



Residential
Community
Living

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ASX Release

30 August 2010

FINANCIAL YEAR 2010 FULL YEAR RESULT

Key Points

- Statutory net loss after tax of \$6.53 million, includes impairments of \$2.4 million, and is significantly lower compared to \$26.6 million statutory net loss in FY 2009.
- Material improvement in consolidated sales revenue for FY 2010, up 75% to \$51 million from FY 2009, due to strong settlement activity across controlled projects.
- Material improvement in operating cash flow, \$24.1 million in FY 2010 compared to \$(7.7 million) in FY 2009, due to improved sales performance and maturity of projects in key markets.
- Second half of FY2010 saw continued strength in sales activity across Victoria and Western Australia with some improvement in NSW and North Queensland.
- Presales book as at 30 June 2010 totals 831 lots valued at \$183 million and this has continued to build since July 2010.
- Substantial settlements in non-controlled projects, totalling \$284 million, continue to de-leverage these projects and supports the value of RLG's receivable portfolio.
- Reduction in (non-cash) interest income down 53% to \$8.4 million, with the decision taken to defer recognition of this income.
- Debt reduction from trading activities of \$22.6 million in FY 2010.
- Long term corporate and project debt facilities in place, with weighted average debt maturity profile of 2.42 years.
- NTA of \$0.63 per stapled security as at 30 June 2010.
- Distributions continue to be suspended until further notice with surplus cash flow to be directed to debt reduction.
- Key focus for FY2011 is to continue to drive sales volumes across all operating projects as a means to significantly de-leverage the business and create greater visibility to underlying asset value.
- Further rationalisation of operations being implemented to reduce costs and simplify the business model.

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



Financial Result

RCL Group Limited (ASX: RLG) today announced a statutory net loss after tax of \$6.53 million for the twelve months to 30 June 2010 compared to a statutory net loss of \$26.6 million in the prior year. The result included non –cash pre tax adjustments totalling \$7.6 million, comprising:-

- \$2.4 million write down in the loan receivables portfolio, and;
- \$5.2 million amortisation of finance fees.

In addition to this, one-off expenses associated with transitioning the management function and operating systems out of Babcock & Brown were incurred during FY 2010.

Finance costs expensed during FY 2010 totalled \$18.3 million compared to \$14.7 million in FY 2009, reflecting the level of external debt that the Group is carrying and the amortisation of \$5.2 million in finance fees.

Revenue from land settlements in FY2010 was \$51.4 million compared to \$29.3 million for FY2009. The key contributors to this result were the performances of Renaissance Rise in Victoria and Seabreeze in Northern NSW.

The second half of FY2010 saw an improvement in the number of settlements with 65% of revenue being generated during the six months to 30 June 2010.

The loan receivables portfolio generated interest income of \$8.4 million compared to \$18.1 million for the previous period , reflecting the decision to defer recognition of a portion of the income from this source by reducing the accrual of interest such that the recognition of income is more closely aligned with the performance of the underlying asset.

Settlement activity across the projects within the loan receivables portfolio, was particularly strong over FY 2010 with \$284 million of settlements achieved. This has enabled development activity and debt reduction on a number of these projects to be accelerated, which has supported the underlying value and minimised further impairments across this portfolio.

With the increased level of settlement activity in FY 2010 and the maturity of several of RLG's projects, consolidated debt was reduced by net \$22.6 million in FY 2010 from trading activities.

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The debt to asset ratio has slightly improved to 68.71% in FY 2010 from 69.39% in FY 2009.

Net tangible asset backing (NTA) at 30 June 2010 was \$0.63 per stapled security down from \$0.66 per stapled security for the previous corresponding period reflecting the statutory loss.

Over the 2011 FY, it is expected that RLG will continue to record a statutory loss. Key drivers to this are the level of gearing and the deferral of the recognition of a portion of interest income on the loan receivables portfolio until it more closely aligns with the physical receipt of cash.

Surplus cash flow will be used for debt reduction and distributions will continue to be suspended for the foreseeable future.

Extension of Corporate & Project Facilities

On 2nd of August 2010 RLG announced that it had executed documentation and achieved financial close to extend its expiring senior corporate and project debt facilities through to 31 December 2012.

RLG can now advise that it has completed financial close for the \$33 million facility at Renaissance Rise that was due to expire in September 2010 and has now been extended to 31 December 2012. The weighted average maturity profile of RLG's consolidated debt is now 2.42 years and all debt will now be classified as non-current.

The Group holds a letter of confirmation from Babcock & Brown that it is prepared to roll over its subordinated debt facility to December 2012 on the same terms and conditions that are currently in place. Babcock & Brown corporate debt is subordinated to the senior corporate debt facility.

Outlook

RLG commences FY 2011 with a strong presales book comprising 831 lots valued at \$183 million, (491 lots valued at \$103 million after adjustment for RLG's economic interest). Importantly, a number of RLG's larger projects are reaching a point of maturity that will see them turn cash flow positive and return cash that will be used to reduce consolidated debt over the next 15 months.

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RLG has benefitted from having a diversified portfolio which has seen a continuation of robust market conditions in Victoria and Western Australia across all market segments. Importantly, the wind back of the Federal Government's first home buyer assistance from 1 January 2010 has not adversely impacted on sales activity across RLG's portfolio.

For FY 2011, RLG expects to benefit from the NSW State Government's Stamp Duty concessions to new home buyers priced at under \$600,000, especially given the regional nature of our NSW portfolio.

With housing affordability remaining a key issue across Australia, RLG is focussed on developing efficient lots and working with home builders to deliver affordable product across its portfolio. The first small lot product is expected to be marketed at Renaissance Rise in Victoria in the 2011 FY.

RLG will continue to focus on de-leveraging the business by developing out the portfolio and introducing these value adding initiatives. In addition to this, RLG will continue to pursue initiatives that reduce cost, improve efficiency and simplify the business model.

Over the FY 2010, RLG took direct control of two of its projects (Renaissance Rise and Pacific Dunes). Where the opportunity presents across the portfolio, RLG will look to expand this approach.

ENDS

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About RLG

RLG offers Securityholders geographic, project and product diversity, access to quality private developers and long-term potential for growth.

The current portfolio comprises interests in 16 residential land development projects located in Australia and New Zealand with a total lot yield on acquisition of over 9,900 lots. These projects are being developed by an experienced group of partners including PRM Property Group (in which RCL owns a 60% interest), Urbex, Metricon Group, Winten Property Group and Links Living in Australia, and Darby Partners in New Zealand.

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