

10 July 2008

Investor Relations Update

Dear Sir/Madam

Westpoint Management Ltd (In Liquidation) (Receivers and Managers Appointed)
ACN 074 148 431
("WML")
As Responsible Entity for the Westpoint Income Fund ("WIF")

I refer to my previous update concerning WIF of 14 February 2008. Copies of this and other updates are available at www.mcgrathnicol.com, in the Administrations section.

I advise that I have convened a meeting of unitholders pursuant to section 26.1 of WIF's Constitution to be held at 10:00am [EST] on Friday 1 August 2008 at the Mariner A Room, Medina Grand Harbourside, 55 Shelley Street, King Street Wharf, Sydney NSW.

The purpose of this meeting is to:

- + provide an update on the progress of the liquidation
- + discuss any other business arising.

For the purpose of this meeting, I enclose a:

- + Notice of Meeting
- + Proxy Form

I provide an update on the outstanding issues below.

1 Lanepoint

As you know, I believe that Lanepoint owes WIF far more than Mr Carey's argument that the debt is only \$2.3 million (as recorded in the books and records of WIF and Lanepoint).

I have prepared evidence in support of WIF's claim and requested legal advice on the merits of the claim. The preliminary legal advice I have received indicates that WIF has a reasonably strong case.

However, Mr Carey informed me that he intends to commence Court proceedings seeking declaratory relief of the Court as to the amount of the debt owed by Lanepoint and to seek injunctions preventing the WIF-appointed Receivers and Managers from realising Lanepoint's remaining properties.

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It is not possible to assess the likelihood of Mr Carey carrying out his threats. However, taking into consideration Mr Carey's litigious history, his clear intention to bring and defend other actions and Lanepoint's recent formal request to commence an action against WIF, his threat should be considered as real.

Accordingly, my alternative courses of action are as follows:

- + to defend WIF's position in Court proceedings. Although I believe WIF has a strong case, this will delay the sale of the remaining property and consequently the return to investors. It will also require additional liquidators' fees and legal fees to be expended. Whilst a portion of these costs would be recovered if we are successful, there would still be a significant cost to WIF; or
- + to negotiate an agreement with Lanepoint, which will enable me to obtain the funds sooner and avoid the fees associated with the court proceedings.

Mr Carey, on behalf of Lanepoint, approached me with a proposed agreement, which I have negotiated to include the following key terms:

- + Lanepoint will make available to WIF all of its assets, less an agreed settlement sum of up to \$200,000;
- + The settlement sum to be retained by Lanepoint comprises:
 - up to \$50,000 for the reasonable accounting and legal costs incurred in preparing the tax returns of Lanepoint (which resulted in Lanepoint receiving a \$1.28 million tax refund)
 - a further sum of \$150,000 from the proceeds of the sale of the properties
- + The WIF-appointed Receivers and Managers will be free to realise the remaining properties and any other assets of Lanepoint
- + Mr Carey, Lanepoint and its director(s) will release and discharge:
 - the Suncorp-appointed Receivers and Managers (enabling the return to WIF of \$650,000 which has been held by the Receivers and Managers as a contingency against actions from Mr Carey and Lanepoint)
 - the WIF-appointed Receivers and Managers
 - the Liquidators of WML
 - the Receivers and Managers of WML
- + The agreement is subject to approval by creditors of WML pursuant to sections 477(2A) and (2B) of the Corporations Act 2001.

I believe that entering into this proposed agreement is commercially beneficial for WIF because:

- + it will save the time and costs that would be incurred if the debt were to be argued in Court. I estimate that such litigation could take up to 18 months and could cost more than the settlement sum in legal fees and Liquidators' costs;
- + it will enable the WIF-appointed Receivers and Managers to realise the remaining properties without interference; and
- + the Suncorp-appointed Receivers and Managers are currently retaining \$650,000 from their asset realisations as a provision to defend legal proceedings threatened by Mr Carey and Lanepoint against them. Under this proposed agreement, Mr Carey will be releasing the Suncorp-appointed Receivers and Managers; therefore, these funds may become available to WIF.

Accordingly, I recommend that WIF enter into the agreement with Lanepoint.

Section 477(2A) of the Act requires a liquidator to obtain approval of the Court, Committee of Inspection or creditors to compromise a debt to the company if the amount claimed is more than \$20,000 and section 477(2B) of the Act requires a liquidator to obtain approval to enter into an agreement which has obligations extending 3 months or more.

Accordingly, I have convened a meeting of WML's creditors on 22 July 2008 to seek this approval. I will advise investors at the investor meeting on 1 August 2008 the outcome of this meeting.

1.1 The WIF-appointed Receivers and Managers

To date, WIF-appointed Receivers and Managers have paid WIF \$780k for the debt owed by Lanepoint from the realisation of Lanepoint's assets. The majority of these funds are being held in an interest-bearing term deposit account.

1.2 The Suncorp-appointed Receivers and Managers

The Suncorp-appointed Receivers and Managers of Lanepoint paid \$1.28 million to the Australian Taxation Office for capital gains tax arising from the sale of Lanepoint's assets. Subsequently, Mr Carey has prepared tax returns for Lanepoint for the relevant periods and the ATO issued nil assessments. The ATO inadvertently paid the tax refund of \$1.28 million to Mr Carey's solicitors who subsequently paid the funds into Court.

The WIF-appointed Receivers and Managers successfully applied to Court to obtain these funds.

2 Goldtag

I have continued to request a response from the first mortgagee concerning the calculation of their debt and charges imposed on the sale of the Cinema City complex. However, I still have not received a response.

Accordingly, I am left with no option but to commence legal action.

3 Kingdream

There is nothing further to report since my last report.

Finally, I understand that a number of investors have received compensation payments from their financial advisers. If you have received a compensation payment, you will need to notify this office of the details.

If you have any queries, please contact Melinda Kubank on (08) 6363 7636.

Yours sincerely

Westpoint Management Ltd (In Liquidation) (Receivers and Managers Appointed)



Simon Read
Liquidator

Clause 26.1 of the Westpoint Income Fund Constitution

NOTICE OF MEETING

**Westpoint Management Ltd
(In Liquidation) (Receivers and Managers Appointed)
ACN 074 148 431
As Responsible Entity for the Westpoint Income Fund ("WIF")**

Notice is given that a meeting of unitholders of the WIF will be held at 10:00am [EST] on Friday 1 August 2008 at the Mariner A Room, Medina Grand Harbourside, 55 Shelley Street, King Street Wharf, Sydney NSW.

Agenda

- + To provide an update on the progress of the liquidation.
- + To discuss any other business arising

Dated 10 July 2008



Simon Read
Liquidator

McGrathNicol
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Tel: (08) 6363 7600
www.mcgrathnicol.com

FORM 532
Corporations Act 2001

Regulation 5.6.29

**Westpoint Management Limited
(In Liquidation) (Receivers and Managers Appointed)
ACN 074 148 431
As Responsible Entity for the Westpoint Income Fund
(In Liquidation)**

APPOINTMENT OF PROXY

I/We (1) _____ of

a member of **Westpoint Income Fund (In Liquidation) (Receivers and Managers Appointed)** appoint

(2) _____ or in his/her absence

(3) _____ as my/our general/special proxy to vote at the meeting of unitholders to be held on 1 August 2008 at 10:00 AM or at any adjournment of that meeting.

DATED this _____ day of _____ 20

(4) Signature _____

CERTIFICATE OF WITNESS - only complete if the person given the proxy is blind or incapable of writing.

I, _____ of _____
certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him before he attached his signature or mark to the instrument.

DATED this _____ day of _____ 20

Signature of witness _____

Description _____

Place of residence _____

Notes:

- (1) If a firm strike out "I" and set out the full name of the firm.
- (2) Insert the name of the person appointed.
- (3) If a special proxy, "add the words 'to vote for' or the words 'to vote against' and specify the particular resolution".
- (4) If the creditor is a sole trader, sign in accordance with the following example: "A.B., proprietor".
If the creditor is a partnership, sign in accordance with the following example: "A.B., a partner of the said firm."
If the creditor is a company, then the form of proxy must be under its Common Seal or under the hand of some officer duly authorised in that capacity, and the fact that the officer is so authorised must be stated in accordance with the following example: "for the company, A.B." (duly authorised under the Seal of the Company).

Proxy forms should have been completed and returned by no later than 4:00 PM on 31 July 2008 to be eligible to vote at the meeting.

RETURN TO: **Westpoint Management Limited (In Liquidation) (Receivers and Managers Appointed) As Responsible Entity for the Westpoint Income Fund (In Liquidation)**

of care of McGrathNicol
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