

C & P North East Australia Development Fund

December 2008 Half Year Update

New Improved Review Format

To comply with a review of Managed Investment Schemes in the Unlisted Property field ASIC has released Regulatory Guide 46 which aims to standardize the reporting format. This will make it easier for investors and advisers in these investments to benchmark against other like funds. To assist our investors to use this tool effectively in this newsletter we will explain the key terms. We have extracted key explanations or definitions where possible from the ASIC Guide Paper. This guide can be found in full on the ASIC Website; www.asic.gov.au

Gearing Ratio

A scheme's gearing ratio indicates the extent to which a scheme's assets are funded by external liabilities.

Interest Cover

Information on a schemes interest cover indicates the scheme's ability to meet interest payments from earnings.

Scheme Borrowings

Intend to itemize information on the scheme's borrowing maturity and credit facility expiry and any associated risks. We will also keep investors informed with information they would reasonably require on breaches of loan covenants.

Portfolio Diversification

This will address the scheme's investment practices and portfolio risk.

Valuation Policy

Key aspects of the scheme's valuation policy for real property assets to be disclosed ,so that investors can assess the reliability of the valuations.

Related Party Transactions

Show how the Responsible Entity discloses and handles related party transactions.

Distribution Practices

We will explain the sources of the distributions and assist in information about the sustainability of distributions from sources other than realised income.

Withdrawal Rights

If a scheme gives investors withdrawal rights, these should be clearly explained.

Information Table

(based on 30 June 2008 audited accounts)

Gearing Ratio	0.6 - The funds policy is to be within the .5 - .7 range, with short term variations based on stages in property value add process.					
Interest Cover	1.76 times - The fund aim is to maintain an interest cover above 1.5 times over the medium term.					
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	7.4% Fixed	31/3/06	1/4/09
		Centremark Sth Tweed	\$1.38M	8.25% Fixed	8/5/07	1/4/09
	Perpetual ACF Perpetual Inv Fund	Centremark Nerang Riverside	\$6.93M	8.15% fixed	7/3/07	7/3/10
		Centremark Nerang Riverside	\$669,240	9.45% fixed	7/5/08	7/3/10
	Perpetual ACF Perpetual Inv Fund	Centremark Withcott Town Centre	\$1.435M	8.95% fixed	7/5/08	7/5/11
Portfolio Diversification	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 3 centres geographically spread across the regions of NSW Northern Coastal Border town of Tweed Heads, South East Queensland Corner regional centre of Nerang, and Brisbane/Ipswich/Toowamba 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 ongoing intention is to further grow the portfolio to give further diversification and further spread individual tenant risk.					
Valuation Policy	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.					
Related Party Transactions	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					

	<p>& 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 holding trust, but not a director. 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 cashflow being available. The current distribution of 7.3C per unit p.a. 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>