

The TEYS Income Builder
A.R.S.N. 110 052 429 ("TTIB")

Investor Update No. 7, 13 February 2012

Issuer of this Document

TPFL Limited (In Liquidation) ACN 105 164 047 is the Responsible Entity of The TEYS Income Builder and the issuer of this Report. The contact details for the Liquidator's office are can be found in this report. This report should be read in conjunction with previous reports.

Ongoing disclosure to investors

This Report forms part of my ongoing disclosure to investors. This Report will be placed on my website (www.dwsrecovery.com.au) and paper copies will be sent to investors. Additional updates may also be placed on my website from time to time.

Purpose of this Document

I have prepared this information without taking into account your particular objectives, financial situation and needs. This information is purely an update on TTIB and is not investment advice. You should consider the appropriateness of this information before making any decisions based on it and consult your independent advisors.

Disclaimer

The comments and statements contained in this report and any annexures hereto have been prepared and conducted from the responsible entity and Scheme's books and records and/or from information provided by the company's director, other representatives and third parties.

My opinions and recommendations are based on the information provided to us. I have not completed an audit nor conducted a comprehensive investigation of the scheme's financial affairs. I cannot therefore warrant the accuracy, reliability or completeness of the underlying information and my comments and opinions should be considered subject to this limitation.

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NUMBER ONE IN NUMBERS

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1. RETURN OF CAPITAL

As you are aware, TTIB received \$5million representing first instalment from the sale of LadyBrand Retirement Village on 13 June 2011.

This allowed a first capital distribution to investors of \$0.125 in a dollar since my appointment as Liquidator of TPFL Limited (Responsible Entity of TTIB). This was distributed to TTIB's investors on 27 June 2011. A copy of the tax statement has been mailed to investors by TTIB's external registry, Boardroom Limited in early July 2011.

Investors, who have not received payment of return of capital or those who require a copy of their tax statement/unit holding statement, please contact TTIB's external registry, Boardroom Limited at:

- **Mailing Address:** GPO Box 3993, SYDNEY NSW 2001
- **Email:** teys@boardroomlimited.com.au
- **Phone:** 1300 737 760
- **Fax:** 1300 653 459

2. ASSETS – LOAN PORTFOLIO

Further to my previous investors report, I summarised as follows update of TTIB's remaining assets:

2.1. LadyBrand Retirement Village

As you are aware, the remaining balance of \$4million will be paid by the borrower, Dalesun Holdings Pty Limited ("Dalesun") from the construction and sale/leasing of 50 Independent Living Units (ILUs). TTIB will receive \$80,000 every time an ILU is leased.

At this stage, Dalesun is continuing with the construction of the ILUs and has been providing status of same to my office on a monthly basis in accordance to the sale agreement. I note that as at 6 February 2012, the construction work of five (5) lots have commenced and are expected to be completed by end of May 2012.

I will provide further details on the development and any sale/leasing of these ILUs to the investors in due course. At this stage, it is envisaged that it will take 3 to 4 years to realise the \$4million in full.

2.2. Windang

As you are aware, the land has numerous problems which are affecting the marketability of the land. I have, with TTIB's town planner met with Wollongong Council ("Council") representatives in October 2011 to discuss viable options going forward, for the benefit of TTIB's investors.

In that regard, I have submitted a request for Council to initiate the rezoning of the land. The purpose of rezoning is to amend certain restrictions/conditions of land-use. Should the rezoning be approved, I believe same may improve the land's commercial value and its marketability. However, Council is not compelled to assist/initiate the rezoning process on behalf of TTIB and there is no "right to appeal" should Council rejects my request.

I am hopeful a resolution of same can be obtained within six (6) months time.

2.3. Braidwood

I have received an interest to purchase this property via a Call Option. I note that price will be in excess of Braidwood's current valuation.

The interested party has requested that the option expiry date to be extended until end of February 2012. I will provide progress/confirmation on same in due course.

2.4. Terranora

The borrower, Creeksound Pty Limited ("Creeksound") is still in the process of obtaining Development Approval ("DA") for Terranora's residential development, should the DA be obtained, same will increase the value of the property for the benefit of TTIB's investors.

I advise that Creeksound has until 5 November 2012 to obtain the DA or TTIB will be able to enforce its security over the property and sell same. I will update investors in relation to the DA in due course.

If Creeksound is unsuccessful to obtain DA and the property is sold on a forced realisation basis, the expected recovery will likely be less than current valuation. Therefore, this will result in a lower return of capital to investors of around 6.5cents in a dollar in comparison to the Revised Capital Return per Section 4.2 hereunder.

3. LIABILITIES

3.1. RFA Liabilities

TTIB has settled liability to RFA of \$275K on 4 July 2011.

3.2. Other Liabilities

As at the date of this report, the following are the estimated liabilities of TTIB:

- Principal payment to Baymac of \$500,000 in relation to re-financing of Heritage National Limited's debt;
- Receiver and manager fees of approximately \$75,000, in relation to Windang; and
- \$300,000 principal debt to Peter Wallace in relation to Braidwood*.

Note:

**Peter Wallace debt has been included in the return of capital calculation hereunder (refer to Section 4.2 below). Therefore, Braidwood estimated loan receivable is net of this debt.*

4. OTHER MATTERS

4.1. Audit Report

I advise that TTIB's audited report for year ended 30 June 2009 has been finalised on 31 January 2011. A copy of same is available to be downloaded from my website and should you wish to request a copy, please contact my office.

In addition, I advise that Australian Securities and Investment Commission ("ASIC") have rejected my audit relief application made in relation to TTIB's audited reports (post 1 July 2009 onwards).

In that regard, TTIB's accounts are required to be audited by an external accountant and this will be at a cost to investors (refer to "Revised Return of Capital" in Section 4.2 hereunder). I have estimated total audit and tax fees of \$200,000 to complete necessary work from 31 December 2009 until TTIB is fully wound-up.

4.2. Revised Return of Capital

The following is TTIB's revised return of capital as at 10 February 2012:

	\$
Cash at Bank as at 3 February 2012	11,675
<u>Remaining Assets:</u>	
LadyBrand loan (remaining receivables)	4,000,000
Braidwood loan	1,000,000
Windang loan	1,000,000
Terranora loan ⁺	9,500,000
<u>Less (Costs):</u>	
Windang - Estimated Receiver & Manager Fees	(75,000)
Cost of Sales ^o	(200,000)
Repayment to third party [^]	(500,000)
Other Costs [*]	(500,000)
<u>Less - Administration Expenses (4 years estimates):</u>	
Responsible Entity Fees	(240,000)
Custodian Fees	(80,000)
Registry Fees	(57,600)
Audit & Tax Fees	(200,000)
Estimated Net Assets Available to Investors	13,659,075
Number of Units #	38,320,521
Estimated Available return to investors +	35.65

Notes:

^o Approximate expenses relating to valuation fees/agent fees/insurance/legal fees.

[^] Third party borrowings, re: refinancing of Heritage National Limited's mortgage.

^{*} Approximate expenses relating to interest on Baymac Loan, rates & taxes and contingency costs.

[#] I note that on 27 June 2011 total return of capital of 4,790,065 units has been distributed from receipt of partial payment from sale of LadyBrand Retirement Village. In that regard, total outstanding units in TTIB is 33,530,456.

⁺ This return to investors dependent upon a 'going-concern' realisation basis of Terranora.

As advised during the previous investors meeting held in June 2011, I have ceased to charge TTIB monthly accounting fee of \$6,250 (ex-GST) and have reduced the monthly Responsible Entity Fee to \$5,500 (ex-GST) from 1 July 2011 onwards. This will provide a cost saving of approximately \$115K per year.

However, as noted in Section 4.1 above, ASIC has rejected my audit relief application and therefore I have estimated cost to complete all outstanding audit and tax lodgements until the winding up is fully completed, to be approximately \$200K.

4.3. Queensland Projects Pty Limited (In Liquidation) & Mr. William James Morris

- I advise that a winding-up order against **Queensland Project Pty Limited** (borrower of loan relating to property at Burleigh Heads) has been obtained on 9 January 2012 from the Supreme Court of Queensland.
- I advise that on 25 January 2012, a default judgement was obtained against **Mr William Morris** (director of Queensland Projects Pty Limited, borrower of loan relating to property at Burleigh Heads) in the sum of \$4,289,292.60, representing Burleigh Heads loan account deficit inclusive of interest and costs. Piper Alderman, solicitors representing TTIB has commenced bankruptcy proceedings against Mr Morris. I will provide status of same in due course.

4.4. Australian Securities and Investment Commission ("ASIC")

Upon my appointment as Liquidator of TPFL Limited (Responsible Entity of TTIB), I have submitted my report to ASIC pursuant to Section 533 of the *Corporations Act 2001* ("the Act").

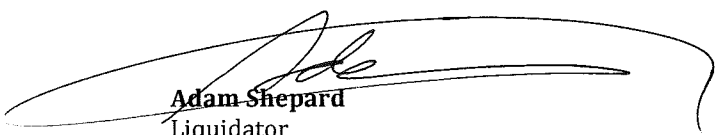
ASIC requested a further report to be submitted and I have submitted same in October 2011 with respect to possible breaches by the director of TPFL Limited (In Liquidation) pursuant to the Act.

5. MEETING OF INVESTORS

I will be scheduling investors meeting at major cities in Australia (i.e. Sydney, Melbourne, Brisbane and Perth) in April or May 2012.

Meeting details for each city will be confirmed by early April 2012.

**Yours faithfully,
TPFL Limited
(In Liquidation)**


Adam Shepard
Liquidator