

## **C & P North East Australia Development Fund**

### **Unit Holders Property & Equity Issue Update – December 2009**

#### **Withcott Shopping Centre**

We are pleased to announce the successful settlement of the purchase contract on 18/12/09, for Lot 5 Jones Rd, which is the proposed site for the Stage 2 expansion of our existing Withcott Shopping Centre.

Funds to complete the settlement were a combination of 1<sup>st</sup> Mortgage Debt Funding (60% of Contract Price) and cash raised from the recent equity/rights issue.

The Manager alongside the Architect is closely working with the other consultants, in fine tuning various reports for Queensland Main Roads, Department of Environmental Management and Council, which is required prior to the release of the project's formal Development Approval, expected early in the New Year. Once the DA is received, lease documentation can progress for the Supermarket Anchor, and other secondary tenants.

On completing the above, and undertaking further financial and costing analysis, we intend to recommence discussions with various interested parties to look at selling the combined sites or enter into a joint venture to develop the site.

Current market opinion is still positive for this location and for Local Community Town Service / Shopping Centre assets. This gives us confidence that a profitable outcome can be achieved for the benefit of the unit holders.

#### **Equity / Rights Issue**

Due to the Global Financial Crisis and Asset Allocation Overweighting we knew it would be difficult to achieve a full take up of the Equity/ Rights Issue by all of the existing unit holders.

I would like to give a big "Thank You" to those who to date have shown their ongoing commitment and support by taking up their Equity/Rights Issue entitlement. This enabled the above mentioned property settlement to occur.

The equity issue was also intended to provide cash to partially repay a Colonial First State Loan facility, which was successfully rolled over to late 2010. We have satisfied the second Capital Repayment Installment due 31/12/09, with a further repayment due at the end January 2010.

The manager is continuing to talk with potential new and existing unit holders to raise the required equity. If you would like to participate in this equity raising at 80 cents per unit, please feel free to contact myself, and I will be happy to discuss further.

## Monthly Distributions

Subject to raising the required additional equity to maintain required cash flow, it is the intention to continue monthly cash distributions, which we hope can be maintained at the existing 4.5 cents per unit pa.

## General Outlook

The outlook continues to improve slightly over the past month, with all of us happy to see the end of a difficult 2009, and welcome the prospect of a better 2010.

The Global Outlook, especially in relation to commercial property financing, remains very tight, but recently received a positive boost for its improving outlook in 2010 when several of the major US Banks, that received GFC Funding Assistance from the US Government, are feeling confident enough moving forward by electing to repay early a large portion of these US Government loans.

We are quietly confident of a slightly improving global economy in 2010, but need to be mindful of risks associated with interest rates rising in Australia, and private business spending needs to take over from the government stimulus programmes that are now starting to be wound back.

## 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.

- new templates / format for directors & newsletters – completed
- new website – completed and updated regularly
- Current Supplementary PDS

## Information Table

(Updated to 30 September 2009, unaudited management accounts)

|                           |   |                        |                  |                             |                 |               |
|---------------------------|---|------------------------|------------------|-----------------------------|-----------------|---------------|
| <b>Gearing Ratio</b>      | <b>0.63</b> - The funds policy is to be within the .5 - .7 range, with short term variations based on stages in property value add process. |                        |                  |                             |                 |               |
| <b>Interest Cover</b>     | <b>1.56 times</b> - The fund aim is to maintain an interest cover above 1.5 times over the medium term.                                     |                        |                  |                             |                 |               |
| <b>Scheme Borrowings;</b> | <b>Lender</b>   | <b>Security Assets</b> | <b>Principal</b> | <b>Annual Interest Rate</b> | <b>Commence</b> | <b>Expiry</b> |
|                           | <b>(Sub trust – C &amp; P Gold Coast Property Fund)</b>   |                        |                  |                             |                 |               |

|                                       |   |                                       |           |                            |          |          |
|---------------------------------------|---|---------------------------------------|-----------|----------------------------|----------|----------|
|                                       | Perpetual ACF<br>Colonial First State<br>Fund   | Centremark Sth<br>Tweed               | \$4.5M    | 6.3%<br>Variable           | 31/3/06  | 1/11/10  |
|                                       |   | Centremark Sth<br>Tweed               | \$1.00M   | 6.3%<br>Variable           | 8/5/07   | 1/11/10  |
|                                       | Perpetual ACF<br>Perpetual Inv Fund   | Centremark Nerang<br>Riverside        | \$6.93M   | 8.15%<br>fixed             | 7/3/07   | 7/3/10   |
|                                       |   | Centremark Nerang<br>Riverside        | \$669,240 | 9.45%<br>fixed             | 7/5/08   | 7/3/10   |
|                                       | Perpetual ACF<br>Perpetual Inv Fund   | Centremark Withcott<br>Town Centre    | \$1.435M  | 8.95%<br>fixed             | 7/5/08   | 7/5/11   |
|                                       | Ellesmere Pty Ltd   | Centremark Withcott                   | \$1.5M    |                            | 17/12/09 | 16/12/10 |
|                                       | Airport Central<br>Partnership  | Lot 5 Jones Rd<br>Centremark Withcott | \$409 814 | 8% Fixed<br>9%<br>Variable | 16/12/09 |          |
|                                       | <b>(Sub trust – C&amp;P Hervey Bay Property Trust)</b>  |                                       |           |                            |          |          |
|                                       | Perpetual ACF<br>Colonial First State<br>Fund   | 31 Main St and 37<br>Main St          | \$714,600 | 7.15%<br>variable          | 31/10/05 | 1/11/10  |
| <b>Portfolio<br/>Diversification</b>  | 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/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. |                                       |           |                            |          |          |
| <b>Valuation<br/>Policy</b>           | 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.   |                                       |           |                            |          |          |
| <b>Related Party<br/>Transactions</b> | 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 & 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.  |
| <b>Distribution Practices</b> | 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 4.5c per unit p.a. is reviewed regularly by the Responsible Entity. |
| <b>Withdrawal Rights</b>      | 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.<br><br>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.  |

### **Equity Allotment**

During December a further equity allotment took place with the issue of the Supplementary PDS. The units allotted were used to fund the settlement of Lot 5 Jones Rd Withcott (Town centre Expansion Land). To the end of December \$1067 000 was raised by the issuing of units at 80 cents per unit.

Further allotment under the Supplementary PDS is expected in January 2010 to be used for working capital and debt repayment.

### **Withcott Town Centre Development Application**

The application is progressing after delays caused by Queensland Main Roads and DERM had to be overcome. At date of meeting these are still in progress with resolution expected towards the end of January 2010. At that time it is expected to formalize Supermarket Lease, and then look to sell the combined town Centre / Shopping Centre Sites.

We wish all a safe and pleasant year end break, and look forward to a prosperous 2010, from all at C & P Properties Group and EA Securities Ltd.

Regards



Mark Walsh

Director