



Becton Property Group Ltd

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ASX Statement / Media Release

Becton Property Group – September Quarter Business Update

Becton Property Group (“**Becton**”) wishes to provide the market with its September quarter business update.

Despite strong performance at an operational level, market conditions in the September quarter remained tough with continued pressure on asset values and scarcity of capital compounded by the increasing cost of credit

Becton continues to actively manage its way through the cycle and implement its strategy to reduce balance sheet gearing and simplify the business through active capital management and a focus on core areas of competitive advantage.

DEBT REFINANCING

Becton has successfully negotiated a permanent suspension of the financial covenant testing relating to its \$150 million working capital facility with Lloyds.

The suspension means the facility is no longer subject to financial ratio testing. The previously agreed financial ratio package comprising (i) Debt Cover Ratio (ii) Interest Cover Ratio and (iii) Net Tangible Assets has been suspended through to the facility maturity in August 2011. The suspension is subject to completion of formal documentation.

“The suspension of the BOS International financial covenants is indicative of the significant support Becton continues to receive from its bankers. The support of our lenders will remain critical as Becton works its way through the cycle” Becton CEO, Matthew Chun said.

Becton has also refinanced a number of other facilities across the group and within Becton’s managed funds during the quarter.

Becton has refinanced its \$93.7 million Estate-Fincorp project debt facility with National Australia Bank. The facility was due to mature in January 2010. It has been refinanced to April 2010 (subject to completion of formal documentation). This facility remains subject to amortisation hurdles which have been reset/extended to accord with Becton’s revised non-core development site asset sale program.

The Becton Office Fund has completed its refinancing of approximately \$132 million of debt facilities with its principal financier, Westpac Banking Corporation. The facilities have been refinanced on the following key terms:

- Facility maturity date extended to 17 July 2010;
- The fund's senior debt loan to value ratio (“**LVR**”) covenant has been reset to 73 per cent (current Fund senior debt LVR is 69.9 per cent). In June 2009, 70 per cent of the portfolio was revalued, with the remaining 30 per cent to be revalued in December. This is the only remaining revaluation requirement within the facility term;
- The fund's senior debt interest cover ratio (“**ICR**”) covenant has been reset to a weighted average of 1.2 x through to the facility maturity date; and
- The facility is subject to amortisation hurdles. These hurdles correspond with the fund's asset sale program aimed at reducing debt.

BUSINESS DIVISION UPDATE

Development and Construction

The Development and Construction business has maintained a steady level of sales and settlements into the new financial year.

At Kensington Stage 10c, all 88 apartments are under contract or have been reserved. Construction has commenced with completion due in June 2010.

Bonnyrigg, Becton's urban renewal public private partnership (“**PPP**”) in New South Wales (“**NSW**”), opened to the public on 19 September 2009. Stage one sales activity has seen 40 reservations attained for private buyers out of a total of 56 dwellings. An additional 39 houses have been pre-sold to the state government of NSW. Construction of the new dwellings commenced on 28 September 2009 with settlement on those dwellings due in June 2010.

Becton Property Group Inventory Settlements and Sales	FY10 Q1
Settled	\$43.8 million
Exchanged	\$42.7 million
Reserved / Under Offer	\$40.9 million
Sub-total	\$127.4 million
Apartments (Completed) for Sale*	\$37.1 million
Total	\$164.5 million

*Excludes Bonnyrigg and Kensington stages under construction

In addition to the above the Becton Development Fund No.1 has received approximately \$121 million in settlements in the first three months of FY10. This has enabled it to completely repay the financier of the One East Melbourne Project.

Becton continues to work through very difficult credit market conditions to fund its remaining core development sites. Negotiations are continuing, but securing development funding remains a major challenge in the current market.

Retirement

The retirement business has had a very strong start to FY10. Becton delivered a total of 54 sales (\$11 million in new sales and \$13.7 million in resales) across the portfolio, averaging 18 sales per month. The additional first time sales increase the number of Becton's dwellings under management to 947.

Funds Management

Becton continues to actively manage its Funds Management portfolio in an effort to stabilise the capital position of the funds. Active management has included leasing and asset sales, refinancing of FY10 debt maturities and capital restructuring initiatives.

The business has achieved approximately \$61 million in settled asset sales for the financial year to date. These assets were sold in aggregate at a three per cent discount to book value with the majority of the proceeds applied to debt reduction.

The business has successfully executed 40 new leases in the first three months of FY10, resulting in more than 29,000 square metres of space being let.

Capital restructuring activity has included a capital raising by the Becton Industrial Fund (“**BIF**”) via an Entitlement Offer to investors. The offer has, to date raised approximately \$6 million.

However, debt and falling asset values remain major challenges in the Funds Management business.

OUTLOOK

Becton will continue to divest non-core assets and pursue alternative capital management initiatives to bolster the balance sheet of the group, and its managed funds, to best position the business for the remainder of FY10 and beyond.

“Despite a good start to FY10 at the operation level, market conditions are still challenging and are expected to remain difficult. Reducing debt both at the group level and in our funds remains critical to stabilising our platform. We are focused on maintaining and securing the support of our lenders, to enable us to continue to actively manage our way through the cycle,” Matthew Chun said.

-Ends-

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