

The TEYS Income Builder

A.R.S.N. 110 052 429 ("TTIB")

Investor Update No. 8, 10 May 2012

Issuer of this Document

TPFL Limited (In Liquidation) ACN 105 164 047 ("TPFL") 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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¹ Chartered Accountants

NUMBER ONE IN NUMBERS

1. ASSETS – LOAN PORTFOLIO

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

1.1. LadyBrand Retirement Village

As per my previous report, the balance of \$4million will be paid by the borrower, Dalesun Holdings Pty Limited ("Dalesun") within four (4) years from now. The remaining receivables of \$4million (i.e. \$80,000 every time an ILU is leased) is to be paid from the construction and sale/leasing of 50 Independent Living Units (ILUs).

I summarised as follows, status update provided by Dalesun for April 2012:

	Lot No.	Progress
1	187	Expected to be completed end of May.
2	219	Expected to be completed end of May.
3	241	Expected to be completed end of May.
4	245	Expected to be completed end of May.
5	246	Expected to be completed end of May.
6	238	Planning approval obtained (Construction work started)
7	239	Planning approval obtained (Construction work started)
8	240	Planning approval obtained (Construction work started)
9	242	Planning approval obtained (Construction work started)
10	248	Planning approval obtained (Construction work started)

1.2. Windang

As noted in my previous report, a planning proposal has been submitted in relation to the land to the Wollongong Council ("Council") which seeks amendment to the following:

1. rezoning of major part of the land to be amended from Private Recreation to Low Density Residential, which is the same as adjoining land to the east and south;
2. to increase the floor space ratio of the site (surrounding area has maximum area of 0.5:1) to 0.75:1;
3. to increase the maximum building height permissible on the site to be 12m (surrounding area has maximum 9m tall); and
4. a minimum lot size for the entire site to be 449m² (same as surrounding area).

After further discussions with the Community Members of Windang ("Community") on 19 April 2012, the Community had rejected item (2) and (3) above as same are not consistent with the building specifications of the surrounding area.

Therefore, I have notified Council of my intention to **amend** the planning proposal to reflect the Community's feedback received during the meeting as follows:

1. rezoning of major part of the land to be amended from Private Recreation to Low Density Residential, which is the same as adjoining land to the east and south;
2. to permit a maximum floor space ratio on the site (which is currently part of 0.5:1 and uncoloured) of 0.5:1;
3. no change to the maximum building height on the site (which is currently 9m); and
4. a minimum lot size for the entire site to be 449m² (same as surrounding area).

The land's current Development Approval ("DA") will be terminated as current DA is not commercially feasible (i.e. does not carry any value) as numerous attempts to sell same (including selling at auction) did not attract any buyers.

Investors are able to download a copy of the Windang planning proposal via my website at www.dwsrecovery.com.au.

1.3. Braidwood

Further to my previous report, representative of RFA Finance Limited, Mr Kim Burton has finalised the contractual agreement/documents with its borrower to refinance the Braidwood property.

Mr Burton advised that the refinancing application is for some several million which will allow him to refinance Braidwood and fund Terranora (see Section 1.4 below).

If Mr Burton's refinancing is approved, TTIB will receive some \$1.6million.

1.4. Terranora

I note that the borrower, Creeksound Pty Limited ("Creeksound") is still in the process of obtaining Development Approval ("DA") for Terranora's residential development.

As noted in Section 1.3 above, Mr Burton representing RFA Finance Limited is arranging for refinancing to support ongoing expenses relating to obtaining the DA and construction of Terranora. It is proposed that the land will be developed into an over 55's lifestyle village and includes:

- 6,000m² commercial site (shops and medical centre)
- 270 medium density housing for over 55 years old;
- 89 residential land block for over 55 years old;
- 11 duplex lots; and
- Community infrastructure including swimming pools, community halls, bowling greens.

I further note from my previous report that, if Creeksound is unsuccessful to obtain DA by 5 November 2012 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 3.3 hereunder.

I am currently organising a revised valuation for Terranora on the following basis:

- land sold on an as-is basis (DA is not obtained and approved); and
- land sold on the basis that DA is obtained and approved.

I will provide revised valuation at the forthcoming investors meeting (refer to Section 5 below for details of meeting).

2. LIABILITIES

2.1. 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 4.3 below). Therefore, Braidwood estimated loan receivable is net of this debt.*

3. OTHER MATTERS

3.1. Audit Report

As noted in my previous report, TTIB's audited report for year ended 30 June 2009 has been finalised and copy of same is available to be downloaded from my website at www.dwsrecovery.com.au.

I advise that I have received a fee quotation from GPL Partners Pty Limited ("GPL") to prepare outstanding (FYE 2010 and 2011) and future (FYE 2012 until 2015) audit and tax work for TTIB.

I compare as follows fee quotation received from GPL and Moore Stephens ("Moore") with respect to the completion of outstanding and future audit and tax work up to financial year ending 2015:

Work	Moore	GPL	Total Cost Savings
Audit & Tax (inclusive of year end & half-yearly engagement)	\$200,000	\$126,000	\$74,000

Based on the above, I have appointed GPL to be the new auditor of TTIB and Moore Stephens have now ceased to act as TTIB's auditor.

3.2. Accounting Fees

As investors are aware, I have ceased to charge TTIB the monthly accounting fee of \$6,250 (ex-GST) from 1 July 2011 on the basis that ASIC will approve relief for TTIB's audit reports. However, on the basis of ASIC's rejection on my application to seek audit relief for other TPFL's schemes (refer to Section 1 for details), I will continue to charge TTIB for accounting fees of \$6,250 (ex-GST) per month to assist with the completion of audit and tax work which is in accordance with TTIB's constitution.

At this stage, I have estimated that a total of four (4) months per year are required to assist with the completion of audit and tax work. Therefore I am charging \$25,000 per year (i.e. 4months x \$6,250) to complete the audits. Please refer to the revised estimated return of capital per Section 3.3 below.

3.3. Revised Return of Capital

As noted in Section 1.4 above, should Creeksound failed to obtain DA (refer to Lower case scenario estimation below), the estimated return to capital will reduce by approximately 6.5cents in a dollar in comparison to selling Terranora land with approved DA (refer to Higher case scenario below).

As at the date of this report, the estimated revised return of capital based on the above scenarios are summarised as follows:

	Higher case scenario	Lower case scenario
	\$	\$
Cash at Bank as at 30 April 2012	5,000	5,000
<u>Remaining Assets:</u>		
LadyBrand loan (remaining receivables)	4,000,000	4,000,000
Braidwood loan	1,300,000 ^o	1,000,000
Windang loan	1,000,000	500,000
Terranora loan	9,500,000	7,000,000
<u>Less (Costs):</u>		
Windang - Estimated Receiver & Manager Fees	(75,000)	(75,000)
Cost of Sales ^o	(200,000)	(200,000)
Repayment to third party [^]	(500,000)	(500,000)
Other Costs [*]	(500,000)	(750,000)
<u>Less - Administration Expenses (4 years estimates):</u>		
Responsible Entity Fees	(240,000)	(240,000)
Accounting Fees ^o	(100,000)	(100,000)
Custodian Fees	(80,000)	(80,000)
Registry Fees	(57,600)	(57,600)
Audit Fees	(126,000)	(126,000)
Estimated Net Assets Available to Investors	13,926,400	10,376,400
Number of Units #	38,320,521	38,320,521
Estimated Available return to investors	36.34	27.08

Notes:

^o Net receivables for Braidwood if Mr Burton's refinancing is approved.

^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.

^o Accounting fee of \$6,250 per month to be charged for a total of 16 months to complete all outstanding and future audit and tax work.

^{*} Distribution (i.e.: return of capital) paid to TTIB investors on 27 June 2011.

I note that the above estimations may vary depending on the revised valuation for Terranora land as noted in Section 1.4 above.

3.4. Mr William James Morris

On 14 March 2012, I was advised by Piper Alderman, solicitors representing TTIB that Mr Morris has lodged his debtor's petition with the Insolvency & Trustee Service Australia ("ITSA"). In that regard, I have requested from ITSA a copy of the bankruptcy report with respect to Mr Morris's affairs and will provide details of same in due course.

4. RELIEF APPLICATION – Inaccurate Statement (ASIC)

I note that the information provided in Section 4.1 of my report to investors dated 13 February 2012 with respect to TTIB's audit relief application was inaccurate. I advise that no such relief application has been lodged with ASIC.

I have not sought audit relief for TTIB. It has substantial assets. I believe that such an application would not be successful as the members of TTIB, therefore TTIB is classified to have an "on-going economic interest".

I advise that I applied for audit relief in other TPFL's schemes and was not successful.

5. MEETING OF INVESTORS

Meeting of investors have been scheduled as follows:

1. **Perth, WA** – Stirling Room, Parmelia Hilton Hotel on **Tuesday, 29 May 2012 at 3pm (AWST)**; and
2. **Sydney, NSW** – Offices of Dean-Willcocks Shepard, Level 2, 32 Martin Place on **Tuesday, 5 June 2012 at 11am (AEST)**. All investors residing outside of Perth may participate via telephone conference. Please advise Ivy Michael of this office by 5pm on Friday, 1 June 2012 to organise same.

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


Adam Shepard
Liquidator