

TO INVESTORS AS ADDRESSED

1 April 2019

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

1. INTRODUCTION

I refer to my previous reports and provide my 34th 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 reports to Investors.

In summary:

- There have been three distributions to Investors to date totalling 11 cents in the dollar and based on the reducing number of units held. This equates to 10.6 cents in the dollar of the units held at the date of my appointment on 21 November 2011
- The current total estimated return to Investors is between 12.5 and 12.7 cents in the dollar as detailed at Section 5 of this report, with the further estimated distributions of between 1.9 and 2.1 cents in the dollar. This does not include recoveries from the EL Liquidators proceedings against the directors and auditors which is discussed further below and at Section 2.1 of the report.

The remaining matters to be completed in order to finalise the winding up, are as follows:

- Resolve the claims by the Liquidators (refer Section 3.2)
- The Liquidators of Equititrust Ltd (In Liquidation) (Receivers and Managers Appointed) (EL) to resolve the proceedings against the directors of EL and the auditors of the fund. The parties to the litigation attended a mediation in September 2018 and after ongoing negotiations, executed a confidential Settlement Deed in December 2018. The Liquidators intend to shortly seek judicial advice in relation to the Settlement Deed. I am not privy to the details of the Settlement Deed but note any balance of funds, after deducting the costs of the proceedings and a payment to the litigation funder, will be paid to the Fund (refer Section 2.1)
- Apply to Court for authority to pay an equalisation payment to Investors who did not receive a return of capital in the 2011 financial year (refer Section 5.2) and pay a final distribution (including the equalisation payment) to Investors to finalise the receivership.

The timing of the equalisation payment and final distribution to Investors remains subject to the Liquidators' proceedings against the directors of EL and the auditors of the Fund being resolved, noting a further directions application is foreshadowed in relation to the confidential Deed of Settlement entered into between the parties. Once these proceedings are resolved and any net proceeds are paid

to the Fund, I expect that it will take approximately six months to pay the distributions and finalise winding up the fund. I will continue to hold all funds in an interest bearing account until these directions are sought and the final distribution is ready to be made.

2. LEGAL PROCEEDINGS

2.1. 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 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:

- The parties to the litigation attended a mediation in September 2018 and after ongoing negotiations, executed a confidential Settlement Deed in December 2018. The Liquidators intend to shortly seek judicial advice in relation to the Settlement Deed.
- Otherwise, the trial dates, commencing 18 March 2019 for 5 weeks, have been vacated and the proceedings are listed for a case management conference on 2 May 2019.

I am not privy to the details of the confidential Settlement Deed although I have asked to be informed of the relevant details and for a copy of the judicial advice application so that I can represent Investors' interests and be heard on the 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 and any net proceeds are received. I will provide a further update to Investors in my next report.

3. CREDITOR CLAIMS

3.1. 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 3.2 below)
- Any other creditors outstanding at the date of my appointment
- Receiver's remuneration and outlays.

3.2. Claims by the Liquidators of EL

As advised in my last report to Investors, 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.

The Liquidators' total claims are for approximately \$2.1M (remuneration of \$1.2M and expenses 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. However, my review of the Liquidators' timesheet entries totalling \$1.2M has 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, EL
- the EIF
- the EPF
- the EPCIF
- the Sophisticated Fund.

The invoices provided in relation to the Liquidators' expenses have also been redacted to the point that there is insufficient information for me to make a proper assessment as to the extent they are justifiable expenses against the Fund.

On 3 August 2018 my solicitors filed an application for directions under proceeding 10478 of 2011 in the Supreme Court of Queensland.

The application sought the following directions:

- That the Liquidators be directed to, inter alia:
 - call for and adjudicate upon claims against EL
 - Identify whether EL has a claim for indemnity from property of the EIF
 - provide the Receiver with notice of any eligible claims against the property of the EIF
- That the Receiver be able to accept or reject the eligibility of the claims and provide his reasoning to the Liquidators for rejecting any claims
- That the Receiver may apply Court for directions to determine the eligibility of any claims.

The application was set down to be heard on 30 August 2018, however, following discussions with the Liquidators, it was agreed to adjourn the hearing until 20 September 2018 so that both parties could file and serve further affidavits and submissions. The Court made orders to that effect on 30 August 2018.

A further adjournment was agreed between the parties on 20 September 2018, with the matter again adjourned until 12 October 2018 so that further submissions could be made. The Court made orders to that effect on 20 September 2018.

The matter was heard on 12 October 2018 where Justice Boddice reserved his decision and directed that the parties provide their preferred version of the Orders, together with short written submissions as to why that version of the Orders should be made on 15 October 2018. After the decision was reserved, further without-prejudice discussion occurred between the parties with a view to narrowing the matters in dispute as regards the proposed Orders. The principal points of disagreement remained the process for payment of disbursements, where the Liquidators continued to seek to supply only redacted invoices, and the order proposed by the Liquidators that the Receiver not be permitted to distribute any funds in the receivership without further Court order.

At the date of this report, the Court is yet to deliver its judgement in relation to the matter. Once judgement is received, I will arrange for the sealed order to be uploaded on the EIF websites and notify Investors. I have put the Liquidators on notice not to distribute any funds coming into the liquidation, including in respect of any of the Liquidators' remuneration and expenses, without seeking specific approval from the Court.

4. RECEIPTS AND PAYMENTS

I provide below a summary of the Receipts and Payments of the Fund for the period from 1 November 2018 to 28 February 2019.

Summary of Receipts and Payments for the period	
1 November 2018 to 28 February 2019	
	(\$)
Opening Cashbook Balance	7,966,921.88
Receipts	
Interest Income	48,850.33
GST Received	30,441.82
Total Receipts	79,292.15
Payments	
Advertising	(3,003.00)
Bank Charges	(40.00)
IT Expenses	(5,544.00)
Legal Fees	(69,865.59)

Printing & Stationery Expenses	(2,139.93)
Appointee Fees	(271,789.65)
Appointee Disbursements	(9,536.25)
Total Payments	(361,918.42)
Closing Cashbook Balance	(7,684,295.61)

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

- Advertising relates to notice requirements for the Receiver's remuneration application
- Appointee fees were approved by the Court on 18 December 2018. Appointee disbursements relate primarily to postage costs incurred in issuing correspondence and notices to Investors
- 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:
 - dealing with the claims by the Liquidators of EL (see Section 3.2)
 - the Receivers' remuneration application for the 12 months ended 31 October 2018.
- Printing and stationery expenses relate to the external cost of copying and issuing correspondence and notices to Investors.

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

5. 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 \$9.696 million
- Second interim distribution of 3 cents per unit paid in June 2015 totalling \$5.526 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 12.5 cents and 12.7 cents per unit as at 28 February 2019 as follows:

Estimated Return to Investors	Low	High
	\$000's	\$000's
Cash at Bank as at 28 February 2019	7,684	7,684
<i>Add:</i>		
Outstanding GST Refunds	2	2
Estimated Value of Fund Assets as at 28 February 2019	7,686	7,686
<i>Less:</i>		
Estimated Creditors and Other Payables	(540)	(290)
Estimated Receiver's Remuneration - 1 November 2018 to 28 February 2019	(63)	(63)
Estimated Receiver's Disbursements - 1 November 2018 to 28 February 2019	(3)	(3)
Estimated Receiver's Remuneration - 1 March 2019 to 31 December 2019	(260)	(180)
Estimated Receiver's Disbursements - 1 March 2019 to 31 December 2019	(15)	(10)
Estimated Receiver's Costs (e.g. legal fees, IT costs etc.) - 1 March 2019 to 31 December 2019	(245)	(158)
Estimated Equalisation Payment	(2,924)	(2,924)
Estimated Net Amount Available to Investors as at 28 February 2019	3,636	4,058
<i>Add:</i>		
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	24,218	24,640
Total Investor Units as at 21 November 2011	193,912	193,912
Overall Estimated Return to Investors per Unit	12.5	12.7

Please note the above amounts exclude GST unless otherwise.

The above estimate is consistent with my previous update and is prepared on the following basis:

- It includes all estimated future recoveries, Receiver's fees and costs except for any recoveries from the Liquidators' proceedings as the matter is before the Court and any recovery for the benefit of the Fund is uncertain (see Section 2.1). Notwithstanding the above, I anticipate the actual return to Investors will be higher given a Settlement Deed has been entered into between the Liquidators and the auditors of the Fund
- That the winding up of the Fund will be finalised by 31 December 2019. If the winding up of the Fund extends beyond 31 December 2019, the estimated return to Investors may change.

5.1. Future Updates and Distributions to Investors

As previously advised, I will not be in a position to make further distributions to Investors until the Liquidators of EL finalise their proceedings (see Section 2.1) and the claims by the Liquidators of EL have been resolved (see Section 3.2).

I anticipate that the winding up of the Fund may take a further nine months or more to finalise. This timeframe is subject to the Liquidators finalising their proceedings (including seeking directions from the Court in relation to the confidential Settlement Deed entered into) and the claims made by the Liquidators of EL being resolved in a timely manner. If these matters are disputed or drawn out by the Liquidators, the estimated timeframe to distribute funds to Investors and finalise the winding up will increase. The timing of the final distribution to Investors is therefore uncertain. I will continue to hold all funds in an interest bearing account until the final distribution is ready to be made.

I will continue to provide updates to Investors on the winding up progress and the timing of future distributions. As stated above, I cannot take steps to finalise the administration until the settlement of the proceeding against the directors and auditors is resolved. As soon as the Liquidators application for judicial advice on the settlement is heard and judgement is handed down, I will provide a further update to investors.

5.2. Equalisation Payment to Investors

As previously advised, an equalisation payment is proposed to Investors 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.

In this regard, I have calculated the total equalisation payment to Investors to be \$2.924M across 2,447 separate Investor accounts. An adjustment for the equalisation payment is reflected in the estimated return to Investors at Section 5 and is in line with the estimate in my previous reports to Investors.

My solicitors have commenced preparing the relevant material for the Court application to approve the equalisation payment. However, as I am also required to seek orders from the Court in relation to the finalisation of the winding up of the Fund (including payment of a final distribution), I have determined, in conjunction with my solicitors, that it would be more appropriate to join the

applications and seek orders to distribute both the equalisation payment and a final distribution at the same time.

This means that there will be one final distribution instead of two small distributions, which will save on both professional and external costs in applying for and distributing separate amounts 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.equititrustincomefund.com.au and www.equititrust.com.au.

6. 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 November 2018 to 28 February 2019 totalling \$63,108.00 plus outlays of \$3,010.79 (both excluding GST).

The main tasks undertaken during the period 1 November 2018 to 28 February 2019 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 and their financial advisors seeking updates in relation to the Fund
- Reviewing correspondence from the Liquidators and their solicitors in relation to the claim against the auditors and directors and EL
- Preparing and lodging statutory returns
- Review and payment of costs incurred on behalf of the EIF, including advertising, legal, IT and printing costs
- Preparing my remuneration application to Court and supporting material for the period 1 November 2017 to 31 October 2018
- Liaising with my solicitors in relation to the remuneration application to Court for the period 1 November 2017 to 31 October 2018
- Preparing updates to Investors in relation to the winding up of the Fund
- Liaising with my solicitors and corresponding with the Liquidators regarding their claim for remuneration and expenses from the Fund and the directions hearing.

The last Court approval of my remuneration covering the 12 months ended 31 October 2018 was heard on 18 December 2018 and approved in the amount of \$247,081.50 (excluding GST), equating to \$20,590 (excluding GST) per month.

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.

Equititrust Income Fund (Receiver Appointed)
C/- BDO
GPO Box 457
Brisbane QLD 4001

8. QUERIES

All queries should be directed to this office, as follows:

Phone: (07) 3237 5999

Email: equititrust@bdo.com.au

All updates to Investors are posted to the websites; www.equititrustincomefund.com.au and www.equititrust.com.au.

Yours faithfully



David Whyte
Receiver



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REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2018 to 28 February 2019
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	595	15.3	9,103.50	0.3	178.50	2.8	1,666.00	1.7	1,011.50			10.5	6,247.50
Charles Haines	Associate Director	510	0.1	51.00									0.1	51.00
Jayden Coulston	Manager	445	70.1	31,194.50	0.5	222.50	40.4	17,978.00	0.9	400.50			28.3	12,593.50
Antoinette Fielding	Accountant	265	3.0	795.00	2.2	583.00	0.6	159.00					0.2	53.00
Antoinette Fielding	Accountant	220	27.8	6,116.00	1.0	220.00	26.6	5,852.00			0.2	44.00		
Eloise Carroll	Graduate Auditor	220	2.6	572.00			2.6	572.00						
George Lethbridge	Graduate Accountant	220	12.9	2,838.00			12.5	2,750.00					0.4	88.00
Amy Glubb	Accountant	220	9.9	2,178.00			9.5	2,090.00					0.4	88.00
Sarah Cunningham	Accounting Assistant	220	2.5	550.00									2.5	550.00
Ryan Whyte	Graduate Accountant	220	23.5	5,170.00			20.1	4,422.00	3.4	748.00				
Ryan Whyte	Graduate Accountant	180	18.5	3,330.00			16.9	3,042.00					1.6	288.00
Moira Hattingh	Practice Assistant	100	12.1	1,210.00	0.6	60.00							11.5	1,150.00
TOTALS			198.3	63,108.00	4.6	1,264.00	132.0	38,531.00	6.0	2,160.00	0.2	44.00	55.5	21,109.00
			GST	6,310.80										
			TOTAL INC GST	69,418.80										
			AVERAGE HOURLY RATE	318	275	292	360	220	380					

Note: All amounts exclude GST unless otherwise noted



Disbursements for the period 1 November 2018 to 28 February 2019

Equititrust Income Fund (Receiver Appointed)

Expense Type	Amount (\$ ex GST)
Postage	3,010.79
TOTAL	3,010.79
GST	301.08
TOTAL INC GST	3,311.87