

TO INVESTORS AS ADDRESSED

31 January 2017

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

I refer to my previous reports and now provide my 28th update to Investors since my appointment as Court appointed Receiver and person responsible for winding up the EIF on 21 November 2011. This report should be read in conjunction with my previous update reports to investors.

1. Asset Recoveries

1.1 Property Realisations

As advised in my 27th 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.

At a review hearing on 9 September 2016, the Court indicated that I should bring a formal application seeking leave to rely upon a further expert report obtained due to the Defendant opposing reliance on any other expert evidence. I obtained a further expert valuation report as the Defendant’s expert valuation report served on me was done on a different basis and addressed different issues to that of the original expert valuation report obtained by me.

At the hearing of my application on 29 November 2016, the Court agreed that I should have an opportunity to fairly respond to the Defendant’s expert report on the same basis and granted leave to rely on my further expert report. The Court also ordered;

1. By 28 January 2017 the Defendant is to deliver any expert report in reply to my further expert report.
2. By 24 February 2017, all experts in the same discipline, whose reports address the same issues must attend a meeting with a view to identifying the matters in respect of which they agree and disagree, and attempt to resolve any disagreement.
3. By 17 March 2017, all experts in the same discipline are to file joint reports regarding the outcome of the expert meeting.
4. The parties sign and file a request for trial date by 31 March 2017.

On 27 January 2017, the Defendant served on me further expert reports including a further retrospective valuation and reports critiquing the expert reports obtained by me. I am presently considering the material.

I will provide a further update on the status of the proceedings in my next report to Investors.



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.

Judgement on the Liquidators of EL's application for leave to amend the statement of claim is still to be handed down by the Federal Court.

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 am considering making an application to Court seeking directions on how this should be resolved and to put in place a timetable to do so.

3. Receipts and Payments

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

Summary of Receipts and Payments for the Period 1 August 2016 to 31 December 2016	
	\$
Opening Cashbook Balance	7,349,293.56
Receipts	
Interest Income	21,803.88
Other Income	150.00
GST Refunds	65,103.81
Loan Recoveries - Star Sky Investments	27,287.94
Total Receipts	114,345.63
Payments	
Agent's Fees	(43,500.23)
Bank Charges	(163.84)
Printing & Stationery Expenses	(3,760.42)
IT Expenses	(7,029.00)
Legal Fees	(129,289.06)
Appointee Fees	(336,226.61)
Total Payments	(519,969.16)
Closing Cashbook Balance	6,943,670.03

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

- The loan recovery was from a dividend received from a liquidator of a borrower.
- 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.
- Appointee Fees relate to my remuneration approved by the Court on 20 December 2016 and outlined further at section 5 of this report below.

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 12.6 cents and 13.0 cents per unit as at 31 December 2016 as follows:

	Low	High
	\$000's	\$000's
Net Estimated Value of Fund Assets as at 31 December 2016	6,943	6,943
Less:		
Creditors and Other Payables	540	290
Estimated Equalisation Payment	2,500	2,000
Estimated net amount available to Investors at 31 December 2016	3,903	4,653
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	24,485	25,235
Total investor units as at 21 November 2011	193,912	193,912
Overall Estimated Return to Investors per Unit	12.6 cents	13.0 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 27th update report dated 31 August 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 Investors' overall return may be higher than this estimate.



4.1 Future Distributions to Investors

As previously advised, 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 May 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.

I am currently calculating the 'equalisation payment' and will file an application to Court once the calculation has been finalised to obtain directions to process the payment to Investors. Investors will be advised of the application in due course and a copy of the relevant documentation will be uploaded to the websites www.equitrustincomefund.com.au and www.equitrust.com.au.

5. Receiver's Remuneration and Expenses

As notified to Investors recently, my seventh application for approval of my remuneration for the period 1 October 2015 to 31 October 2016 was heard on 20 December 2016 and was fixed in the amount of \$329,503.35 (inclusive of GST). A copy of the court order along with the material filed in support of the application can be obtained from the websites detailed below.

I attach a summary of my current remuneration and outlays incurred since my last report to Investors, which covers the period from 1 August 2016 to 31 December 2016 totalling \$116,028.50 plus outlays of \$1,402.65 (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 November or December 2017 and will cover the period from 1 November 2016 to 31 October 2017. 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.

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: Andrew.Lane@bdo.com.au

Yours faithfully

A handwritten signature in black ink, appearing to read 'David Whyte', written over a horizontal line.

David Whyte
Receiver

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

Employee	Position	Rate	Totals		Task Area									
			hrs	\$	Assets		Creditors		Trade On		Investigations		Administration	
					hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$
David Whyte	Partner	580	53.3	30,914.00	13.1	7,598.00	8.0	4,640.00	4.1	2,378.00	19.5	11,310.00	8.6	4,988.00
John Somerville	Senior Manager	455	85.7	38,993.50	5.5	2,502.50	38.9	17,699.50	5.1	2,320.50	18.3	8,326.50	17.9	8,144.50
Aubrey Meek	Senior Accountant II	290	42.1	12,209.00			41.9	12,151.00	0.2	58.00				
Dermot O'Brien	Senior Accountant II	235	18.4	4,324.00	1.1	258.50	10.6	2,491.00	1.0	235.00			5.7	1,339.50
Samantha Brown	Accountant I	235	0.4	94.00			0.4	94.00						
Sarah Cunningham	Team Assistant	200	1.0	200.00									1.0	200.00
Andrew Lane	Undergraduate	165	78.7	12,985.50	0.4	66.00	59.0	9,735.00	1.2	198.00	0.3	49.50	17.8	2,937.00
Ryan Whyte	Undergraduate	165	94.1	15,526.50			85.0	14,025.00	0.1	16.50			9.0	1,485.00
Moira Hattingh	Team Assistant	85	9.2	782.00									9.2	782.00
TOTALS			382.9	116,028.50	20.1	10,425.00	243.8	60,835.50	11.7	5,206.00	38.1	19,686.00	69.2	19,876.00
			GST	11,602.85										
			TOTAL INC GST	127,631.35										
AVERAGE HOURLY RATE			303		519		250		445		517		287	

Note: All amounts exclude GST unless otherwise noted

Disbursements for the period 1 August 2016 to 31 December 2016
Equititrust Income Fund (Receiver Appointed)

Expense Type	Amount (\$ ex GST)
Postage	1,402.65
TOTAL	1,402.65
GST	140.27
TOTAL INC GST	1,542.92