

**RODNEY PROPERTIES LTD**  
**Half-yearly Report**  
**to 31 December 2009**

Executive Summary

This half year to 31 December 2009 was the first full half year operating period for the company, after incorporation on 23 February 2009, appointment of a board and establishment of the team, together with robust operational processes and procedures.

The Board is very pleased with progress to date, particularly in light of the continuing difficult market conditions. As at 31 December 2009, 10 properties had been settled, contracted and/or were subject to fulfilment of sale conditions. In addition a further 13 properties were being actively marketed. This translated to \$5,709,000 cash received following settlements, as well as \$15,325,000 due following completion and/or condition satisfaction.

The calendar year has started well with active marketing continuing on 3 properties and commencing marketing on 10 new properties. A number of others are being readied for sale.

Introduction

The RPL constitution requires the company to provide half-yearly reports on operational issues within two months of the end of the half year and, unless otherwise agreed by the Council (as Shareholder), to report on the following matters:

- Summarised financial statements, including a comparison between actual financial year-to-date revenue and expenditure and budgeted financial year-to-date revenue and expenditure;
- Market conditions;
- The progress of existing key projects;
- Proposed key projects;
- Planning issues;
- Staff/advisors

Each of these issues is addressed in this report.

OPERATIONS

Financial Statements

A comparison between actual financial year-to-date budget vs expenditure and budgeted financial year-to-date revenue is attached as Appendix A. As will be noted, expenditure to date is within the budgets approved by RPL. The legal expenses incurred were mainly for advice on issues arising from AGM obligations, Interests Register documentation, Annual Report requirements and the Shareholder's insurance certificate.

## Market Conditions

Market conditions for the sale of real estate within Rodney District continue to be challenging, especially for high value sites. More specifically, the situation may be described as follows:

### Vacant Land

- Limited market with few potential purchasers.
- A significant re-pricing of risk has occurred for properties with development potential due to:
  - Limited sources of finance available.
  - More cautious lending policies of financiers.
- Many of the larger property investment funds are selling assets in order to reduce debt levels and remain within debt covenants and concentrating on completing existing committed developments.

### Developed Property

- Difficulty in arranging finance unless there is considerable secure income generated by the property.
- Funders are generally risk averse and lending policies have tightened in response to increased vacancy levels and downward pressure on rentals.

(Source – Various valuation reports from Rodney based valuers November 2009)

Notwithstanding the above comments, a number of good sales results have been achieved in excess of registered valuations with the best results coming from direct negotiation with targeted purchasers.

## Progress of existing key projects

Good progress has been made with a number of projects, for example, two multi-million dollar transactions are likely to settle as follows:

\$7.2m transaction     - Conditional agreement due to settle February 2010.  
                              - Includes associated high value strategic/community outcomes.

\$5.3m transaction     - Conditional agreement due to settle May 2010.  
                              - Additional provision made for high value infrastructure (road) as a consequence of transaction.

## Proposed key projects

The key projects for the current quarter include:

- Marketing of high value Silverdale and Orewa properties.
- Several properties subject to statutory “offer back” procedures.
- Marketing of several rural properties.

- Completion of commercial subdivision and issue of new titles for a Whangaparaoa property prior to sale.

#### Planning issues

- One Whangaparaoa property with significant planning constraints to resolve.
- Two urban fringe properties in Wellsford with infrastructure constraints to be resolved prior to sale.
- One Orewa urban property with title encumbrances to resolve prior to sale.
- One rural village property with development potential to explore.

#### Staff / Advisors

During the last quarter, RPL has contracted a new advisor (Wade Allan) to assist with strategic advice on marketing the properties within the portfolio. This has been a valuable appointment, providing access to new channels for sales and experienced negotiation skills.

#### Conclusion

Overall the Board was pleased with the RPL's activities over the half year. The Board is mindful that it has a commercial imperative, as directed by the Council, combined with its statutory obligations. The Board's directors are united in the pursuit of meeting these requirements and are happy with its progress to date.