

**Banksia Securities Limited**  
**ACN: 004 736 458 (“BSL”)**  
**(Receivers and Managers Appointed)**

**Circular to debenture holders**  
**Fifth interim repayment of 2 cents in the dollar**

**2 April 2014**

We refer to our last circular to debenture holders dated 16 December 2013. This further circular confirms a fifth interim repayment of 2 cents in the dollar and provides a brief update on the receivership.

***Fifth repayment***

The Trustee and the Receivers are pleased to advise a fifth interim repayment of 2 cents in the dollar has been declared and paid today, resulting in a total return to date of 80 cents in the dollar to BSL debenture holders.

The further repayment has again been administered by Link Market Services and paid in the same manner as previous repayments, which is generally via electronic funds transfer. For those debenture holders who have nominated to be paid by cheque, please find attached to this circular a cheque for your repayment.

***Overall repayment guidance***

Debenture holders would be aware that our overall repayment guidance has been 80 to 85 cents in the dollar.

We confirm that the ‘low’ range estimate of 80 cents in the dollar has been achieved. Based on information currently available, a midpoint outcome of circa 82 to 83 cents in the dollar is achievable from estimated remaining asset recoveries.

The timing and precise quantum of further returns is dependent on the ultimate outcome of any litigation recoveries (please see further below).

***Update on other key matters***

Most of the assets of BSL have been realised. The remaining “tangible” assets of the receivership (i.e. excluding litigation claims) consist of residual impaired loans, BSL’s ownership of its former head office in Kyabram, unrealised collateralised debt obligations and certain related party receivables.

Our expectation is that these assets will largely be dealt with and realised by mid-2014 with the balance of the receivership focussed on considering and pursuing litigation recoveries.

Set out below is an update on the major project areas and asset recovery programs being pursued.

- + ***Banksia Mortgage Fund (“BMF”) loan book sale:*** As previously reported, on 12 December 2013 Deutsche Bank AG completed on their purchase of the BMF loan portfolio. We expect the release of circa \$3 million in escrow funds pertaining to the sale in or around June 2014.
- + ***Impaired loan portfolio:*** The impaired loan portfolio continues to be carefully managed to maximise realisations and has now reduced substantially. The Receivers continue to focus on refinance and enforcement as the drivers of value. Our realisation targets continue to be met. Our expectation is that the majority of remaining loans will be realised by 30 September 2014,

with minimal assets remaining beyond then. We have recently provided the debenture holder Committee with a comprehensive impaired loan update and strategy review.

- + *Litigation* : Following completion of our public examinations in August 2013, we have considered claims which will be pursued by the Receivers. As soon as practicable, we will advise debenture holders of the likely next steps BSL proposes to take.
- + *Public examination transcripts*: In accordance with Court Orders made on 13 February 2014, the Receivers have now made the public examination transcripts available to debenture holders. The transcripts can be downloaded from the McGrathNicol website ([www.mcgrathnicol.com](http://www.mcgrathnicol.com)) under the section, Administrations/Banksia Securities Limited/ Debenture holders. Debenture holders will need their unique holder number (which can be located on correspondence issued by Link Market Services) and their residential post code to log onto the secured site. If further assistance is required, please contact Link Market Services on 1800 722 079.
- + *Class action*: The class action proceedings against BSL and Cherry Fund Limited, their Directors, Auditors and the Trustee continue and are subject to an ongoing Court timetable. Queries concerning the class action should be referred to the class action solicitors via [info@banksiaclassaction.com.au](mailto:info@banksiaclassaction.com.au).
- + *Debenture holder Committee*: We continue to work with the nine members comprising the Committee, who represent a range of community groups. In addition to regular written updates and dialogue, eight face to face meetings have been held to date and a further meeting will be scheduled for late April 2014.

#### **Trustee fees**

As previously reported, the Receivers are able to agree the Trustee's remuneration for the receivership commensurate with the Trustee's role and responsibilities, and as a consequence of the Trustee enforcing the security interest under the BSL Trust Deed.

In this regard, we advise that discussions with the Trustee and the debenture holder Committee concerning the work undertaken and fee pertaining to that work are continuing. We will provide a further report to debenture holders when a clear outcome or course of action has been agreed.

#### **Contact point**

Thank you for your ongoing co-operation and assistance. For further information concerning the current repayment or any other matter concerning the receivership, please continue to contact Link Market Services on 1800 722 079 or [banksia@linkmarketservices.com.au](mailto:banksia@linkmarketservices.com.au).

Dated 2 April 2014



Tony McGrath  
Receiver and Manager



Joseph Hayes  
Receiver and Manager