'equalisation payment' is to adopt the highest return received by an investor during the relevant period and apply this rate across all investors. In this regard, the highest return during the relevant period was 6.33%.

I provide below an example of the 'equalisation payment' which takes into account an adjustment for the interim distributions paid by me to date.

Investor	Distributions paid based on current unit balances	'Equalisation Payment' and subsequent adjustment to unit balances	'Equalisation Payment' payable
Unit balance as at 1 July 2010	100,000	100,000	
Capital repaid in FY2011	\$0	\$0	
'Equalisation Payment' at 6.33% for FY2011		\$6,330	\$6,330
Unit balance as at 21 November 2011	100,000	93,670	
Interim distribution of capital (5 cents per unit on paid June 2014)	\$5,000	\$4,684	(\$316)
Unit balance as at 30 June 2014	95,000	88,986	
Less interim distribution of capital (3 cents per unit paid June 2015)	\$2,850	\$2,670	(\$180)
Unit balance as at 30 June 2015	92,150	86,316	
Less interim distribution of capital (3 cents per unit paid September 2015)	\$2,765	2,589	(\$176)
Unit balance as at 30 September 2015	89,385	83,727	
Total 'Equalisation Payment'			\$5,658

In the example above, the total 'equalisation payment' is \$5,658 and all future distributions will be calculated based on the adjusted unit balance of 83,727 units.

As noted earlier in this report, I intend making an application to Court shortly to obtain directions in relation to the proposed 'equalisation payment'. Investors will be advised of the application in due course and a copy of the relevant documentation will be uploaded to the websites www.equitytrustincomefund.com.au and www.equitytrust.com.au.

5. Receiver's Remuneration and Expenses

I attach a summary of my current remuneration and outlays incurred for the period from 1 April 2016 to 31 July 2016 totalling \$82,606.00 plus outlays of \$1,714.97 (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 October or November 2016 and will cover the period from 1 October 2015 to 30 September 2016. A copy of my application in this respect will be posted to the websites www.equitytrust.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.

Equitrust 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

A handwritten signature in blue ink, appearing to read 'David Whyte', with a long horizontal flourish extending to the right.

David Whyte
Receiver

**REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 April 2016 to 31 July 2016
EQUITRUST INCOME FUND (RECEIVER APPOINTED) ("THE FUND")**

Employee	Position	Rate	Totals		Task Area											
			hrs	\$	Assets		Creditors		Trade On		Investigations		Administration			
					hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$		
David Whyte	Partner	580	17.4	10,092.00	16.3	9,454.00	0.7	406.00	0.4	232.00	0.0	0.00	0.0	0.00	0.0	0.00
David Whyte	Partner	560	11.0	6,160.00	7.2	4,032.00	2.0	1,120.00	1.5	840.00	0.2	112.00	0.0	0.00	0.1	56.00
John Somerville	Senior Manager	455	18.2	8,281.00	10.3	4,686.50	7.0	3,185.00	0.9	409.50	0.0	0.00	0.0	0.00	0.0	0.00
John Somerville	Senior Manager	440	47.4	20,856.00	8.9	3,916.00	20.4	8,976.00	2.6	1,144.00	15.0	6,600.00	0.0	0.00	0.5	220.00
Aubrey Meek	Senior Accountant II	290	8.0	2,320.00	0.0	0.00	8.0	2,320.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
Nicola Kennedy	Senior Accountant II	280	19.0	5,320.00	0.1	28.00	3.5	980.00	11.7	3,276.00	0.0	0.00	0.0	0.00	3.7	1,036.00
Dermot O'Brien	Accountant I	235	9.7	2,279.50	4.0	940.00	5.7	1,339.50	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
Samantha Brown	Accountant I	235	0.2	47.00	0.0	0.00	0.2	47.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
Aubrey Meek	Senior Accountant II	225	5.1	1,147.50	0.0	0.00	4.1	922.50	0.0	0.00	0.0	0.00	0.0	0.00	1.0	225.00
Sarah Cunningham	Team Assistant	195	6.4	1,248.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	6.4	1,248.00
Dermot O'Brien	Accountant I	195	45.6	8,892.00	0.4	78.00	27.2	5,304.00	0.0	0.00	0.0	0.00	0.0	0.00	18.0	3,510.00
Julia Mayne	Accountant II	195	0.3	58.50	0.0	0.00	0.3	58.50	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
Samantha Brown	Accountant I	195	0.7	136.50	0.0	0.00	0.7	136.50	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
Aubrey Meek	Senior Accountant II	190	15.5	2,945.00	0.0	0.00	12.2	2,318.00	0.0	0.00	0.0	0.00	0.0	0.00	3.3	627.00
Andrew Lane	Undergraduate	165	11.1	1,831.50	0.0	0.00	6.3	1,039.50	0.0	0.00	0.0	0.00	0.0	0.00	4.8	792.00
Ryan Whyte	Undergraduate	165	22.8	3,762.00	0.0	0.00	17.9	2,953.50	1.0	165.00	0.0	0.00	0.0	0.00	3.9	643.50
Ryan Whyte	Undergraduate	160	22.0	3,520.00	0.0	0.00	14.4	2,304.00	0.7	112.00	0.0	0.00	0.0	0.00	6.9	1,104.00
Nicole Jackson	Team Assistant	155	0.2	31.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.2	31.00
Jinyang Li	Accountant II	155	18.7	2,898.50	0.0	0.00	18.7	2,898.50	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
Moira Hattingh	Team Assistant	85	0.8	68.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.8	68.00
Moira Hattingh	Team Assistant	80	8.9	712.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	8.9	712.00
TOTALS			289.0	82,606.00	47.2	23,134.50	149.3	36,308.50	18.8	6,178.50	15.2	6,712.00	0.00	0.00	58.5	10,272.50
			GST	8,260.60												
			TOTAL INC GST	90,866.60												
			AVERAGE HOURLY RATE	286	490	243	329	442	176							

Note: All amounts exclude GST unless otherwise noted

Disbursements for the period 1 April 2016 to 31 July 2016
EQUITRUST INCOME FUND (RECEIVER APPOINTED)
(“THE FUND”)

Expense Type	Amount (\$ ex GST)
Search Fee	319.20
Postage	1,395.77