

E A Securities Limited

Responsible Entity for C & P North East Australia Development Fund

Directors Meeting 23 February 2011

Period of December and January

Fund Overview:

Update – ASIC Reg Guide 46 – Unlisted Property Schemes – Improving disclosures for retail investors

There is continued action in progress, to ensure ongoing compliance.

- Standardised templates / format for directors reports and newsletters
- website – completed and updated regularly
- Current Supplementary PDS
- Review Ongoing Disclosure Requirements

Information Table

(Updated to 30th June 2010, audited accounts)

Gearing Ratio	0.64 - The funds policy is to be within the .5 - .7 range, with short term variations based on stages in property value add process. (Updated Quarterly)					
Interest Cover	0.94 times Based on audited consolidated financial accounts at 30.6.10					
Scheme Borrowings;	Lender	Security Assets	Principal	Annual Interest Rate	Commence	Expiry
	(Sub trust – C & P Gold Coast Property Fund)					
	Perpetual ACF Colonial First State Fund	Centremark Sth Tweed	\$4.5M	9.2% Variable	1/10/09	*Extension requested to 20.3.11
	* Refinance with National Australia Bank in progress					
		Centremark Sth Tweed	\$750,000	9.2% Variable	1/10/09	*Extension requested to 20.3.11
	* Refinance with National Australia Bank in progress					
Perpetual ACF	Centremark Nerang	\$6.93M	8.5%	7/3/07	Rollover 3	

	Perpetual Inv Fund	Riverside		Variable		monthly
		Centremark Nerang Riverside	\$669,240	8.5% Variable	7/5/08	Rollover 3 monthly
	Perpetual ACF Perpetual Inv Fund	Centremark Withcott Town Centre	\$1.435M	9.20% fixed	7/5/08	7/5/11
	Ellesmere Pty Ltd	CentreMark Withcott Lot 5 Jones Rd	\$1.5M	8% Fixed	17/12/09	16/12/11
	Airport Central Partnership	CentreMark Withcott	\$489,491	9% Variable	16/12/09	
	(Sub trust – C&P Hervey Bay Property Trust)					
	National Australia Bank	31 Main St and 37 Main St	\$785,000	7.84% Variable	1/10/10	28/09/12
Portfolio Diversification	<p>The funds intentions as outlined in the PDS is to acquire value add growth assets in the commercial / retail / service sector in growth regions on North East Australia. To date we have 4 centres geographically spread across the regions of NSW Northern Coastal Border town of Tweed Heads, South East Queensland Corner regional centre of Nerang, Hervey Bay Qld and Brisbane/Ipswich/Toowoomba regional Development Corridor - township of Withcott. These are all medium sized service centres with a range of tenant mix spread across commercial, health & community service providers, a mix of small food and broad based retailers. Tenant lease mix of 1, 3, 5 & 10 year leases plus options. The intention was to further grow the portfolio to give further diversification and further spread individual tenant risk. Due to the ongoing effects of the Global Financial Crisis for the Property Trust Sector, the fund in June 2010 reviewed its activities to determine its medium term future, with respect to funding availability and cost. The decision was taken by the board will reduce portfolio diversification over time, as fund is wound down.</p>					
Valuation Policy	<p>The Responsible Entity gets the properties valued at least every 3 years, and more frequently where funders require or major improvements occurred. These valuations will be undertaken only by suitably qualified valuers.</p>					
Related Party Transactions	<p>The Responsible Entity (E A Securities Ltd) contracts out the property management services to associated parties related to Mark Walsh. C & P Properties Group also provides at market rates shopping centre management services. Renewable Energy Company has a property maintenance and cleaning division which completes alongside other service providers for handyman and other maintenance services. A Mark Walsh related entity has a small unit holding (approx 10%) in the</p>					

	<p>holding trust, but not a director. Peter Hall's associated company has been awarded an arms length commercial basis a Project Management contract for a period of 9 months to oversee the Development, Leasing Implementation and Sale process of the Withcott Shopping Town Centre project. The Responsible Entity has a conflicts policy and the other unrelated directors have set guidelines for management to follow to ensure any work on commercial arms length basis.</p>
<p>Distribution Practices</p>	<p>The fund aims to provide regular distributions in each income year. However the making of distributions is subject to the performance of the fund and the available cash flow to fund distributions. Distributions may comprise a mix of net income and a return of invested capital to unit holders. During the past year the distribution was principally a return of capital and this is likely to continue until the asset value add phase is complete. Therefore ongoing distributions will be dependant on continued cash flow being available. Depending upon the timing of any further Equity Allotment and timing of Withcott Capital Expenditure requirements pre Sale, forecasts predict that without further short term borrowings reduction of the current monthly cash distribution will be required. The cash distribution is currently suspended and not likely to recommence in the near term, but is reviewed regularly by the Responsible Entity.</p>
<p>Withdrawal Rights</p>	<p>The underlying assets of the fund are illiquid, and therefore an investment in the fund should be considered illiquid. A Unit Holder does not have the right to request redemption of their units. There is no established market for the sale of units issued.</p> <p>The Responsible Entity does have the ability to offer redemption but at this point of time and in the foreseeable future the Responsible Entity will not be making an offer.</p>

Fund Redirection

No change has occurred, since the Responsible Entity of the fund made the decision in June 2010, due to factors outlined below, to commence an orderly sale of all assets of the fund, pay down debt and return remaining capital to investors over the next 12 -18 months. Over the past month property market conditions have deteriorated as the effects of the early interest rate rises, poor retail sales, political uncertainty continue to effect small business and banking sector confidence in the commercial property sector.

The managers are continuing to study the medium terms effects of the Global Financial Crisis on the current and future operations of NEADF and look to determine the best way forward for the unit holders. The funds stated objectives are;

- Acquire a well diversified portfolio of value add growth assets in growth regions of North East Australia with a debt to equity ratio within the 50% - 70% range providing a gearing situation for unit holders. Over the medium to long term above average returns are anticipated, but the gearing would increase fund volatility. Intention was also to make regular monthly cash distributions over the life of the fund, when possible.

The major factors affecting the trust in meeting its medium to long term objectives are;

- The Global Financial Crisis (GFC) and resulting loss of investor confidence occurring during the early growth building phase of the fund, has hindered the fund's ability to raise the required equity capital to ensure the fund could grow to its optimum size, giving the required economies of scale to provide the cost efficiency and portfolio diversification desired for unit holders.
- The GFC drastically changed the dynamics of the Commercial Property Funding market in Australia and continues to do so. This market was basically divided into three sectors, 50% of funding being provided by the Local Australian Major Banks, 25% funded by Institutional Retail First Mortgage Funds, 25% funded by large International Banks. The later two sectors providing 50% of the funds closed down almost immediately the GFC hit, now some two years ago. The international banks withdrew back to their home bases as Government's nationalised or provided financial support to stop bank failures. The Australian Government offered a deposit guarantee for our Banks' to stimulate much needed general confidence, but by not extending this to the institutional retail mortgage trusts, redemption requests froze this sector. These events put huge pressure on listed equities and property owners to inject further equity capital at a time of low confidence, in some cases almost wiping out existing unit holders equity. Although some stability has occurred, continued market volatility is hampering the process of either repaying or refinancing of the loans from these two sectors. The Australian Banks, although not affected to the same extent as their international peers, the market concerns and their existing high level of exposure to the Australian Commercial Property Sector meant that they would not be in a position to immediately pick up all the loans from the exiting sector players. The sheer size and magnitude of the situation will see this market continue to struggle. This supply – demand distortion is providing an ideal environment for the local banks and others to charge substantially higher margins, making it important to reduce debt and gearing levels.
- With investor confidence low, property sales within the Commercial Property Market were almost non existent in 2009 with the exception of a few "fire sales". Late 2009 and early 2010 has seen some increase in turnover of properties, although not at the same price level, pre GFC.
- Future market uncertainty remains with the prospect of higher interest rates, continuing large debt rollovers, lack of government sector support and a prospect of a difficult leasing environment. This will see net rents under pressure as tenants' ability to pay diminishes and local and state governments increase taxes and fees for services (or lack of).
- The ability to raise capital in this current environment is limited and most commonly investors are wanting to contribute at a substantial discount to Net Tangible Asset Value. This dilutes existing unit holder equity.

Loan Refinancing

Centremark Nerang Riverside loan facility with Perpetual Investment Fund (due March 2010), has been successfully rolled over, but in line with the current market conditions, increased interest rate margins apply and quarterly reviews of facility now apply. Ashe Morgan is continuing to facilitate this funding arrangement. This will be repaid on the sale settlement for the Nerang Centre (contract unconditional as at 18th February 2011) settlement is now scheduled to occur on 18th March 2011.

Centremark South Tweed loan facility with CFS matured of 31st January 2011. We have requested CFS to extend this facility to 20th March 2011 (Post Nerang Settlement date) with expectation that part of the facility will be repaid from the Nerang Sale proceeds, and the balance refinanced with the NAB. The valuation on South Tweed is completed and formal loan approval documents are expected shortly.

The manager successfully completed refinancing of the Hervey Bay Fund debt secured over 31 and 37 Main St, with the NAB taking over funding from Colonial First State who has withdrawn from this market.

Withcott – 5 Jones Rd – Ellesmere 1st Mortgage Facility due to expire in December 2010, agreement has been reached to extend for a further 12 month term at the same rate.

Withcott – 8595 Warrego Highway – Perpetual Fixed Rate First Mortgage facility expires on 6th May 2011. It is intended a part payment of this facility will occur on the sale of the Nerang property leaving \$1M to be refinanced with the NAB. Preliminary discussions and collation of required records are underway to ensure valuation and loan documentation in place by May 2011.

It is intended that the NAB may look to provide funding to also build stage 1 IGA Supermarket box, if property is not on sold to a builder or developer owner.

Equity Allotment

Further allotment under the Supplementary PDS is now not expected as the intention of the fund is to wind up over the next 12 -18 months.

Asset Sales Programme;

As previously mentioned, the intention is to firstly sell Nerang Centre, due to the current market favour of good fully leased retail service centres, with further rent and development upside. Agent's estimates are for a sale price of between \$10.5M & \$11.5M. Contracts with conditions were exchanged on 8th October 2010 with a group of Toowoomba based investors for \$11.25M. The contract is subject to due diligence, and other conditions including the acquisition of 126 Margaret St Toowoomba, (a prime commercial income producing site) for \$3M. Due diligence, was completed and the contract became unconditional on 18th February 2011 with a scheduled settlement for 18th March 2011.

The intention is to retire debt, to cut interest servicing costs of the fund as the funders are increasing rates to reflect higher borrowing costs as well as official interest rate rises.

We are looking to then seek interest for the Hervey Bay shops, we have requested our selling agents to promote the property being for sale or lease, (new tenant is found for Shop 1 31 Main St). No 37 Main St was listed for Sale in December 2010, and conditional contracts exchanged this month at a sale price of \$300K ex GST , with proposed settlement to occur late February, subject to satisfactory due diligence.

Pre sale work is progressing on the fully DA Approved expansion of the Withcott Town Centre. Formal lease documentation is in final stages with IGA, securing a secondary anchor tenant in the original buildings being Thrifty Link Hardware Group is now completed. The major Storm Event that devastated Withcott in January has delayed the "grand opening" of the Thrifty Link Centre, which now scheduled for late February. With these major tenancies locked in, and further costing analysis completed , this should lead to several smaller specialties coming on board , to fill existing vacant space and pre commit for the upcoming specialty areas. Interest has already been shown by the neighbouring Pub for a Liquor shop, a discount Chemist, and additional food and local service providers. The property will be directly targeted for sale to specialty builder / developer groups for pre construction sale or longer term investors post stage 1 building being completed. A valuation process is about to commence to provide funding and anticipated market price at the various points of development.

As soon as any upside in leasing occupancy occurs at South Tweed and/or state government approval of the proposed new LEP for South Tweed Area, a high profile sales marketing programme will commence for this property.

Since last month a low profile targeted campaign has commenced by our agent Neil Johnston. To date Neil has one expression of interest in this site for a major medical related facility. Their architects are doing preliminary plans and feasibility studies. We have not yet received any formal offers to purchase.



Mark Walsh
Responsible Officer
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