rcl group

Residential
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Living

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ASX RELEASE

30 August 2011

The Manager

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

Electronic Lodgment

Dear Sir or Madam

Company Announcement

Attached are the following documents for release to the Market:

- ASX Media Release

Yours sincerely

A James

Company Secretary

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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FINANCIAL YEAR 2011 FULL YEAR RESULT

Key Points

- Statutory net loss after tax of $35.8 million, reflecting significant impairments and inventory write downs taken up in the six months to 31 December 2010 of $21.9 million. This compares with a statutory net loss of $8.9 million in FY 2010.
- Consolidated sales revenue for FY 2011 of $30 million compared to $51 million in FY 2010. The reduction in sales revenue was caused by inclement weather in Victoria deferring settlements into FY 2012.
- Second half of FY 2011 saw reduced sales activity across all markets reflecting a slowing in residential market conditions.
- Presales book as at 30 June 2011 valued at $114 million (adjusted for RCL's economic interest) with a majority of these presales scheduled to settle within the first six months of FY 2012.
- Debt facilities remain current and covenant compliant with sufficient capacity to fund development works on active projects.
- FY 2011 finance costs of $15.2 million were $3 million lower than the PY cost reflecting reduced external debt.
- NTA of $0.42 per stapled security as at 30 June 2011.
- The dispute between Babcock & Brown & RCL has been settled and Babcock & Brown have rolled over their subordinated loan until 1 January 2013.
- Key focus for FY2012 remains to settle the substantial pipeline of presales that are on hand and 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.
- Distributions continue to be suspended until further notice with surplus cash flow to be directed to debt reduction.

Financial Result

RCL Group Limited (ASX: RLG) today announced a statutory net loss after tax of $35.8 million for the twelve months to 30 June 2011 compared to a statutory net loss of $8.9 million in the prior year. The result included non–cash pre tax adjustments totalling $21.9 million, comprising:

- $6.2 million write down in the loan receivables portfolio, and;
- $15.7 million impairment to inventory

Both the receivables and inventory impairments were recognised at 31 December 2010, no new impairments or write downs occurred in the 6 months to June 2011.

The result was also impacted by the deferral of settlement receipts due to inclement weather in Victoria impacting the titling of presold lots.

Net tangible asset backing (NTA) at 30 June 2011 was $0.42 per stapled security down from $0.62 per stapled security for the previous corresponding period reflecting the statutory loss.

Revenues

Inclement weather across Victoria and softer market conditions adversely impacted settlement receipts from controlled projects with revenue from this source totalling $30 million for FY 2011, compared to $51 million in the previous year.

Costs

Margins remained constant with the benefit of increased pricing across projects not being recognised due to the deferral of the receipt of settlement income.

Finance costs expensed reduced by $3 million to $15.2 million in FY 2011 compared to $18.3 million in FY 2010, reflecting the reduction in external debt that occurred at the end of FY 2010.

Impairments & Write downs

The impairments and inventory write downs of $21.9 million were taken in the six months to 31 December 2010 and reflected the weakening conditions in NSW. There were no further impairments taken in the second half of FY 2011.

Corporate & Project Facilities

All debt facilities remain classified as current due to “events of review” outstanding at 30 June 2011, that are now compliant. RLG continues to be supported by its financiers. Both controlled and non controlled facilities continue to be rolled over as and when they mature.
RLG is able to access project debt to develop its active projects.

The subordinated loan from Babcock & Brown has now been rolled over until 1 January 2013 on the same terms and conditions that were in place prior to 30 June 2010.

Outlook

Market conditions in the second half of FY 2011 slowed in comparison to the first six months of FY 2011.

RLG commences FY 2012 with a strong pre-sales book adjusted for RCL Group's economic interest at $114 million, including $70 million of presales in controlled projects that are due to settle in the first half of FY 2012. The remaining presales of $44 million reflects RCL's share of sales in non controlled projects. RLG will direct a large component of the settlement cash flow to debt reduction. Interest and holding costs will decrease and that will be reflected in the FY 2012 results.

RLG continues to work with home builders to deliver affordable housing through efficient master planning and a focus on smaller lot product. The Mint @ Renaissance Rise product that was launched in October 2010 has been very successful and future stages of similar product will be brought to the market over the current financial year.

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.

RLG expects that the result for FY 2012 will be a statutory loss. Key drivers to the level of the statutory loss 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.

Ends

Further Information:

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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.