



Residential  
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Level 5, 50 Margaret Street  
Sydney NSW 2000 Australia

Telephone +61 2 8011 035  
Facsimile +61 2 8011 0359  
Email [contact@rclgroup.com.au](mailto:contact@rclgroup.com.au)

[www.rclgroup.com.au](http://www.rclgroup.com.au)

## **ASX RELEASE**

17 November 2010

The Manager

Company Announcements Office  
Australian Securities Exchange  
4<sup>th</sup> Floor, 20 Bridge Street  
SYDNEY NSW 2000

## **Electronic Lodgment**

Dear Sir or Madam

## **Company Announcement**

### **Re Securityholder Meetings Chairman and CEO address**

Attached is the Presentation released today.

## **ENDS**

### **Further Information:**

David Wightman

Chief Executive Officer

[David.Wightman@rclgroup.com.au](mailto:David.Wightman@rclgroup.com.au)

**Suite 07, level 7, 454 Collins Street, Melbourne Victoria**

P +61 3 8319 4034

F +61 3 8319 4041

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RCL Group Limited  
ABN 49 119 517 985

RCL Group Trust  
ARSN 119 613 848

RCL Group Services Limited  
ABN 40 118 364 499

AFSL No. 298788



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Level 5, 50 Margaret Street  
Sydney NSW 2000 Australia

Telephone +61 2 8011 0357  
Facsimile +61 2 8011 0359

[www.rclgroup.com.au](http://www.rclgroup.com.au)

## **ASX RELEASE**

**26 February 2010  
17 November 2010**

## **RCL AGM CHAIRMAN AND CEO ADDRESS**

### **CHAIRMAN'S ADDRESS**

Before moving to the formal items of business outlined in the Notice of Meetings, David Wightman and I will provide securityholders with an update on the developments within RCL.

#### **[SLIDE 2]**

The 2010 financial year like 2009 has been again proved to be a challenging year for RCL. While we still have a number of important challenges ahead we have made significant progress though out the year.

Significant achievements during the year were;

1. Gaining ownership of the responsible entity and establishing an operational infrastructure within RCL including a management team that has enabled RCL to take control of a number of the developments in its own right;
2. Extending its core senior debt facility to December 2012;
3. Negotiating a project debt facility to enable the development of Grandvue @ Officer in Victoria;
4. Reducing overall consolidated debt within the group by \$22 million; and
5. Development of a significant sale pipeline that stood at \$183 million at June 2010.

With the renegotiation and extension of our core debt facilities through to December 2012, RCL will continue to develop its portfolio to maximize value for all stakeholders.

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As you will be aware from our market disclosures, Babcock & Brown has sought to withdraw its letter of confirmation in respect to the rollover of its subordinated corporate debt facility through to December 2012.

RCL continues to reject Babcock & Brown's assertion and the matter has been placed with RCL's lawyers, accordingly we do not propose to discuss or take questions on this matter at today's meeting, however we will continue to provide updates to security holders through the ASX.

While there has been considerable focus on the corporate and financial structure to ensure that the Group can continue to operate as a going concern, the efficient and effective management of the property portfolio remains a key area of focus. This has included simplifying the business model by taking direct control of a number of projects, bringing forward sales to take advantage of the current demand and pursuing initiatives to reduce costs and improve efficiency.

These actions have resulted in the strong settlement profile and presales pipeline that will continue to reduce debt for both consolidated and off balance sheet projects which will ultimately provide the cash to repay the corporate level debt.

**[SLIDE 3]**

During the year RCL achieved sales revenue of \$51 million, an increase of 75% on the previous year. The Group incurred a net loss of \$6.5 million, a significant improvement on the previous year, but still a loss. In the current year we also expect to trade at an operational loss, although we continue to focus on improving operating performance to reduce the underlying loss.

**[SLIDE 4]**

Looking forward our key focus is to ensure that the Group is able to realize the assets it owns in a manner that enables the Group to repay all its lenders and maximizes the value for security holders, we continue to believe that in the current environment this is best achieved through developing out the portfolio.

The business is continuing to build its presales book with settlements and presales to settle in FY 2011, standing at \$222 million as at 31 October 2010.

As we continue to focus on reducing debt, distributions will remain suspended for the time being.

We continue to actively investigating alternative funding options with a view to providing a sustainable capital structure for RCL. If, and when, a proposal is considered appropriate by the board, it will be presented to securityholders for their consideration.

The composition of the board has not changed since the company listed in 2006. Recognising that there have been significant changes since that time the board has



determined that it will commence a board renewal process which is likely to result in a change in the composition of the board.

On behalf of the board, I would like to thank David and his management team for their dedication and commitment during what has been a very difficult period. In addition, I thank my fellow directors for their continued support and commitment.

## **CEO ADDRESS**

Good morning fellow securityholders and thank you for the opportunity to provide you with an operational update.

### **[Slide 6]**

#### **Market Conditions**

Over FY 2010, economic conditions remained robust with the key drivers to a strengthening residential market, being employment growth and relatively low interest rates existing at a macro level. Despite this, residential markets remained polarised with Victoria and Western Australia showing price and volume growth, whereas New South Wales, Queensland and Queenstown in New Zealand, remained relatively subdued.

The withdrawal of Federal Government stimulus on 01 January 2010 did not have the anticipated effect of a substantial softening of demand, rather we saw a broader spread of purchasers enter the market with the first home buyer share of the market falling and the investor having a more active presence.

These conditions have continued to carry through into the commencement of FY 2011, however the impact of price growth (particularly in Victoria), coupled with rising interest rates are affecting affordability and provides a level of caution against expectations of continued price growth and escalating sales volumes into the future.

Government support for home buyers will continue to assist in stimulating demand, however, ultimately a more comprehensive set of solutions will be required to address the issue of affordability and the demand / supply imbalance in housing.

### **[Slide 7]**

#### **Settlement & Presale Activity**

RCL's portfolio tracked the regional economic performance of residential markets throughout FY 2010 and this continues to be the case going into FY 2011. The year on year escalating sales and settlement profile is drawing heavily on the Group's working capital and whilst this places pressure on liquidity, it is, importantly, driving momentum across projects and supporting our internal forecast assumptions.



**[Slide 8]**

Over 50% of the Group's portfolio, (by lot yield,) is weighted within the top 10 growth corridors across Australia for population growth and growth in housing and construction.

**[Slide 9]**

As at 30 June 2010, RCL held total presales of \$183 million or 831 lots (unadjusted for economic interest) or \$103.2 million/491 lots adjusted for RCL's economic interest. On an economic interest basis this equates to a 40% improvement to 30 June 2009.

The presales and settlement profile has continued to grow with gross presales totalling \$222 million or \$121 million adjusted for RCL's economic interest as at 31 October 2010. Development works and settlement of these presales is forecast to occur over the course of the 2011 financial year. Importantly the sales pipeline remains strong.

**[Slide 10]**

**Capital Management**

With the benefit of RCL's portfolio diversification, the weighting of the portfolio into high population growth areas translating into a strengthening sales and settlement profile over the past two financial years, together with the expected strong result for the FY 2011 this, in turn, has generated material cash flows across both consolidated and non-consolidated projects.

A majority of these cash flows have been directed towards reduction of project level debt. On a "look through" basis gross debt will be reduced by \$236 million over the three FY's 2009 – 2011, (\$160 million adjusted for RCL's economic interest).

**[Slide 11]**

A material level of debt reduction has been achieved across the non consolidated receivables portfolio. As these projects are not consolidated the impact is not evident from a simple analysis of RCL's financials. As a number of these projects are now reaching maturity, we expect to see net cash flows generated from these projects over the next few financial years being used to repay consolidated debt.

**[Slide 12]**

**Portfolio & Operational management**

A major initiative with the internalising of the business was to simplify the structure of a number of investments, including reducing interest coupons on the loan receivables portfolio to more closely aligned with the physical receipt of cash, streamline the downstream project management to minimise cost leakage and to focus on the active development of the portfolio to maximise value for all



stakeholders. Whilst significant progress has been made, this remains an ongoing initiative.

Management will continue to actively review the portfolio and where opportunities present to rationalise through the disposal of en-globo assets, this will be pursued. However, it will always be considered against the alternative of developing out the asset and the opportunity cost of the capital that is released from an immediate sale. In the current environment where financiers continue to be averse to providing funding for development assets we expect the market for en-globo sales to continue to be difficult.

With the substantial presales that are in place, management remains focussed on balancing the risk of further presales against the risk of rising costs together with liquidity constraints caused by accelerating development works.

Against a background of rising interest rates and deteriorating affordability, management are working to deliver affordable product into the market place through co-venture arrangements with builders.

The first of these initiatives has been released at our Renaissance Rise project at Mernda in Victoria, where we are developing integrated house and land packages from \$290,000. Whilst this provides affordable product to the market, it also enables RCL to maximise the value of the land within this precinct through developing out a medium density site that would have otherwise been sold on an en-globo basis.

**[Slide 13]**

1 ha medium density site that could have been sold to an integrated house developer on an en-globo basis at a wholesale price.

**[Slide 14]**

Over a nine month period and in collaboration with a team of consultants and a home builder a scheme is designed for a 40 lot, 3 stage integrated house and land product where RCL develops the land and the builder is responsible for the construction of the home on a ‘turnkey’ basis.

**[Slide 15]**

A Planning Permit is granted and the marketing campaign for stage 1 is launched in October 2010 for Mint @ Renaissance Rise with house and land packages from \$290,000.

**[Slide 16]**

RCL is responsible for developing the land and titling of the lots, the purchaser enters into a contract with the builder for the construction of the house. RCL captures the profit on the land component of the integrated house and land package, rather than taking a wholesale price for the sale of an en-globo parcel.



**[Slide 17]**

**Group Strategy**

With a number of RCL's projects reaching a point of maturity, we expect to see material net cash flow returned to the Group over the medium term and whilst gearing remains high and credit markets continue to be challenging, the focus will remain to apply surplus cash flow to debt reduction, hence distributions will remain suspended for the time being.

Over the medium to longer term the portfolio cash flows support the reintroduction of distributions to security holders, however, this remains contingent upon the continued effective management of the business including successfully developing the New South Wales and New Zealand assets and focussing on extracting value at every level of the projects, (such as the Mint @ Renaissance Rise, initiative).

The on-going support of financiers beyond December 2012 remains important or as an alternative a capital raising to enable a more active development of the portfolio.

I would like to take this opportunity to thank each of our Board members for their continued support and application in a challenging year for RCL. I would also like to formally recognise the ongoing efforts and commitment of the RCL team in achieving the results to date. I will now pass back to Robert to move to questions and the more formal business of the meeting.

**ENDS**



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# RCL GROUP GENERAL MEETINGS

17 November 2010

# CHAIRMAN'S ADDRESS

## Robert Wright

- A year of significant change, where success in achieving prior year initiatives yielded positive results for RCL:
  1. Finalised internalisation of management and operational structure in April 2010.
  2. Secured long term consolidated senior corporate and project level debt through to December 2012.
  3. Continued to extract operational efficiencies through taking direct control of selected projects.
  4. Continued to deleverage the business through driving sales.

# CHAIRMAN'S ADDRESS continued

## FULL YEAR FINANCIALS 2010

- Increased Operational Revenue
- EBITDA improvement reflecting a lack of inventory impairments in FY 2010 and improved trading performance;
- Underlying net loss includes interest costs , one-off restructuring and internalisation costs;
- Non Cash adjustments of \$5.2m in finance costs and \$2.4m in impairments had an impact on FY10 result;
- Debt to Asset ratio represents decrease in consolidated debt, but also wind down in Assets;
- Statutory loss drives NTA reduction.

	FY10	FY09	Var. (%)
Revenue	62,848	49,299	27%
Operating Profit	7,282	1,770	311%
EBITDA <sup>2</sup>	7,331	(20,928)	135%
Net Loss Before Tax	(10,952)	(35,696)	69%
Statutory NPAT/(loss)	(6,530)	(26,604)	75%
Basic EPS (cents)	(3.77)	(14.96)	75%
Debt to Asset Ratio <sup>2</sup>	68.71%	69.39%	
NTA per Security <sup>3</sup>	63c	66c	

1. Operating Profit = Revenue less Cost of Sales less Overhead (excludes equity accounted profits and impairment expenses)
2. EBITDA = Statutory net profit before finance charges and depreciation
3. Total Liabilities / Total Assets less Intangible Assets
4. Statutory Net Assets / Securities on issue.

## CHAIRMAN'S ADDRESS continued

- De-leveraging business and developing existing projects remain the major focus.
- Financial Year 2010 was significantly better than Financial Year 2009, with continued emphasis on de-leveraging and reducing costs we are looking for an improved underlying performance in Financial Year 2011.
- Distributions are to remain suspended with surplus cash flow directed to debt reduction and to assist working capital.
- RCL continues to build a significant settlement and presales book into FY2011, \$222 million as at 31 October 2010.
- Looking at alternative funding options to assist with securing longer term debt facilities and developing projects

# CHIEF EXECUTIVE OFFICER'S ADDRESS

David Wightman

- Market Conditions.
- Trading and Pre Sales.
- Capital Management.
- Operational Strategy.
- Group Strategy.

# CHIEF EXECUTIVE OFFICER'S ADDRESS continued

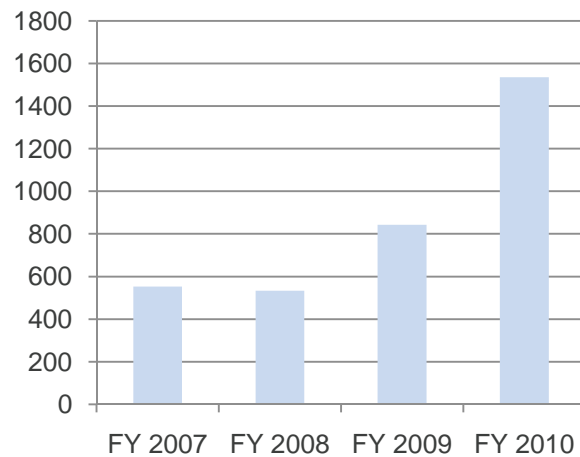
## MARKET CONDITIONS

- Sound macro economic conditions existed during FY 2010 coupled with Federal and State Government assistance for home buyers.
- Residential markets remained segmented with Victoria and Western Australia recording price and volume growth whereas New South Wales, Queensland and Queenstown were sluggish.
- Market conditions coming into FY 2011 continued the trend of FY 2010, however price growth and rising interest rates are impacting affordability and putting pressure on future price and sales volume growth.
- Government assistance for home buyers will continue to stimulate demand over the FY 2011.

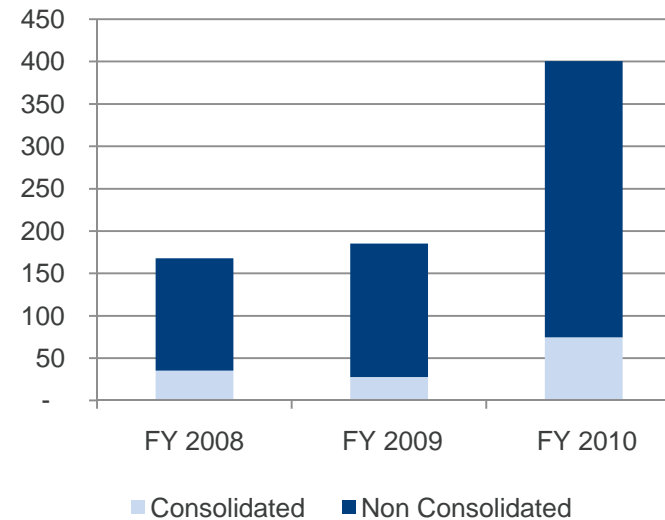
# CHIEF EXECUTIVE OFFICER'S ADDRESS continued

## GROSS SALES AND SETTLEMENTS

**Portfolio Gross Settlements**  
Year on Year Increasing \$m



**Portfolio Gross Sales Value**  
Year on Year Increasing \$m



# CHIEF EXECUTIVE OFFICER'S ADDRESS continued

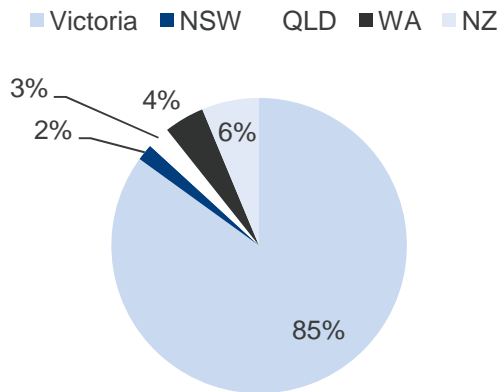
## Portfolio Weighting to Growth Area's

RANKING	STATISTICAL LOCAL AREA	STATE	RESIDENTIAL BUILDING APPROVALS 2008 /2009 (\$'000's)	ANNUAL POPULATION GROWTH RATE (%)	RCL PROJECT	RCL PORTFOLIO WEIGHTING (LOT YIELD)
1	Whittlesea (C) - North	VIC	484,029	18.3	Renaissance Rise	15.07%
2	Wyndham (C) - South	VIC	283,717	12.8	Sanctuary Lakes	5.23%
3	Griffin-Mango Hill	QLD	149,930	12.8		
4	Cardinia (S) - Pakenham	VIC	241,553	10	Grandvue @ Officer	20.49%
5	Melton (S) - East	VIC	285,195	9.5		
6	Wanneroo (C) - North-East	WA	163,165	8.6	Banksia Grove	10.13%
7	Wanneroo (C) - North-West	WA	205,488	8.6		
8	Wyndham (C) - West	VIC	112,474	7.9		
9	Condon-Rasmussen-Bohle Basin	QLD	145,866	7.9	Kalynda Chase	5.64%
10	Central Pine West	QLD	114,463	7.8		
11	Canada Bay (A) - Concord	NSW	111,469	7.4		
12	Ipswich (C) - East	QLD	260,177	7.3		
13	Wyndham (C) - North	VIC	368,605	6.9		
14	Casey (C) - Cranbourne	VIC	333,762	6.4	Sandhurst Club	3.01%
15	Melton (S) Bal	VIC	161,328	6.1		
16	Hume (C) - Craigieburn	VIC	187,488	5.9		
17	Onkaparinga (C) - South Coast	SA	117,129	5.6		
18	Brisbane City - Inner	QLD	149,069	5.5		
19	Melbourne (C) - S'bank-D'lands	VIC	335,165	5.3		
20	Caloundra South	QLD	121,760	5.1		
<b>TOTAL</b>						<b>59.57%</b>

# CHIEF EXECUTIVE OFFICER'S ADDRESS continued

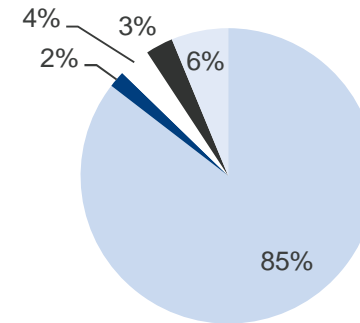
## PORTFOLIO PRESALES

Portfolio Presales \$183 million  
at 30 June 2010



Portfolio Presales 831 lots at 30  
June 2010

■ Victoria ■ NSW ■ QLD ■ WA ■ NZ



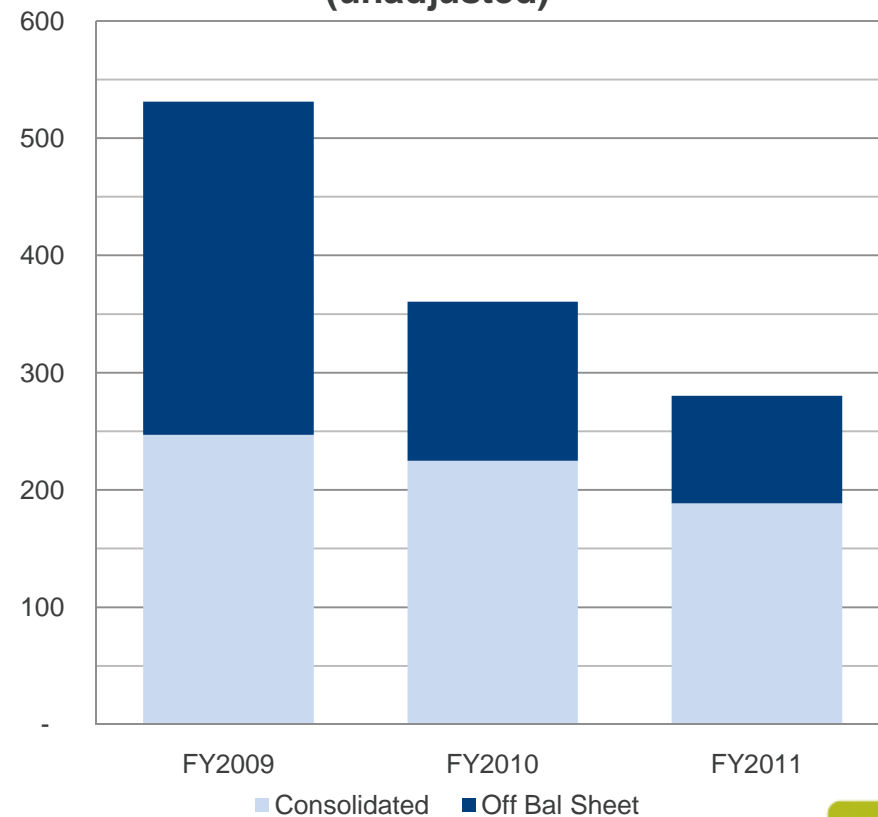
*Substantial portfolio presales with a heavy bias to Victoria*

# CHIEF EXECUTIVE OFFICER'S ADDRESS continued

## DEBT REDUCTION

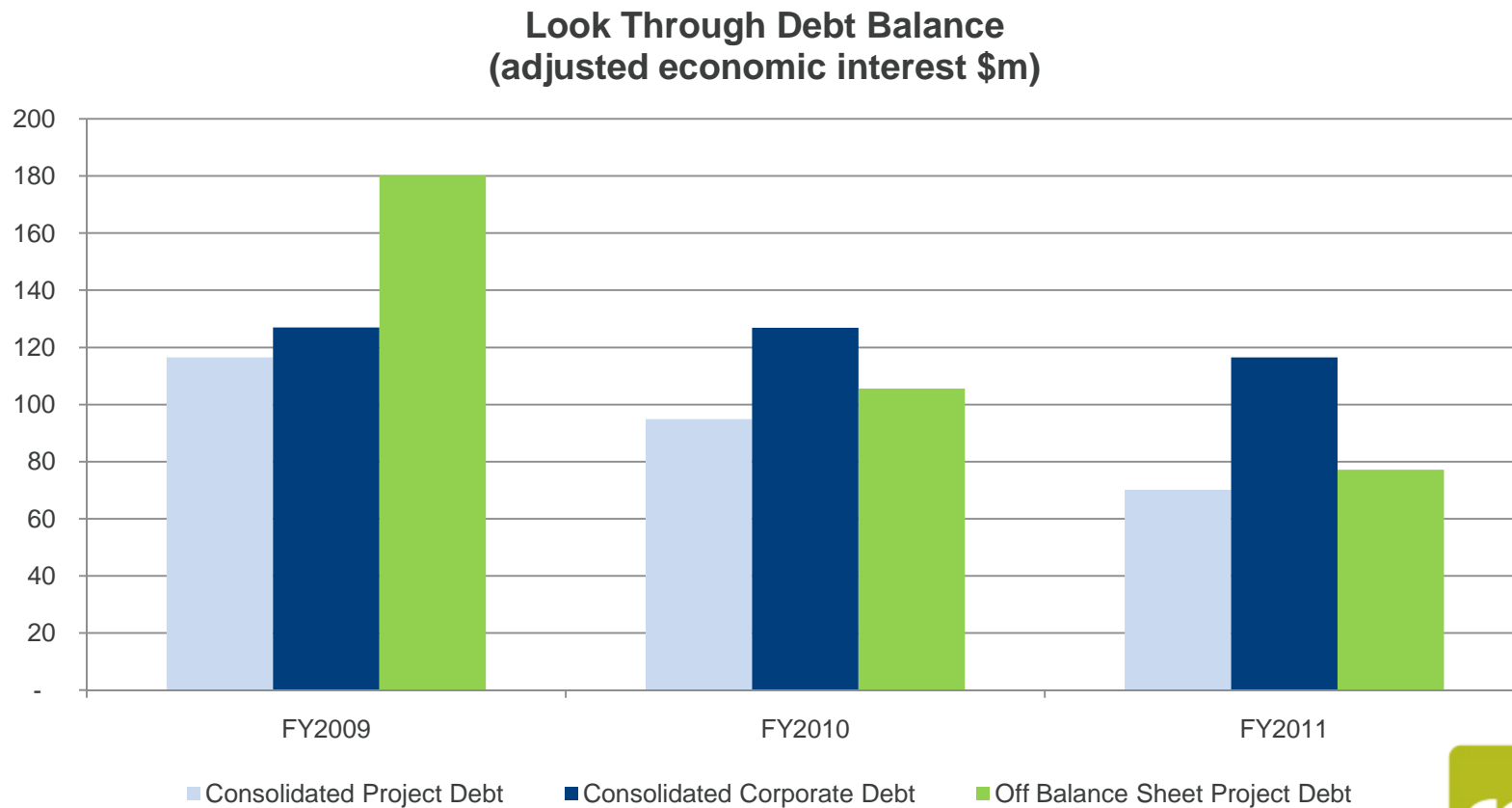
- Debt levels are reducing and are forecast to continue reducing through to FY 2011
- Material level of debt reduction is occurring within the off-balance sheet projects.
- The benefit of the off - balance sheet debt reduction will be seen over the short to medium term through the return of capital to reduce on-balance sheet debt.

Look Through Debt Balance  
(unadjusted)



# CHIEF EXECUTIVE OFFICER'S ADDRESS continued

## DEBT REDUCTION CONTINUED



11 *Material reduction occurring in off -balance sheet project debt*



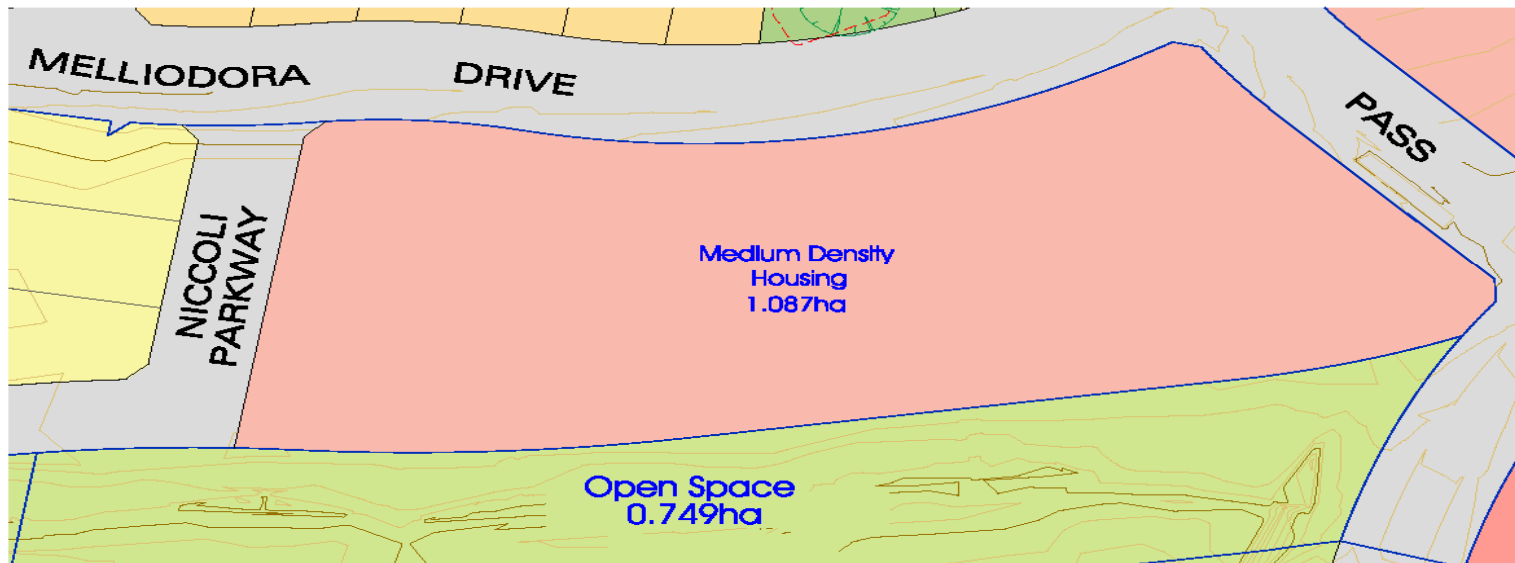
# CHIEF EXECUTIVE OFFICER'S ADDRESS continued

## OPERATIONAL STRATEGY

- Maximise cash flows (balance absolute value with time value)
- Balance pre-sales activity with cost risk
- Look for ways of increasing value across the business
  - Internalisation of management.
  - Streamlining of delivery.
  - Pay down debt to reduce interest costs.
  - Value add through vertically integration by co-venturing with third parties.

# CHIEF EXECUTIVE OFFICER'S ADDRESS continued

## CASE STUDY: Mint at Renaissance Rise



*An opportunity to value-add a medium density site at Renaissance Rise,  
Mernda Victoria*

# CHIEF EXECUTIVE OFFICER'S ADDRESS continued

## CASE STUDY: Mint at Renaissance Rise



*Planning concepts for 40 lots integrated house & land package targeted at the affordable market.*

# CHIEF EXECUTIVE OFFICER'S ADDRESS continued

## CASE STUDY: Mint at Renaissance Rise



15

*A discreet brand developed – “Mint at Renaissance Rise” selling house & land packages for \$290,000*



# CHIEF EXECUTIVE OFFICER'S ADDRESS continued

## CASE STUDY: Mint at Renaissance Rise



# CHIEF EXECUTIVE OFFICER'S ADDRESS continued

## GROUP STRATEGY

- Continue to pay down debt until reinstatement of distributions can be considered
- Key drivers to this outcome are;
  - Continued operational performance of existing assets through effective management.
  - Development of New South Wales and New Zealand assets in the medium to longer term to generate positive net cash flows back to the business
  - Continued support of financiers including provision of further project funding and term funding beyond December 2012 and pursue other funding options in the future.
- Factors which will impact these outcomes;
  - The macro economy (interest rates, employment and affordability).
  - The property market conditions (both generally and the catchments in which we operate)
  - The availability of credit when facilities expire
  - Ability to meet working capital requirements and manage liquidity against a dynamic operating cycle.

## RESOLUTION 1: Remuneration Report \*

### **Company only**

That the Remuneration Report for the year ended 30 June 2010 be adopted.

The Remuneration Report is set out on pages 27 to 30 of the RCL 2010 Annual Report.

\*This is a non-binding advisory vote.

# RESOLUTION 1: Proxy Votes

Resolution 1	Votes For	Votes Against	Votes Discretionary	Votes Abstain
Remuneration Report	16,033,664	1,231,319	32,181,459	118,036

## RESOLUTION 2: Director Re-election

### **Company only**

That Mr Robert Wright, being a Director of the Company, who retires as a Director by rotation in accordance with article 64.1 of the Constitution of the Company and, being eligible offers himself for re-election, is re-elected as a Director of the Company.

## RESOLUTION 2: Proxy Votes

<b>Resolution 2</b>	<b>Votes For</b>	<b>Votes Against</b>	<b>Votes Discretionary</b>	<b>Votes Abstain</b>
Director Re-election Mr Robert Wright	16,507,172	841,087	32,181,459	34,760

## RESOLUTION 3: Director Re-election

### **Company only**

That Mr Christopher Langford, being a Director of the Company, who retires as a Director by rotation in accordance with article 64.1 of the Constitution of the Company and, being eligible offers himself for re-election, is re-elected as a Director of the Company.

## RESOLUTION 3: Proxy Votes

<b>Resolution 3</b>	<b>Votes For</b>	<b>Votes Against</b>	<b>Votes Discretionary</b>	<b>Votes Abstain</b>
Director Re-election Mr Christopher Langford	16,607,172	741,087	32,181,459	34,760

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