



Becton Property Group

5th Annual General Meeting

16 November 2009

B|E|C|T|O|N



- Welcome and meeting opened - Brian Pollock, Chairman
- Managing Director's address – Matthew Chun, CEO
- Business of the meeting – Brian Pollock, Chairman & William Conn, Director
- Meeting close



Welcome and meeting opened

Brian Pollock, Chairman

The last year has been very challenging for employees, security holders and customers alike. In this past year, we have seen stock markets and property markets gripped by fear and uncertainty. While there are parts of the economy showing signs of recovery, commercial property markets are still feeling the brunt of the scarcity of credit. Whilst residential markets remain strong, commercial property values continue to fall, credit, and in particular development funding, remains difficult to source and when available is increasingly expensive.

The ability of all parts of the Becton business to adapt to such a sudden shift in the external environment is testament to a flexible strategy and effective team.

In the 2009 financial year, the Group achieved net profit after tax (NPAT) from ordinary operations of \$17.0 million. However, as a result of the credit crunch, realised losses and unrealised asset impairments resulted in a statutory loss of \$(304.9) million. For the many investors who have suffered losses over the last 2 years, we are working very hard to rebuild the business.

Since March 2008, when the global financial crisis took its grip on Australia, the Group has been firmly focussed on reducing debt through sales of land, buildings and apartments. In this time we have also been actively managing property assets in our portfolio to maximise occupancy and rental returns for the benefit of investors. To this end, the operating businesses delivered some significant achievements in the 12 months to 30 June 2009. The Development and Construction business achieved settlements of \$310 million - just shy of the record set in FY08 of \$340 million. The Retirement Living business demonstrated strong market leadership in quality and service that has driven demand, as evidenced by \$53 million of resales and first time sales across the retirement portfolio. The Funds Management business sold \$212 million of assets to reduce debt and maintained occupancy levels at 96%.

Across the Group, we reduced our debt by \$499 million, from \$837 million as at December 2007 to \$338 million as at June 2009. Debt reduction both at Group level and in our managed funds continues to be a high priority. Becton has been engaged pro-actively with its lenders during these challenging times. The Group would not have been able to achieve these outcomes without their support.

On behalf of the Board, I sincerely thank every member of the Becton team for their efforts in what has been a very challenging year. In particular I would like to acknowledge the contribution of Barry Shepherd who retired from Becton following a 27 year association with the Group. I would also like to thank our customers for their loyalty, our security holders and lenders for their ongoing trust and support.

This is my final report as Chairman. At this meeting I will hand over the reins to Bill Conn. I have been a director at Becton since November 2000 and have thoroughly enjoyed the experience. I have total confidence in the current Becton Board and management team and believe they have the skills and enthusiasm to guide the business through what continue to be difficult times for the property industry and ensure the business prospers in the next phase of its development. I thank my fellow directors and senior management for their friendship, loyalty and support during my time as a director of Becton and particularly during my term as company Chairman. I feel very confident in leaving the Group in the hands of Bill Conn, a director of the Group for the last 14 years.

On behalf of the Board, management and employees I thank Becton's security holders, customers and lenders for their continued support. You can be assured that the Board and staff will work tirelessly to overcome the challenges and take advantage of opportunities in the year ahead.



CEO's Address
Matthew Chun, CEO



1. External environment
 - Global financial crisis has caused debt costs to soar and availability to dry up
2. Capital management initiatives
 - Group and fund debt reduced by \$499 million and \$291 million, respectively, over the last 18 months to June 2009
 - Capital partnering with the Oman Investment Fund in a retirement joint venture
3. FY09 operating result
 - Operating profit of \$17m
 - Statutory loss of (\$304m)
4. Addressing the ongoing capital structure
 - Stabilisation of the financial position of the Group and Managed Funds is the major focus
5. FY10 update and financial year outlook

Good morning ladies and gentlemen, welcome to Becton's 5th AGM.

- I would like to acknowledge the main concern of most investors, that being, security price and distributions. We are working extremely hard to address both these issues and we fully appreciate the impact of the poor performance has on our investors. We thank you for your support.
- I would also like to acknowledge and thank the continued support of the lenders to the Group and the funds. In particular, BOSI's recent waiver of the group's working capital covenants and approval of project debt facilities for Kensington and Waterloo have provided an enormous boost for the Group.
- The decline in worldwide property values caused by the global financial crisis has caused some of the toughest conditions for property groups for many decades. With the uncertainty of global credit, the focus of Becton has been to reduce debt and stabilise the balance sheets of the group and funds.
- As a result of the global financial crisis, Becton has needed to react due to the global scarcity of debt. Becton's levels of debt in December 2007 were not sustainable and as a team we had to adjust quickly to changed circumstances.

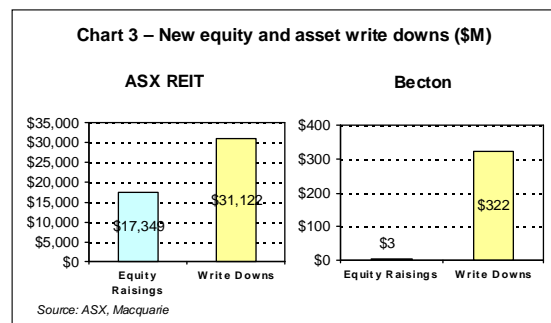
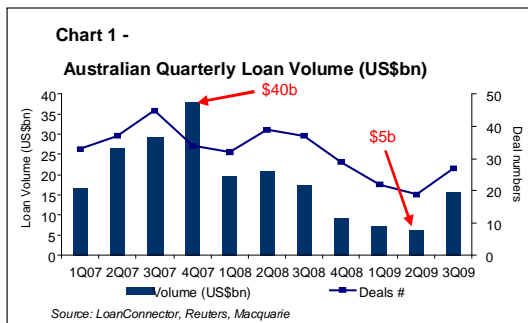
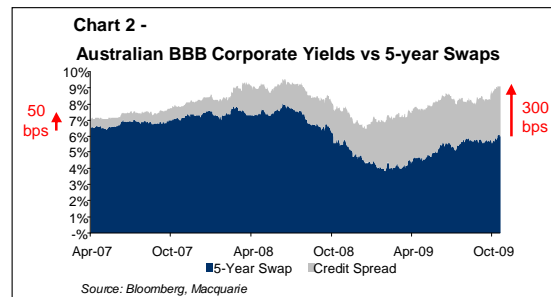
Today I will address 5 main areas:

1. External environment – evidence of the impact that the global financial crisis and credit crunch has had on the market in general and more specifically, how it has impacted Becton
2. Capital management initiatives – we have continued to address the capital structure of the business for 18 months. The onset of the global financial crisis and credit crunch highlight the inappropriateness of aspects of the capital structure within the Group and funds. Our debt reduction initiatives have seen repayment of \$499 million of Group debt and \$291 million of fund debt in the 18 months to 30 June 2009.
3. FY09 operating result – the Group achieved net profit after tax (NPAT) from ordinary operations of \$17.0 million. However, as a result of the credit crunch, realised losses and unrealised asset impairments resulted in a statutory loss of \$(304.9) million.
4. Addressing the ongoing capital structure – stabilising balance sheets of the Group and Managed Funds is the major focus for FY10
5. FY10 financial year outlook



Impact of global financial crisis

- **Lack of debt (Chart 1)** – scarcity of debt available for small developers and commercial property buyers has impacted values
- **Rising cost of debt (Chart 2)** – project and property income margins have been significantly impacted
- **Limited access to equity markets (Chart 3)** – inability for ASX listed small cap companies to access equity from the listed market



Impact of the global financial crisis

The charts on this slide show the significant impact that the credit crunch has had on:

- availability of debt (chart 1);
- the cost of debt (chart 2);
- asset values (chart 3); and
- access to equity capital for a small listed company like Becton (chart 3).

Chart 1 – this is a chart of the volume and number of debt deals in Australia by quarter since the start of FY07. It shows that at its peak in Q4 FY07, the banks lent nearly \$40 billion. This plummeted 87% to \$5 billion in Q2 FY09. The impact of such a contraction in credit availability meant: forced sales of assets where debt was not refinanced, lack of buyers for assets for sale and lack of finance to commence development projects

Chart 2 - this is a chart of the 5 year swap rate and margin in Australia since April 2007. It shows that at its peak that in April 2007 the all in cost of debt (swap rate plus margin) was around 7%. From April 2007 to October 2009, the 5 year swap rate has reduced slightly from 6.5% to 6%, however the margin has increased from 50 basis points to 300 basis points. The impact of this increase has been to significantly reduce net income from Becton managed trusts and reduce development project profitability.

Chart 3 – the two charts here are for the ASX REIT market and for Becton. Since FY08, all property groups have written off \$ billions of asset values. For the ASX listed REITs, asset write offs since the start of FY08 have been \$31.1 billion. Overall, the ASX REITs have been able to substantially repair their balance sheets by raising \$17.3 billion of equity. In contrast, Becton has written off assets worth \$322 million in FY09 and raised only \$3 million of equity. This significant mismatch compared to overall ASX REITs is primarily due to institutional investors exiting the registers of small cap property groups like Becton.



Progress over the last 18 months

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Vastly improved position compared to 18 months ago		June 2009	Dec. 2007	Change
Corporate	Net debt	\$338m	\$837m	↓ 60%
	Overhead spend	\$8m p.a.	\$13m p.a.	↓ 39%
Retirement (incl. JV)	Number of new villages under construction	3	3	nil
	Number of land sites earmarked for development	2	6	↓ 67%
Development & Construction	Projects under development	3	40	↓ 93%
	Amount of apartment inventory held for sale	\$83m	\$600m	↓ 86%
Funds Management & Property Invest	Number of funds managed	15	20	↓ 25%
	Number of properties managed	76	102	↓ 26%

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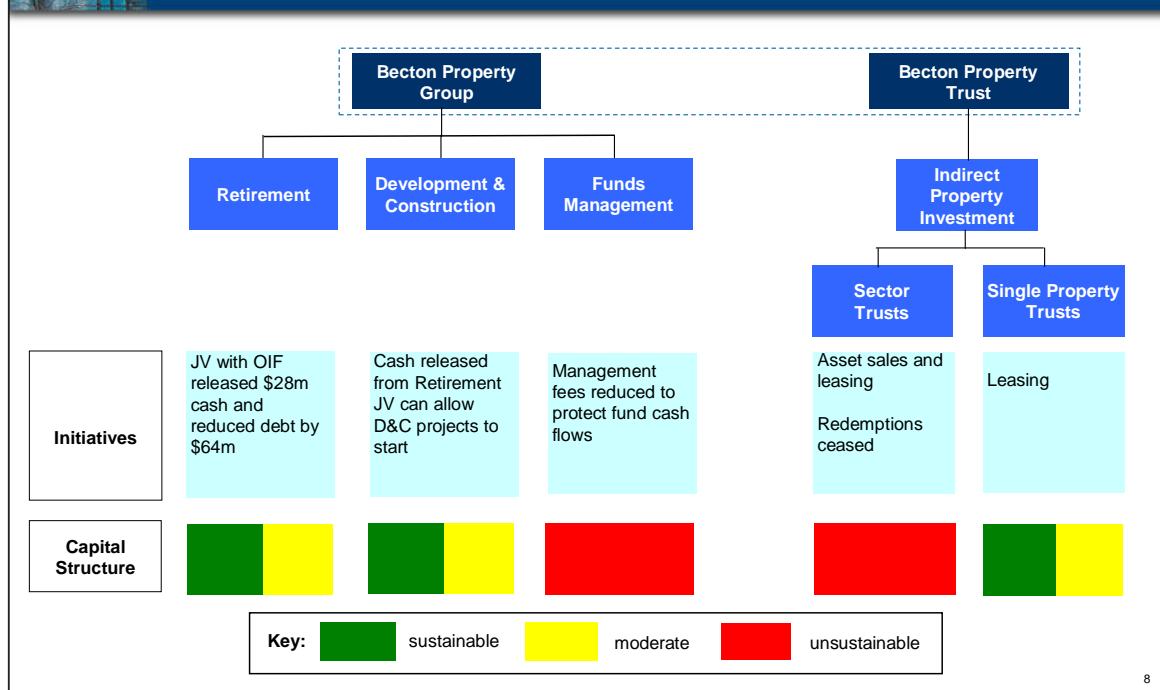
Progress made over the last 18 months

Despite the factors caused by the credit crunch, the group has made progress in improving its capital and operating position over the last 18 months.

The progress includes:

- \$499 million or 60% reduction in net debt from \$837 million to \$338 million as at 30 June 2009
- \$5 million reduction in annual overhead spend
- Reduction in retirement development sites from 6 to 2
- Reduction in active development projects from 40 to 3
- Reduction in apartment inventory on hand for sale from \$600 million to \$83 million
- Reduction in number of managed funds from 20 to 15
- Reduction in number of properties managed from 102 to 76

Addressing the capital structure



Over the past 2 years, since Australia and the world first felt the impact of the credit crunch, Becton has acted decisively to carry out numerous initiatives to improve the capital structure of the Group and the managed funds.

At this time last year we announced that we were undertaking a strategic review to look at possible transactions involving all or parts of the group.

To date, some aspects of the group's capital structure have been significantly improved. This is true for the retirement business and the development and construction business. The capital structure of the retirement business was resolved through entering into a JV with the Oman Investment Fund. This JV released \$28 million of cash to Becton and reduced its retirement debt by \$64 million. This new capital structure for the retirement business as well as strong underlying demand has greatly assisted it to produce record levels of first time sales and resales over the past 4 months.

The release of capital from the retirement business has been re-invested into a number of development projects: Kensington, Bonnyrigg and Waterloo. Kensington and Bonnyrigg have achieved excellent pre sales and will produce good profits for the group over the next few years. The recently announced refinance arrangements for these projects have further underpinned the stability and future prospects of this business unit.

That said, the two businesses that have been most negatively affected by the global financial crisis have been funds management and property investment. The commercial property market continues to be affected by:

- falling asset values,
 - a lack of credit to extend facilities,
 - increasing debt margins on renewed facilities,
 - a lack of buyers; and
 - declining rental income,
- all legacies of the global financial crisis.

We are working toward a solution that will provide the Group and the funds a sustainable capital structure such that they are able to avoid a "fire sale" of assets, avoid penalty interest and obtain medium term funding at reasonable price levels. To this end we are sending a notice of a meeting to a number of our funds that will seek to give these funds more flexibility in their constitutions to enable them to move towards a more sustainable structure. The flexibility that we are seeking will enable the funds to be more readily recapitalised or restructured. Some of the recapitalisation or restructuring options could include raising capital (through a pro rata offer or cornerstone investor or both), listing on the ASX, a merger with other entities, internalising management, sale of assets, wind up or a combination of these options. Before any decision is made on any of these options, the option/s are likely to be put to fund investors to approve in the future should a proposal be forthcoming.

Summary

From an operational perspective, Becton's assets and service businesses are performing well with strong sales in our residential and retirement projects and good leasing activity and sales within our funds management business.

However, the current capital structure of the Group and funds is unsustainable. Whilst we have made inroads into changing our capital structure there is still a lot of work to do. I look forward to working with the Board and the executive over the coming months to provide investors with more detail about a number of initiatives that will help tackle this issue.



FY10 to date and outlook

Retirement



- 93 resales and first time sale (25% higher than budget)
- Increased dwellings under management from 936 to 957 as a result of strong sales at Waverley, Mackay and Wahroonga

Development & Construction



- Settlements of \$51 million
- Kensington and Waterloo refinanced
- Kensington and Bonnyrigg 100% and 66% reserved / exchanged, respectively

Funds Management



- Asset sale settlements of \$165 million (incl. DFNo.1)
- A further \$35 million exchanged
- 30 leasing deals worth \$7 million rent p.a.

Property Investment



- Occupancy constant at 96%
- Weighted average lease expiry 3.5 years
- Debt reduced by \$45.4 million and \$140.5 million refinanced

- **Economy in general** - some initial signs of recovery BUT lending conditions remain challenging, increasing interest rate environment, stimulus measures ending and the UK and USA still in recession will all factor heavily on any fast recovery
- **Residential / retirement** - sales strong on the back of government stimulus and low interest rates
- **Office** – demand increasing due to increase levels of business confidence but incentives remain high
- **Retail** – retail sales have been strong but concern about impact of withdrawal of government stimulus
- **Industrial** - picking up on the back of early indication of recovery in retail

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General

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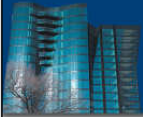


- Becton is focused on continuing to stabilise and strengthen the capital structure of the business
- Becton's operating businesses are working hard and successfully to drive the operational performance and produce profits
- If we achieve successful outcomes on both capital structure and operational performance, this business will be well positioned to take advantage of the recovery as we move into the upswing part of the cycle

Becton is focused on continuing to stabilise and strengthen the capital structure of the business.

To this end, we will continue our three pronged approach:

1. Active management - deleverage the balance sheet, drive core assets to improve income and continue to evolve our market leading service to our customers
 2. Simplification - return focus to our historical average of 8 to 10 ongoing projects that play to our strengths and continue to reduce debt to sustainable levels
 3. Reshaping and capital management - continue to explore initiatives to recapitalise the three business units and drive further efficiency
- Becton's operating businesses are working hard and successfully to drive the operational performance and produce profits.
 - If we have successful outcomes on both capital structure and operational performance, this business will be well positioned to take advantage of the recovery as we move into the upswing part of the cycle
 - On behalf of the Management team, I sincerely thank every member of the Becton team for their efforts in what has been a very challenging year. I would also like to thank our customers for their loyalty, our security holders and lenders for their ongoing trust and support.



Business of the Meeting
Brian Pollock, Chairman
William Conn, Director



Meeting Closed



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