



**ORDINARY MEETING OF COUNCIL  
TO BE HELD ON TUESDAY, 21 OCTOBER 2008 AT 7.00PM  
LEVEL 3, COUNCIL CHAMBERS**

**A G E N D A**  
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NOTE: For Full Details, See Council's Website –  
[www.kmc.nsw.gov.au](http://www.kmc.nsw.gov.au) under the link to business papers

**APOLOGIES**

**DECLARATIONS OF INTEREST**

**CONFIRMATION OF REPORTS TO BE CONSIDERED IN CLOSED MEETING**

**ADDRESS THE COUNCIL**

**NOTE: Persons who address the Council should be aware that their address will be tape recorded.**

**DOCUMENTS CIRCULATED TO COUNCILLORS**

**CONFIRMATION OF MINUTES**

**Minutes of Ordinary Meeting of Council**

File: S02131

Meeting held 14 October 2008

Minutes to be circulated separately

## MINUTES FROM THE MAYOR

### PETITIONS

### GENERAL BUSINESS

- i. *The Mayor to invite Councillors to nominate any item(s) on the Agenda that they wish to have a site inspection.*
- ii. *The Mayor to invite Councillors to nominate any item(s) on the Agenda that they wish to adopt in accordance with the officer's recommendation and without debate.*

GB.1 **Delegation of Authority - Mayor & Deputy Mayor - 2008/2009** **1**

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File: S02017

For Council to give consideration to granting Delegations of Authority to Mayor and Deputy Mayor.

**Recommendation:**

That the Delegations of Authority as set out in Attachment A be granted to the Mayor, Councillor E Malicki and to the Deputy Mayor, Councillor J Anderson as set out in Attachment B.

GB.2 **Northside Riding Club - Licence Renewal for Princess Anne Arena, St Ives Showground** **6**

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File: S02709

For Council to consider the granting of a new licence to Northside Riding Club Inc for a 5 year period.

**Recommendation:**

That Council adopt recommendations (A-C) as stated further in this report.

File: S05273

To present to Council investment allocations and returns on investments for September 2008.

**Recommendation:**

That the summary of investments and performance for September be received and noted.  
That the Certificate of the Responsible Accounting Officer be noted and the report adopted.

**EXTRA REPORTS CIRCULATED AT MEETING**

**MOTIONS OF WHICH DUE NOTICE HAS BEEN GIVEN**

**BUSINESS WITHOUT NOTICE - SUBJECT TO CLAUSE 241 OF GENERAL REGULATIONS**

**QUESTIONS WITHOUT NOTICE**

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## DELEGATION OF AUTHORITY - MAYOR & DEPUTY MAYOR - 2008/2009

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### EXECUTIVE SUMMARY

**PURPOSE OF REPORT:**

For Council to give consideration to granting Delegations of Authority to Mayor and Deputy Mayor.

**BACKGROUND:**

It has been Council's practice to delegate some additional functions to the Mayor and Deputy Mayor.

**COMMENTS:**

These functions are practical delegations which assist the smooth functioning of the Mayoral office.

**RECOMMENDATION:**

That the Delegations of Authority as set out in Attachment A be granted to the Mayor, Councillor E Malicki and to the Deputy Mayor, Councillor J Anderson as set out in Attachment B.

## **PURPOSE OF REPORT**

For Council to give consideration to granting Delegations of Authority to Mayor and Deputy Mayor.

## **BACKGROUND**

The Mayor's role is set out in Section 226 of the Act, which states:

*To exercise, in case of necessity, the policy-making functions of the governing body of the Council between meetings of the Council;*

*To exercise such other functions of the Council as the Council determines;*

*To preside at meetings of the Council;*

*To carry out the civic and ceremonial functions of the Mayoral office.*

It has been Council's practice to delegate some additional functions to the Mayor and Deputy Mayor.

## **COMMENTS**

These functions are practical delegations which assist the smooth functioning of the Mayoral office.

## **CONSULTATION**

Not applicable.

## **FINANCIAL CONSIDERATIONS**

Not applicable.

## **CONSULTATION WITH OTHER COUNCIL DEPARTMENTS**

Not applicable.

Item 1

S02017  
13 October 2008

## SUMMARY

Not applicable.

## RECOMMENDATION

That the Delegations of Authority as set out in Attachment A be granted to the Mayor, Councillor E Malicki and to the Deputy Mayor, Councillor J Anderson as set out in Attachment B.

John McKee  
**General Manager**

**Attachments:**

- A. Delegation of Authority - Mayor - 671328**
- B. Delegation of Authority - Deputy Mayor - 671329**

## DELEGATION OF AUTHORITY – MAYOR

That, in addition of the role referred to in Section 226 of the Local Government Act 1993 and by authority of Section 377 of the Local Government Act 1993 and subject to compliance with any other requirements of the Local Government Act or Regulations and expressed Policy of the Council or regulations of any public authority concerned other than the Council, the Mayor, Councillor Elaine Malicki be and is hereby authorised to exercise or perform on behalf of the Council, the following powers, authorities, duties and functions, and that such delegations shall remain in force unless otherwise revoked or amended in whole or in part, as Council may from time to time determine:

### **1. Donations**

To approve donations up to the sum of \$250 subject to Council being informed of any such decision, provided that funds are available within the sum voted by Council for donations in the adopted Management Plan.

### **2. Mayoral Reception**

To authorise expenditure for minor civic receptions for visitors up to a maximum of \$500 for any one reception provided that funds are available within the sum voted by Council in the adopted Management Plan.

### **3. Temporary General Manager during General Manager's Leave**

In accordance with Section 351(1)(a) of the Local Government Act, the Mayor be given the authority to appoint, after consultation with the General Manager, a temporary General Manager, during the absence of the General Manager on leave.

### **4. General Manager – Leave**

Authority to approve applications for holidays and leave of absence to the General Manager.

## DELEGATION OF AUTHORITY – DEPUTY MAYOR

The Deputy Mayor may exercise any function of the Mayor at the request of the Mayor or if the Mayor is prevented by illness, absence or otherwise from exercising the function or if there is a casual vacancy in the office of Mayor.

That the Deputy Mayor shall exercise the Delegation of Authority of the Mayor in those cases where the General Manager certifies that the matter is of such an urgent nature that it will not wait until the return of the Mayor.



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## **NORTHSIDE RIDING CLUB - LICENCE RENEWAL FOR PRINCESS ANNE ARENA, ST IVES SHOWGROUND**

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### **EXECUTIVE SUMMARY**

**PURPOSE OF REPORT:**

For Council to consider the granting of a new licence to Northside Riding Club Inc for a 5 year period.

**BACKGROUND:**

Northside Riding Club Inc has operated at the St Ives Showground since its establishment in 1973. The previous licence agreement expired on 31 December 2006. Holding over provisions are in force whilst the terms of the new agreement are negotiated.

**COMMENTS:**

Northside Riding Club Inc and Council have taken some time to finalise a new agreement over the rental and other terms of the agreement. In efforts to mediate and arrive at some agreement, options alternate to a licence agreement were presented to the club this year. These options could reduce the annual cost to the club. The club has agreed to continue with a licence agreement rather than revert to casual bookings.

**RECOMMENDATION:**

That Council adopt recommendations (A-C) as stated further in this report.

## PURPOSE OF REPORT

For Council to consider the granting of a new licence to Northside Riding Club Inc for a 5 year period.

## BACKGROUND

The St Ives Showground is Crown Land dedicated for the purposes of 'Showground and Public Recreation'. Consent to grant a new licence must be obtained from the Minister.

Northside Riding Club Inc. has operated at the St Ives Showground since its establishment in 1973. The Club has a licence to use a large area of the Showground, including the Princess Anne Arena, clubhouse, storage shed, water tanks, exercise ring and car parking areas.

Council previously resolved on 4 December 2001 to grant a 3 year licence with a 2 year option period. The full market rent determined by independent valuation was \$83,000, per annum plus GST, subject to a 90% rebate in the first year. The second and third years allowed an 85% rebate, with the fourth and fifth years 80%, and CPI adjusted each year accordingly. This agreement expired on 31 December 2006 and holding over provisions apply.

On expiry, the rental amount quoted for this proposed new licence offered to the club, was based on a 3.3% increase to the last years rent of the expiring licence. Despite the continuation of rent only, based on CPI increases to the original 2001 market value, the club remained in dispute over the rental liability and other issues regarding their usage of the Showground.

Northside Riding Club Inc and Council have had discussions over the terms and conditions of the proposed new agreement over the last 2 years. Initial discussions took place between Council staff from the former Open Space Department and the club.

Since November 2007, Council staff from the newly created Community and Recreation Property Department, responsible for the management of leases for the St Ives Showground, took over the negotiations with the Northside Riding Club Inc.

## COMMENTS

Northside Riding Club Inc. originally questioned various issues regarding its licensed use of the St Ives Showground. On review, it appears that the club was not adequately prepared to absorb the rise in licence fees in the period from 2002 -2006. On top of this, the Equine Influenza outbreak in late 2007 was responsible for additional pressure on equestrian community clubs.

However, due to the size of the facility, the maintenance costs, the regional nature of the Showground users and the consideration of financial assistance provided to Equestrian Clubs by the State Government, Council officers have considered the rental proposed as reasonable, given the financials provided by the Club.

Item 2

S02709  
7 October 2008

**Conditions of New Licence Agreement**

In reviewing the previous agreement and preparing recommendations for this new agreement. A revised Heads of Agreement was prepared in March and July 2008.

The basis of the Heads of Agreement includes:

- CPI increases under previous terms.
- Simplified licence terms and conditions.
- Clearly defined map of licence area, bookings process and usage times.
- Car parking area for Club activities clearly defined to improve parking and traffic management.

Each major updated area has been separately listed below:

**Financial**

The proposed rental amount quoted to Northside Riding Inc by previous officers from Open Space department was based on a 3.3% increase on the final year's rent of the expired agreement. A new external valuation was not undertaken at the time to assist the club in maintaining a CPI rent level based on the 80% rebate. However, it was not expected the renewal would take 2 years to agree.

Community and Recreation Properties has continued this position. An independent valuation would have determined a higher rental value and hence returned to Council a higher return on the properties in its care. A valuation of the Showground will be undertaken later this year for future agreements.

As the Club fell significantly behind in licence fees Council requested these were brought up to date prior finalising this report. Community and Recreation Properties are requesting all licence holders, wether in dispute or not, to keep payments up to date under the terms of the licence agreement.

**Change in Rebate Structure**

All previous Open Space 5 year lease and licences were subject to the rebate structure as mentioned above. In order to maintain income to Council, and to give fair and equal rebate benefits to all user groups, all lease and licence renewals for the Showground users are on or moving towards an 80% rebate during the course of the current agreements.

As such Council is providing similar levels of rebate for all permanent users at the Showground.

**GST (10%) and the PRMF Levy (15%)**

The additional charges to the user group, pursuant to State and Taxation Legislation from 2000 and 2002, have inflated the amounts payable to Council. Council is under legislative obligation to implement these costs and remit these charges accordingly.

**Licensed Areas**

Due to the ambiguity in the drafting of the expired agreement, the actual rights of usage i.e. times, dates and facilities were not clearly specified, leading to a presumption and confusion that Northside Riding Inc may occupy and/or use the facilities at any given time. The proposed new licence agreement purports to clarify the required usage by setting out their booking obligations, together with allocated times and dates being confirmed by the Club as part of the annual

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7 October 2008

Showground allocation. A map will be attached to the proposed licence which clearly earmarks the allowed areas. Staff from Community and Recreation Properties have met with representatives of the club and mutually agreed to these boundaries. Details such as electricity and outgoings are now clearly defined in the Heads of Agreement (Attachment A).

The Club's usage will be booked in with all permanent users as part of the Annual Showground Calendar and allocation.

Outside these times Council can book in other casual uses in accordance with Casual hire procedures. Currently the casual use of the Arena is quite limited to usage such as one off filming.

**Car Parking**

Clause 4 of the expired licence sets out Northside Riding Club Inc's obligations to remit to Council car parking fees pursuant to the Car Parking Management Plan. This provision was not implemented, nor was any funds remitted to the reserve fund set up for this purpose. Given the non-compliance of this provision, Council staff have restructured the agreement. It is proposed the club be no longer tied to a number of people attending, as previously, but limited to an actual car parking area. Space to accommodate overflow parking must be booked in advance, or arranged with Council Rangers on the day, should the designated area be full.

Northside Riding have requested Picnic Area No 5 be available as part of the licence agreement for parking. It is not recommended that this area be available for car parking as part of the licence agreement. As per the Heads of Agreement should additional car parking be required then existing formalised parking areas should be booked.

A large area of saddling yards exists in the proposed car park area. The club has indicated that this is excessive to their needs of even their larger events. The Manager Open Space Operations has been requested to investigate the removal of some of these yards to improve car parking areas.

**Maintenance**

Mowing and maintenance is done by Council, as per existing service standards. The Showground total maintenance expenses was approx \$350,000 in 07/08. The apportioned cost to Council for maintenance of North side Riding Club's Arena last financial year was:

- Approx \$12,000 for mowing and field maintenance in 07/08
- \$7,051 was spent from the Building Maintenance Program in 07/08 on maintaining the grounds and clubhouse.

In addition the following services are provided at the Showground:

- 170 metres of protective fencing to car park area around the bushland area funded through Environmental Levy.
- Other items provided by Council such as toilets, access roads, full time Ranger Services, Waste collection, bookings and events.

**Electricity**

Under the expired agreement, Northside Riding Inc were obligated to pay for their electricity usage. There is no separate metering for Northside Riding Inc and there is no evidence to suggest they have paid for their electricity independently. Council has not raised invoices directly to

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Northside Riding Inc for their portion of electricity, yet retains the right to do so under the terms of the new agreement.

**Finance**

Northside Riding Club Inc, like all equestrian industries, was affected last year as they were limited in competition due to the Equine Influenza outbreak in August 2007. Council staff advised the club to apply for a grant for financial assistance by the Department of Primary Industries. Northside Riding Club Inc subsequently advised they had already received a \$10,000 grant to cover loss of income.

Northside Riding Club also supplied Council staff with their financial projections to 2011. This confirmed the licence was approximately 38% of turnover. Based on the current fees and charges paid by Northside Riding Club members, the licence fee is a reasonable cost in providing a fully maintained facility.

The Club has demonstrated the ability to honour the financial commitment to Council under the terms of the proposed licence agreement.

In order to offer Northside Riding Club alternatives, a proposal regarding casual use based upon Council's Fees and Charges was provided to the club for their consideration. This would allow the club to consider either sharing the facility or restricting the number of events to decrease the total cost to the club. (Attachment B)

Casual hire for 40 events per year would cost the club approx \$14,500 per year however the club would lose their right to exclusive access to the clubhouse, Arena and storage area.

The Club has indicated a licence agreement was preferred, given the greater benefits and flexibility such an agreement would provide for the Club.

## **CONSULTATION**

Extensive consultation has occurred between representatives of Northside Riding Club Inc and Council staff from Strategy and Community in reaching this agreement.

A site meeting on the 14 June 2008 resolved most of the outstanding issues with the Club Vice President.

The Club has accepted the term of the licence agreement but proposed the following changes to the Heads of Agreement (Attachment C):

1. Increasing the number of events permitted from 60 to 70 per year - Granted.
2. Requesting the use of picnic area 5 for car parking – Not granted.

Community & Recreation bookings staff will also work further with the club to manage event numbers. Council will also request the area to be free of campers for Northside events to ensure there is the maximum number of spaces for horse trailers. Councils Ranger will monitor the car park areas.

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## FINANCIAL CONSIDERATIONS

The proposed new licence fee is based upon the same amounts of the previous agreements, including annual CPI increases.

The fee for a 5 year licence agreement is calculated and summarised below:

### Northside Riding Club Inc.

Date	Rental amount	Rent Amount (20%)	#GST	PRMF Levy	Total Amount
7/1/08	97551.12	19510.22	1951.02	2926.53	\$ 24,387.78
7/1/09	100799.57	20159.91	2015.99	3023.99	\$ 25,199.89
7/1/10	104156.20	20831.24	2083.12	3124.69	\$ 26,039.05
7/1/11	107624.60	21524.92	2152.49	3228.74	\$ 26,906.15
7/1/12	111208.50	22241.70	2224.17	3336.25	\$ 27,802.12

The details of the financial Heads of Agreement (**Attachment A**) also include:

- 50% of all legal fees to be paid by the Club.
- The PRMF levy is to be invoiced bi annually.
- The licence fees to be invoiced and paid bi annually.

## CONSULTATION WITH OTHER COUNCIL DEPARTMENTS

There has been extensive consultation with other Council Departments including Operations, regarding costs to maintain the showground and Finance regarding parking and overdue accounts.

The Club has in addition met with the former Mayor, Councillor Nick Ebbeck, to discuss sponsorship and other opportunities to promote the club activities and improve revenue.

## SUMMARY

Officers from Community and Recreation Properties have reached agreement to all the terms and conditions of the licence agreement with the representatives of Northside Riding Club.

It is now recommended that Northside Riding Club be granted a 5 year licence agreement under the new terms

In reply to the Club's request for a licence to use picnic area 5 for car parking, it is not recommended to dedicate picnic areas for car parking, due to the impact on vegetation and passive users at the Showground.

Northside Riding have requested up to 70 events per year, as some events are small in nature. Council officers consider this a reasonable request. All events shall be booked into the Showground calendar.

## **RECOMMENDATION**

- A. That Council grants to Northside Riding Club Inc. a 5 year licence for up to 70 events per year at the Princess Anne Arena at St Ives Showground.
- B. That the Council Seal be affixed to the Licence.
- C. That the Mayor and General Manager be authorised to execute all necessary licence documents.

Mark Taylor  
**Manager Community and Recreation Properties**

Janice Bevan  
**Director Community**

**Attachments:**  
**Attachment A: Proposal Letter, Head of Agreement & Map - 976548**  
**Attachment B: Alternative Options - 936474**  
**Attachment C: Acceptance & response from Northside Riding Club - 979814**

Contact:

Reference: S02709 / 968451  
17 July 2008

  
Northside Riding Club

Dear

**Re: Licence Agreement for St Ives Showground**

I am writing to clarify the issues discussed regarding the new licence agreement during the site visit to St Ives Showground on Thursday 12<sup>th</sup> June 2008.

Attached are a revised Heads of Agreement and a draft map of the licence area, to which this letter refers. The changes which have been made are proposed to clarify our discussions on the licenced area and conditions and to make the licence area and conditions to better reflect the actual use by the club.

1. Usage has been rewritten to clarify the actual times and conditions as set out in the Heads of Agreement.
  - a. The previous licence agreement does not clearly define the licence times. As with other users Council has looked to revise usage to actual times of the day (eg every Saturday morning),
  - b. To assist Northside in greater flexibility Council is proposing the usage is determined by your events calendar with an upper limit on the number of events which would provide scope for the club to increase the current number of events.
  - c. We are proposing to simplify the wording – the club has 7 day access to the clubhouse and storage shed, access to the Princess Anne Arena as booked in the Allocation Calendar.
  - d. As discussed I have confirmed the designated car parking area as such this removes the need to count cars attending events.
2. The car park area was changed to a simpler designated area as discussed on site. It is proposed to be no longer tied to a number of persons or cars, but limited to an actual site. Space to accommodate overflow parking must be booked in advance, or arranged with Council Rangers on the day should the designated area be full.  
Council
3. Mowing and maintenance is done by Council, as per existing service standards.
4. Utilities – there is no separate metering. Payment for utilities is a standard clause in all agreements and Council retains the right to charge in the future.



You also requested to consider if the CPI increases could be fixed. Council has provided a rental spreadsheet forecast, which reflects the indexed and rebated rent each year. As I cannot predetermine the CPI rates, the standard is to project on 3.3% increase for each year of the licence. This is the closest estimation to the actual future amount and provides the best assistance to budget for the future.

Please review the revised Heads of Agreement and map and if you need to discuss further please contact Michelle Makler on extn 820 or myself on extn 771, otherwise I look forward to your written acceptance of the terms and conditions.

Yours faithfully,

Mark Taylor  
Manager  
Community and Recreation Property

## DRAFT Heads of Agreement

Licensee Name	Northside Riding Club
Inc Number	
Licensor Name	The St Ives Showground (D500103) Reserve Trust Ku-ring-gai Council as Reserve Trust Manager
Licensed Area	Princess Anne Arena and surrounding nominated sites, fire trails and designated car parking area – St Ives Showground (see attached Map)
<b>TERM</b>	
Duration	3 years with an option of a further 2 years
Commencing	1 <sup>st</sup> July 2008, as per rental spreadsheet.  Following Council's adoption of the report, subject to the consent of the Minister administering the Crown Lands Act 1989.
<b>USAGE</b>	
Specified Activity	Horse Riding and Associated events
Usage	<b>Specified Licence Usage:</b> <b>Princess Anne Arena:</b> Up to 60 events per calendar year to be booked in advance in the Showground Allocation. <b>Designated Car Park including Saddling Yard Allocation:</b> Up to 60 events per calendar year to be booked in advance in the Showground Allocation. <b>Clubhouse and Storage Room:</b> Exclusive to Northside – 7 day access. <b>Exercise Ring:</b> Available during event days for horse warm up subject to prior booking.
Conditions of Use	
No alcohol	No alcohol is to be sold during the event.
Assignment	Licensee is not to assign the rights of the licence. The licence is not transferable.
Sub leasing arrangements	There will be no subleasing arrangements
Holding over provision	Monthly holding over provisions apply
Cleaning	Licensee is responsible for cleaning the licensed area – pavilion and ground. Licensed area to be kept clean, tidy, hygienic and safe manner.
Reporting of damages	Licensee to ensure it reports to Licensor's ranger or Community Recreation Property Unit immediately regarding any damage to the licensed area.
Consideration	Licensee to share the licensed area with other users of the showground and limit the impact and consider both the safety and enjoyment of others using the showground.
<b>Construction Clause</b>	Construction clause to be included giving Council right to carry out building works, if required to SISG. This will only affect parking and access arrangements which may be

	changed during the course of the licence if other building works commence.
<b>FINANCIAL</b>	
Licence Fee	As per attached financial rental spreadsheet
Public Reserve Management Fund	The PRMF is calculated as a percentage (15%) of the pre GST income to Licensor and charged in addition to rent. This levy is only applicable if the rental payable to the Licensor is greater than \$2,000 per annum.
Payment Frequency	Rent and PRMF to be invoiced in advance on a biannual basis.
Car parking Fee	No charge for parking in designated car park – mapped area in blue. Any parking outside this area will be charged according to Council's Fees and Charges and to be booked in advance with Councils Booking Liaison Officer.
Utility payments	<ol style="list-style-type: none"> <li>1. Licensor pays for water and rates.</li> <li>2. Licensee pays for telephone, electricity and for 3 x wheelie bins.</li> </ol>
Rubbish removals	<ol style="list-style-type: none"> <li>1. Licensor pays for rubbish removal.</li> <li>2. Club pays for removal of recyclable materials (paper and aluminium cans) and trade wastes</li> </ol>

Repair of Damage	Licensee to pay to Licensor upon demand, for repair for damage in directly or indirectly caused by the licensee's activities.
General repairs & maintenance	<ol style="list-style-type: none"> <li>1. Licensee's responsibility for all maintenance above what is already being provided by Licensor or improvements (if/once approved by Council). E.g. Replace light bulbs, keep facility clean, tidy, pest free, internal painting (if elected by the Licensee) etc.</li> <li>2. Licensor is responsible for the removal of graffiti on external walls of building.</li> <li>3. Licensee is responsible for the removal of graffiti on internal walls of building.</li> </ol>
Structural repairs	Licensor's responsibility for external and all core internal works as deemed required. E.g. blocked toilets, drainage issues, electricity board and hot water system.
Ownership	Any building or improvements on the land (existing or constructed during the licence period), reverts to the ownership of the Reserve Trust at the end of the licence period.
Access & keys to the facility	Licensee to provide copies of keys to pavilion. If the Licensee installs its own security alarm system, it is required to notify Licensor in writing and all costs associated with the installation, maintenance and repair or replacement of the system is born by the Licensee.
Multi use & sharing arrangements	Licensor reserves the right to hire out licensed areas to other users, outside the licenced times to Northside.
Annual Reports	Licensee to provide annual financial statements and Club report.
Committee contacts	Licensee's responsibility to provide annual details of committee names and contact numbers.
Constitution & rules	<ol style="list-style-type: none"> <li>1. Licensee to provide Licensor with its Club constitution and rules and should the constitution or rules change, it will be subject to Council approval.</li> <li>2. Should the constitution change substantially such as objects of the constitution, the Licensee will be required to provide Licensor with a summary of the constitutional /rule changes to Licensor.</li> </ol>

<b>COMPLIANCE</b>	
<p>1. Working with Children</p> <p>2. Health and Food handling</p> <p>3. Council's policies, Plans of Management.</p> <p>4. Building, Fire &amp; Safety</p> <p>5. Disability access or plan</p> <p>6. Banner, advertising and temporary structures.</p> <p>7. Environmental, noise, pollution</p> <p>8. Relevant Development Applications associated with the pavilion.</p> <p>9. Injury Management System.</p> <p>10. Occupation Health &amp; Safety Act.</p> <p>11. Traffic Management &amp; Car Parking Plan</p>	<p>1. Licensee to ensure it complies with Working with Children Check in accordance with Child Protection (Prohibited Employment) Act 1998.</p> <p>2. Licensee to ensure it complies with Council's health and food handling procedures. E.g. Attend Council run Food Handling course.</p> <p>3. To comply and be familiar with relevant Council policies, plans of management.</p> <p>4. Licensor is responsible for building structure and licensee is responsible for provision of fire extinguishers/blankets, exit signage, and evacuation plans.</p> <p>5. If Licensee undertakes major improvement to the facility, disable access will be a requirement.</p> <p>6. To comply and be familiar with relevant Council policies / guidelines.</p> <p>7. Ensure members, users and spectators take into account surrounding residents' enjoyment and ensure all machines are operated with Australian Standards.</p> <p>8. To comply with Council's development application process and associated fees and charges.</p> <p>9. To have in place an injury management procedure and reporting system and a first aid emergency procedure and practice.</p> <p>10. To comply and be familiar with relevant legislation.</p> <p>11. Licensee to comply with council's Open Space Traffic Management and Car Parking Plan for the showground site.</p>
Breaches of Essential terms	<ol style="list-style-type: none"> <li>1. Use &amp; hours of operation</li> <li>2. Non - payment of licence fee and levies on time.</li> <li>3. Utility charges and costs</li> <li>4. Neighbour quiet enjoyment / surrounds.</li> </ol>
Costs	<ol style="list-style-type: none"> <li>1. Licensee to bear the legal costs (50%) associated with the preparation and finalisation of the licence and exercise of any option. This is to include the Department of Land &amp; Water Conservation's notification fees (if required).</li> <li>2. Licence is prepared in accordance with the "guide for preparation of Lease or licence over reserves in respect of which consent is to be sought under section 102 Crown Lands Act 1989."</li> </ol>
<b>NOTIFICATION</b>	
Notice to be delivered to	Licensee to provide the address for formal service of notice for breaches of conditions of licence.

<b>INSURANCE &amp; INDEMNITY</b>	
Level & Type of Cover	<ol style="list-style-type: none"> <li>1. Licensee is to provide a copy of the certificate of currency at commencement of the licence for \$10 million public risk insurance policy.</li> <li>2. Licensee may wish to take appropriate level of cover for content insurance. However, should the Licensee elect not to insure the club's contents – then the Club will need to provide a letter to Licensor outlining that the Club takes full responsibility for the replacement of any items due to theft, fire or damage. Licensor is not liable for the Club's contents – goods and chattels. E.g. Club photos, equipment, trophies and memorabilia.</li> <li>3. Licensee is to indemnify Licensor and the minister against all claims arising out of the use of the licensed area or the specified activity.</li> <li>4. Licensor will not take any responsibility for any loss or damage to the licensed area.</li> <li>5. Licensor's responsibility to insure the building.</li> </ol>

**For Further Information:**

1. Working with Children : [www.kids.nsw.gov.au](http://www.kids.nsw.gov.au)
2. Local Government Act 1993 & Crown Lands Act 1989 [www.austlii.edu.au](http://www.austlii.edu.au)
3. Food Handling Procedures – Council's Environmental Health Officer.





# ATTACHMENT 1

## NORTHSIDE RIDING CLUB LICENCE ST IVES SHOWGROUND ST IVES

DRAFT

ONLY

### LEGEND

- PRINCESS ANNE ARENA
- FACILITIES / IMPROVEMENTS**
- 1. CLUBHOUSE
- 2. STORAGE SHED
- 3. WATER TANK
- 4. EXERCISE RING
- DESIGNATED CARPARK AREA



NOTES:  
THIS PLAN IS TO BE READ IN CONJUNCTION WITH THE  
CONDITIONS OF THE ADOPTED LICENCE AGREEMENT.

LINES ARE FOR GRAPHICAL PURPOSES ONLY

NOT TO SCALE DATE: JULY 2008

818 Pacific Highway, Gordon NSW 2072  
Locked Bag 1056, Pymble NSW 2073  
T 02 9424 0888 F 02 9424 0880  
DX 8703 Gordon TTY 02 9424 0875  
E [kmc@kmc.nsw.gov.au](mailto:kmc@kmc.nsw.gov.au)  
W [www.kmc.nsw.gov.au](http://www.kmc.nsw.gov.au)  
ABN 86 408 856 411



Contact:

Reference: 502709 /  
1 May 2008

Northside Riding Club

Dear

Thank you for taking the time to meet with you last Tuesday to discuss your licence agreement.

It was noted specifically by Mayor Ebbeck that Council prefers to amicably agree to an alternative solution which satisfies both the Club's and Councils obligations and requirements. Consequently, our discussions during that meeting involved a range of options in your future arrangements.

However, as the new licence agreement was due on the 1<sup>st</sup> of January 2007 the Council needs to reach an agreement with your club before the end of the financial year. We also note as neither party has exercised the right to terminate the previous agreement therefore the agreement continues subject to its ongoing provisions.

The Club has a number of options to consider:

### **Licence Agreement**

Under the previous licence agreement your club was provided with use of the Princess Anne Arena, Horse Superintendent Office, Saddling Yard, Exercise Ring, Northside Riding Clubhouse, Northside Storage Shed and water tank to your riding calendar at an 80% rebated rent in line with other Showground Users and based on a 2001 Valuation.

The licence agreement as proposed is a continuation of this agreement, and the Draft Heads of Agreement.

The annual rate will commence at \$24 387.50 including GST and PRMF levies commencing 1<sup>st</sup> July 2008 with an increase of CPI each renewal year.

The basis of this agreement includes a continuation at 80% rebate, the State Government PRMF levy is charged on top of this agreement but shown in the total figure above.

### **Casual Use Agreement**

A casual usage agreement was proposed as an alternative to replace the comprehensive, 80% rebated, licence agreement. Under the past agreement your club was provided with exclusive use of the Princess Anne Arena, Horse Superintendent Office, Saddling Yard,



Exercise Ring, Northside Riding Clubhouse, Northside Storage Shed and water tank, at an 80% rebated rent.

Under this proposal usage is limited to 40 days per year and to a share basis of the Princess Anne Arena. The costs of casual usage per annum currently are outlined below and allocations commence in October 2008 for next year..

Northside Riding Casual Options	07 fin year fee	Days	total	Details
<b>Princes Anne Arena</b>				
<b>Casual Day Hire</b>	\$ 240.00	40	\$ 9,600.00	ground only fee
<b>Parking (50 - 100 cars)</b>	\$ 122.50	40	\$ 4,900.00	depends on event size
<b>Warm Up Arena</b>		40		Currently no individual charge. Would be fixed if required
			<b>\$ 14,500.00</b>	

other cost could include bond, booking fee, larger event costs, extra carparking, etc.

Additional costs will be incurred via a separate licence agreement for non-exclusive usage of the Clubhouse and/or other areas/structures of the Showground, if required.

This may be an option if the club is looking for smaller or fewer events. Casual bookings cannot be guaranteed and depend on other user groups.

Other considerations for casual arrangements would be that Northside would no longer have exclusive use of the Princess Anne arena. The arena could be allocated to other users at other times. Each user will be under obligation to ensure that grounds are left in good order and repair after each event. Public Liability Policies and complete indemnification of Council for any claims which may arise are essential.

In order for Council to maintain its income from the Showground – which is an essential responsibility to our ratepayers and to the Department of Lands, an EOI for new users could be advertised and allocated time and space accordingly.

### Sliding Scale

A Sliding Scale Licence option was discussed in line with income to offer some flexibility with the usage returning to normal in 2008. However, given the Club is projecting losses of \$15,000 to \$21,000 until 2011, there would be little or no return to Council under this option. Therefore Council is unable to consider unless the club is able to review its financial position.

### Financial position

Given the financial projections demonstrate the club would be in serious financial difficulty by 2011 under your current structure. There are concerns that the Club is unable to honour the terms of any new agreement. To support your application the club shall attach the following information to the application for continued tenure:

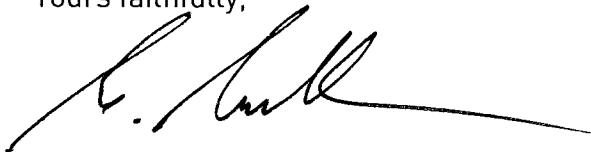
- Evidence of payments is up to date.
- Updated reports financial and of associations (2007 fin year).
- Any revised financial projections
- Memo of articles
- Club Constitution
- List of members names and addresses.
- Fees & Charges list and other alternative income sources.

We ask that you provide us an answer on the Club's intentions by 20th May, in order to finalise the agreement and proceed.

The Mayor and Council Officers are more than confident the best alternative solutions have been provided to you, and again reiterate that we are doing our absolute best to assist your Club. At the same time, Council must show to be fair and equitable to all user groups, and once again is satisfied it is doing so.

We look forward to your timely response.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'M. Makler', with a long horizontal flourish extending to the right.

Michelle Makler  
Lease and Licensing Officer



# Northside Riding Club

Princess Anne Arena,  
St Ives Showground, Mona Vale Road, St Ives.

PO Box 72 Terrey Hills, NSW 2084  
www.northsideridingclub.org.au

Mark Taylor  
Manager, Community & Recreation Property  
Ku-ring-gai Council  
Locked Bag 1056, Pymble NSW 2073

5 August 2008

Dear Mark

Re: Licence Agreement for St Ives Showground - Northside Riding Club

Thank you for your letter of 17 July clarifying issues regarding the new licence agreement. The Club Executive met last night and are on the whole happy for you to proceed to put the report to Council.

Our one remaining concern is the parking area allocated. Further to our telephone discussion yesterday, I have attached an amended map to show how we think the arrangement would best work. The removal of a large section of the existing pipe tie up yards in the area currently allocated, plus the adaption of 'Picnic Area Number 5' to parking would make a workable solution comparable to our current 200 person cap. Where events are expected to be larger than this, we would keep Council Bookings informed and look to having an overflow parking area allocated.

We would also be grateful if you would increase the allocated event number to 70 events per year. This does exceed the average number currently run, but given the need to generate more income this will help us in our ability to do so.

As I mentioned I will be away for approximately one month from Friday 8/8/8. In my absence your best contacts will be Neralie Coulston (Acting President) - mobile number 0403 525 094, or Rachel Smith - mobile number 0412 963 893. It would be useful to arrange a site meeting with Matt Drago or his associate to plan the removal of the tie up yards and any other current site issues.

Yours sincerely,

Vice President, Northside Riding Club



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## INVESTMENT REPORT AS AT 30 SEPTEMBER 2008

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### EXECUTIVE SUMMARY

**PURPOSE OF REPORT:**

To present to Council investment allocations and returns on investments for September 2008.

**BACKGROUND:**

Council's investments are made in accordance with the Local Government Act (1993), the Local Government (General) Regulation 2005 and Council's Investment Policy which was adopted by Council on 28 August 2007 (Minute No. 319).

**COMMENTS:**

The Reserve Bank of Australia (RBA) lowered the official cash rate by 25bps to 7.00% in September.

**RECOMMENDATION:**

That the summary of investments and performance for September be received and noted. That the Certificate of the Responsible Accounting Officer be noted and the report adopted.

## PURPOSE OF REPORT

To present to Council investment allocations and returns on investments for September 2008.

## BACKGROUND

Council's investments are made in accordance with the Local Government Act (1993), the Local Government (General) Regulation 2005 and Council's Investment Policy which was adopted by Council on 28 August 2007 (Minute No. 319).

This Policy allows Council to utilise the expertise of external fund managers or make direct investments for the investment of Council's surplus funds.

## COMMENTS

During the month of September, Council had a net cash inflow of \$1,426,350 and a net investment (interest and capital gain) of \$16,300.

Council's total investment portfolio at the end of September 2008 is \$75,930,960. This compares to an opening balance of \$72,680,680 as at 1 July 2008.

Council's net investment gain in September is a result of our strategy to move from managed funds to investing in high quality interest bearing bank subordinate Floating Rate Notes and Senior Debt, in anticipation of global financial markets experiencing further extraordinary levels of volatility with credit markets and credit rated funds performing poorly.

### Implications and recommendations of the Cole report

As previously reported to Council, in April 2008 the Department of Local Government (DLG) issued Circular 08-10 'Council Invested Funds and the Cole Inquiry Report', which advised that the report by Michael Cole on a review of NSW Local Government Investments had been released. The Circular summarised the recommendations contained within the report and the implementation process for those recommendations that the DLG was undertaking.

Council's investment advisor Grove Research & Advisory Services met with the Department of Local Government (DLG) to clarify some of the issues raised by the recommendations. Council officers have met with Grove to seek their advice in relation to the key points of the recommendations that directly affect Council. A new ministerial order has been legislated, but Council is still awaiting guidelines from the Department of Local Government. Once these guidelines are received, a revised investment strategy and policy will be developed and reported to Council. At this stage the recommendation from our advisors is to take no action, where possible, in relation to existing investments.

**PERFORMANCE MEASUREMENT**

Council’s investment portfolio is monitored and assessed based on the following criteria:

- **Management of General Fund Bank Balance**

The aim is to keep the general fund bank balance as low as possible and hence maximise the amount invested on a daily basis.

- **Funds Performance against the UBS Bank Bill Index**

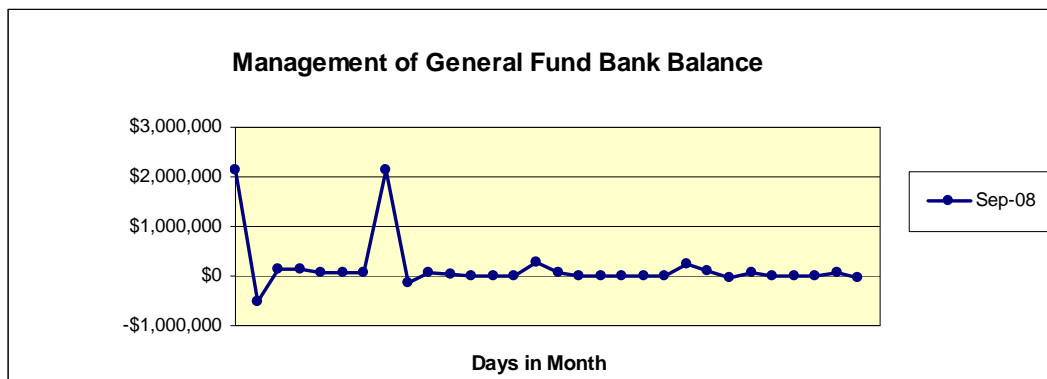
This measures the annualised yield (net of fees and charges) for Council’s portfolio. The weighted average return for the total portfolio of funds is compared to the industry benchmark of the UBS Bank Bill Index.

- **Allocation of Surplus Funds**

This represents the mix or allocation of surplus funds with each of Council’s fund managers and direct securities.

**Management of General Fund Bank Balance**

During September Council had a net inflow of funds of \$1,426,350.



**Investment Portfolio**

Council’s investment portfolio consists of the following types of investment:

**1. Floating Rate Notes (FRN)**

FRNs are a contractual obligation whereby the issuer has an obligation to pay the investor an interest coupon payment which is based on a margin above bank bill. The risk to the investor is the ability of the issuer to meet the obligation.

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The following investments are classified as FRNs

ANZ sub-debt AA-	purchased 18/12/07 at discount
ANZ sub-debt AA-	purchased 20/12/07 at discount
ANZ sub-debt AA-	purchased 17/1/08 at par
Bendigo Bank BBB	purchased 9/11/07 at par
HSBC Bank AA-	purchased 14/3/08 at par
BOQ senior-debt BBB+	purchased 08/09/08 at discount

(Please refer to Comments on Individual Investment Performance section for details)

These FRNs are all sub-debt or senior-debt which means that they are guaranteed by the bank that issues them but are rated a notch lower than the bank itself. The reason for this is that the hierarchy for payments of debt in event of default is:

1. Term Deposits
2. Senior Debt
3. Subordinated Debt
4. Hybrids
5. Preference shares
6. Equity holders

In the case of default, the purchaser of subordinated debt does not get paid until the senior debt holders are paid in full. Subordinated debt is therefore more risky than senior debt.

This type of investment was not owned by Council in 2006/07, however the intention is to classify them as Held to Maturity and account for them in the same manner as Collateralised Debt Obligation investments when the 2007/08 financial statements are prepared.

In terms of reporting, these investments are shown at their purchase price which is then adjusted up or down each month in accordance with the amortisation of the discount or premium. The effect of this is to show the investment at face value at maturity.

## 2. Fixed Interest Notes, Term Deposits , Transferable Deposits and Bonds

Fixed interest notes and term deposits pay a fixed amount of interest on a regular basis until their maturity date. Council has one fixed interest note and one term deposit:

Westpac Fixed sub-debt	AA-	purchased 25/02/08 at discount
Investec Bank Term Deposit	BBB	purchases 03/09/08 at par

As with FRNs, these investment is shown at purchase price with the discount or premium amortised over the period to maturity.

Council has one fixed interest deposit:

Bendigo Bank	BBB+	purchased 27/02/08 and held at par
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A Transferable Certificate of Deposit is a bank deposit (ie fixed interest) that may be transferred from one party to another. Council has two transferable deposits:

ANZ Transferable Deposits AA-	purchased 22/04/08 at par
Elders Rural Bank (Transferable Deposit) BBB	purchased 18/06/08 at par

A bank bond is a debt security, in which the authorized bank owes the holders a debt and is obliged to repay the principal and interest (the coupon) at a later date, termed maturity.

The revised Ministerial Investment Order dated 31 July 2008 section (d) states that Councils may invest in "bonds issued by an authorised deposit-taking institution (as defined in the Banking Act 1959), but excluding subordinated debt obligations."

As the Reserve Bank of Australia (RBA) has eased the monetary policy by 0.25% this month. This is seen as the beginning of an easing cycle with further falls in interest rates expected over the next few months. Bonds provide an opportunity to take a longer view and lock at current interest rate levels.

Council has two fixed rate bank bonds with senior debt obligations:

BOQ Bank Bond BBB+	purchased 04/09/08 at discount
Suncorp Metway Bank Bond A+	purchased 04/09/08 at premium

### 3. Collateralised Debt Obligations (CDO) and Constant Proportion Debt Obligations (CPDO)

The following investments are classified as CDOs or CPDOs :

Titanium AAA	purchased at a discount
Phoenix Notes AA+	purchased at par
Maple Hill 11 AA	purchased at par
ABN AMRO CPDO PP AA-	purchased at par
Oasis Portfolio Note AAA	purchased at par

A CDO is a structured financial product whose returns are linked to the performance of a portfolio of debt obligations. It is split into tranches, whereby the riskiest or lowest tranche, the "equity tranche", receives the highest returns. Higher rated tranches offer protection against the risk of capital loss, but at proportionately diminishing returns.

At the end of 2006/07 Council owned 3 of these products, namely, Titanium, SURF (now ABN AMRO CPDO PP ABN Amro Bank) and Oasis Portfolio Note. These were classified as held to maturity investments and therefore measured at amortised cost using the effective interest method in accordance with AASB 139: Financial Instruments: Recognition and Measurement. The intention is to continue this methodology at year end when the 2007/08 statements are prepared.

These investments are reported in the same manner as FRNs.



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#### 4. Growth Investments

Investments that have been purchased on the basis of an anticipated growth in asset value rather than returns being based on an interest coupon have been classified as Growth Investments. The following investments are included in this category:

- Longreach CPWF AAA
- Longreach STIRM AA-
- Longreach s26 Property AA
- Camelot AA
- KRGC TCorp LTGF unrated

These investments are valued at fair value where the capital gain is credited to the Income Statement and a capital loss is debited to the Income Statement. All of these investments except for the KRGC TCorp LTGF are principal guaranteed. The value shown in the monthly investment report is based on the redeemable Net Asset Value (NAV). The NAV is the total current market value of all securities plus interest or dividends received to date. This is the price or value of the investment at the time of preparing the report. Although the investments are principal guaranteed, reports are based on the NAV even when it falls below the par value.

The principal is guaranteed by the investment issuer monitoring the net asset value and selling the investments if the NAV falls below the level where a risk free investment will return the principal at the maturity date. For example, to guarantee the repayment of \$100 in 6 years a bank bill could be purchased at current rates for approximately \$65. Thus the worst case scenario, provided that the issuer remains solvent, for these investments is that overall return will be returns received to date plus return of principal at maturity date and no further interest payments for the remaining period.

An exception to this is the Longreach CPWF product where the principal is guaranteed as well as a 2% semi annual coupon.

While accounting and reporting for these investments is in accordance with the above, the following information is provided for each:

**Longreach CPWF:** This investment pays a guaranteed 2% coupon semi annually and is principal guaranteed by Rabobank who are rated AAA. Actual returns depend upon growth of the investment. The worst case performance scenario is a 2% coupon and principal returned at maturity.

**Longreach STIRM:** This investment pays a fixed coupon of 2.5% and a floating coupon of 125% of the quarterly performance. A cap is applied to the total coupon at BBSW+25bps with any additional income going into the NAV. The worst case performance scenario is no coupon is paid due to 100% of investors' funds being redeemed from the STIRM strategy and invested in a discount security to guarantee principal is returned at maturity.

**Longreach Global Property:** This investment pays a fixed coupon of 7% pa payable semi annually. This coupon is contingent on 100% of funds being invested in the Global Property basket. The worst case performance scenario is no coupon is paid and 100% is redeemed from the Global Property basket and invested in a discount security to guarantee principal is returned at maturity.

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**Camelot:** This is an investment in a fund which invests in \$US foreign exchange rate movements, which have low correlation to other products and asset classes. It is reported at its market value each month. This is the Net Asset Value (NAV) of the fund's assets. Accrued interest is included in the return as it is included in the NAV like the other growth investment products. The fund guarantees the repayment of capital by calculating the "equity gap" each month. This is the surplus of fund assets above the level of assets required to guarantee return of capital at maturity. In September 2008 this equity gap was 15.08% as the fund was valued at \$84.45 per unit and the assets required to return \$100 at maturity were \$69.26 [(84.34-69.26)/100 = 15.08%].

**KRGC TCorp LTGF NSW Treasury Corporation:** This is a fund managed by the NSW Treasury Corporation which invests in a range of Australian shares 31%, international shares 31%, bonds, listed property and cash 38%. The return is based on the fund's unit price at month end supplied by the fund. There is no principal guarantee with this fund and it is unrated.

5. Managed Funds

Council uses a variety of managed funds for liquidity and diversification purposes. These funds are rated from AAA through to A and returns are based on the fund's unit price at month end.

Funds Performance against the UBS Bank Bill Index

Issuer	Investment Name	Investment Rating	Invested @30 September 2008 \$000's	Period Return (%)	Annualised YTD Return (%)	Performance Since purchase/inception (%)	% of Total Invested	Valuation M=Mark to Market H=Hold to Maturity	Maturity
<b>Working capital (0-3 Months)</b>									
Westpac Bank	Westpac Bank Deposit	AA	515	0.74	7.31	*	0.68	M	0-3 mths
BlackRock Investment	BlackRock Diversified Credit	A	9,340	-2.68	-10.75	*	12.30	M	0-3 mths
<b>Short -MediumTerm (1-2 Years)</b>									
Bendigo Bank	Fixed Deposit TCB	BBB+	500	0.66	8.25	8.25	0.66	H	1-2 yrs
Select Access Investments	Titanium AAA	AAA	2,000	0.69	8.78	7.90	2.63	H	1-2 yrs
Elders Rural Bank	Elders Rual Bank TD	BBB	2,000	0.73	9.21	9.22	2.63	H	1-2 yrs
Bank of Queensland	Bank of Queensland Bond	BBB+	1,922	0.83	10.37	10.37	2.53	H	1-2 yrs
Bank of Queensland	Bank of Queensland FRN	BBB+	1,961	0.79	9.82	9.82	2.58	H	1-2 yrs
NSW Treasury Corp	KRGC Tcorp LTGF	UNRATED	1,857	-3.99	2.28	-3.66	2.45	M	1-2 yrs
<b>MediumTerm (2-5 Years)</b>									
LGFS	Fixed Out Performance Fund	AA-	18,064	0.63	8.39	*	23.79	M	2-5 yrs
ABN AMRO/Nomura	Pheonix Notes	AA+	2,000	0.81	10.18	9.87	2.63	H	2-5 yrs
ANZ Bank	ANZ Sub FRN	AA-	2,939	0.69	8.96	8.90	3.87	H	2-5 yrs
ANZ TD	ANZ Sub FRN	AA-	2,000	0.75	9.35	9.38	2.63	H	2-5 yrs
Westpac Bank	Westpac Subdebt	AA-	927	0.79	9.78	9.76	1.22	H	2-5 yrs
Suncorp Metway	Suncorp Metway Bond	A+	2,037	0.65	7.98	7.98	2.68	H	2-5 yrs
Investec Bank	Investec FRN	BBB	3,000	0.81	10.04	10.04	3.95	H	2-5 yrs
HSBC Australia	HSBC MTN	AA-	4,000	0.81	10.26	10.43	5.27	H	2-5 yrs
CBA/Helix Capital Jersey	Oasis Portfolio Note	AAA	2,000	0.67	8.65	7.95	2.63	H	2-5 yrs
Longreach/Rabobank	Longreach CPWF	AAA	2,863	-0.31	21.65	-2.28	3.77	M	5 yrs +
ANZ Bank	ANZ Sub FRN	AA-	2,970	0.73	9.02	8.71	3.91	H	5 yrs +
UBS AG London	LongreachSTIRM	AA-	942	-7.71	-30.14	-3.64	1.24	M	5 yrs +
Athena Finance (Westpac)	Camelot	AA	845	0.14	-18.48	-5.29	1.11	M	5 yrs +
<b>Long Term (5 Years+)</b>									
HSBC Bank	Maple Hill 11	AA	3,000	0.83	10.41	10.01	3.95	H	5 yrs +
Bendigo Bank	Bendigo Bank FRN	BBB	500	0.71	9.00	8.93	0.66	H	5 yrs +
Deutsche Bank	Longreach s26 Prop	AA	750	0.97	17.34	-18.87	0.99	M	5 yrs +
ABN AMRO Bank London	CPDO PP	AA-	6,000	0.67	8.60	8.66	7.90	H	5 yrs +
ANZ Bank	ANZ Subdebt 2018	AA-	1,000	0.75	9.29	9.09	1.32	H	5 yrs +
<b>TOTAL /WEIGHTED AVERAGE</b>			<b>75,932</b>	<b>1.64</b>	<b>6.07</b>		<b>100</b>		

Matured/Traded Investments - Weighted YTD Average Return (%)	7.99
Weighted Average Overall Return Year To Date (%)	6.08
Benchmark Return: UBSWA Bank Bill Index(%)	7.90
Variance From Benchmark (%)	-1.82

\* Cannot be calculated with 100% accuracy

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The weighted average return for the total portfolio year to date was 6.08% compared to the benchmark of the UBS Bank Bill Index of 7.90%.

**Income Investments and Growth Investments**

Since Council's investment policy was changed in August 2006, a wider range of investments has been made involving diversification of the portfolio into different investment types, longer maturities and different markets. Council's investments now include several growth investments, where returns are principally derived from growth in the value of capital invested, rather than income payments. These investments can be expected to show higher volatility in price movement on a month to month basis. Council has only purchased growth investments which have a capital protection provided by a bank of at least AA ratings. As these investments are long term and not intended to be traded monthly, volatility is of less concern.

**Comments on Individual Investment Performance**

**Longreach CPWF 1-2006:** This investment is in property, infrastructure and utilities and was made on 27 September 2006. From inception to the end of September 2008, the investment has returned -2.28% with a -0.31% decrease in net asset value for September 2008.

The Fund's Unit NAV at month end provided to the Investment Manager by the Calculation Agent was 0.95422. This NAV represents a 0.3% decrease from the previous month end. This valuation represents the price at which a Unit holder could have redeemed Fund Units at month end inclusive of Fund Ordinary Expenses. General information on the fund is included in the monthly Unit Holder Report (**Attachment A**).

**Longreach Series 26 Global Property:** This investment was made in June 2007 in a basket of property spread globally across seven geographical areas. The chosen securities provide potential for regular income along with potential capital growth. Returns are based on a contingent semi-annual coupon of 7.0% pa and additional return on maturity as capital gain. The current unit price is \$74.98 up from \$74.27 in August and from an issue value at inception of \$97.00 after upfront fees. The current allocation is 13.86% in the property basket and 86.14% in the discount debt security. General information on the fund is included in the monthly Unit Holder Report (**Attachment B**).

**Longreach Series 23 STIRM:** This investment is a capital protected note with exposure to a short term interest rate yield enhancement strategy. The redeemable NAV of the notes is \$94.19, whereas last month it was \$101.95. The year to date return on the investment is -30.14% annualised and -3.64% since inception. General information on the fund is included in the monthly Unit Holder Report (**Attachment C**).

**Note:** The capital protection mechanism for the above three investments has worked to protect the initial capital invested during recent extreme market volatility. At 30 September the Series 26 Global Property has 13.86% allocated to the asset class and 86.14% allocated to the discount debt security. The other two investments remain fully allocated to the asset class.

**NSW Treasury Corporation:** The investment was made in October 2006. This is a fund managed by the NSW Treasury Corporation which invests in a range of Australian shares 31%, international shares 31%, bonds, listed property and cash 38%. The fund's annualised return was 2.28% and is -3.66% since purchase.

**Athena Finance (Westpac)/Camelot:** This investment was made at the end of February 2007 in a fund which invests in foreign exchange rate movements with low correlation to other products and

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asset classes. The fund's annualised return is -18.48% with a return of -5.29% since inception. The fund has continued to maintain a strong capital preservation focus during the volatile markets.

**Blackrock Diversified Credit Fund:** Blackrock Investment Management had informed Council of its decision to close the Blackrock Diversified Credit Fund of which Council had \$9.34M invested as at 30 September 2008. This action was taken due to the Cole Report recommending removal of the option for local councils to invest in Managed Funds. The fund was specifically created for, and targeted toward, NSW local councils' requirements.

After careful consideration, a decision has been made to proceed with taking a cash contribution rather than an "in specie" transfer of assets. An in specie transfer involves an investor receiving, based on their proportionate interest in the assets of the Fund, assets which are representative of the assets of the Fund, rather than cash.

The reasons for this decision include:

- (1) Sufficient time was not given to review the template instruction documentation (contractual agreement) "in specie" transfer of assets. At the time of writing this report this documentation still has not been received.
- (2) The risk of any defaults over the three (3) year period with the "in specie" transfer of assets option. We expect to realise a significant portion of the Fund's assets within a six to eight week timeframe with the cash contribution option.
- (3) No Ministerial approval.
- (4) In order to mitigate any further risk.
- (5) Existing market volatility.
- (6) There did not seem to be enough support from Councillors for an "in specie" transfer of assets, at a recent Councillor briefing session.

**Investec Bank Floating Rate Term Deposits:** The Cole reports limits investing in deposit obligations of Australian banks only, hence this investment met the criteria. Investec Bank floating rate term deposits is rated BBB, and according to Moody's ratings report, Investec Bank (Australia) Limited does not have direct exposures to US subprime mortgages, collateralized debt obligations (CDOs), structured investment vehicles (SIVS) or leveraged loans. Nor is it engaged in high-risk mortgage lending practices. The floating rate of this investment is 2.50% over BBSW, which was regarded as most attractive at the present time.

**Suncorp Metway Bank Fixed Rate Bond:** The Cole reports limits investing in deposit obligations of Australian banks only, therefore this investment met the criteria. The bank bond is rated A+, it offers a fixed rate of 7.95% which is attractive in the current environment of expected rate reduction by the Reserve Bank of Australia. Standard & Poor's Ratings Services had placed its 'A+/A-1' ratings on Suncorp-Metway Ltd. The bank holds a good market position in Queensland, and has sound asset quality and earnings profiles.

**Bank of Queensland Bank Fixed Rate Bond:** The Cole reports limits investing in deposit obligations of Australian banks only, therefore this investment satisfied the criteria. The bank bond is rated BBB+, it offers a fixed rate of 8.00% which is attractive in the current environment of expected rate reduction by the Reserve Bank of Australia.

Despite the recent market volatility, Bank of Queensland (BOQ) maintains strong asset quality with a focus on well-secured housing and small and medium enterprises (SME) lending, and a low level of significant corporate exposures. The bank has also introduced cost disciplines to offset the increased funding costs caused by volatile markets without compromising the long-term potential

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of their brand or their unique distribution model. They have successfully grown the retail funding capability to support the growth and are well-positioned in a liquidity sense to support continuing growth.

**Bank of Queensland Bank Floating Rate Note:** The Cole reports limits investing in deposit obligations of Australian banks only, hence this investment satisfied the criteria. The floating rate note is rated BBB+, the interest payment rate of this investment is the coupon margin of 1.27% over the BBSW rate, which is regarded as most attractive at the present time in comparison to other banks' offers.

Our investment strategy is to expand interest rate risk by investing money in both fixed and variable rates.

**CDOs:**

As a result of the global financial market crisis and in particular the collapse of Lehman Brothers the following CDO investments are likely to be downgraded during October:

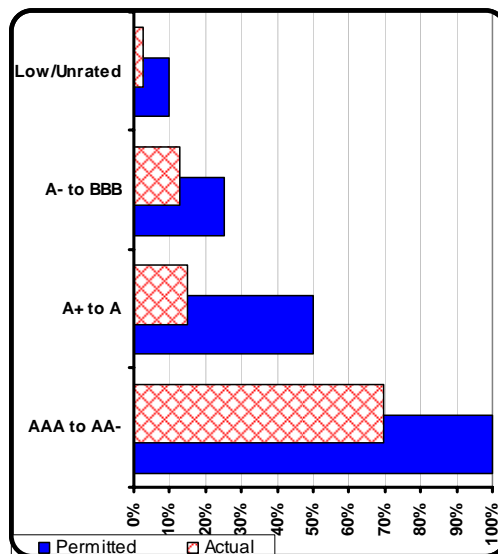
- Maple Hill 11 AA
- Oasis Portfolio Note AAA
- ABN AMRO CPDO AA-

The level of downgrade will be dependent on recovery rates for the major banks that were declared bankrupt in September and Standard and Poors will provide new gradings as soon as this is known.

**Allocation of funds**

The following charts show the allocations of Council's investment funds by the categories shown:

**1) Credit Rating:** Actual level of investment compared to proportion permitted by policy.



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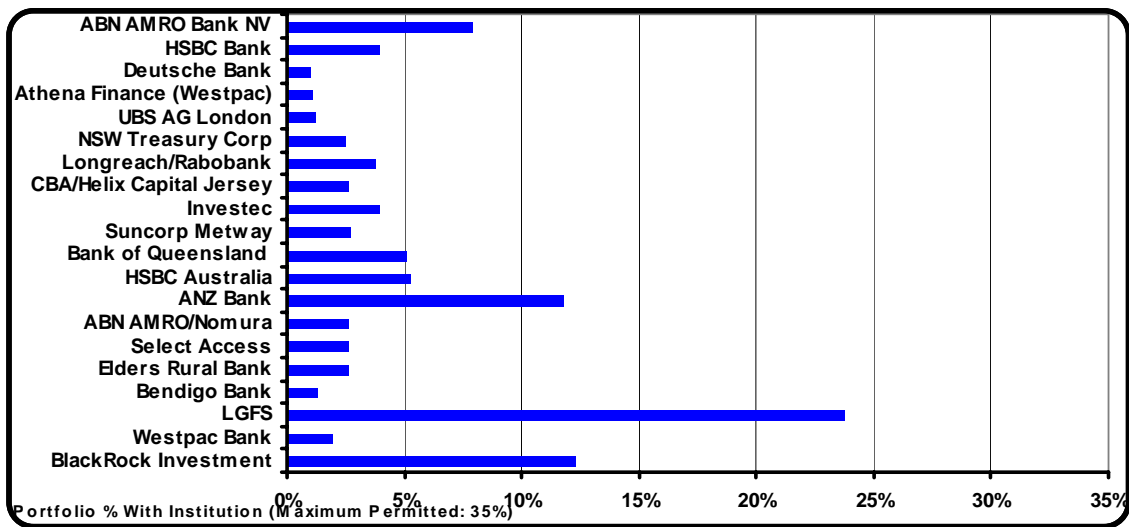
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**Investment Rating                      Proportion**

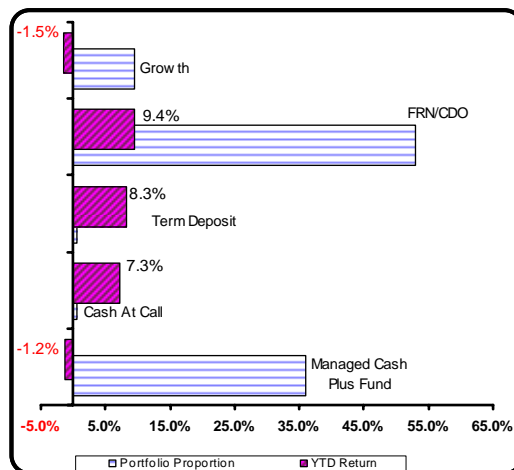
AAA to AA-	69.56%
A+ to A	14.98%
A- to BBB	13.01%
Less than BBB	2.45%

**2) Proportional Split of Investments by Investment Institution:** Actual portion of investments by investment institutions.

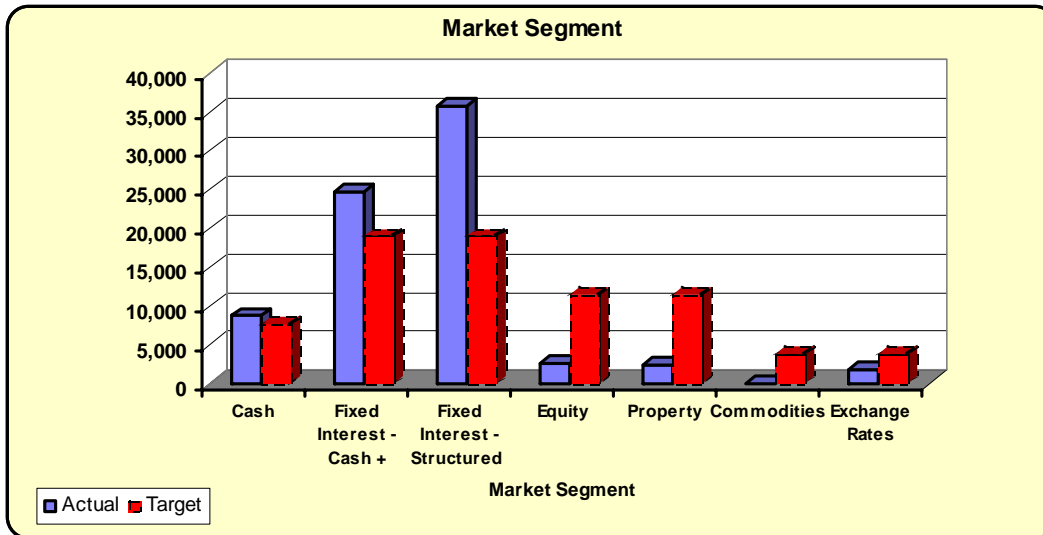
Council’s Investment Policy requires that the maximum proportion of its portfolio invested with any individual financial institution is 35%.



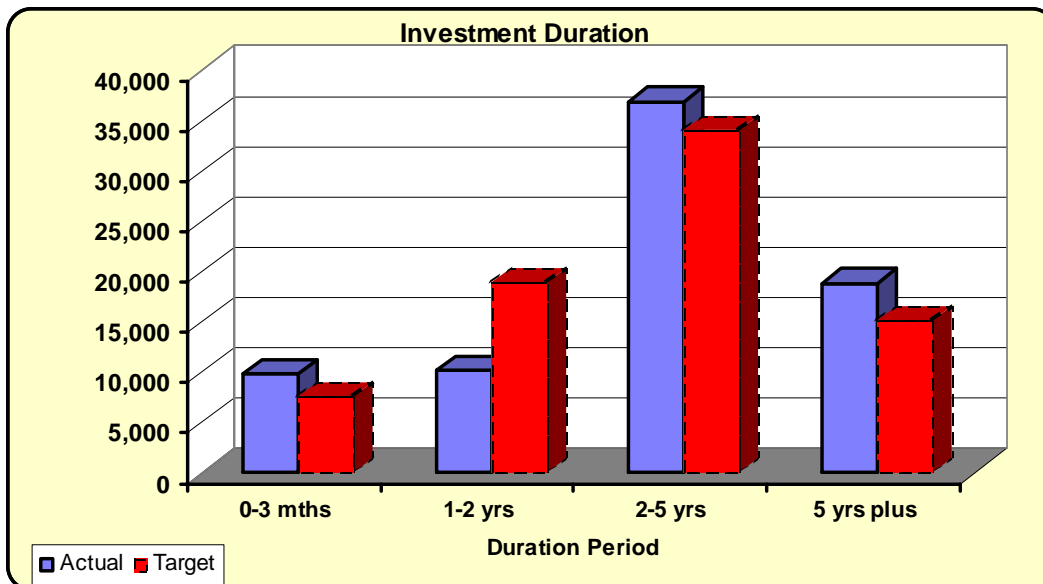
**3) Investment type and YTD return:** Actual proportion of investments by type and year to date return.



- 4) **Market Segment:** Strategic allocation of investments by market segment compared to current level.



- 5) **Duration:** Strategic allocation of investments by duration compared to current level.



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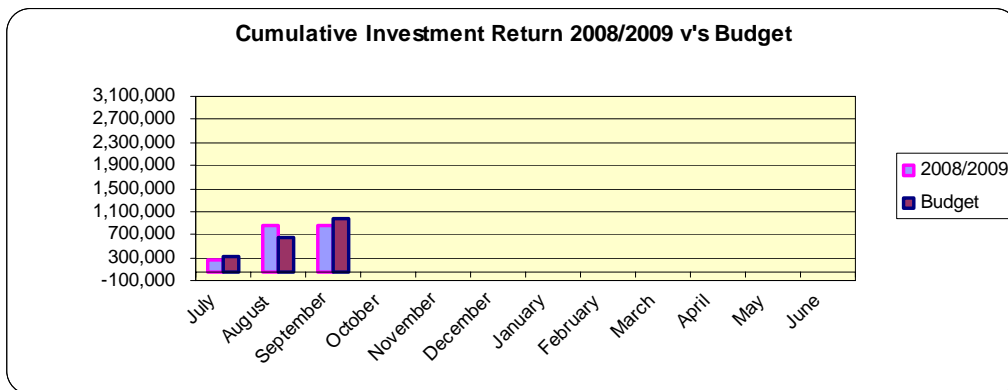
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**Cumulative Investment Return**

The following table shows Council’s total return on investments for September and financial year to date, split into capital and interest components and compared to budget:

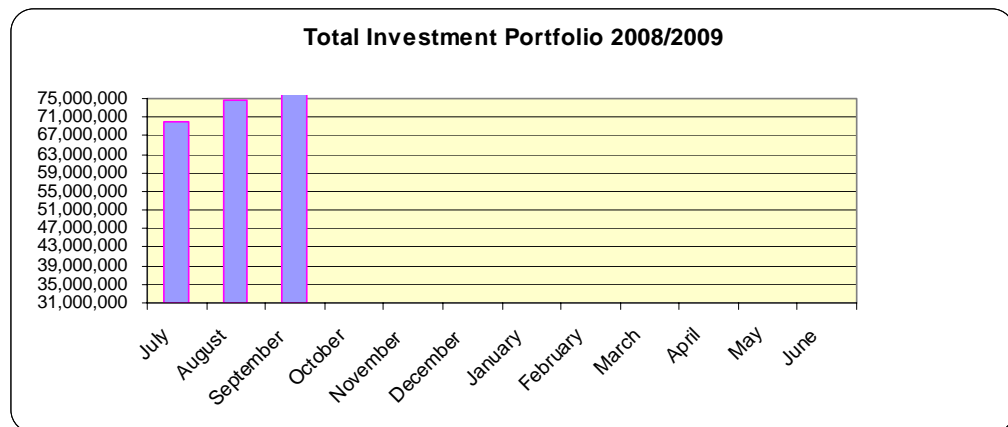
\$000's	Month	Financial YTD
Interest	639	1209
Cap Gain	15	601
Cap Loss	-638	-946
Net Return	16	864
Budget	321	962
<b>Variance</b>	<b>-305</b>	<b>-98</b>

At the end of September the net return on investments totals \$864,000 against a year to date budget of \$962,000, giving a negative variance of \$98,000.



**Total Investment Portfolio**

The following chart compares the year to date investment portfolio balances for 2008/2009.





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During September 2008 Council's investment portfolio increased by \$1,426,350 from August 2008.

**Some key points in relation to investments and associated markets during September are:****International Market**

September was a month dominated by financial market distress as US and Japanese equity markets plummeted to levels last seen during the 2000-2002 recession with other leading indices also heavily sold. The Volatility Index (VIX) - a measure of the market's expectation of volatility in the upcoming 30 day period - closed at an unprecedented level, almost double that of the previous month.

As the global financial sector collapsed, central banks worldwide rushed to inject hundreds of billions of dollars into money markets to ensure the supply of funds does not deteriorate an already illiquid marketplace. The US Securities and Exchange Commission (SEC) also imposed a ban on short selling across depleting financial stocks. At the same time, the US Federal Reserve (Fed) requested unchecked power from Congress to buy US\$700 billion in bad mortgage investments from financial companies. The plan ultimately passed by Congress at the second iteration - possibly aided by the shock of seeing the largest fall in the Dow Jones in history after the first plan was rejected.

In turn, the US Treasury will have the authority to buy home loans, mortgage-backed securities, commercial mortgage-related assets and "other assets deemed necessary to effectively stabilise financial markets".

The events that occurred over the month included:

- The US government stepping in to bailout the Government Sponsored Entities (GSE's), Fannie Mae and Freddie Mac;
- Lehman Brothers filing for bankruptcy on September 15, sparking a collapse on Wall Street and sending equity markets around the world tumbling. The Dow Jones plummeted 504 points, or -4.4%, while the S&P 500 declined 59 points, or -4.7%, reaching its lowest level since October 2005. Simultaneously, the MSCI World Index, a basket of developed-market equities slumped the most in six years losing 46 points, or -3.6%;
- Merrill Lynch being "encouraged" to accept a takeover bid for around US\$50bn that Bank of America was "encouraged" to make;
- The US government announcing it had agreed to lend as much as US\$85 billion to AIG, the largest US insurer by assets, in exchange for a 79.9% stake to save the insurer from collapse;
- Washington Mutual Inc. following the same fate of Lehman Brothers. The US bank was seized by government regulators and its branches and assets sold to JPMorgan Chase & Co. in the biggest US bank failure in history;
- Congress initially rejecting the US\$700 billion plan to rescue the financial system on the second last day of the month. The Dow Jones slid 778 points, or -7.0% for its biggest point drop ever; the S&P 500 fell 107 points, or -8.8%, while the MSCI World Index slid 87 points, or -6.9%, the most in 21 years.

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Goldman Sachs and Morgan Stanley, the last two major investment banks, have recently changed their status to bank holding companies. This will allow them to create commercial banks that will be able to take deposits, bolstering the resources of both institutions.

**Domestic Market**

As expected, the Reserve Bank of Australia (RBA) lowered the official cash rate by 25bps to 7.00% in September in view of the slowing economy. Domestically, the June quarter 2008 GDP figure showed a contraction in consumer spending the first such outcome since September 1993. At month-end, the market priced in further rate cuts over coming months as the global financial crisis deepens, although were surprised by the massive 1% cut actually delivered. The domestic equity market mirrored the rollercoaster ride experienced in the US. Following the announcement of Lehman Brothers' collapse, over the subsequent four trading days, the All Ordinaries Index plummeted over -6%, but rebounded strongly over the next two sessions, gaining over +8%. The rally was attributed to a combination of the US Federal Reserve's (Fed) plan to salvage the financial sector and the Australian Securities and Investments Commission's (ASIC) decision to ban the practice of short-selling across the entire share market as a circuit breaker to restore investor confidence.

Despite ASIC's intervention, it could not stop the plunging market on the last day of the month as the Fed's rescue plan was rejected by Congress. The All Ordinaries fell 208 points, or -4.3% on the final day in September, to be down 584 points, or -11.2% for the month.

**CONSULTATION**

Not applicable.

**FINANCIAL CONSIDERATIONS**

The budget for interest on investments for 2008/2009 is \$3,848,200. Of this amount approximately \$2,209,200 is restricted for the benefit of future expenditure relating to developers' contributions, \$744,100 transferred to internally restricted Infrastructure & Facility reserve, and the remainder is available for operations.

At the end of September the net return on investments totals \$864,000 against a year to date budget of \$962,000, giving a negative variance of \$98,000.

**CONSULTATION WITH OTHER COUNCIL DEPARTMENTS**

Not applicable.

**SUMMARY**

As at 30 September 2008:

- Council's total investment portfolio is \$75,930,960. This compares to an opening balance of \$72,680,680 as at 1 July 2008, an increase of \$3,250,280.

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- Council's year to date net return on investments (interest and capital) totals \$864,000. This compares to the year to date budget of \$962,000, giving a negative variance of \$98,000.

**RECOMMENDATION**

- A. That the summary of investments and performance for September 2008 be received and noted.
- B. That the Certificate of the Responsible Accounting Officer be noted and the report adopted.

Tony Ly  
**Financial Accounting Officer**

Tino Caltabiano  
**Manager Finance**  
**Responsible Accounting Officer**

John Clark  
**Director Corporate**

**Attachments:** A. Longreach Capital Protected Wholesale Fund 1-2006 Monthly Unit Holder Report  
September 2008 - 2008/018331  
B. Longreach Capital Protected Series 26 Noteholder Performance Report  
September 2008 - 2008/018678  
C. Longreach Series 23 Noteholder Performance Report September 2008 -  
2008/018415



**LONGREACH CAPITAL PROTECTED WHOLESALE FUND 1-2006  
PROPERTY, INFRASTRUCTURE AND UTILITIES  
MONTHLY UNIT HOLDER REPORT  
September 2008**

Longreach Global Capital Pty Limited, as Investment Manager for the Longreach Capital Protected Wholesale Fund, 1-2006 Property, Infrastructure and Utilities, is pleased to provide Unit holders of the Fund with the Monthly Unit holder Report for September 2008.

**Longreach Capital Protected Wholesale Fund 1-2006 General Information**

<b>Type of Fund: Medium Term Growth</b> AAAf rated Capital Protected Growth Fund with equal exposure to the price growth of the S&P/ASX 200 Property Trust Index and UBS Australia Infrastructure and Utilities Index (ASX Index Investments)	<b>Fund Investment Date:</b> 29 September 2006	<b>Buy/Sell Spread:</b> Nil
<b>Investment Objectives:</b> The Fund aims to provide investors with semi-annual distributions of 2% p.a. on their invested amount after ordinary expenses, the opportunity for enhanced participation in any price growth of the ASX Index Investments over the life of the Payment Contract and 100% capital protection of their invested amount at Payment Contract Maturity.	<b>Recommended Investment Timeframe:</b> 5 years	<b>Distributions:</b> 2% p.a. Paid Semi Annually: 30 June 31 December
<b>Rating: AAAf (S&amp;P)</b>		

**Actual Performance of Fund's ASX Index Investments**

Index	Index Value at Fund Investment Date	Index Value at Previous Month End	Index Value at Latest Month End	Month on Month movement	% Change Since Fund Investment Date
ASX 200 Listed Property Trust Index	2,186.00	1,459.20	1,369.20	-6.17%	-37.37%
UBS Australia Infrastructure & Utilities Index	2,483.00	2,464.51	2,741.17	11.23%	10.40%
ASX Index Investments*				2.53%	-13.48%

**Fund Unit Net Asset Value**

Fund Unit Price at Fund Investment Date	Unit Net Asset Value at Month End	Growth	2% p.a. Income (Accrued)	Actual % Change in Unit Price Since Inception
\$1.0000	\$ 0.9542	0.94922	0.00500	-4.58%

The Fund's Unit NAV at month end provided to the Investment Manager by the Calculation Agent was 0.95422. This NAV represents a 0.3% decrease from the previous month end. This valuation represents the price at which a Unit holder could have redeemed Fund Units at month end inclusive of Fund Ordinary Expenses.

The Fund return to Unit holders at the Payment Contract Maturity is based on the enhanced price growth of the Fund's ASX Index Investments. In accordance with the Fund's Information Memorandum dated 20 September 2006, Unit holders will receive 130% (i.e the Index Participation Multiplier) of the price growth of the Fund's ASX Index Investments.

### **Market Commentary**

An extraordinary month by anyone's standards or analysis. The Australian share market sold off more than the US over most of the period; the All Ordinaries index fell 11% over the month whereas at September month end the Dow Jones index fell by "only" 6%.

In amongst all of the credit-related news emanating from overseas it's easy to forget that the Reserve Bank cut rates by 25 basis points – the first such move in 7 years – at the beginning of the month. At that time the RBA stated that the economy would slow enough to subdue inflation over time. (Of course the Reserve Bank has made even larger moves on this front in the past day.)

After the welter of annual report announcements in the previous month, little in the way of news about the stocks in the basket was released over the reporting period. Market sentiment in both Australia and overseas is likely to be dominated by news of, and reaction to, the US plan to acquire problem debt.

Additionally the fundamental concerns about banks providing liquidity to each other, and corporates, is likely to be the dominant factor in the near to medium term.

### **Contact:**

**Longreach Global Capital Pty Limited**    **AFSL : 247 015**                      **ABN : 27 080 373 762**  
Phone : (02) 9241-1313    Fax: (02) 9252-9537

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*Disclaimer: This report has been prepared by Longreach Global Capital Pty Limited in its role as Manager of the Longreach Capital Protected Wholesale Fund 1 – 2006, Property, Infrastructure and Utilities (the "Fund"). Full details of the Fund can be found in the Information Memorandum dated 20 September 2006. Terms defined in that Information Memorandum have the same meaning in this report.*

*The information contained in this report is current as at the close of business on the date indicated and is for the information of wholesale clients within the meaning of section 761G of the Corporations Act 2001 who have invested in the Fund. Performance of the Fund to date is not a guarantee or indicator of Fund performance in future. Similarly, references to the performance of ASX Index Investments do not imply future performance guarantees or returns. To the maximum extent permitted by law, Longreach Global Capital Pty Limited will not be liable in any way for any loss or damage suffered by you through use or reliance on this information. Our liability for negligence, breach of contract or contravention of any law, which can not be lawfully excluded, is limited, at our option and to the maximum extent permitted by law, to resupplying this information or any part of it to you, or to paying for the resupply of this information or any part of it to you.*



**NOTEHOLDER PERFORMANCE REPORT**  
**September 2008**  
**Longreach Series 26**  
**Capital Protected Medium Term Note**

**Capital Protected Notes – ‘Global Property’**

<b>Type of Note:</b>	<b>Investment Date:</b>	<b>Liquidity:</b>
Capital Protected Note with exposure to a diversified basket of global property securities.	7 June 2007	Available Daily
<b>Investment Objectives:</b>	<b>Recommended Investment Timeframe:</b>	<b>Distributions:</b>
The chosen basket of securities provide for both a potentially high regular income via the dividends paid as well as any potential capital growth within the capital protection mechanism.	7 years	Fixed 7.00% p.a. coupon paid semi annually
<b>Rating: AA- (S&amp;P)</b>		

**Basket Returns since investment date (7 June 2007)**

The following table sets out the Basket's performance by security: -

Security	Sector	%	Buy-in-Price \$	Closing Price \$	Change % <sup>(i)</sup>
Bene Stabili	Property	14.3	1.13	0.66	-41.64%
British Land	REIT	14.3	1,361.00	744.50	-45.30%
City Developments	Property	14.3	17.20	8.60	-50.00%
Mitsubishi Estate	Property	14.3	3,588.00	2,010.00	-43.98%
Simon Property	REIT	14.3	99.69	90.46	-9.26%
Stockland	REIT	14.3	8.66	5.40	-37.64%
Sun Hung Kai	Property	14.3	89.45	81.10	-9.33%
Average					-33.88%

Note (i) all percentage changes shown are absolute price moves not calculated on a per annum basis.

**Net Asset Value (NAV)**

The Hold to Maturity NAV of the Notes is 74.98 (last month 74.27). The NAV at Issue Date was 97.00 – being 100 less LCM upfront distribution fees. If an investor chose to exit prior to maturity the ‘Redeemable NAV’ would incorporate the current NAV less the cost of unwind of the currency protection mechanism. The currency hedge ensures buy and hold investors are not exposed to changes in the underlying currencies at maturity.

**Internal Rate of Return (IRR)**

The IRR of the Notes is -17.199% p.a. This represents the true annual rate of earnings on an investment. This rate takes into account the movements in the underlying securities as well as compound interest factors (time value of money).

\* IRR is a discounted cashflow method of calculating returns defined mathematically as the rate by which future anticipated net cash flow must be discounted so that their value will be equal to the initial cost of the investment.

## Coupon Payments

The coupon for this transaction is a Fixed **7.00%** p.a. payable semi annually. It will be paid out of the dividends received on the underlying stocks, and where necessary the NAV of the Notes. Payment of the coupon is contingent on; 100% of investor's money being allocated to the Global Property Basket, and the payment of the coupon not causing a Sell Trigger to be hit.

	Coupon Payment Date	Per Annum %	BBSW Comparison %
Coupon 1	07-Dec-07	7.00	6.48

## Allocation to the Diversified Basket

The allocations within the Dynamic Portfolio as at 7 October were:

Series Basket	13.86%
Discount Debt Security	86.14%

The allocation to the Series basket has fallen dramatically over the past 6 weeks, and Deutsche Bank have advised us that the Series could completely delever if the markets continue to sell off over coming days.

## Market Recap

An extraordinary month by anyone's standards or analysis with all sharemarkets profoundly affected by the developments in the US housing markets and real concerns about the liquidity available to financial and corporate counterparties.

Security	Country	Last Month	Previous Month	Change % (i)
Stockland	Australia	5.40	5.27	2.47
British Land	United Kingdom	744.50	765.50	- 2.74
Simon Property	United States	90.46	94.88	- 4.66
Bene Stabili	Italy	0.66	0.74	- 10.90
City Developments	Singapore	8.60	10.40	- 17.31
Mitsubishi Estate	Japan	2,010.00	2,435.00	- 17.45
Sun Hung Kai	Hong Kong	81.10	107.60	- 24.63

Sun Hung Kai, Asia's third largest property group by value, reported a 3.4 percent fall in underlying fiscal second-half earnings early in the month as growth in rental income was offset by stalled apartment sales in a worsening real estate market.

Stockland was the best performer over the past month. During September its name was linked with the possible acquisition of Babcock & Brown's retirement living business. Over the course of this year Stockland have lost approximately 40% of its value.

### Contact:

**Longreach Global Capital Pty Ltd**      **AFSL : 247 015**      **ABN : 27 080 373 762**  
 Phone : (02)9241-1313      Fax: (02) 9252-9537

### Important Information

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This report has been prepared exclusively for use by wholesale clients (within the meaning of section 761G of the Corporations Act 2001) of Longreach CP Limited, Longreach Capital Markets Pty Limited and Longreach Global Capital Pty Limited and may not be distributed to external parties without the prior written consent. The report has been prepared solely for informational purposes. It includes certain information that has been obtained from independent sources that Longreach considers to be both accurate and reliable. To the maximum extent permitted by law, neither Longreach Capital Markets Pty Limited nor Longreach Global Capital Pty Limited will be liable in any way for any loss or damage suffered by you through use or reliance on this information. Our liability for negligence, breach of contract or contravention of any law, which can not be lawfully excluded, is limited, at our option and to the maximum extent permitted by law, to resupplying this information or any part of it to you, or to paying for the resupply of this information or any part of it to you.



## NOTEHOLDER PERFORMANCE REPORT

September 2008

### Longreach Series 23

#### Constant Proportion Portfolio Technique Note

#### Series 23 – Capital Protected Notes – 'STIRM'

<b>Type of Note:</b> Capital Protected Note with exposure to a short term interest rate yield enhancement strategy	<b>Investment Date:</b> 26 February 2007	<b>Liquidity:</b> Available Daily
<b>Investment Objectives:</b> The short term interest rate yield enhancement strategy provide for both a potentially high regular income via performance based coupon component as well as any potential capital growth within the capital protection mechanism.	<b>Recommended Investment Timeframe:</b> 5 years	<b>Distributions:</b> Distributions paid quarterly.
<b>Rating:</b> AA- (S&P)		

#### Net Asset Value (NAV)

The NAV of the Notes at current month end was 94.19 (compared with 101.95 for the previous reporting period).

#### Internal Rate of Return (IRR)

The IRR of the Notes is -0.113%% **p.a.** This represents the true annual rate of earnings on an investment. This rate takes into account the movements in the underlying securities as well as compound interest factors (time value of money).

*\* IRR is a discounted cashflow method of calculating returns defined mathematically as the rate by which future anticipated net cash flow must be discounted so that their value will be equal to the initial cost of the investment.*

#### Coupon Payments

The coupon will be made up of a Fixed and Floating component as outlined in the Series 23 Discussion document. The **Fixed** component is set at 2.50% p.a. payable quarterly (unless strategy is fully allocated to the UBS cash investment), and the **Floating** component is set at 125% of the strategy's positive intra period performance, with a cap on total coupon of BBSW + 40bps.

	Coupon Payment Date	Per Annum %	BBSW Comparison %
Coupon 1	10-May-07	2.50	6.42
Coupon 2	10-Aug-07	2.50	6.39
Coupon 3	11-Nov-07	2.47	6.73
Coupon 4	12-Feb-08	7.25	7.12
Coupon 5	13-May-08	2.47	7.77
Coupon 6	11-Aug-08	5.77	7.32



## Allocation to the Diversified Basket

The current allocations within the Dynamic Portfolio are:

STIRM Strategy	100%
UBS Discount Debt Security	0%

Please refer to the Series 23 Discussion Paper for a description of the workings of the capital protection mechanism.

## Market Recap/STIRM Performance Report

A copy of September 2008 report from UBS and the Strategy Manager, Fortinbras, is attached to provide investors with background to the market and the strategy decisions taken over the month.

### Notes:

### Contact:

**Longreach Global Capital Pty Ltd**      **AFSL : 247 015**      **ABN : 27 080 373 762**  
 Phone : (02) 9241-1313      Fax: (02) 9252-9537

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