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ASX Announcement

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UPDATE IN RELATION TO LOAN TO ST LEONARDS / BREAK FAST

CL Asset Holdings Limited ("CLS" or "Company") has an outstanding loan (the "Loan") of \$5.63m (being the principal amount) to St Leonard's Property Pty Ltd and Break Fast Investments Pty Ltd (collectively "SLP"). As previously disclosed the borrowing entities are in the hands of Receivers and Managers ("Receivers") that were appointed by the common first mortgagee.

The Loan is secured by way of second mortgages against properties that are owned by SLP located in Sydney and East Melbourne. The first mortgagee's loan facilities are cross collateralised against each of the security properties meaning that if there is a shortfall in the sale of one property the first mortgagee can look to the other security to recover any such shortfall.

The Company advises that two of the security properties have been sold by the Receivers at a significant discount to the most recent valuations that the Company had anticipated when previously having assessed whether an impairment of the Loan was required. An impairment was considered not necessary as there was significant equity remaining in the other security properties.

Notwithstanding multiple requests to the Receivers by the Company and its auditors and solicitors for a full account in respect of the sales of the properties by the Receivers, information has not been forthcoming. This makes it difficult for the Company to accurately determine whether any impairment provision is required. The Company however has recently become aware that whilst the shortfall in the sale of one of the properties was \$2.66m (anticipated by the Company) that the first mortgagee is claiming approximately \$4.5m (not anticipated by the Company) through its cross collateralisation arrangement. On the basis of this new information, the Company has reassessed the carrying value of this loan and considered it appropriate to take an impairment provision of \$2m.

The new carrying value of the loan (\$3.65m) is predicated on the assumption that the sale of the balance of the security properties by the first mortgagee will be in-line with the most recent valuations and that the fees charged by the Receivers and their solicitors will be reasonable.

The Company continues to closely monitoring the current situation and, consistent with its continuous disclosure obligations, will release further information to the market should there be a change to the Company's perspective on the carrying value of the loan.