

# BLP FY09 Results Presentation

9 October 2009

# AGENDA

1. FY2009 Operational & Financial Overview
2. Financial Performance
3. Capital Management
4. Operational Update
5. FY2010 Operational Strategy & Outlook
6. Appendices

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# FY2009 OPERATIONAL & FINANCIAL OVERVIEW

## Financial results

- Underlying net loss after tax and minority interests of \$1.9 million.
- NTA of \$0.66 per stapled security.
- Business conditions improved materially in 2H09 with substantial presales in hand (\$157 million) across the portfolio of both consolidated and non consolidated projects.

## Active portfolio management

- Detailed review of portfolio resulting in a \$31.1 million provision against the carrying value of inventory, loan receivables and goodwill.

## Capital management

- Restructuring of Corporate facility and Babcock & Brown loan.
- Debt facilities are covenant compliant and financiers continue to be supportive.
- Clear focus on capital retention and de-leveraging across the portfolio.
- Selective asset sales where highest and best value can be achieved (Ascot Chase).
- Distributions remain suspended for the foreseeable future.




## Operational Initiatives

- Internalisation of Management Agreement and accession from Babcock & Brown well advanced.
- Rationalisation of operating framework to drive cost savings is proceeding.

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# FINANCIAL PERFORMANCE

	Year ended 30 June 2009	Period ended 30 June 2008	Variance
<b>Underlying net profit/(loss) before tax</b>	\$(4.5)m	\$11.7m	\$16.2m 
<b>Underlying net profit/(loss) after tax</b>	\$(1.9)m	\$9.3m	\$11.2m 
<b>Reported net profit/(loss) after tax</b>	\$(26.6)m	\$7.7m	\$34.3m 
<b>Distribution per stapled security</b>	Nil	8.25¢	Fixed in accordance with PDS

# FINANCIAL PERFORMANCE

	As at 30 June 2009	As at 30 June 2008
<b>Total assets</b>	\$383.4m	\$466.0m
<b>Net tangible asset backing</b>	\$0.66	\$0.81

- Total assets lower reflecting:
  - Ongoing sale and settlement of lots.
  - Provision against inventory values and loans receivable.
- NTA of \$0.66.

# RECONCILIATION OF REPORTED PROFIT AFTER TAX

	Year ended 30 June 2009
Underlying net profit/(loss) after tax	\$(1.9)m
Gain on deconsolidation of 25% Ascot Chase	\$3.0m
Impairment of goodwill	\$(1.2) m
Write-off of New Zealand fee income	\$(1.1)m
Provision against inventory carrying values after tax	\$(5.8)m
Provision against loan values after tax	\$(19.0)m
Loss on foreign exchange movements	\$(0.6)m
<b>Reported net profit/(loss) after tax</b>	<b>\$(26.6)m</b>

- Non-cash adjustments to Underlying Loss After Tax include:
  - Following a review of BLP’s portfolio, a \$5.8 million provision against inventory carrying values was taken.
  - Following a review of BLP’s loans receivable, a \$19.0 million provision against carrying values of the loans was taken.
  - Consolidated projects are valued at the lower of cost or net realisable value in the balance sheet, meaning any uplift in values achieved through rising markets, successful re-zonings and infrastructure initiatives cannot be recognised.
  - Long term structured receivables are valued on the basis of the effective interest method.

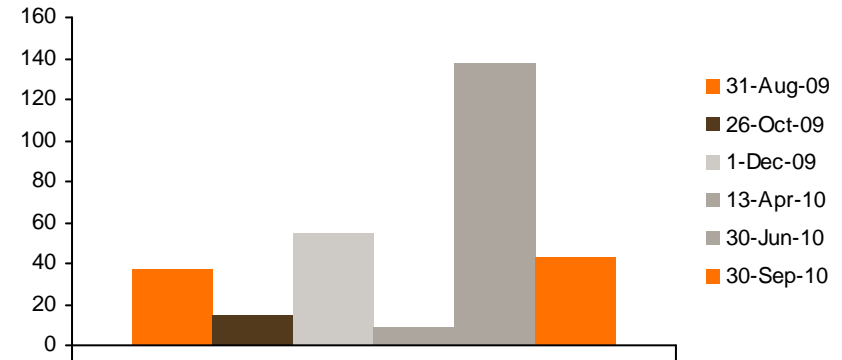
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# CAPITAL MANAGEMENT

Facility	Limit	Utilised
Project (\$)	\$164m	74.3%
Corporate	\$131m	97.0%
<b>TOTAL</b>	<b>\$295m</b>	<b>84.4%</b>

Project debt facilities maturity profile



NOTE: Graph indicates Peak Project Limits

- BLP's corporate debt includes a \$100 million facility that expires on 28 June 2010.
- The Babcock & Brown debt facility expires on 28 June 2010, however is fully subordinated to the \$100 million corporate debt facility. Babcock & Brown has no right to accelerate the repayment of this facility whilst the \$100 million corporate facility remains in place.
- All project facilities (both consolidated and non consolidated) are non recourse to the parent company.
- For all projects currently under active development, where project development debt facilities are in place, capacity exists within facility limits to develop and deliver land lots to completion.

# CAPITAL MANAGEMENT

## Short-term refinancing:

- Project financing facilities at Officer, Forster, Haywards Bay and Merimbula are due to expire over the next 6 months. Discussions have commenced with the project financier to extend the repayment terms on Haywards Bay to December 2011 and on the remaining facilities discussions have commenced to extend the repayment terms on these facilities. There is a common financier for each of these projects (with the exception of Haywards Bay) and in turn this is the same financier who has provided the corporate facility.
- Project finance facilities for Seabreeze and the component of Renaissance Rise acquired at IPO are expect to be repaid during FY2010.

# CAPITAL MANAGEMENT

	As at 30 June 2009
Gearing (debt/total assets)	63.8%
Weighted average debt maturity	0.8 years
Hedging	20.2%
Weighted average cost of debt	7.9%

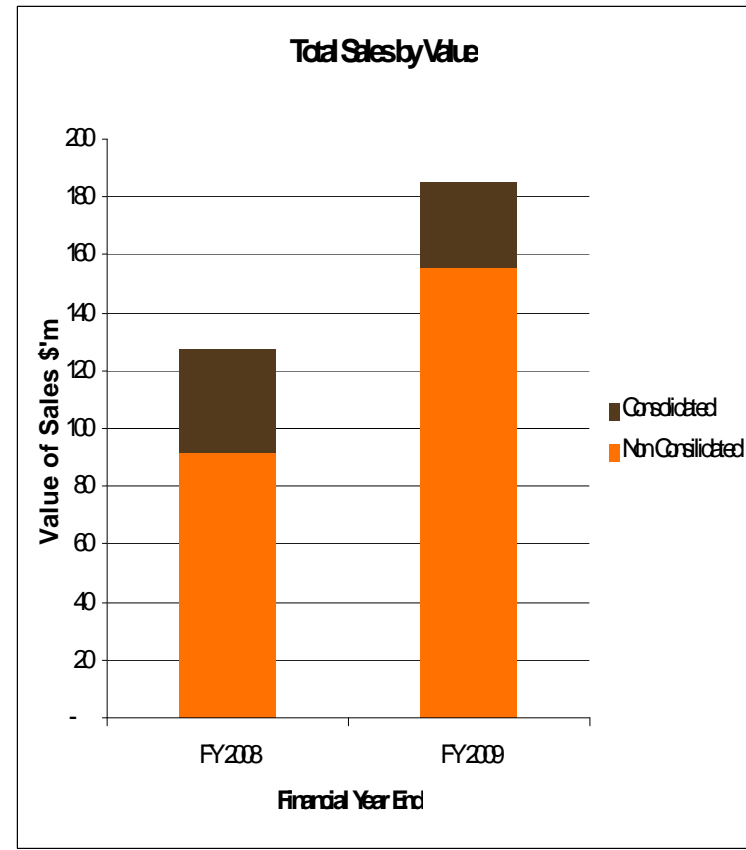
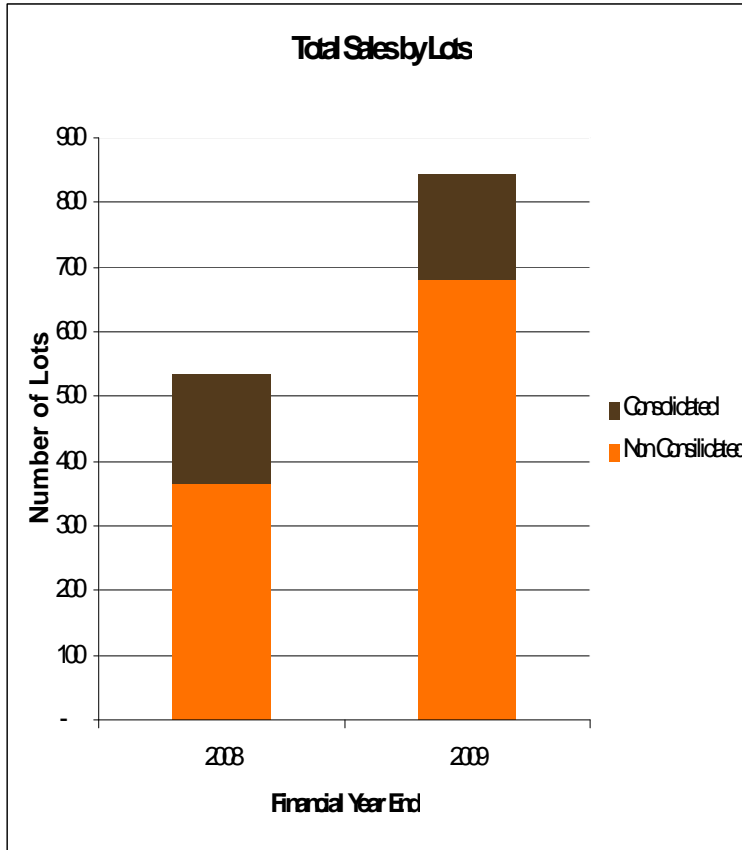
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- BLP continues to generate sufficient cash to both cover interest and retire debt.

# AGENDA

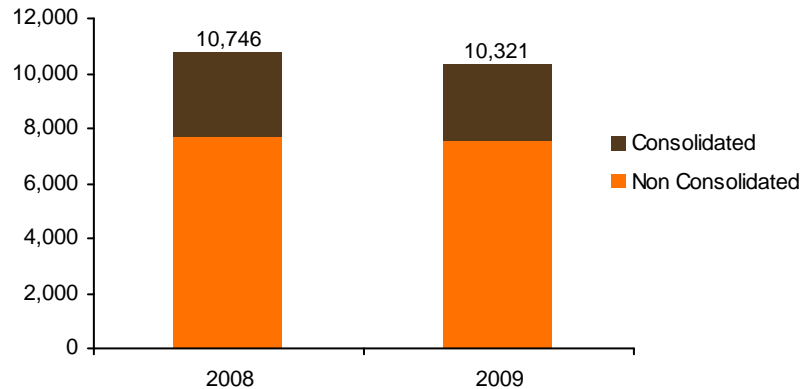
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# PORTFOLIO PERFORMANCE

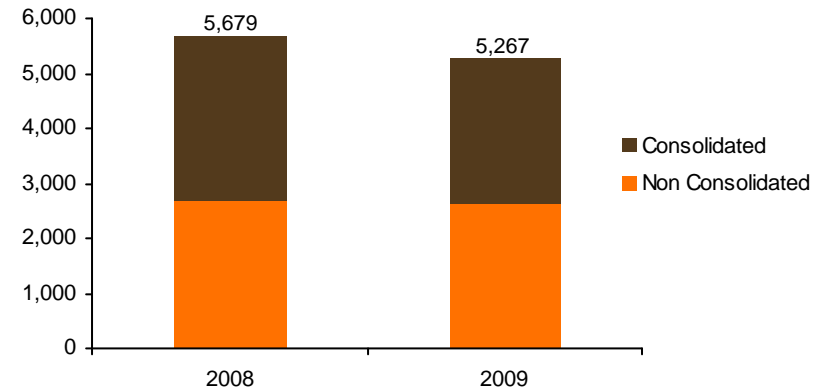


# PORTFOLIO SUMMARY

Gross Lot Yield 2008 and 2009



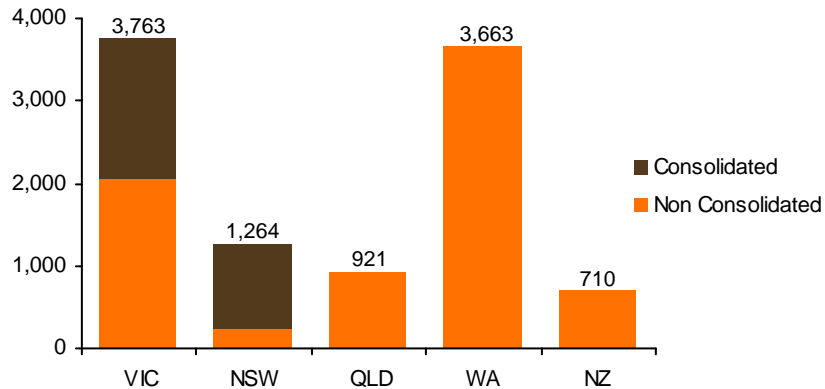
Lot Yield by Economic Interest FY2008 and FY2009



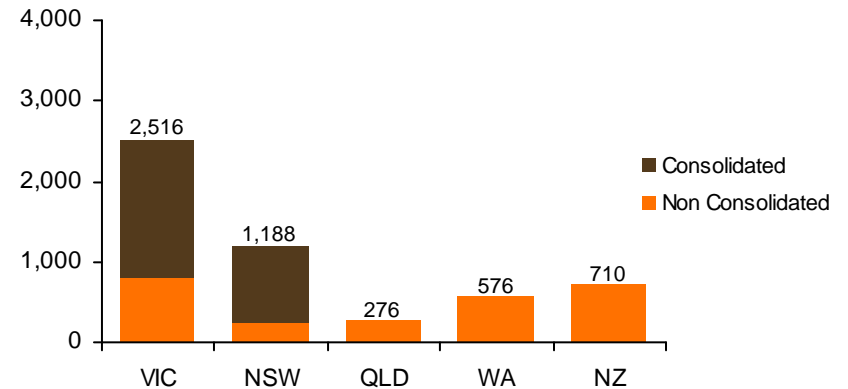
- Gross lot yield has reduced to 10,321 lots down from 10,746 lots at 30 June 2008 (in each case lot yield has been adjusted to remove the Dongara property).
- On an economic interest basis the lot yield as at 30 June 2009 was 5,267 lots (5,679 as at 30 June 2008).
- The portfolio lot yield will continue to change due to responses to market forces (eg increased yield due to reducing lot sizes) as well as final resolution of the rezoning for Forster and planning approval for Officer.

# PORTFOLIO SUMMARY

Gross Lot Yield as at 30 June 2009 by Region

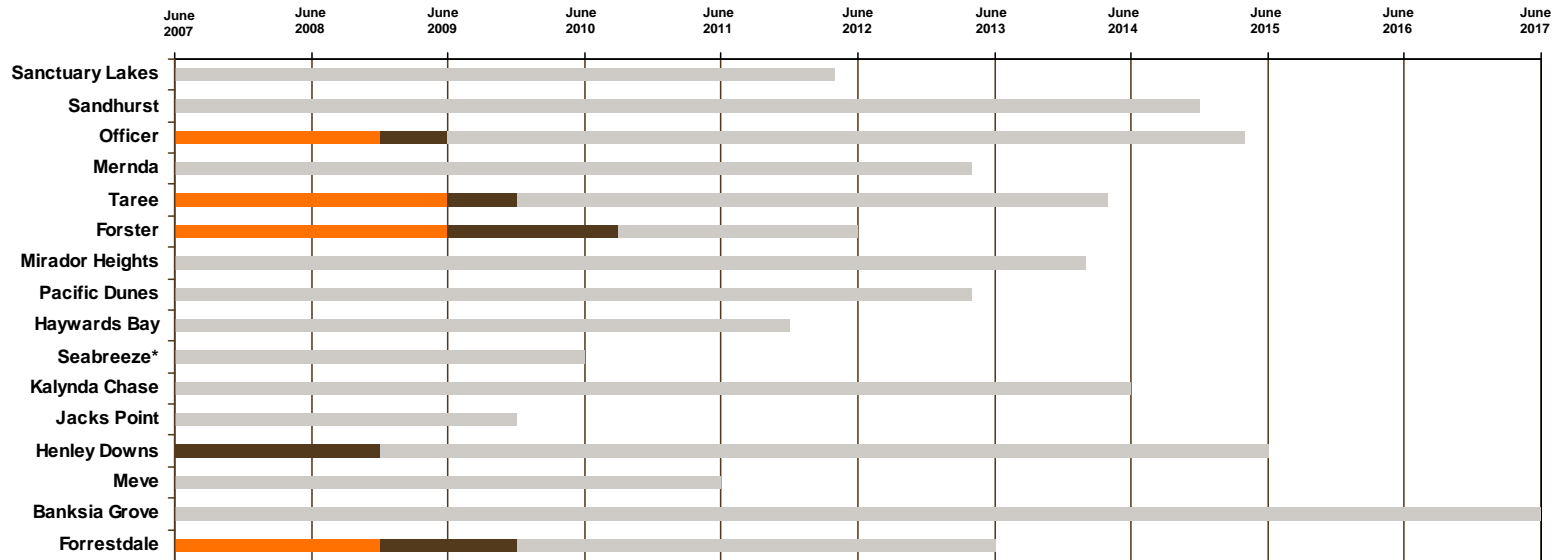


Lot Yield by Economic Interest as at 30 June 2009



- The portfolio has a heavy bias towards Victoria and is therefore leveraged into the benefits of the relative affordability of Victoria as compared to the other States and the higher level of enhancement of the First Home Owner Grant.

# PROJECT TIMING UPDATE



- **Pre-delivery Stage**

Involves re-zoning the Development Land to residential use and obtaining development approval. Some projects have completed the Pre-Delivery Stage for initial project stages, however, they may still require re-zoning to residential use and development approval for further stages of development. In addition to the Pre-delivery stages referred to in the above timeline, projects marked with an \* have some further re-zoning for later stages.
- **Delivery Stage**

The stage of the project where the building of infrastructure takes place. This may also include the building of display villages and sales offices.
- **Sales & Marketing Stage**

Based on the staging of the development process, the Delivery Stage will often continue throughout the Sales & Marketing Stage until all stages of the development have been constructed.

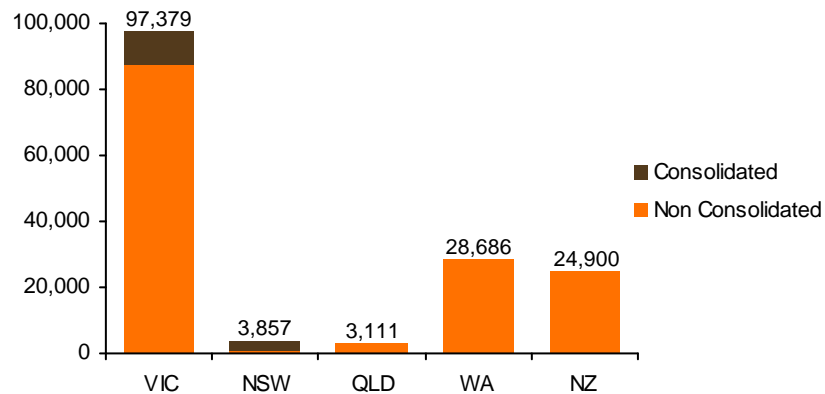
- The Stage 1 planning approval for Officer is expected to be resolved by late 2009, with the first revenues anticipated in mid 2010.
- The re-zoning of Forster is expected to be resolved by late 2009.
- The delivery of Taree has been postponed until the NSW market shows signs of improvement.

# AGENDA

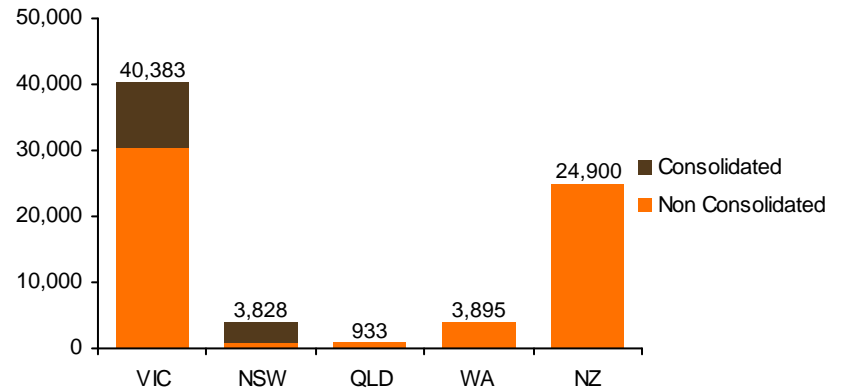
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# FY2010 Operational Strategy & Outlook - Presales

Gross Portfolio Presales as at 30 June 2009 (AUD\$000's)



Portfolio Presales Adjusted for Economic Interest as at 30 June 2009



- Substantial presales exist as at 30 June 2009 across the portfolio with total presales of AUD 157 million / 742 lots (gross) and AUD 74 million / 338 lots (adjusted for BLP's economic interest).
- Cash flow from presales will be predominately used to reduce project debt facilities
- Development works and settlement of these presales will occur over the course of this financial year.
- The presale book has continued to build since 30 June 2009.

# FY2010 Operational Strategy & Outlook

## **De-leveraging & Debt Management**

- Management continue to focus on de-leveraging the business by developing out the portfolio and introducing new value adding initiatives.
- Cash flow generated from the settlement of the presold lots will primarily be directed to debt reduction at the project level and create greater visibility of underlying asset values.
- En-globo sales will be pursued only where highest and best value can be realised, as was the case with the sale and settlement of the remaining 50% of Ascot Chase.
- BLP's financiers remain supportive of the business and the overall strategy. Debt covenant management continues to be an area of focus by BLP.
- Negotiations on an extension of the corporate facility will be a key focus during the first half of FY2010. It is management's view that the performance of the business over the current financial year will be an important factor in negotiating an extension.

## **Internalisation & Accession from Babcock & Brown**

- Documentation of arrangements reflecting the agreement reached with Babcock & Brown for BLP to internalise is progressing.
- Establishment of stand alone operating systems and infrastructure is well advanced.
- The expectation is for BLP to have acceded from Babcock & Brown by the end of 2009.

# FY2010 Operational Strategy & Outlook

## **Name Change**

- Resolutions will be put forward at the AGM in November 2009 to change the name of BLP to RCL Group Limited and RCL Group Trust. At an operational level the change of name will assist the business in distinguishing itself from Babcock & Brown.

## **Rationalisation of Operating Framework**

- With the accession from Babcock & Brown there will be a number of changes made at an operational level with a focus in reducing costs, specifically;
  1. The Sydney operations will close with the accounting and finance function moving to Melbourne.
  2. Consideration is being given to outsourcing certain compliance and operational functions
- Consistent with the theme of reducing costs and driving operational efficiency, BLP will selectively be taking direct management control of certain projects where the cost savings and efficiencies can be clearly identified.

## **Distributions**

- Distributions will remain suspended for the time being whilst the focus remains of de-leveraging the business.

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# CONSOLIDATED INCOME STATEMENT

	Consolidated 12 months ended 30 June 2009 \$'000
<b>Revenue from continuing operations</b>	<b>47,528</b>
<b>Other income</b>	<b>2,529</b>
Cost of sales	(39,957)
Management charges	(3,789)
Marketing & other operating expenses	(4,541)
<b>Operating profit</b>	<b>1,770</b>
Finance costs	(14,792)
Impairment of loans receivable	(21,101)
Impairment of goodwill	(1,691)
Share of profit of equity accounted investments	954
<b>Net profit/(loss) before tax</b>	<b>(34,860)</b>
Unrealised foreign exchange loss	(2,081)
Realised gain on derivative financial instruments	1,245
<b>Net profit/(loss) before tax and after foreign exchange adjustments</b>	<b>(35,696)</b>
Tax (expense) / benefit	9,091
<b>Net profit/ (loss) after tax</b>	<b>(26,605)</b>
Minority interest	309
<b>Net profit/ (loss) after tax attributable to members of the parent</b>	<b>(26,296)</b>
Basic earnings per security (cents)	(14.95)c
Diluted earnings per security (cents)	(14.95)c

# CONSOLIDATED BALANCE SHEET

	Consolidated as at 30 June 2009 \$'000
<b>Current Assets</b>	
Cash	1,009
Receivables	15,492
Inventories	50,063
Other financial assets at fair value	-
Other assets	2,763
<b>Total Current Assets</b>	<b>69,327</b>
<b>Non-current Assets</b>	
Loans receivable	97,589
Inventories	187,663
Equity accounted investments	14,263
Other financial assets at fair value	4,733
Deferred tax assets	7,819
Property, plant and equipment	176
Intangible assets	1,848
<b>Total Non-Current Assets</b>	<b>314,091</b>
<b>Total Assets</b>	<b>383,418</b>
<b>Current Liabilities</b>	
Trade and other payables	9,877
Employee provisions	160
Interest bearing liabilities	205,844
Other financial liabilities	2,788
Distribution payable	-
<b>Total Current Liabilities</b>	<b>218,669</b>

# CONSOLIDATED BALANCE SHEET (CONT'D)

	Consolidated as at 30 June 2009 \$'000
<b>Non-current Liabilities</b>	
Other payables	2,000
Employee provisions	37
Borrowings	7,673
Deferred tax liabilities	-
Interest bearing liabilities	36,369
Other financial liabilities	34
<b>Total Non-Current Liabilities</b>	<b>46,113</b>
<b>Total Liabilities</b>	<b>264,782</b>
<b>Net Assets</b>	<b>118,636</b>
<b>Equity holders of the parent</b>	
Contributed equity	1,656
Reserves	(1,921)
Retained earnings	(28,453)
	<b>(28,718)</b>
<b>Equity holders of the Other Stapled Entity</b>	
Contributed equity	162,448
Reserves	-
Retained earnings	(14,848)
	<b>147,600</b>
<b>Minority Interest</b>	<b>(246)</b>
<b>Total Equity</b>	<b>118,636</b>

# CASH FLOW STATEMENT

**Consolidated**  
12 months ended 30 June 2009  
\$'000

<b>Cash flows from operating activities</b>	
Cash receipts in the course of operations	34,335
Cash payments in the course of operations	(27,129)
Interest received	157
Interest paid	(15,094)
Distribution from joint venture and associates	-
<b>Net cash outflow from operating activities</b>	<b>(7,731)</b>
<b>Cash flows from investing activities</b>	
Loans receivable – funding	(16,769)
Loans receivable – payments received	13,724
Payments for purchase of property, plant and equipment	(4)
Cash in entities deconsolidated	(306)
Payment for investments in land assets	-
<b>Net cash outflow from investing activities</b>	<b>(3,355)</b>
<b>Cash flows from financing activities</b>	
Proceeds from borrowings	38,988
Repayment of borrowings	(23,273)
Dividends & Distributions paid	(6,931)
Vendor loans repaid / (provided)	2,100
<b>Net cash inflow from financing activities</b>	<b>10,884</b>
<b>Net increase in cash assets held</b>	<b>(202)</b>
<b>Cash and cash equivalents at beginning of half year</b>	<b>1,211</b>
<b>Cash and cash equivalents at end of the half year</b>	<b>1,009</b>

# ACCOUNTING TREATMENT BY PROJECT

Project	Interest	Accounting method
Renaissance Rise and The Groves, Mernda	100%	Consolidated
Seabreeze, Pottsville	100%	Consolidated
Officer	100%	Consolidated
Haywards Bay, Wollongong	92%	Consolidated with minority interest
Mirador, Merimbula	92%	Consolidated with minority interest
Forster	92%	Consolidated with minority interest
Marie Avenue, Taree	92%	Consolidated with minority interest
Kalynda Chase, Townsville	30%	Fair value through the P&L
Pacific Dunes, Port Stephens	19.1%	Preferred equity return accounted for as interest income
Sandhurst, Melbourne	26.7%	Preferred equity return accounted for as interest income
Sanctuary Lakes, Melbourne	50%	Preferred equity return accounted for as interest income
Jacks Point, Queenstown	100%	Preferred equity return accounted for as interest income
Henley Downs, Queenstown	100% <sup>1</sup>	Preferred equity return accounted for as interest income
Forrestdale, Perth	25%	Equity accounted through PRM holding company
Meve, Perth	7.5%	Equity accounted through PRM holding company
Banksia Grove, Perth	15%	Equity accounted through PRM holding company

**Note:** This table illustrates why consolidated revenue is not the most appropriate measure of portfolio performance. Differing accounting treatments for each project means that net profit and lot sales are more appropriate metrics.

BLP's 60% interest in development manager PRM Group is consolidated with minority interest

<sup>1</sup> Following a restructure of the JV arrangement for Henley Downs, BLP's economic interest will increase to 100% once base return hurdles are met

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