

**PROJECT UPDATE COMMENTRY**  
**As presented to Finbar Group Limited AGM on 10 November 2008**  
presented by Darren Pateman (Director/Secretary)

*[Slide 1]*

## **INTRODUCTION**

“Good morning.

Finbar is has certainly not been immune to the forces affecting the equities market and peoples’ perception of property companies in general. We are all exposed to the daily bombardment of bad news stories coming from all sectors of the globe, and we have seen our share price fall to a two year low.

So what we thought we would do today is not so much review our historic performance, as this information has already been provided to you from various sources. Instead we will spend the time to take a closer look at what we are sure you are most interested in knowing at the moment and that is: are we financially sound, what are the prospects for dividends, are we exposed to manageable levels of debt, and what are the prospects for the future given we may be heading into a global recession.

This morning we will get you to put on your imaginary hard hats and come into our projects so that we can give you a good visual representation of how each of our projects are progressing both in terms of physical construction progress and sales progress, to help provide you with as some comfort that your company is continuing to develop its projects without interruption, on budget, underpinned by strong sales, and good debt coverage.

We will also show you our recent JV acquisition which we hope will excite you as much as it does your management.

*[Slide 2]*

## **COMPLETED DEVELOPMENTS**

Firstly we will have a quick overview of the projects that helped your company produce the results for the financial year to 30 June 2008.

This is Avena in Rivervale *[Slide 3]*. The third stage of the company’s Shorerush Bay project. Avena, along with all of the following projects which include Altair *[Slide4]*, Soho, *[Slide 5]*, Infinity *[Slide 6]*, and Sol Apartments *[Slide 7]* are all complete, and the company has no remaining stock, financial interests, or debt left on any of these developments.

*[Slide 8]* This is the Del-Mar project located in Mandurah. It is a 49 unit project located on the new Mandurah Marina. This is another project that we finished last financial year as you can see *[Slide 9]* and the majority of settlements for this project occurred in FY08.

*[Slide 10]* As you can see from this slide we still have 5 units left to sell. Mandurah is a very quiet property market right now. This project is located square in the middle of an area which is predominantly used for weekend holiday accommodation, and as you can imagine when times get a little tough the holiday home is one of those things that people can live without.

We have five units left to sell, and we will continue to promote this project over the holiday season, which is a busy time for Mandurah, in the hope that by the time I report to you next year we will have sold the last of the Del Mar lots.

We have no debt left on this project, and all future sales will be free cashflow to the company.

*[Slide 11]* Just prior to the end of the 2008 financial year we advised the market that the final stage of our Shorerush Bay project called Ceresa, which is located on the water front in Rivervale, had reached the stage of practical completion. *[Slide 12]* This is the completed product, it is a 113 apartment project and as you can see from the next slide *[Slide 13]* we have only three lots left to sell. There is still a steady level of inquiry for these three remaining lots and we do not expect to be holding this stock at financial year end.

As with Del-Mar, we have no outstanding debt on this property.

Now as you are aware, this company can only recognise revenue from sales once the benefits of ownership have been passed on to the buyers. This usually occurs when possession has been given to the buyer and this is most often when settlement occurs. Although we finished this project in June, we did not start settling this project until late July as such all of the revenue for this project has fallen in the current financial year which has given us an early boost for our FY09 profitability.

*[Slide 14]* Another project, finished just a day later than Ceresa, is Domus. *[Slide 15]* Domus is an 81 lot project which I am pleased to report is now sold out as of Friday last week *[Slide 16]*. Like Ceresa, all revenue for this project will fall in the current financial year which again helps to further underpin our profit for FY09.

*[Slide 17]* Just last week we reported the completion of Horizon on Sixth which is the first of three stages of the redevelopment of the former Senses Foundation property in Maylands. Here are some photographs of the completed project *[Slide 18]* *[Slide 19]*.

Horizon on Sixth is a 62 lot project and is sold out *[Slide 20]*. We are expecting the first settlements to occur late December so it is uncertain at this stage as to whether the revenue will fall in the first half or the second half of the financial year, however it is almost certain to fall in the current financial year to provide additional profitability for FY2009.

Horizon is a wholly owned Finbar project and as you can see there is 166% debt covered by presales on this project so we do not foresee any difficulties in retiring this construction debt from the first settlements in this project.

## DEVELOPMENTS UNDER CONSTRUCTION - RESIDENTIAL

*[Slide 21]*

I will now move on to developments currently under construction.

*[Slide 22]*

You can see from this map that all of the company projects are within a few kilometers of the Perth CBD.

*[Slide 23]* The first I will discuss is the Hill 60 Homestead. This is the circa 1902 heritage home which is nestled between the Avena and Ceresa projects. It was a development condition for our Shorerush Bay subdivision that we renovate this home with the guidance of the Heritage Council. This renovation is now complete and on Friday last week we received approval for the Homestead to be used as office.

We are holding a contract to sell the property for \$1.98 million which is now unconditional as a result of receiving the approval for office use. It is due to settle in January.

*[Slide 24]*

This is Circle, a 37 lot project located both sides of Lake Street in Northbridge.

*[Slide 25] [Slide 26]* As you can see this is a conventional brick construction building and with the roof trusses being erected so the building will soon be waterproof to allow the internal fitout to begin.

*[Slide 27]* Here are some internal images so that you can see the progress.

*[Slide 28]* Here you can see the sales progress. 169% of the debt is covered by presales. Completion for this project is expected in the second half of FY 2009.

*[Slide 29]* Back over to the Horizon project now. This is the artist's image of Horizon on Central, the second stage which is a 50 lot project. *[Slide 30] [Slide 31]* These are photos of the current progress and as you can see the structure is complete. If we look internally you can also see the fitout progress is substantially complete.

*[Slide 32]* Horizon is a sold out project and as mentioned earlier we have 166% of the debt coverage by presales. As with Circle, we also anticipate Horizon on Central will be completed prior to the end of the financial year.

*[Slide 33]* We now move over to Reflections a joint venture project located on Langley Park. *[Slide 34]* Reflections is a 24 storey 142 lot project which are our tallest buildings to date. As with all structures of this size it is always nice to see the structure completed and with it a lot of construction risk comes out of the project. As you can see by this photograph the structure is almost complete. It is now at Penthouse level and we expect the structure to be completed by Christmas.

*[Slide 35]* Internally Reflections is progressing very well as you can see with effectively completed apartments apart from floor coverings up to Level 17 whilst concrete is being poured on level 22.

*[Slide 36]* There is only one unit left to sell at Reflections and we have almost 160% of the project debt covered by pre-sales.

We anticipate reflections will finish very close to the end of the current financial year and as such we anticipate all revenue will fall into the FY2010.

*[Slide 37]* We now head a couple of streets away to the Royale project on Hay Street. Royale is a very large project. 197 lots in total, *[Slide 38]* and as you can see we are only one floor away from finishing the structure. *[Slide 39]* Internally you can see the slab ready for concrete pour on level 9, and complete apartments on level 3. Don't worry about the blue outline in the kitchens, it is not some new kitchen décor trend but protection for the cabinets during the fitout stages.

*[Slide 40]* We have only 7 lots left to sell at Royale and we have 157% of the debt covered by presales. We anticipate the construction will be finished in the first half of the FY 2010.

*[Slide 41]* Over to Code now. Code is a project located on the corner of Milligan and Wellington Street, opposite the old entertainment centre.

Code is a 104 lot project, currently under construction as you can see from these images *[Slide 42]*, *[Slide 43]*.

*[Slide 44]* We have only 2 lots left to sell at Code and have 165% of the debt covered by presales.

The project is expected to be completed in the first half of the FY 2010.

*[Slide 45]* We head about 2km away now to Verve which is located on Newcastle Street in Northbridge.

Verve is a 34 lot project with only one unit left to sell and almost twice the debt covered by presales.

*[Slide 46]* *[Slide 47]* Works commenced recently and we expect to have this project finished in the first half of FY2010 *[Slide 48]*.

*[Slide 49]* Back into East Perth now where opposite the Hyatt Hotel you will see the Saint which is now under construction *[Slide 50]* *[Slide 51]*.

*[Slide 52]* The Saint is a 85 lot project which is sold out and we have over two times the debt covered by presales.

We expect to complete the project in the second half of FY2010.

*[Slide 53]*

We will now take a look at the commercial projects.

## **DEVELOPMENTS UNDER CONSTRUCTION - COMMERCIAL**

*[Slide 54]* Horizon Heritage is a Heritage building which we are required to refurbish under the approval granted for the Horizon on Sixth and Central developments. *[Slide 55]* You can see from these images that we are currently nearing completion externally.

Internally we had originally planned to split the building up into 12 residential apartments however we have received strong interest from various parties who would be keen to lease the property as commercial offices and as such we have applied to council to seek an amended use for the site.

*[Slide 56]* Such use would bring income of approximately \$500,000 per annum from the wholly owned property, and it is unlikely we would require a finance facility for the building due to the low level funding needed to carry out the internal works.

*[Slide 57]* We now go across to a very exciting project over in Victoria Park which is a 12,600 square metre office building called Gateway.

In July we announced that we had secured a lease with listed company Monadelphous Group Limited. The deal will see Monadelphous occupy 10,800 square metres of the building for 12 years plus options.

The balance of the building comprises retail, food, and medial space and we are currently in final stages of negotiating leases on some of this space also.

*[Slide 58]* You can see from these photos that construction has commenced with a completion date in the second half of the FY 2010, a tight time frame for a building of this size but one which can largely be achieved due to the benefits of a new type of flooring system referred to as 'Bubble Deck' *[Slide 59]* which has begun to arrive on site *[Slide 60]*.

That concludes a look at all of our residential and commercial projects currently under construction. You will note that all projects are progressing well and without interruption. They have strong sales or leasing pre-commitments that underpin the viability of these projects.

## **FUTURE DEVELOPMENTS**

*[Slide 61]*

And finally we will have a look at our future pipeline.

*[Slide 62]* Firstly, we will take a look at the Edge. The Edge is a 75 unit residential development which is to be constructed on the other half of the 1.2 hectare property where the Gateway commercial building is currently under construction.

*[Slide 63]* This is a photograph showing the location by way of a computer rendered image. The bridge in the foreground is the Causeway leading into Perth city.

*[Slide 64]* The marketing launch for the Edge commenced at a time when the bad media and market sentiment first started to bite. Notwithstanding a much more subdued market we have still managed to secure 17 sales totaling \$14 million and will continue to work to achieve a presale level that will satisfy our own internal measure for risk along with that of the banks.

*[Slide 65]* The Fairlanes site is a wholly owned property located on Adelaide Terrace in East Perth.

We are currently holding a Development Approval which will allow the construction of a 15 storey office building with 16,550 square metres of space. This building is currently being promoted for lease. We have no pre-commitments at this stage.

Whilst we are trying to secure tenants for this building we are also exploring options in respect of a mixed use development on the site. *[Slide 66]* The development could contain 6 levels of office and the balance residential apartments up to combined height of 27 levels. Many of these apartments would enjoy uninterrupted views over the company's former Westralian project which is 18 levels and adjoins this site.

The commercial and the residential portion of the building would have separate lift lobbies and lifts so that office workers and apartment occupants do not occupy the same communal space.

If the residential portion of this project gets traction in the market then the company will be very well positioned to retain the office portion with little to no debt and thus generating a strong positive cashflow and annuity income.

We would also strata title the offices to give additional flexibility so that we could either dispose of part or all of the office space if considered the best strategic option in the future.

*[Slide 67]* We hope to be in the position to test the market with this product in the new year.

*[Slide 68]* We continue to hold the St Marks College site in Highgate which is fully leased to a language school for another 6 years plus 3 year option. *[Slide 69]* At this stage the property is a long term hold with the view to redevelop the 8,800sqm site at a future date.

*[Slide 70]* Finally we come to a very exciting new opportunity for the company.

In September we announced a joint venture which will see us partner with the land owner of the former home of the Australian Broadcasting Corporation. Everyone in this room from Perth will be familiar with the 1.28 hectare site which is located opposite Langley Park with the large satellite dish out the front. It has a 75 metre frontage to both Terrace Road and Adelaide Terrace. If you look at this photograph you can see it is nestled between the Westralian, Reflections, and Fairlanes projects.

It is a large site, in a premium location, and is one that provides us with several options in respect of development proposals. The redevelopment would likely consist of *[Slide 71]* a residential tower on the Terrace Road frontage that will take up roughly 60% of the site and designed to take advantage of the fantastic views available from this location, and a mixed use development to be integrated into the buildings that have heritage significance on the Adelaide Terrace frontage.

To fully utilise the potential of the site we must seek a minor town planning scheme amendment and a favorable development approval. This process can take over 12 months to achieve.

As mentioned, this is a joint venture development opportunity for the company. The basic terms of the joint venture are the land owner purchased the land for \$37.58 million. Finbar will commit \$17.5 million in working capital to be injected as and when the first costs are incurred for the design and development of the building. The balance of funds required to complete the development will come from a stand alone construction facility as is the case with all of our projects.

It is a significant project, one which has bolstered our project pipeline for five to six years, and one with a JV structure that allows the company to leverage heavily off our development expertise.

Finbar will share equally in any joint venture profit and stand to make management fees for the project.

In spite of the economic climate we believe the acquisition and JV of this site at this time to be good timing due to the limited competition during the acquisition process. There will be no debt on the property during this initial development process so our JV partners and Finbar can choose the most appropriate time to bring the product to the market without outside pressures.

*[Slide 72]*

## **CLOSING**

In summary and in closing, your company is in a very fortunate position in the right time of the market cycle. We have strong pre-sales for all projects under construction and due for completion over the next three years. The revenue from these sales will help the company produce cash and earnings significantly higher than the record profit we reported last financial year.

All projects are progressing on time, on budget, and with strong support from the major banks where we obtain our project finance facilities.

New projects such as the Edge, Fairlanes, and the new ABC site provide a pipeline that extends out to the next six years.

Rest assured that we will continue run your company with the same conservative financial management, the same hands on approach, and explore all options for our properties to maximise its market acceptance and development potential at any given

time. We will only expose the projects to debt once there are sufficient sales to help mitigate this risk.

Your company is very well positioned to continue to pay the dividends at the level that is currently being paid to shareholders. The level of settlements and profit over the next two years will be substantial and your board intends to return this benefit to shareholders. This benefit could be returned either by way of a special dividend and/or a buy back of shares, particularly if shares continue to trade well below your company's intrinsic value.

Thank you for your attention today.

We are happy to answer any questions you may have".