

## C & P North East Australia Development Fund

### Property Update

#### 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 reports & newsletters
- new website – completed and updated regularly
- Current Supplementary PDS
- Review Ongoing Disclosure Requirements

#### Information Table

(Updated to 28 February 2010, unaudited management accounts)

<b>Gearing Ratio</b>	<b>0.62</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>1.78 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 Colonial First State Fund	Centremark Sth Tweed	\$4.5M	6.7% Variable	1/10/09	1/11/10
		Centremark Sth Tweed	\$750,000	6.7% Variable	1/10/09	1/11/10
Perpetual ACF	Centremark Nerang	\$6.93M	8.15%	7/3/07	7/3/10	

	Perpetual Inv Fund	Riverside		fixed		
		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
	Ellesmere Pty Ltd	CentreMark Withcott Lot 5 Jones Rd	\$1.5M	8% Fixed	17/12/09	16/12/10
	Airport Central Partnership	CentreMark Withcott	\$409 814	9% Variable	16/12/09	
	<b>(Sub trust – C&amp;P Hervey Bay Property Trust)</b>					
	Perpetual ACF Colonial First State Fund	31 Main St and 37 Main St	\$714,600	7.15% variable	31/10/05	1/11/10
<b>Portfolio 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 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 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 cash flow being available. Depending upon the timing of the further Equity Allotment and 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 current distribution of 4.5c per unit p.a. is reviewed regularly by the Responsible Entity.
<b>Withdrawal Rights</b>	<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>

### **Loan Refinancing**

Centremark Nerang Riverside loan facility with Perpetual Investment Fund (due March 2010), is in the process of being rolled over for a further term, as they are happy with the way the loan has been maintained. Formal Valuation process is underway and subject to normal lending criteria, Perpetual have indicated there is likely to be only minor changes to terms and conditions. Ashe Morgan is continuing to facilitate this funding arrangement.

### **Equity Allotment**

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

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

The application is progressing after continued delays caused by Queensland Main Roads and DERM had to be overcome. We have received approval from DERM, with normal conditions attached, and recently have also received approval from Queensland Roads although some conditions are being negotiated. We are expecting from council overall formal approval shortly. At that time it is expected to formalise Supermarket Lease, and then look to sell the combined town Centre / Shopping Centre Sites. Proceeds would be used to pay down debt and provide ongoing working capital.

## **Individual Property Update**

### **South Tweed Centre**

New Leasing enquiry remained slow with no new tenant lettings finalised, other than a casual 2 month storage arrangement for 5/64 Machinery Drive with the adjoining tenant. Neil Johnston of Alpha Property has maintained a temporary on site Leasing Display Suite during the month, but is slightly disappointed by the response thus far. Of the 14 retail shop fronts, 3 remain vacant, and 9 commercial areas of the 13 suites are available.

Existing tenants are all happy with no lease expiries due until late 2010, with the majority in 2011 & 2012. In late February we received an offer for a Pet Shop to operate from Units 1 & 2 No 64 Machinery Drive. Leases are waiting signature with fit out currently underway. Opening is expected mid to late May. The term is for a 3 year lease; with a business focus on horse related products, domestic animal

food as well as other accessories. This street facing shop will compliment the existing Salt Water Fish specialist business already operating from 6/62 and the extra activity will hopefully encourage leasing of the adjoining vacant units. Some current interest remains for several of the front shops, however we are having difficulty with these potential tenants not ready to commit.

### **Nerang Centre**

The centre remains 100% fully leased, and with pro active property management we managed to address a major problem at G2 – G32. The lease has been assigned to a related party and rental payments are now regular, with an arrangement for the arrears to be caught up.

We are also pushing the Cinema to catch up on rental arrears and resolve their electricity supply problems. This is being used as an excuse to delay payments and several meeting have taken place during the month to discuss this issue. Once the matter is resolved it will see the tenant connecting their own direct electricity supply, eliminating the ongoing dispute regarding recovery of his electricity use.

We have had brief discussions with the Cinema operator who has confirmed his interest to expand the number of screens at the centre, and over the next month will be putting forward further proposals.

Management is looking to minimise capital costs for the centre after unbudgeted Capital Expenditure costs for replacement of the Air Conditioning equipment at the Post Office and Real Estate Offices.

### **Withcott Centre**

Tenancy issues are starting to emerge, and are causing concern for this once vibrant centre. With the forced lock out of the Real Estate Agent and the Pet Shop, we have seen a large amount of the centre become vacant. However rental income loss has not been proportional due to the cheap per square metre rate rents being paid by these two tenants.

As mentioned previously the Doctor is building his own commercial premises and will likely vacate at the end of his lease in January 2011, with the Chemist likely to follow in May 2011.

On a positive note the Butcher looks to have a buyer, who is keen to promote and grow the business. An assignment of the lease is underway. The hairdresser has signed a new 3 year lease with a rental increase of 17%, lifting the rate to \$240 PSM Gross plus GST.

To counter the effect of the existing Doctors moving, we are looking for another group to take their place.

With the Council release of the DA Approval due shortly, we will be erecting large signs promoting the new expanded town centre, which should assist in attracting new tenants to the existing vacant space, as well as the additional specialty space being constructed at the same time as the new Supermarket.

### **Hervey Bay Property**

No new development occurred over this period. The premises at 37 Main St, remains leased to Stegbar. Stegbar is to complete the external works of cladding and painting in the next few months, as per their lease obligations.

A new tenant operating a Pet Shop specialising in live fish and birdlife has commenced trading from Shop 1 / 31 Main Street, with a considerable fit out of the older style premises, giving a vibrant and colourful feel. Trading has been within the owners expectations.

Shop 2 / 31 Main St, remains vacant from early January 2010. The agents are looking for a new tenant but to date no new tenant has been found.

Shop 3 & 4 / 31 Main St, continues to be occupied by Suncare Community Services, who have a lease until March 2011.

Our good relationship will ensure a new lease will be signed in 2011, subject to the group obtaining continued funding from the Federal Government, which they are reasonably confident of achieving.

The interest rate increases have started to have a slow down effect in this area, with uncertainty starting to dampen the initial enthusiasm generated by the Federal Governments Stimulus.

### **Coolangatta Airport – Long term Land Leases**

This has remained on hold over the Christmas break, other than a meeting with GCAL to express our continued interest in progressing this matter later in 2010.

As previously mentioned, we remain conscious as to the consolidation phase of the trust, during this continued period of tight liquidity to fund development opportunities with either debt or equity. This still is a great medium term opportunity, and will likely lead the rest of the broader economy out of the down turn.

Mark Walsh  
C & P Properties Group  
Property Manager