

TO INVESTORS AS ADDRESSED

31 October 2017

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

I refer to my previous reports and now provide my 30th 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 previously, all real property assets of the Fund have been realised. Since my appointment, 46 properties have been realised with a total gross realisation of approximately \$59.26 million.

1.2 Valuer Legal Proceedings

I refer to my previous update and milestones in relation to the claim filed against a valuer for negligence and damages.

The proceedings have continued to progress with the key matters addressed since my last report on 13 June 2017 being as follows:

- The joint expert report of the three valuers was received on 4 August 2017
- An Amended Defence has been filed by the defendants
- An Amended Reply to the defence has been completed and filed
- No further disclosure was made by the due date of 6 October 2017
- Our solicitors continue to seek explanations and disclosure surrounding the completion of the Final Valuation that, to our knowledge, was never received by the Fund
- Mediation has been set down for 7 December 2017
- In the event mediation is unsuccessful, a request for trial date is to be lodged with the Court by no later than 16 February 2017.

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.

I have received an update from the Liquidators' solicitors and note the following in relation to the proceedings:

- It is expected that judgement in the application by the Liquidators of EL for leave to amend the statement of claim in the EIF proceedings on 2 and 3 May 2016 is to be delivered by early November 2017
- The Liquidators intend to list the matter for case management directions once judgment is handed down
- On 21 September 2017, the Liquidators' ex parte application in the EIF proceedings was heard pursuant to section 59 of the *Trusts Act 1973 (QLD)*. This section allows a party to sue itself, but requires that it seek directions from the Court as to how the separate interests are to be represented
- The Court made orders on 21 September 2017 that the interests of EL in its own capacity (i.e. not in its capacity as responsible entity of the EIF) be represented by its insurer.

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.

I will provide a further update to Investors in my next report.

1.4 Potential other claims by the Liquidators

As detailed in the Liquidators reports to creditors that are located on the websites www.equititrust.com.au and www.equitrustincomefund.com.au, the Liquidators have undertaken Public Examinations of a number of parties predominately relating to the affairs of the Equititrust Premium Fund (EPF).

I have asked the Liquidators if any of these matters may impact the EIF and the return to investors in that respect.

The Liquidators have advised that they have not yet determined whether any findings from the Public Examinations will have an impact on the EIF investors and that they are likely to be reporting to creditors with an update in the next month.

2. Creditor Claims

2.1 Other Creditors

As previously advised, there are a number of creditors that are required to be paid 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
- Receiver's remuneration and outlays.

2.2 Claims by the Liquidators of 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 previously advised, the Liquidators' total claims are for approximately \$2.1M (remuneration of \$1.2M and disbursements of \$0.9M), which seems unreasonable as I have been in control of the Fund since before their appointment, and Receivers have been appointed to the second mortgage fund, Equititrust Premium Fund. Therefore, in my opinion, there has been little for them to do other than pursue the proceedings against the Auditors and Directors, which is subject to litigation funding.

A detailed review of their claim has been undertaken however has been hampered by no timesheets being provided for the Voluntary Administration period and the invoices provided on the disbursements being redacted to the point there is insufficient information to make a proper assessment as to the extent they are justifiable expenses.

I have undertaken a detailed review of the Liquidators timesheet entries totalling \$1.2M however have been only been able to identify approximately \$8,000 as directly relating to the Fund.

The Liquidators have not separated the narrations to differentiate the work done on the following distinct matters:

- general Liquidators' work for the corporate entity, Equititrust Ltd
- the EIF
- the EPF
- the EPCIF
- the Sophisticated Fund.

My solicitors will once again request sufficient information to determine the claim otherwise I will consider making application to Court to decide the matter.

3. Receipts and Payments

I provide below a summary of the Receipts and Payments of the Fund for the period from 1 June 2017 to 30 September 2017.

Summary of Receipts and Payments for the period 1 June 2017 to 30 September 2017	
	(\$)
Opening Cashbook Balance	6,887,213.25
Receipts	
Interest Income	65,669.55
Loan Recoveries - Wirrina Cove	876.20
Total Receipts	66,545.75

Payments	
Agent's Fees	(42,157.50)
Bank Charges	(50.00)
IT Expenses	(4,626.60)
Legal Fees	(40,507.41)
Printing & Stationery Expenses	(2,698.47)
Total Payments	(90,039.98)
Closing Cashbook Balance	6,863,719.02

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

- The loan recovery relates to minor debtor collections for an outstanding water bill on Wirrina Cove
- 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
- Printing & Stationery expenses relate to the cost of copying and issuing updates to Investors.

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 12.3 cents and 12.5 cents per unit as at 30 September 2017 as follows:

	Low	High
	\$000's	\$000's
Net Estimated Value of Fund Assets as at 30 September 2017	6,864	6,864
Less:		
Estimated Creditors and Other Payables	(540)	(290)
Estimated Equalisation Payment	(3,000)	(2,900)
Estimated net amount available to Investors at 30 September 2017	3,324	3,674
Add:		
3 cent interim distribution paid September 2015	5,360	5,360
3 cent interim distribution paid June 2015	5,516	5,516
5 cent interim distribution paid June 2014	9,678	9,678
Total Funds Available for Distribution to Investors	23,878	24,228
Total investor units as at 21 November 2011	193,912	193,912
Overall Estimated Return to Investors per Unit	12.3 cents	12.5 cents

The above table does not take into account future operating costs, future legal fees and future Receiver's fees. 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 Updates and 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 (refer sections 1.2 & 1.3 of this report) and the claims with the Liquidators of EL have been resolved.

I anticipate that the winding up of the Fund will take a further twelve months to finalise unless out of Court settlements can be reached on the valuer and Liquidators claims. Mediation for the proceedings against the valuer is due to be held on 7 December 2017.

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 February 2018.

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.

Significant work has been undertaken in relation to the calculation of the equalisation payment, which includes:

1. Liaising with external data analysts to extract and interpret information from the EIF database
2. Build and implement IT formulas to equalise the distributions between the Investors who received different rates of return (equalisation calculation)
3. Manually reviewing, testing and amending the equalisation calculation in respect to Investors, where:
 - New units were acquired and reinvestments took place during FY2011
 - Units were transferred to different/new unit holdings during FY2011 and at a later date
 - Ensuring that all units transferred from one investor to multiple recipients were done equally because in some instances the repayment of capital had not been allocated proportionately
 - Interest was accrued but not paid to Investors in June 2010
 - Hardship and redemption payments were made during FY2011.

I have now finalised the manual review of the 'equalisation payment' process and the funds required be paid to Investors under this measure is approximately \$3M. This adjustment is reflected in the estimated return to Investors at Section 4 and is in line with the estimate in my 29th report to Investors.

An application to Court will be made to approve the equalisation 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.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 since my last report to Investors, which covers the period from 1 June 2017 to 30 September 2017 totalling \$121,701.00 plus outlays of \$2,713.91 (excluding GST).

The last Court approval of my remuneration covering the 13 months ended 31 October 2016 was heard on 20 December 2016 and approved in the amount of \$299,548.50 (excluding GST), equating to \$23,042 plus GST per month. My unbilled remuneration since then, covering the period from 1 November 2016 to 30 September 2017 (including the period detailed above), totals \$253,002.00 (excluding GST), equating to \$23,000 plus GST per month.

The main tasks undertaken during the period were:

- Correspondence with Investors, including:
 - Confirmation of unit holding balance
 - Change of details
 - Transfer of units
- Ongoing maintenance and updating of the Investor database
- Correspondence with Investors' financial advisors seeking updates in relation to the Fund
- Reviewing expert reports and documentation in relation to the valuer claim. Meetings and correspondence with my solicitors in relation to the claim
- Correspondence with the ASIC regarding the extension of the suspension of the AFSL
- Reviewing correspondence from the Liquidators and their solicitors in relation to the claim against the Auditors, Directors and EL

- Providing assistance to the Liquidators and access to records in relation to the claim against the Auditors, Directors and EL
- Preparing and lodging statutory returns
- Equalisation payment calculations, including:
 - Liaising with external data analysts to extract and interpret information from the EIF database
 - Building and implementing IT formulas to equalise the distributions between the Investors who received different rates of return
 - Manually reviewing, testing and amending the equalisation calculation in respect to Investors, where:
 - New units were acquired and reinvestments took place during FY2011
 - Units were transferred to different/new unit holdings during FY2011 and at a later date
 - Ensuring that all units transferred from one investor to multiple recipients were done equally because in some instances the repayment of capital had not been allocated proportionately
 - Interest was accrued but not paid to Investors in June 2010
 - Hardship and redemption payments were made during FY2011.
- Reviewing documentation provided by the Liquidators in relation to their claim for remuneration and expenses. Correspondence with the Liquidators regarding insufficient documentation to support the claim.

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.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 Antoinette Fielding of this office who can be contacted as follows:

Phone: 07 3237 5999

Email: antoinette.fielding@bdo.com.au

Yours faithfully



David Whyte
Receiver

REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 June 2017 to 30 September 2017
Equitrust 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	14.7	8,526.00	5.9	3,422.00	6.3	3,654.00	1.6	928.00	0.8	464.00	0.1	58.00
Charles Haines	Senior Manager	470	14.0	6,580.00	5.8	2,726.00	1.0	470.00	6.0	2,820.00	0.5	235.00	0.7	329.00
Charles Haines	Senior Manager	455	23.3	10,601.50	2.9	1,319.50	16.6	7,553.00	2.0	910.00			1.8	819.00
Jayden Coulston	Manager	430	144.1	61,963.00			1.7	731.00			142.4	61,232.00		
Aubrey Meek	Senior Accountant II	290	1.9	551.00			1.9	551.00						
Julia Mayne	Accountant I	255	0.4	102.00			0.4	102.00						
Sarah Cunningham	Team Assistant	215	0.5	107.50									0.5	107.50
Andrew Whittaker	Accountant II	215	0.2	43.00									0.2	43.00
Eloise Carroll	Accountant II	215	5.6	1,204.00			5.2	1,118.00	0.4	86.00				
Sarah Cunningham	Team Assistant	200	2.1	420.00									2.1	420.00
Eloise Carroll	Accountant II	200	25.3	5,060.00			24.4	4,880.00	0.9	180.00				
Ryan Whyte	Undergraduate	175	67.6	11,830.00			25.2	4,410.00	0.2	35.00	40.9	7,157.50	1.3	227.50
Antoinette Fielding	Undergraduate	175	37.2	6,510.00	0.7	122.50	31.3	5,477.50	1.1	192.50	0.9	157.50	3.2	560.00
George Lethbridge	Undergraduate	175	16.6	2,905.00			16.6	2,905.00						
Ryan Whyte	Undergraduate	165	7.2	1,188.00			6.9	1,138.50					0.3	49.50
Andrew Whittaker	Accountant II	165	9.7	1,600.50			9.3	1,534.50					0.4	66.00
Antoinette Fielding	Undergraduate	165	7.0	1,155.00			6.5	1,072.50			0.5	82.50		
Nicole Jackson	Team Assistant	160	1.1	176.00									1.1	176.00
Andrew Whittaker	Accountant II	155	0.3	46.50			0.3	46.50						
Maira Hattingh	Team Assistant	95	11.2	1,064.00									11.2	1,064.00
Maira Hattingh	Team Assistant	85	0.8	68.00									0.8	68.00
TOTALS			390.8	121,701.00	15.3	7,590.00	153.6	35,643.50	12.2	5,151.50	186.0	69,328.50	23.7	3,987.50
			GST	12,170.10										
			TOTAL INC GST	133,871.10										
			AVERAGE HOURLY RATE	311	496	232	422	373	168					

Note: All amounts exclude GST unless otherwise noted

Equititrust Income Fund (Receiver Appointed)

Expense Type	Amount (\$ ex GST)
Postage	2,713.91
TOTAL	2,713.91
GST	271.39
TOTAL INC GST	2,985.30