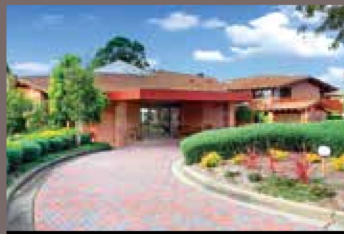
Liv Kensington, Victoria

Annual Report 2012

BECTON

Becton is an ASX listed property group with operations in development, construction and retirement village ownership and management

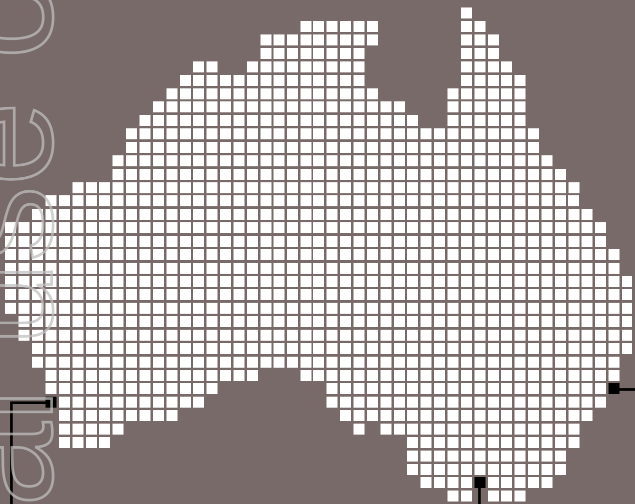
NEWLEAF:
Social/Private Residential



DEE WHY GARDENS:
Retirement

DIVERCITY:
Private Residential/Retail

THE WONIORA:
Retirement



KENSINGTON:
Social/Private Residential

BRIGHTON CLASSIC RESIDENCES: Retirement

WOODSTOCK WEST:
Retirement

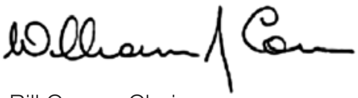
MENZIES MALVERN:
Retirement

WAVERLEY COUNTRY CLUB:
Retirement

2012 Annual General Meeting

Time: 10am
Date: 28 November 2012
Venue: Deloitte
550 Bourke Street
Melbourne, Victoria

Firmly focused on delivering a discrete set of core projects



Bill Conn – Chairman

For Becton, 2012 was in many ways a year of consolidation. Following the events of 2011 our focus returned squarely to addressing debt held by the business and to delivery, in accordance with our brand promise, on our projects.

Capital management continued to be the primary focus for the year

Capital management continued to be the key focus for the year. Over the course of the year we fully repaid our Kensington and Malvern East debt facilities and since financial year end have also repaid the Waverley project debt facility. In total we reduced our debt by $76 million over the course of the year. We have also negotiated extensions of debt facilities to fund current projects and worked on improving the capital structure of the Group. Whilst considerable progress has been made, a comprehensive solution is yet to be achieved. We end the year with a net asset deficiency of $15.4 million and ongoing uncertainty about the carrying value of our investment in the Retirement Alliance. We continue to work with all our financiers to put in place a sustainable capital structure for the business.

Simplification

Simplification was also a focus for the first half of the year with an unmarketable parcels sale facility offered to holders of unmarketable parcels of shares. This helped halve the number of securityholders on the register and reduced the costs of servicing the register. In conjunction with that facility, we also undertook a 200:1 consolidation of securities which helped bring our share price to a more meaningful level with a view to improving liquidity and attracting fresh capital to the business. Late in the year, four significant new investors entered the register by buying ACR's holding of securities and options in the Company.

Significant events	
Aug 2011	• Becton wins awards for Newleaf: – Urban Taskforce Award for Excellence for Master Planned Communities – UDIA (NSW) Award for Urban Renewal
Sep 2011	• Becton wins UDIA (NSW) President's Award for Newleaf, Bonnyrigg
Nov 2011	• Share consolidation • Development application approval for Stage 2 at the Woniora
Jan 2012	• Development application approval for Stage 3 Bonnyrigg
Apr 2012	• Completed final stage of the Kensington housing estate redevelopment
May 2012	• Becton's Newleaf wins Property Council of Australia Innovation and Excellence Award for Best Master Planned Community
Jun 2012	• Settled first Stage at Divercity, Waterloo • Completed final stage at Waverley Country Club • Sold Retirement development site in Malvern East, Victoria • Commenced construction of Stage 3 at Bonnyrigg

Solid operational result from execution and delivery

The other main focus throughout the year was on delivery on projects. We sold and we built. In April we completed the final stage of our pioneering Kensington urban redevelopment project in Kensington, Victoria with

Solid operational performance despite challenging market conditions

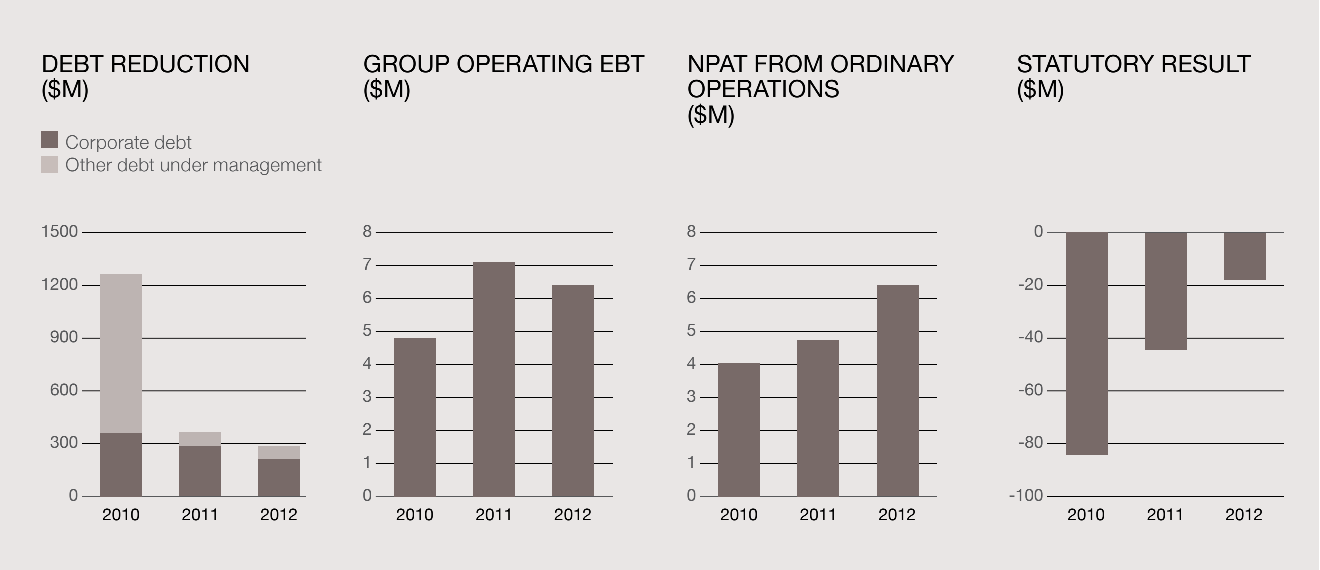
Matthew Chun – CEO

	Priority	Achieved	Comments
1	Continue to seek innovative ways to strengthen the balance sheet	✓ ✗	• Considerable effort made to put in place sustainable capital structure – progress made, discussions ongoing • Overall debt reduced by $33.5 million in second half of the year
2	Continue to reduce market risk through strong pre-sales on development projects	✓	• 99% of FY13 and 62% of FY14 forecast settlements have been pre-sold
3	Strengthen earnings through a focus on execution and efficient delivery of product to market	✗ ✓	• Final stages of Kensington and Waverley CC and first stages at Waterloo delivered on time and to budget • Earnings down 10%, but NPAT up 36%
4	Make the most of our end-to end capability, our culture of innovation and the skills and efficiencies developed over the past three years, to continue to anticipate customer needs and rebuild the business	✓	• Four industry awards for Newleaf • Development product selling well despite fragmented and challenging residential property markets • Positive anecdotal feedback from customers • Strong sales strengthen bottom line
5	Invest in our staff to continue to improve culture and attract talent	✓	• Staff undertook a total of 53 different skills improvement courses across the business • Introduction of Employee Assistance Program
6	Explore opportunities within our core capabilities to enhance our pipeline in markets with sound fundamentals	✓	• Third party construction contract with EBG for the Stonington Terraces residential construction project in Malvern, Victoria

settlements from that stage generating solid earnings for our business. The redeveloped estate was officially launched by the Victorian Minister of Housing, Wendy Lovell on 11 April. In May and June 2012, we settled the first stage of our most recent project Divercity at Waterloo, NSW. Also in June, we completed the final stage of our Waverley Country Club retirement village in Rowville, Victoria which over time will deliver value to the Retirement Alliance through the creation of new Deferred Management Fee (**"DMF"**) income. Over the course of the year our various projects and operations yielded an operational profit of $6.4 million.

Writedowns continued to impact result

Residential property markets remained challenging throughout 2012. Whilst our projects continued to sell well, our statutory result was impacted by net asset impairments and non-operating costs and losses of $24.3 million. The majority of this was due to a $20.5 million impairment of the value of our investment in the Retirement Alliance which owns and operates our portfolio of retirement village assets. Our statutory result for the year, whilst an improvement on 2011, was a loss of $17.9 million.



Becton's quality product continues to enjoy customer and industry recognition

Our product, which is focused on quality dwellings at affordable price points in markets with sound demand and supply fundamentals, continues to sell well. Despite the challenging residential market, throughout 2012, we remained steadfast in our commitment to quality and affordability for customers. Our efforts were rewarded not only with strong sales but also four prestigious industry awards for our Newleaf project at Bonnyrigg. We lifted the bar in terms of communications with our customers through the construction process and in the lead up to settlement issuing regular updates and pre-empting their enquiries. The feedback we received from customers certainly indicates that Becton is filling a gap in the market in this regard and it is a key point of difference to our competitors.

Diversity

This year companies are for the first time required to report on diversity targets. We have on page 9 included a summary of the gender mix of our team. We are committed to diversity and have had an equal employment opportunity policy, that goes beyond gender in terms of promoting diversity in our business, in place for some time. For various reasons set out in the corporate governance section of this Annual Report, the Board has not set specific gender diversity targets at this time. However, our current approach has resulted in a workforce in which neither gender represents fewer than 40 per cent or more than 60 per cent of staff across any of the 10-year age bands between 20 and 60. We also have a relatively even spread of employees across all age brackets which is reflective of our culture of teamwork and respect.

Our people

We would like to take this opportunity to thank you our investors for your support over the course of the year.

Key points
Capital management continued to be the focus
Solid operational result from execution and delivery
Result impacted by writedowns
Successful product and industry recognition
Capital structure and delivery are the priority going forward. Key priorities for 2013 remain the same as for 2012

We would also like to acknowledge the contribution made by Becton's dedicated and enthusiastic employees, without whose passion and commitment we would not be able to operate our business. Thanks also to Bob Critchley and Jack Crumlin, both of whom retired from the Board during the course of the year. We acknowledge the tremendous skill and experience they contributed to the Company during their tenure as directors.

Capital structure and delivery are the priority going forward

As we move into 2013, our capital structure continues to be the primary focus at Group level and delivery of projects the primary focus in operations. The Group's capital structure needs to be addressed for the business to thrive and in that way maximise value for all our stakeholders.
In the absence of a comprehensive capital solution, our key priorities for 2013 remain the same as for 2012 as we continue with resolve to seek a sustainable funding model for our business and develop out our pipeline of projects. Pleasingly, since year end, we have secured extensions of funding for both our Bonnyrigg and Waterloo development projects and are firmly focused on delivery of the next stages at both sites.

DIVERCITY, WATERLOO NSW

Contemporary mixed use urban renewal project spanning 3.6ha just 3.9km from the Sydney CBD

Key data

Number of dwellings:	645 apartments & 17,000m² commercial space
Average dwelling value:	$650,000
Development status*:	444 sold, 110 completed, 179 under construction
Settlement timeframe:	FY12 to FY16

NEWLEAF, BONNYRIGG NSW

Redevelopment of the 81ha Bonnyrigg public housing estate in Western Sydney comprising 18 Stages

Key data

Number of dwellings:	2,330 homes: 1497 private & 833 public
Average dwelling value:	$395,000
Development status*:	431 sold, 204 completed, 159 under construction
Settlement timeframe:	FY12 to FY21

DERBY STREET HOMES & LIV, KENSINGTON VIC

Australia's first major redevelopment of an inner city public housing estate

Key data

Number of dwellings:	722 units: 512 private & 210 public
Average dwelling value:	$468,000
Development status*:	722 sold, 722 completed
Settlement timeframe:	FY12

*As at 30 June 2012

A year of milestones for the Becton Development and Construction business

From the completion in April of our ten-year redevelopment of the former Kensington Housing estate in Victoria to the first settlements at our latest apartment development at Waterloo in NSW – 2012 has been a year of milestones for the Becton Development and Construction business.

Key points
Project milestones achieved
EBT and settlement revenue increased
Significant presales of 2013 and 2014 settlements
Kensington: the model for future social housing projects
Newleaf, Bonnyrigg: wins four industry awards

The Kensington redevelopment model – the first of its kind in Australia - has not only been adopted by us on our Newleaf, Bonnyrigg project, a public private partnership (“**PPP**”) with the state government of NSW, but also been cited[1] as a potential model of choice for the renewal of ageing public housing stock in both Victoria and NSW.

Our projects have delivered a combined growth rate of 87 per cent in year on year settlements with $142 million in settlement revenue achieved during FY12. Earnings before tax are also up: 31 per cent to $19.7 million. Profit margins as a percentage of turnover are down from 20 per cent to 14 per cent largely due to the settlement of Stage 2 Bonnyrigg community dwellings during 2012 – whereas the corresponding private component settled the preceding year.

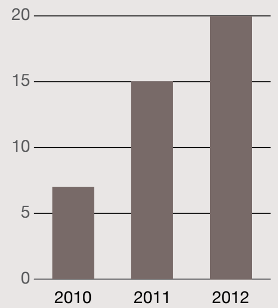
Residential property markets have continued to be challenging throughout FY12. Pleasingly we have maintained strong levels of purchaser enquiry at our developments which have translated into solid pre-sales. By year end we had pre-sold 99 per cent of our FY13 settlement revenue and 62 per cent of our FY14 settlement revenue – considerably insulating us from market risk over the next two years.

Our in-house construction arm, a key point of differentiation from our competitors, enables us to deliver an end-to-end offering to our customers, better manage costs and deliver better quality as well as retain profits in the business. This arm of the business has also had a busy year providing constructions services to Becton’s Development and Retirement businesses and picking up a third party construction contract in Victoria.

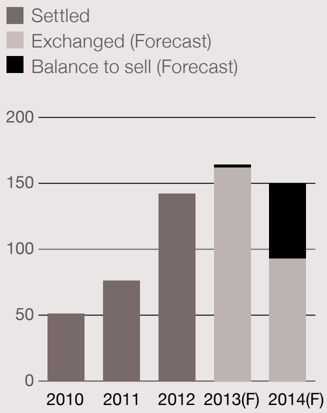
Our dedicated team is firmly focused on delivery of quality build on time and to budget. We are experienced at managing the complexities of multi-stakeholder projects. Our presence in NSW has grown over 2012 as we have brought our projects there to life.

A highlight of the year was the recognition we received for our Newleaf Bonnyrigg project which won four prestigious industry awards. Still early in its life, this project seeks to replicate the positive outcomes of our highly successful social housing redevelopment in Kensington Victoria.

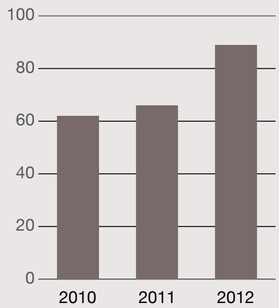
DEVELOPMENT AND CONSTRUCTION EBT UP 31% TO $19.7M ($M)



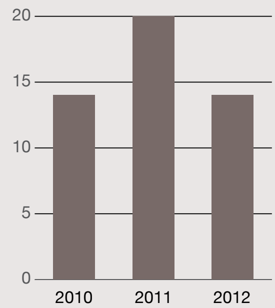
SETTLEMENT REVENUE ($M)



CONSTRUCTION ACTIVITY ($M)



DEVELOPMENT AND CONSTRUCTION PROFIT MARGIN (%)



1 Pathways to a fair and sustainable social housing system – Victoria, Discussion Paper April 2012 and Victorian Department of Human Services: Social housing – A discussion paper on options to improve the supply of quality housing, KPMG, April 2012

MENZIES MALVERN VIC

Key data	
Location:	8 km from Melbourne CBD
Total number of dwellings:	124
Average value	$1070K

CLASSIC RESIDENCES BRIGHTON VIC

Key data	
Location:	12 km from Melbourne CBD
Total number of dwellings:	370
Average value – ILUs/SAs:	$629K/ $309K

DEE WHY GARDENS DEE WHY NSW

Key data	
Location:	18 km from Sydney CBD
Total number of dwellings:	234
Average value – ILUs/SAs:	$472K / $173K

"We have lived most happily at Menzies Malvern for the past eight years. There was a definite feeling of freedom as we handed over our business to our sons and moved from a large house to a much more manageable apartment."

Carol, resident, Menzies Malvern

"We have been very happy making the move. The villa is comfortable and feels like home. All our friends and relatives have been impressed"

Sylvie and Stenio, residents, Waverley Country Club

WAVERLY COUNTRY CLUB ROWVILLE VIC

Key data	
Location:	29 km from Melbourne CBD
Dwellings under management:	108
Reservations:	8
New dwellings available for sale:	18
Average value – ILUs:	$490K

WOODSTOCK WEST BUNBURY WA

Key data	
Location:	175 km south of Perth
Dwellings under managemen	123
Average value – ILUs:	$370K

THE WONIORA WAHROONGA NSW

Key data	
Location:	22 km from Sydney CBD
Dwellings under management:	51
Average value – ILUs:	$777K

*As at 30 June 2012

With the completion of the final stage of our Waverley Country Club retirement village in Victoria, Becton' Living's portfolio of dwellings under management again crossed the 1,000 mark during 2012. We added 23 retirement units to our portfolio of dwellings under management over the course of the year.

Key points
Strong village metrics
All villages accredited
Development of Waverley Country Club completed
Result and investment in Retirement Alliance impacted by softer market
Capital works sinking funds in good condition and works being undertaken
Relationship with Oman Investment Fund continues

Becton Living aims to be the leading provider of retirement villages in the markets it serves, with a firm focus on maintaining our very high quality customer service standards and built form as well as a deep understanding of what is important to our residents. Our village metrics continue to be first class, with occupancy levels amongst the highest in the industry and resident satisfaction consistently high across the portfolio. We maintained our RVA accredited status across all our villages during the year, giving residents and their families peace of mind that they are dealing with an operator that has sound processes and procedures.

Sales, resales and earnings were down in 2012 as we started the year with fewer development projects and low levels of mature stock. Longer length of stay/ slower turnover and softer localised market conditions also impacted the 2012 financial result of this business. These factors, among others, also impacted the carrying value of our investment in the Retirement Alliance with the Oman Investment Fund, with whom we own all but one of the assets in the retirement portfolio.

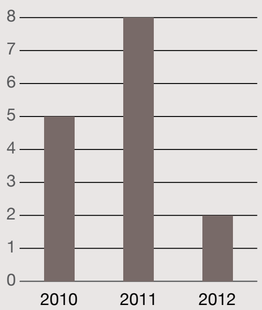
A decision by many lenders to no longer lend to the sector meant that the refinancing of the Retirement Alliance term debt facility was a major focus of the year and continues to be so.

To help better manage our capital we sold our Malvern East retirement development asset in Victoria and paid down debt with the proceeds.

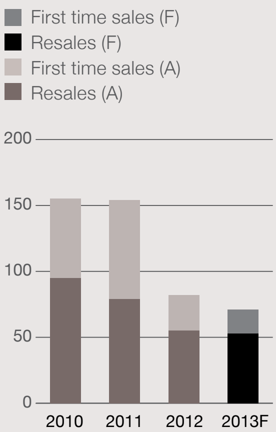
Despite these challenges, the capital works sinking funds at our villages remain in good shape and we have invested in a new cinema for our Menzies Malvern village, refurbished the pool area at Classic Residences Brighton and completed extensive road works at Dee Why Gardens. Capital works were also undertaken at other villages.

Our relationship with the Oman Investment Fund continues as we work toward addressing the challenges facing this business during the course of the year. We have a portfolio of well built assets in great locations, great systems and processes, a dedicated team of people, happy residents and the benefit of an in-house development and construction capability through our Development & Construction business. We have achieved a solid start to 2013 in terms of sales and provided the current funding challenges can be resolved, we look forward to a stronger result in 2013.

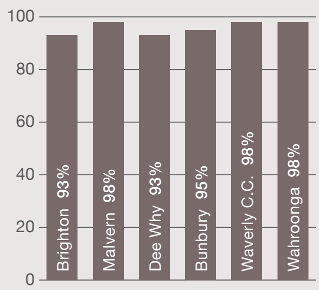
RETIREMENT EBT ($M)



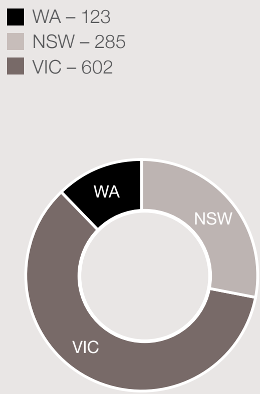
SALES AND RESALES (NO. OF DWELLINGS)



OCCUPANCY ACROSS THE PORTFOLIO AS AT 30 JUNE 2012



STRONG EXPOSURE TO NSW AND VIC



Communities

10
public housing tenants employed to clean and maintain the redeveloped estate

Kensington, Victoria

- 10 year project
- Redevelopment of public housing estate into an integrated community of 722 homes
- 70:30 private to public dwelling mix
- Social and private dwellings are indistinguishable reducing the stigma of a public housing estate
- Lower crime and police call-out rate and safer environment
- Preferred model for other like projects in NSW and Victoria

Newleaf, Bonnyrigg

- 30 year project
- Redevelopment of 850 dwelling public housing estate into an integrated community of 2,300 homes
- 70:30 private to public dwelling mix
- 150 training and employment opportunities created for members of local community through the Newleaf Communities consortium and also through the Greenwings program
- Community housing tenants – 84% satisfaction
- More than 5000 hours of community time volunteered to community activities since project inception

150
training and employment opportunities

Safety

211
safety inspections carried out

- Lost time injuries (LTIs): 65.2 hours for 43,862 construction hours worked
- Undertook a comprehensive review of our Occupational Health and Safety Management System
- 211 safety inspections carried out

BECTON SAFETY

People

Jane Ellis, runner up in the RVA Rising Generation Award

Developing our people

Jane Ellis, Becton Living

Career Progression:

1. front of house
2. functions co-ordinator
3. head office rotation
4. assistant village manager

Mentored by our most experienced village manager

Runner up in RVA Rising Generation Award

53+
number of different training courses attended by staff

Diversity

Age Bracket	% of all Employees	% Male Employees	% Female Employees
16 to 19	3%	17%	83%
20 to 29	21%	42%	58%
30 to 39	23%	55%	45%
40 to 49	18%	48%	52%
50 to 59	25%	42%	58%
60 to 69	10%	57%	43%
70 plus	<1%	100%	0
Total	**100%**	**47%**	**53%**

53% in the whole organisation

25% in senior executive positions

0% directors on the Board

47% in the whole organisation

75% in senior executive positions

100% directors on the Board

Environment

80%
of waste and debris generated on construction sites is recycled

Becton Development and Construction has for many years carefully selected materials and products to maximise energy efficiency of our buildings and implemented water usage and landscape designs to promote local flora and fauna

- 80% of waste and debris generated on construction sites is recycled
- LED downlights on all projects – significantly reducing energy consumption and costs for purchasers
- High efficiency insulation improves thermal performance, reducing energy costs for heating and cooling
- High efficiency glazing, appliances and tapware
- Stormwater retention and reuse for irrigation
- Energy ratings on all projects exceed the Building Code requirements

Board and Management Team

Board of Directors

1. **Bill Conn**
   Chairman and Non-Executive Director
2. **Matthew Chun**
   Chief Executive Officer and Managing Director
3. **Peter Dempsey**
   Non-Executive Director

Management Team

4. **Andrew Brooks**
   Project Leader – Newleaf, Bonnyrigg
5. **Sebastian Catalfamo**
   Head of Development
6. **Jenny Clancy**
   General Manager Sales and Operations Becton Living
7. **Steve Leske**
   Chief Financial Officer
8. **Paul McIntyre**
   Head of Construction
9. **Kylie Newman**
   Group HR Manager
10. **Stuart Nicolson**
    CEO Becton Living
11. **Jason Vanderzalm**
    Company Secretary


1


2


5


6


3


7


8


9


4


10


11

Directors' Report

The Directors of Becton Property Group Limited ("BPG" or the "Company") submit their report for the year ended 30 June 2012.

The shares of BPG and units of Becton Property Trust (BPT) (collectively Becton) are combined and issued as stapled units on the Australian Securities Exchange.

The shares and units cannot be traded separately and can only be traded as stapled securities. These financial statements reflect the aggregation of the consolidated financial statements of BPG and BPT.

For statutory reporting purposes, BPG has been identified as the head entity in the Consolidated Entity (BPG Group or the "Group") based on the size of its net assets and its operations and accordingly, it presents the consolidated financial report of Becton.

Directors

The names and details of Becton's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr. William J Conn OAM B.Comm (Hons.), MBA, CPA (appointed 28 June 1995)	Non-executive Chairman, independent director, aged 66. Bill has over 40 years' experience in investment banking. Bill is a director of a number of public companies and several community organisations. Bill is Chairman of the Remuneration Committee.
Mr. Peter Dempsey B. Technology (Civil Engineering) Uni of Adelaide (appointed on 25 July 2008)	Non-executive director, independent director, aged 65. Peter has extensive development and construction experience and has been involved in the property industry for over 40 years. Until 2002 Peter was the CEO and Managing Director of Baulderstone Hornibrook Limited. Peter is currently a director at Monadelphous Limited, and is chairman at Service Stream Limited. Peter is chairman of the Audit and Risk Committee.
Mr. Matthew Chun B.Ec, Grad. Dip Prop RMIT Grad. Dip Applied Investment & Finance FINSIA (appointed 1 August 2007)	Executive director, aged 42. Matthew was appointed Chief Executive Officer of Becton Property Group in August 2008, having previously served as Head of Funds Management of Becton Investment Management Ltd. and has been an executive director since August 2007. He has 20 years' experience in the property industry, including senior positions at Cbus Industry Super Fund and Coles Myer. Matthew has had considerable experience in the development and ownership in the retail, office, industrial, residential and hotel property sectors. Matthew is also a director of Becton Living Pty Ltd.

All board members are members of both the Audit and Risk Management Committee and the Remuneration Committee.

Directors who resigned during or since the end of the financial year up to the date of this Directors' Report are:

Mr. Robert Critchley B.Ec, CPA, FFIN (resigned 25 November 2011)	Non-executive director, independent director, aged 68. Bob is a strategic workforce consultant and published author. Previously, he was International President for DBM Inc., responsible for its global operations. He has over 25 years' experience in the local and international banking and finance industry. Bob was Chairman of the Audit & Risk Management Committee.
Mr. Jack Crumlin B.Sc. (Technology and Business studies) University of Strathclyde, CA (resigned 5 June 2012)	Non-executive director, independent director, aged 50. Jack is one of the founding directors of Norton Crumlin & Associates, a management consulting firm based in Sydney. Jack has also served as a CEO of a telecommunications service provider and as a partner at PricewaterhouseCoopers and also at Ernst & Young.

Directorships of other listed companies held by directors in the three years immediately before the end of the financial year are as follows:

William Conn	IWIF Holdings Limited	Appointed May 2009
Peter Dempsey	Monadelphous Group Limited Service Stream Ltd	Appointed May 2003 Appointed November 2010
Matthew Chun	None	N/A

Information on company secretaries

Mr. Steve Leske B.Bus (Banking & Finance)	Steve was appointed as joint company secretary on 22 March 2012 following the resignation of John Ciardulli.
Mr. Jason Vanderzalm B.Econ, ACA	Jason was appointed as joint company secretary on 22 March 2012 following the resignation of John Ciardulli.
Mr. Giovanni (John) Ciardulli B.Ec, LLB, ACA	Company secretary until resignation on 22 March 2012. John was appointed company secretary on 6 December 2010, having joined Becton in December 2006. John also held the position of group tax manager and group general counsel.

Principal activities

During the year the principal activities of the Group consisted of:

- property development and construction projects; and
- independent living retirement village owner and manager.

Other than the above, there were no significant changes in the nature of the activities of the Group during the year.

Review of operations

a. Profit and loss

A summary of revenue and results for the year is as follows:

	Segment revenues	
	2012 $'000	2011 $'000
Total revenue and other income	147,749	81,477
Loss from continuing operations before income tax	(17,908)	(17,201)
Income tax benefit	–	(1,382)
Loss after income tax from continuing operations	(17,908)	(18,583)
Loss after income tax from discontinued operations	–	(28,756)
Net loss after income tax	(17,908)	(47,339)
Outside Equity Interest	–	(3,062)
Net loss after tax attributable to equity holders	(17,908)	(44,277)

b. Balance sheet

The balance sheet of the Group discloses total current assets of $77.6 million and current liabilities of $54.4 million. Since 30 June 2012, $31.8 million of current debt has been repaid.

Full details of the Group's financing position have been set out in Note 1 to the Financial Statements.

Dividends and distributions

There were no dividends and distributions paid to members during the financial year.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

At the Annual General Meeting on 25 November 2011, securityholders of the Group approved a resolution to consolidate securities on a 200:1 basis.

On the 5th June 2012 Australian Capital Reserve (in liquidation) ("ACR") sold all of its ownership in both BEC stapled securities and options.

Other than the noted above, there were no other significant changes in the state of affairs of the Group during the year.

Matters subsequent to the end of the financial year

Apart from the matters outlined in Note 39, the Directors are not aware of any other matters or circumstance not otherwise dealt with in the report, that has significantly or may significantly affect the operations of the Group, the results of those operations or state of affairs of the Group in subsequent financial years.

Likely developments and expected results of operations

a. Operations

Becton will continue to be involved in retirement and its ongoing activities in development and construction.

Becton continues its focus on being a diversified property group with growth forecast to come increasingly from recurrent income streams by identifying a number of growth opportunities including:

- securing appropriate new development and construction projects advantageously through property cycles; and
- pursuing growth in the retirement sector through the acquisition and development of greenfield sites, largely via its retirement alliance venture.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

The number of meetings of the Company's Board of Directors and of each board committee held during the year ended 30 June 2012, and the number of meetings attended by each director were:

	Board of Directors		Remuneration Committee		Audit and Risk Management Committee	
Directors	Held	Attended	Held	Attended	Held	Attended
William J Conn	16	16	2	2	8	8
Peter Dempsey	16	16	2	2	8	8
Matthew Chun	16	16	2	2	8	8
Jack Crumlin	15	15	2	2	7	7
Robert Critchley	8	8	0	0	3	3

In accordance with the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations", Becton has an Audit and Risk Management Committee and a Remuneration Committee. Details relating to the policy and procedures and membership of these committees are found in the Corporate Governance Statement. A Nomination Committee has not been formed by the Company as the matters normally reserved and dealt with by a Nomination Committee are dealt with by the Board as a whole.

Indemnification of auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the company secretary, and all executive officers of the Company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Directors' Report
(continued)

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' shareholdings

Equity instrument disclosures relating to directors

The following table sets out each director's relevant interest in shares and rights or options in shares of the Company or a related body corporate as at the date of this report.

Directors	Fully paid ordinary securities	Executive security options	Convertible notes
MB Chun	–	–	–
W J Conn	17,379	–	–
P Dempsey	–	–	–
J Crumlin	–	–	–

Directors' option holdings and loans

No director holds any options over ordinary securities in the Company, nor has the company made any loans to any director of Becton, including their personal related entities.

Key management personnel disclosure

No material contracts involving directors' interests were entered into during the year or existed at the end of the year other than the transactions detailed in the key management personnel note to the financial statements.

Environmental regulation

The operations of the Company are not subject to any particular or significant environmental regulations under a Commonwealth, state or territory law. The Directors are not aware of any breach of environmental regulations during the year and up to the date of this report.

Remuneration Report

Introduction and executive summary

Remuneration philosophy

Becton aspires to be a leading publicly listed property group in Australia which empowers its people to drive business performance to deliver business results.

Our seven core values are Integrity, Communication, Passion, Teamwork, Innovation, Leadership and Commitment. Becton has structured its senior management remuneration framework to achieve our aspirations and reflect our core values.

Our aim is to attract and retain high calibre senior management and employees and to align senior management reward with the delivery of strategic objectives and maximise value for shareholders.

Our remuneration framework provides a mix of fixed and variable remuneration components. The variable components are at risk with a strong link to business performance and individual contribution through the Short Term Incentive (STI) Program and participation in a retention payment scheme.

We continuously review our variable pay arrangements to ensure that appropriate, demanding hurdles are in place.

Labour market conditions and challenges

Becton operates in the Australian labour market, which always experiences strong competition for skilled workers, managers and senior management. Our business success is linked to our ability to attract the best executive talent to Becton from the industry sectors where we operate. We provide outstanding work challenges and career opportunities as well as ensuring that our remuneration practices are competitive and appropriate for the markets in which we operate.

Remuneration reporting

The Remuneration Report is set out under the following main headings:

A. Principles Used to Determine the Nature and Amount of Remuneration
B. Details of Remuneration
C. Executive or Senior Management Employment Agreements
D. Security Based Compensation

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A. Principles used to determine the nature and amount of remuneration

Remuneration policy

The Becton Property Group has established a senior management remuneration framework to ensure that reward for performance is competitive and appropriate for the business results delivered. The framework aligns senior management executive remuneration with achievement of strategic objectives, the creation of value for shareholders and conforms to market practice for delivery of rewards.

The Group seeks to:

- provide a fair and competitive fixed remuneration for senior management under transparent policies and procedures
- reward senior management for attaining prescribed short term individual, business unit and Group performance outcomes set by management under direction from the Board, and
- provide appropriate incentives for senior management linked to long term Group or business unit performance.

The purpose of the Remuneration Committee of the Board of Directors is to, amongst other things, review and recommend to the Board for approval:

- overall policies for remuneration and employment;
- the quantum and structure of remuneration for directors and senior management, and
- performance measures and performance outcomes for directors and senior management.

The Remuneration Committee assesses appropriateness of remuneration arrangements for non-executive directors and senior management by reference to relevant market conditions with the overall objective of ensuring maximum stakeholder benefit with the retention of an experienced high quality Board and senior management team.

Non-executive director remuneration

Fees and payments to non-executive directors are designed to:

- attract and retain directors with the appropriate qualifications, experience and commitment, at appropriate cost to the Company, and
- reflect the demands which are made on, and the responsibilities of directors.

Non-executive directors' fees and payments are reviewed annually to ensure non-executive directors' fees are appropriate and in line with the external market. The fees for non-executive directors also take into consideration roles on board committees.

Chairman

The Chairman receives a fee of $140,000 per annum.

Non-executive directors' fees

The Constitution and ASX Listing Rules specify that the aggregate remuneration for non-executive directors shall be determined from time to time by a general meeting of shareholders.

Each non-executive director has signed a Letter of Appointment that outlines the Director's duties and responsibilities and the fee to be paid to that director. Fees paid cover both the Board and any committee positions where the non-executive director is a member. The non-executive directors' emoluments are comparable to similar companies in the property industry. There is no formal link between Company performance and these emoluments.

Retirement allowances for non-executive directors

It is the policy of the Company not to pay lump sum retirement allowances to non-executive directors.

Use of remuneration consultants

In July 2011, Becton Property Group Limited's Remuneration Committee employed the services of Aon Hewitt to provide research and data on non-executive director remuneration. For these services Aon Hewitt was paid a total of $4,770. As a result of this report no amendments were made to the remuneration of non-executive directors.

Senior management remuneration

The senior management pay and reward framework has three components:

- Total fixed remuneration, including superannuation and benefits
- Short term performance incentives, and
- Retention payment scheme.

The combination of these components comprises senior management's total remuneration.

Total fixed remuneration

This is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the senior management team member's discretion.

Base salary

Members of senior management are offered a competitive base salary that comprises the fixed component of pay and rewards including superannuation contributions (in accordance with the Superannuation Guarantee (Administration) Act 1992). External remuneration data ensures base salary reflects the market for a comparable role. The base salary for a member of senior management is reviewed annually to ensure that their pay is competitive with the market. A member of senior management's pay is also reviewed on promotion and there are no guaranteed base salary increases in any employment agreements.

Benefits

Benefits may include:

- salary packaging car parking, leased motor vehicles and additional super contributions
- professional subscriptions, and
- staff discounts on purchased property from Becton.

Short term incentives (STI)

Employees participate in a STI program with any payments made by September of each year in relation to the financial year ended on the previous June, ensuring that variable reward is only available after value has been created for shareholders.

Employees have an opportunity to receive an STI, depending on Key Performance Indicators (KPIs). For the year ended 30 June 2012, the KPIs were based on business and individual performance objectives and targets that were set at the beginning of the year.

All STI payments to be made are reviewed and approved by the Remuneration Committee. The STI program is reviewed annually by the Remuneration Committee.

Retention payments

The objective of the retention payments is to reward and retain key senior employees in the current challenging financial and employment markets. The pre-determined cash payments are paid provided they remain employed at the end of the financial year and contribute to a level determined acceptable by the CEO.

B. Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors and key management personnel (as defined in AASB 124 Related Party Disclosures) of the Becton Property Group are set out in the following tables.

The key management personnel of the Becton Property Group include the Directors and the following members of senior management employed by the Group during the financial year who have authority for planning, directing and controlling the activities of the entity:

- Sebastian Catalfamo – Head of Development
- Steve Leske – Group Treasurer
- Paul McIntyre – Head of Construction
- Stuart Nicolson – CEO – Retirement
- Giovanni (John) Ciardulli – Company Secretary, Group Counsel and Tax Manager (employment ceased 22 March 2012)
- Damian Dalgleish – CEO – Development and Construction (employment ceased 18 April 2012)

		Short term		Post employment			Retention	
2012	Salary $	At risk incentive[1] $	Non-monetary benefits[2] $	Super $	Long service leave $	Termination benefits $	At risk incentive – deferred payments[3] $	Total $
Non-Executive Directors								
W J Conn (Chairman)	128,440	–	–	11,560	–	–	–	140,000
P Dempsey	73,394	–	–	6,606	–	–	–	80,000
R Critchley[4]	30,581	–	–	2,752	–	–	–	33,333
J Crumlin[5]	66,667	–	–	–	–	–	–	66,667
Executive Directors								
M B Chun	576,842	178,750	8,287	15,775	6,905	–	137,500	924,059
Other key management personnel								
S Catalfamo	300,000	95,000	8,287	15,775	10,388	–	50,000	479,450
S Leske*	174,182	17,500	23,070	15,775	4,354	–	25,000	259,881
P McIntyre	264,589	50,000	1,636	15,775	11,635	–	26,000	369,635
S Nicolson	334,801	65,375	–	15,775	7,666	–	62,500	486,117
J Ciardulli[6]	132,511	–	8,761	17,897	–	104,196	–	263,365
D Dalgleish[7]	262,281	–	6,643	20,548	–	443,770	–	733,242
	2,344,288	406,625	56,684	138,238	40,948	547,966	301,000	3,835,749

* S Leske appointed Joint Company Secretary 22 March 2012

2011	Salary $	Short term: At risk incentive[1] $	Short term: Non-monetary benefits[2] $	Post employment: Super $	Post employment: Long service leave $	Post employment: Termination benefits $	Retention: At risk incentive – deferred payments[3] $	Total $
Non-Executive Directors								
W J Conn (Chairman)	128,440	–	–	11,560	–	–	–	140,000
P Dempsey	73,394	–	–	6,606	–	–	–	80,000
R Critchley[4]	73,394	–	–	6,606	–	–	–	80,000
Executive Directors								
M B Chun	577,698	233,750	8,007	15,199	19,615	–	137,500	991,769
Other key management personnel								
S Catalfamo	300,000	98,500	8,007	15,199	7,477	–	50,000	479,183
S Nicolson	334,801	122,083	–	15,199	13,453	–	62,500	548,036
J Ciardulli[6]	152,547	25,000	14,060	14,087	6,341	–	10,000	222,035
D Dalgleish[7]	326,794	123,906	8,007	15,199	16,462	–	62,500	552,868
J Goodwin[8]	187,517	–	4,004	7,600	–	366,249	26,040	591,410
J Vanderzalm[9]	139,239	–	4,004	7,600	–	332,518	12,500	495,861
	2,293,824	603,239	46,089	114,855	63,348	698,767	361,040	4,181,162

(1) STIs are at-risk incentives and relate to the achievement of individual performance targets for the respective financial year, which are measured and paid by September of the following financial year. The amounts included are amounts paid, although the maximum incentive may be more than this. For prior year reporting purposes, the 2011 financial year payments have been amended to actual payments made for the relevant period, rather than the maximum incentive payable.

(2) Non-monetary benefits include one or a combination of motor vehicles, car parking and other non-cash fringe benefits.

(3) Long term at risk incentive – deferred payments reflects those deferred cash payments which form part of the remuneration package and are payable by September of the following financial year.

(4) Mr. Critchley resigned as non-executive director on 25 November 2011.

(5) Mr. Crumlin was appointed to the board on 26 July 2011 by Australian Capital Reserve Limited (ACR), and retired on 5 June 2012 after ACR sold all of its ownership in both BEC stapled securities and options.

(6) Mr. Ciardulli's position was made redundant effective 22 March 2012.

(7) Mr. Dalgleish's position was made redundant effective 18 April 2012.

(8) Mr. Goodwin's position was made redundant on the sale of the funds management business effective 16 December 2010.

(9) Mr. Vanderzalm's role as CFO was made redundant following the sale of the funds management business effective 24 December 2010.

All the listed key management personnel above held those positions for the full year unless noted.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration 2012 %	Fixed remuneration 2011 %	Short term – at risk incentive 2012 %	Short term – at risk incentive 2011 %	Long term – at risk incentive 2012 %	Long term – at risk incentive 2011 %
Executive directors						
M B Chun	66	63	19	24	15	13
Key management personnel						
S Catalfamo	70	69	20	21	10	10
S Leske	83	–	7	–	10	–
P McIntyre	79	–	14	–	7	–
S Nicolson	74	66	13	22	13	12
J Ciardulli	–	84	–	11	–	5
D Dalgleish	–	66	–	22	–	12
J Goodwin	–	88	–	–	–	12
J Vanderzalm	–	92	–	–	–	8

C. Executive or senior management employment agreements

Remuneration and other terms of employment for the Chief Executive Officer and other key management personnel are formalised in senior management employment agreements.

Matthew Chun, Chief Executive Officer

- An ongoing employment agreement from 29 June 2009.
- Total fixed remuneration, inclusive of superannuation, for the year ended 30 June 2012 was $600,904, to be reviewed annually by the Remuneration Committee.
- His employment may be terminated by either party by giving twelve (12) months notice. Becton may make payment in lieu of the notice period or part of that period.

Sebastian Catalfamo, Head of Development

- An ongoing employment agreement from 28 November 2008.
- Total fixed remuneration, inclusive of superannuation, for the year ended 30 June 2012 was $324,069, to be reviewed annually by the Remuneration Committee.
- His employment may be terminated by either party Becton giving six (6) months notice or the employee giving three (3) months notice. Becton may make payment in lieu of the notice period or part of that period.

Steve Leske, Group Treasurer

- An ongoing employment agreement from 30 April 2012.
- Total fixed remuneration, inclusive of superannuation, for the year ended 30 June 2012 was $213,027, to be reviewed annually by the Remuneration Committee.
- His employment may be terminated by either party by giving nine (9) months notice. Becton may make payment in lieu of the notice period or part of that period.

Paul McIntyre, Head of Construction

- An ongoing employment agreement from 19 April 2012.
- Total fixed remuneration, inclusive of superannuation, for the year ended 30 June 2012 was $310,000, to be reviewed annually by the Remuneration Committee.
- His employment may be terminated by either party by giving six (6) months notice. Becton may make payment in lieu of the notice period or part of that period.

Stuart Nicolson, CEO – Retirement

- An ongoing employment agreement from 3 July 2006.
- Total fixed remuneration, inclusive of superannuation, for the year ended 30 June 2012 was $350,576, to be reviewed annually by the Remuneration Committee.
- His employment may be terminated by either party Becton giving six (6) months notice or the employee giving three (3) months notice. Becton may make payment in lieu of the notice period or part of that period.

Damian Dalgleish, CEO – Development and Construction

- An ongoing employment agreement from 28 November 2008, until 18 April 2012 when the CEO – Development and construction role was made redundant.
- Total Fixed Remuneration, inclusive of superannuation, for the year ended 30 June 2012 was $289,472, to be reviewed annually by the Remuneration Committee.
- His employment may be terminated by either party Becton giving six (6) months notice or the employee giving three (3) months notice. Becton may make payment in lieu of the notice period or part of that period.

Giovanni (John) Ciardulli, Group General Counsel, Tax Manager and Company Secretary

- An ongoing employment agreement from 6 December 2006, until 22 March 2012 when the Group General Counsel, Tax Manager and Company Secretary role was made redundant.
- Total Fixed Remuneration, inclusive of superannuation, for the year ended 30 June 2012 was $159,169, to be reviewed annually by the Remuneration Committee.
- His employment may be terminated by either party Becton giving six (6) months notice or the employee giving three (3) months notice. Becton may make payment in lieu of the notice period or part of that period.

D. Security based compensation

Employee security plans are determined to be not economically sustainable in terms of their levels of membership, value of holdings and overall running costs, and therefore have been wound up in since 30 June 2010.

Directors' Report
(continued)

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

The Board of Directors has considered the position and, in accordance with advice received from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditors own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the Company and its related practices:

Assurance and taxation services – Deloitte Touche Tohmatsu	2012 $	2011 $
Audit services		
Audit and review of financial statements	**304,500**	290,000
Taxation services		
Deloitte Touche Tohmatsu firm:		
Tax compliance services	**244,300**	–
Total remuneration for taxation services	**244,300**	–
Other services		
Deloitte Touche Tohmatsu firm:		
Other assurance services	**47,250**	350,994
Total remuneration for non-audit services	**596,050**	640,994

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out following the notes to the financial statements.

Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Becton Property Group Limited support and adhere to the principles of good corporate governance. The Company's Corporate Governance Statement is contained in this Annual Report to shareholders.

Group performance

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 30 June 2012:

	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Revenue ($000's)	**147,749**	81,477	158,420	310,562	538,752
Net profit/(loss) ($000's)	**(17,908)**	(44,277)	(84,353)	(304,877)	11,518
Operating profit ($000's)	**6,402**	4,753	4,062	17,022	53,595
Share price	**$0.43**	$0.01	$0.04	$0.15	$1.43
Dividends/distributions per security (cents)	**–**	–	–	–	$27.20
Basic earnings per security (cents)	**(242.84)***	(3539.60)*	(41.18)	(167.28)	7.13
Diluted earnings per security (cents)	**(242.84)***	(3539.60)*	(41.18)	(167.28)	7.02

* At the Annual General Meeting on 25 November 2011, securityholders of the Group approved a resolution to consolidate securities on a 200:1 basis. This took the total number of securities from 1,474,905,353 (pre-consolidation) to 7,374,116 (post consolidation). The consolidation has also been reflected in the 30 June 2011 weighted average number of ordinary shares.

Rounding of amounts to the nearest thousand dollars

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of directors.

For and on behalf of the Board

William J Conn
Chairman
Melbourne
This 27th day of September 2012

Corporate Governance Statement

Established in 1976, Becton has a history of high quality residential construction and commercial property development. Becton Property Group Limited ("BPG" or "the Company") was incorporated in November 2000 and listed on the Australian Securities Exchange (ASX) in July 2005. BPG focuses on creating and operating property assets with operations in development, construction and retirement village ownership and management. On 13 November 2006, BPG issued stapled securities whereby the Company's ordinary shares were stapled to the units in the Becton Property Trust ("BPT"). BPG and BPT are collectively referred to as "Becton" or "the Group". The Company aims to maximise value for all stakeholders of the business.

The Becton Board (the Board) is responsible for establishing the corporate governance framework of the Company and establishing appropriate corporate governance policies and procedures having regard to the ASX Corporate Governance Council (CGC) published guidelines as set out in its "Principles of Good Corporate Governance and Best Practice Recommendations". The Board continues to review the framework and practices to ensure they meet the interests of securityholders.

This Corporate Governance Statement is structured with reference to the CGC's published guidelines. The charters and policies laid out in this Corporate Governance Statement represent a concise version of those charters and policies that have been adopted or are currently being considered for adoption by the Board. Where a CGC recommendation has not been followed, the fact must be disclosed, together with reasons for the departure. The Company's Corporate Governance charters and policies are contained on the Company's website www.becton.com.au in the Corporate Governance section.

Principle 1: Lay solid foundations for management and oversight

i. Role of the BPG board and company management

The Board and management of the Company are collectively experienced in both the property industry (including retirement) and in the management of a listed public company.

The Board is responsible for providing strategic guidance and for contributing to the development of the corporate strategy and performance objectives, including the implementation of a business strategy, the annual budget and financial plan, monitoring the Company's financial performance and ensuring that appropriate management is in place to achieve these objectives. These objectives are undertaken having regard for the interests of all stakeholders and the Company's values.

The Board appoints the Chief Executive Officer (CEO) and the Company Secretary. The Board's Audit and Risk Management Committee oversees the Board's monitoring systems of risk management, compliance and financial reporting. The Board is also responsible for approving and monitoring major capital expenditure, capital management and the acquisition and divestment of assets.

The Board Charter is available on the Company's website www.becton.com.au in the Corporate Governance section. This charter details the matters reserved for the Board and those that may be delegated.

ii. Delegation of authority

The Board may delegate the performance of any of its functions and exercise of its powers in the ordinary course of business, to its sub-committees, an officer of a subsidiary company, or any member of the Company's Senior Management Team. This includes:

- the day to day administration of its assets, including ensuring that assets are adequately insured where necessary ensuring that detailed market investigations and effective due diligence are carried out on proposed investments or acquisitions, and
- Ensuring that capital required to fund proposed investments or acquisitions as well as general working capital requirements is adequate.

In addition, under the guidance of the Board's Audit and Risk Management Committee, the day to day implementation of risk management, financial management and compliance in relation to the Company's assets may be delegated to an officer of a subsidiary company or any member of the Company's Senior Management Team. The Board has adopted a Statement of Delegated Authority.

iii. Performance review for senior management

Senior management is subject to an annual performance review in line with policies recommended by the Remuneration Committee. A performance evaluation of senior executives against key performance targets was last undertaken in June 2012. For further information on this committee refer to the Remuneration Committee Charter contained in the Corporate Governance section of the Company's website.

Further information regarding the performance review policy and procedure is contained in ASX CGC Principle 8 below.

Principle 2: Structure the board to add value

BPG board structure

At the date of this report, the Board is comprised of three directors, with a majority of the Board being non-executive directors.

William Conn	Independent non-executive director and Chairman
Peter Dempsey	Independent non-executive director
Matthew Chun	Chief Executive Officer and executive director

The skills, experience and expertise relevant to the position of director and the date of appointment of each director in office at the date of the Annual Report is included in the Directors' Report.

Consistent with ASX CGC Principle 2.1, the recommendation that no independent director holds more than 5 per cent of the total shares on issue or that there is no material interest in the Company that would impair independence has been met by the following directors:

William Conn	Independent non-executive director and Chairman
Peter Dempsey	Independent non-executive director

The Company's disclosure regarding independence of directors is not consistent with CGC Principle 2, Recommendation 2.1 in that it does not expressly set materiality thresholds. Rather, the Board requires any relationship affecting independence to be disclosed and makes its determination on a case by case basis.

The Company supports the appointment of directors who have a wide range of business and professional skills and experience. A description of the skills and experience of each director is contained in the Directors' Report which precedes this Corporate Governance Statement. Each director has a three year term of office, at the end of which they retire and seek re-election as a director by securityholders.

Pursuant to ASX CGC Principle 1, each director has been issued with and signed a letter of appointment that sets out the terms and conditions of their appointment including their duties and obligations as a director of the Company, their participation on board committees, period of appointment, remuneration and confidentiality requirements.

Each director has been issued with and signed a Deed of Indemnity, Insurance and Access that will indemnify, insure and protect directors for up to seven years after their resignation in the event of a legal matter that the Company may face in the future which relates to the period whilst they were a director of the Company.

Each director is required to disclose any interest which might create a potential conflict of interest with their duties, as a director of BPG, or which would affect their independence. At the commencement of each Board meeting, directors are asked to declare any interests held in external companies or changes in interests held in BPG since the date of the last meeting, or interests in any matters tabled at the board meeting.

In order for directors to bring independent judgment to bear in decision making, directors have the right to obtain independent professional advice, if necessary, at the Company's expense.

The Company's procedure regarding the selection and appointment of new directors, board succession planning and evaluation of the performance of the board is not consistent with ASX CGC Recommendation 2.4 in that the Company does not have a separate nomination committee. The responsibility for those matters that are ordinarily considered by a nomination committee rests with the full Board. Accordingly the full Board considers and reviews those matters as required.

The evaluation of the Board and its committees and directors is performed at least annually by the Chairman with the involvement of the Directors as they see fit. Such a review is also performed whenever there is a change in composition of the Board (that is, a resignation or contemplated appointment of a director).

The Chairman undertakes an annual assessment of the performance of each individual director and meets privately with each director to discuss this assessment.

A performance evaluation of the Board, its committees and directors was last undertaken in June 2012. That evaluation was undertaken in accordance with the process disclosed in this Corporate Governance Statement.

Corporate Governance Statement
(continued)

Principle 3: Promote ethical and responsible decision making

Code of conduct

i. Conduct of senior management

Pursuant to ASX CGC Principle 3, a Code of Conduct has been established by the Company. The Board of BPG is committed to the Code of Conduct. This commitment is communicated to the Senior Management Team. The Senior Management Team communicates the Code, together with a number of other key attributes that have been identified as being imperative to the success of BPG, to all employees. All employees are required to adhere to the Code and the core values of the Company.

All employees must comply with all laws and regulations. This includes understanding the laws and regulations relevant to their work and complying with the legal requirements of the jurisdictions in which they operate.

Employees should not engage in activities or hold or trade assets that involve, or could appear to involve, a conflict between their personal interests and the interests of the Company.

Senior management is responsible to the Board for the Company's performance under this Code and has operational responsibility for ensuring compliance with the Code.

The Code of Conduct aims to promote ethical and responsible decision making. BPG's employment practices include:

- induction training for all employees
- an Equal Employment Opportunity and Anti-Bullying Policy
- Occupational Health and Safety Policies and Procedures, and
- assistance with professional development opportunities and industry based training for employees.

The Code of Conduct requires all employees to exhibit honesty, loyalty, integrity, professionalism and trust in their dealings both internally and externally. BPG aims for good corporate governance and industry best practice, and specifically requires employees to:

- avoid situations which may give rise to a conflict of interest
- avoid situations from which they may profit from their position with the Company and gain any benefit which competes with BPG's business
- comply with all laws and regulations and Company policies and procedures
- not undertake activities inconsistent with their employment with BPG
- properly use BPG's assets for legitimate business purposes, and
- maintain privacy and confidentiality in both BPG's business and the information of its suppliers, customers and securityholders.

The Board has resolved that the Code of Conduct extends to guide compliance with legal and other obligations with respect to stakeholders.

The Company's Whistleblower Protection Policy offers officers, employees, independent contractors and their employees the opportunity to bring to the attention of management conduct which is corrupt, illegal or unethical, without fear of revenge, dismissal or discriminatory treatment.

ii. Conflicts of interest and related party transactions

The Board is committed to good corporate governance and aims for continuous improvement in these practices. BPG embraces high ethical standards and requires employees to demonstrate both personal and corporate responsibility. Directors, officers and employees are required to safeguard the integrity of the Company and to act in the best interests of its stakeholders including securityholders and customers.

There must be no conflict, or perception of conflict, between the interests of any BPG director, officer or employee and the responsibility of that person to the Company or its stakeholders. BPG directors, officers and employees must not improperly use their position for personal or private gain to themselves, a family member, or any other person ("associates").

Directors can only purchase BPG products on the same terms and condition available to BPG staff.

As a general rule, a conflict of interest, or the perception of a conflict, may arise if a director's, officer's or employee's duties involve any actual or potential business with a person, entity or organisation in which that director, officer or employee, or an associate of that director, officer or employee has a substantial personal or financial interest. Accordingly, the following rules apply:

1. Without prior Board approval, directors, officers and employees may not act on behalf of BPG in connection with any business or potential business involving any person, entity or organisation in which they or their associates have direct or indirect managerial influence (such as serving as an executive officer, director, general partner or similar position or if they hold a substantial ownership or beneficial interest).
2. Where a potential conflict exists, this should be disclosed to the Chairman prior to any dealings taking place.
3. At the commencement of each board meeting, directors are asked to declare any interests held in external companies or changes in interests held in BPG since the date of the last meeting, or interests in any matters tabled at the board meeting.

Securities trading policy

BPG's Securities Trading Policy and Procedure ensures that unpublished price sensitive information about BPG is not used in an unlawful manner. The main provisions of this policy are governed by the specific requirements of the Corporations Act 2001 and contain:

- a prohibition of short term trading in BPG securities
- a prohibition from dealing in securities by directors, officers employees or their associates if they are privy to price sensitive information that is not publicly available
- details of periods when directors and employees may trade in BPG securities, and
- a requirement that directors, officers and employees provide prior notice of their intention to deal in BPG securities.

The Securities Trading Policy is available on the Company's website www.becton.com.au in the Corporate Governance section.

Diversity Policy

BPG values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly BPG has had an Equal Employment Opportunity Policy in place since at least 2007 and the composition of its workforce and its work practices are reflective of this policy.

The proportion of women within the company and the age distribution of the Becton workforce as at 30 June 2012 are set out in the tables below.

Gender distribution

	Men		Women	
	Number	%	Number	%
Number of employees in the whole organisation	111	47%	125	53%
Number of people in senior executive positions	6	75%	2	25%
Number of directors on the board	3	100%	0	0%

Age distribution – by gender

Age bracket	Male employees	% Male employees	Female employees	% Female employees	Total employees
16 to 19	1	17%	5	83%	6
20 to 29	21	42%	29	58%	50
30 to 39	30	55%	25	45%	55
40 to 49	20	48%	22	52%	42
50 to 59	25	42%	34	58%	59
60 to 69	13	57%	10	43%	23
70 plus	1	100%	0	0%	1
Total	111	47%	125	53%	236

The Company's practice is not consistent with CGC Principle 3, Recommendation 3.2 in that the Company has not as yet developed a diversity policy that sets measurable objectives in relation to gender, age, cultural background and ethnicity, nor a process for the assessment of such objectives or progress against them.

The Company has, as part of its business strategy over the past four years, been undergoing a process of simplification which has meant that as senior executives and directors leave the Company they are generally not being replaced. It would therefore not be meaningful or in the interests of the Company to at this time put in place employment or development targets based on gender or other diversity attributes as the Company has limited scope to implement them.

The Board will revisit this during the course of the coming year and if appropriate develop a diversity policy and make corresponding adjustments to the Board and Remuneration Committee Charters.

Corporate Governance Statement
(continued)

Principle 4: Safeguard integrity in financial reporting

Audit committee

Pursuant to ASX CGC Principle 4, Recommendation 4.1, the Company has established an Audit and Risk Management Committee.

i. Purpose

The Audit and Risk Management Committee plays a key role in assisting the Board with its responsibilities relating to accounting, developing internal control systems, reporting practices, risk management and ensuring the independence of the Company auditor.

The Audit and Risk Management Committee Charter incorporates policies and procedures to ensure an effective focus from an independent perspective.

The Audit and Risk Management Committee oversees and appraises the quality of the audits conducted by the Company's auditors, Deloitte Touche Tohmatsu, Chartered Accountants. Their appointment is reviewed periodically in line with industry best practice. BPG believes in the ongoing assessment of its audit arrangements and complies with any regulatory requirements to rotate the external audit partner.

The Audit and Risk Management Committee includes in its charter the obligation to carry out a review of the effectiveness of administrative, operating and accounting controls. Meetings of the Audit and Risk Management Committee are held at minimum three times per year. Two of these meetings are for review, approval and recommendation of full-year and half-year financial accounts and further meetings are for discussion of policies, procedures and risk management matters. The auditors of the Company, Deloitte Touche Tohmatsu, are also invited to recommend policies and procedures for discussion by the Audit and Risk Management Committee.

Following a recommendation by the Audit and Risk Management Committee to the Board to approve the annual and half year financial accounts, the CEO and Chief Financial Officer (CFO) table with the Board a written statement to the Company's external auditors that the Company's financial reports:

- present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards
- that the statement to the Board is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and
- that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

ii. Composition

In accordance with ASX CGC Principle 4, Recommendation 4.2, BPG's Audit and Risk Management Committee is structured so that the Committee:

i. is comprised of independent non-executive directors; and
ii. has an independent chairman, who is not Chairman of the Board.

The structure of the Audit and Risk Committee is not consistent with ASX CGC Recommendation 4.2 in that the Audit and Risk Committee is comprised of two rather than three directors. The structure of the Audit and Risk Committee was consistent with Recommendation 4.2 for most of the 2012 financial year. However, since June 2012, the Board has consisted of only three directors, one of whom is an executive director, so given the current composition of the Board, the Audit and Risk Committee has been unable to meet the requirements of recommendation 4.2.

External audit engagement partners are selected, appointed and rotated in line with the policy of the external audit firm.

Members of the Audit and Risk Management Committee are:

Peter Dempsey	Committee chairman (Independent non-executive director)
William Conn	(Independent non-executive director)

There were three Audit and Risk Committee meetings held during the reporting period.

For details of the qualifications of the Audit and Risk Management Committee members, refer to the Directors' Report which precedes this Corporate Governance section. The Audit and Risk Management Committee Charter is available on the Company's website www.becton.com.au in the Corporate Governance section.

Principles 5: Make timely and balanced disclosures

Continuous disclosure policy

Pursuant to ASX CGC Principle 5, BPG's Continuous Disclosure Policy is designed to promote transparency and investor confidence by ensuring that all interested parties have an equal opportunity to obtain information issued by BPG. BPG is committed to complying with the continuous disclosure obligations contained in the Listing Rules of the ASX and under the Corporations Act 2001 by taking all necessary steps to ensure that all securityholders and the market have an equal opportunity to obtain and review full and timely information about BPG's securities.

The ASX defines continuous disclosure in its Listing Rules as "the timely advising of information to keep the market informed of events and developments as they occur". The Listing Rules and the Corporations Act require that a listed entity disclose to the market matters which a reasonable person would expect to have a material effect on the price or value of the entity's securities. A reasonable person is taken to expect information to have a material effect on the price or value of securities if it would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the securities.

The CEO oversees all BPG's communications with assistance from the Company Secretary in carrying out his responsibilities. The CEO (and Chairman where necessary) are the only two officers allowed to authorise the release of material information to the market and are responsible for ASX Listing Rule disclosure compliance. The Company's Head of Corporate Communications and the Company Secretary are responsible for administering this policy and also responsible for dealing with the ASX in relation to all Listing Rule issues. The procedures which have been developed to comply with these rules include immediate reporting of any matter which could potentially have a material effect, via established reporting lines to the CEO and/or the Company Secretary.

The Company recognises that disclosure of any price-sensitive information to the ASX must not be delayed. Following disclosure to the ASX announcements are posted on BPG's website to ensure that they are readily available to all investors and the market. The Company acknowledges that material information must not be selectively disclosed (for example to analysts, the media or securityholders) prior to being announced to the ASX and all media releases, not only those that also serve as ASX announcements, are referred at first instance to the Head of Corporate Communications and subsequently to the CEO for approval prior to any release. Any ASX announcements must be referred to the Company Secretary and/or the Head of Corporate Communications for lodgement and must be approved by the Board prior to release.

A copy of the Continuous Disclosure Policy is available on the Company's website www.becton.com.au in the Corporate Governance section.

Principles 6: Respect the rights of shareholders

Shareholder communications policy

Pursuant to ASX CGC Principle 6, BPG's aims to promote effective communication with securityholders.

BPG is committed to:

- ensuring that securityholders and the financial markets are provided with full and timely information about BPG's activities in a balanced and understandable way
- complying with continuous disclosure obligations contained in the applicable ASX Listing Rules and the Corporations Act in Australia
- communicating effectively with its securityholders and making it easier for securityholders to communicate with BPG.

To promote effective communication with securityholders and encourage effective participation at general meetings, information is communicated to securityholders by:

- the release of information to the market via the ASX
- the distribution of the annual report and Notices of Annual General Meeting
- securityholder meetings and investor relations presentations
- letters and other forms of communications directly to securityholders, and
- posting relevant information on BPG's website, www.becton.com.au.

The Company's website has a dedicated Investor Relations section and endeavours to publish on the website all important Company information and relevant announcements made to the market.

The external auditors are requested to attend the Annual General Meeting and are available to answer securityholders' questions about the conduct of the audit and preparation of the Auditor's Report.

By the publication of Notices of Annual General Meeting and effective communication with stakeholders, BPG ensures that securityholders gain access to relevant information to raise queries and actively participate in the Company's Annual General Meeting. Securityholders are also able to contact the company's registry services provider and/or the Head of Corporate Communications throughout the year to ask questions or raise any concerns.

Principle 7: Recognise and manage risk

Risk Management system statement

The Board takes a proactive approach to the Company's risk management and internal compliance and control systems. This function is dealt with by the Audit and Risk Management Committee.

In addition, the Company has a Compliance Committee comprised of the BPG Directors. This committee carries out the review and monitoring function in relation to the Becton Property Management Limited (BPML). The Compliance Committee assists the Company in its risk management by acting as an independent overseer of BPML with a focus on ensuring that it complies with the conditions of its Australian Financial Services Licence and is compliant with those ASIC Regulatory Guides which are relevant to companies acting as responsible entities for managed investment schemes.

Pursuant to ASX CGC Principle 7, the Board has developed a risk policy and throughout the course of the financial year undertook a detailed risk assessment of the Company's operations, procedures and processes. This review is part of a continual risk assessment process to ensure that the Company continually reviews its procedures with a view to managing any risks to its success.

This review included the Company:

a. updating its Policy and Procedure Manuals across each of its business units
b. reviewing its compliance policies to better align them with AS 3806 (Compliance Programs)
c. receiving accreditation from the Retirement Villages Association for all of its managed retirement villages; and
d. reviewing the Compliance Plan for BPML.

The Audit and Risk Management Committee is responsible for ensuring that risks and ways of mitigating these risks are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Committee and the Board.

The following have been identified as the behaviours that the Audit and Risk Management Committee seeks to drive through the Company:

- a culture of risk control, which is being done through natural or instinctive process by employees of the Company
- a culture of risk control that can easily identify risks as they arise and address practices accordingly
- the continual introduction of new practices and procedures in all areas of the business that will assist the Company to avoid or mitigate the impact of events or incidents that could have a detrimental financial or other effect on the business and its day to day management
- adoption of practices and procedures which will mitigate and manage the potential impact of commercial risks (i.e. taking out the appropriate insurance polices, or ensuring compliance reporting is up to date), and
- active encouragement for employees to identify potential risks.

In accordance with ASX CGC Principle 7, Recommendation 7.2, each member of the Senior Management Team provides a report to the Directors at each Board Meeting and highlights in that report any items of risk that require Board input and/or direction. In addition the minutes from both the Compliance Committee and Audit and Risk Management Committee meetings are presented to the Board and those minutes highlight any items of risk which have been brought to the attention of those Committees.

The Company's declaration of sound system of risk management and internal control is not consistent with ASX CGC Principle 7, Recommendation 7.3 in that the CEO and CFO do not provide direct assurance to the Board that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal audit, but rather they provide that assurance to the Company's external auditors and table a copy of that assurance for the Board. This serves as the assurance regarding the existence of a sound system of internal risk management and control.

In accordance with Principle 7, Recommendation 7.4 the Company advises that as per Recommendation 7.2 it regularly receives reports from management with respect to risk management and receives assurance from the CFO on internal controls via the management representation letter.

A copy of the Company's Audit and Risk Management Committee Charter is available on the Company's website www.becton.com.au in the Corporate Governance section.

Principle 8: Remunerate fairly and responsibly

Remuneration committee

i. Purpose

Pursuant to ASX CGC Principle 8, the Company has established a Remuneration Committee, made up of members of the Board. The Committee is responsible for determining and reviewing compensation arrangements for the Directors and for approving parameters within which the review of the compensation arrangements for senior management can be conducted by the CEO. The Committee will meet at least twice each calendar year.

ii. Composition

The structure of the Remuneration Committee is not consistent with ASX CGC Recommendation 8.2 in that it is comprised of two rather than three directors. The Remuneration Committee was compliant with Recommendation 8.2 for most of the 2012 reporting year. However, since June 2012, the Board has consisted of only three directors, one of whom is an executive director. In the circumstances to avoid potential for or a perception of conflict of interests, the remuneration committee is comprised of two directors, rather than have an executive director serve on the Committee.

Members of the Committee are:

William Conn	Committee chairman (Independent non-executive director)
Peter Dempsey	(Independent non-executive director)

Two meetings were held during the reporting period, with a third meeting held in July 2012 to determine remuneration levels for senior management. A record of attendance at these meetings is in Directors' Report.

The Remuneration Committee monitors and reviews:

- the remuneration arrangements for the CEO and other members of senior management;
- the remuneration policies, personnel practices and strategies of the Company
- any employee incentive schemes, and
- the remuneration arrangements for non-executive directors.

All remuneration and superannuation for directors, officers and employees is paid by the Company. A breakdown of the components of remuneration has been provided for each director and for key management personnel in the Directors' Report which precedes this Corporate Governance Statement.

The Board is responsible for performance evaluation of directors and key management personnel against both measurable and qualitative indicators. A performance evaluation to assess remuneration paid to directors and a performance evaluation against key performance targets to assess remuneration paid to senior management against key performance targets was last undertaken in June 2012.

The Chairman undertakes an annual assessment of the performance of individual directors and meets privately with each director to discuss this assessment.

BPG has not formed a separate Nominations Committee as this function is dealt with by the Board as a whole.

A copy of the Company's Remuneration Committee Charter is contained on the Company's website www.becton.com.au in the Corporate Governance section.

All equity based remuneration schemes within BPG are no longer operative and the Company does not have an active policy on such schemes.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Notes	2012 $	2011 $
Revenue from continuing operations	5	140,412	72,218
Other income	6	7,337	9,259
Raw materials and consumables used		(116,640)	(55,948)
Employee benefits expense		(12,039)	(12,016)
Depreciation and amortisation expense	7	(967)	(282)
Impairment of other assets		(16,803)	(13,759)
Other expenses		(4,735)	(5,776)
Share of net (loss)/profits of joint venture entities		(11,692)	7,409
Forgiveness of waiver fee		6,000	–
Finance costs	7	(8,781)	(18,306)
(Loss) before income tax		(17,908)	(17,201)
Income tax expense	8	–	(1,382)
(Loss) from continuing operations		(17,908)	(18,583)
(Loss) from discontinued operations	42	–	(28,756)
(Loss) for the year		(17,908)	(47,339)
Other comprehensive income			
(Loss)/gain on cash flow hedges taken to equity	29(a)	(3,596)	1,984
Total comprehensive income for the year		(21,504)	(45,355)
Loss is attributable to:			
Owners of Becton Property Group Limited		(17,908)	(44,277)
Non-controlling interests		–	(3,062)
		(17,908)	(47,339)
Total comprehensive income for the year attributable to:			
Owners of Becton Property Group Limited		(21,504)	(42,293)
Non-controlling interests		–	(3,062)
		(21,504)	(45,355)

		Cents	Cents
Earnings per share for (loss) from continuing operations attributable to the ordinary owners of the parent entity:			
Basic earnings per share	41	(242.8)	(1,240.8)
Diluted earnings per share	41	(242.8)	(1,240.8)
Earnings per share for (loss) attributable to the ordinary owners of the parent entity:			
Basic earnings per share	41	(242.8)	(3,539.6)
Diluted earnings per share	41	(242.8)	(3,539.6)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	2012 $	2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	9	2,887	11,134
Trade and other receivables	10	5,315	32,227
Inventories	11	69,400	62,063
Total current assets		77,602	105,424
Non-current assets			
Receivables	13	–	1,777
Inventories	18	59,443	89,944
Investments accounted for using the equity method	14	38,857	59,460
Property, plant and equipment	15	481	1,373
Investment properties	16	39,650	33,475
Deferred tax assets	17	45,299	54,068
Total non-current assets		183,730	240,097
Total assets		261,332	345,521
LIABILITIES			
Current Liabilities			
Payables	19	14,694	32,674
Borrowings	20	2,202	33,986
Derivative financial instruments	22	1,394	803
Provisions	21	1,570	1,237
Liability to retirement village residents	23	34,554	29,105
Total current liabilities		54,414	97,805
Non-current liabilities			
Trade and other payables	24	35	6,016
Borrowings	25	171,471	179,062
Deferred tax liabilities	26	45,302	54,074
Provisions	27	145	518
Derivative financial instruments	22	5,338	2,333
Total non-current liabilities		222,291	242,003
Total liabilities		276,705	339,808
Net (liabilities)/assets		(15,373)	5,713
EQUITY			
Contributed equity	28	397,383	396,965
Reserves	29(a)	17,750	21,346
Accumulated losses	29(b)	(430,506)	(412,598)
Equity attributable to owners of Becton Property Group Limited		(15,373)	5,713
Total equity		(15,373)	5,713

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

	Notes	Attributable to owners of Becton Property Group Limited: Contributed equity $'000	Other reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2010		**338,948**	**(700)**	**(368,321)**	**(30,073)**	**34,245**	**4,172**
Loss for the year		–	–	(44,277)	(44,277)	(3,062)	(47,339)
Other comprehensive income for the year		(366)	1,984	–	1,618	–	1,618
Total comprehensive income for the year		**(366)**	**1,984**	**(44,277)**	**(42,659)**	**(3,062)**	**(45,721)**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	28	58,383	20,062	–	78,445	–	78,445
Dividends provided for or paid to minority interest in controlled entities	30	–	–	–	–	(2,973)	(2,973)
Transactions with minority interests	36	–	–	–	–	(28,210)	(28,210)
Total of owner changes in equity		58,383	20,062	–	78,445	(31,183)	47,262
Balance at 30 June 2011		**396,965**	**21,346**	**(412,598)**	**5,713**	**–**	**5,713**
Balance at 1 July 2011		**396,965**	**21,346**	**(412,598)**	**5,713**	**–**	**5,713**
Loss for the year		–	–	(17,908)	(17,908)	–	(17,908)
Other comprehensive income for the year		–	(3,596)	–	(3,596)	–	(3,596)
Total comprehensive income for the year		**–**	**(3,596)**	**(17,908)**	**(21,504)**	**–**	**(21,504)**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	28	418	–	–	418	–	418
Total of owner changes in equity		418	–	–	418	–	418
Balance at 30 June 2012		**397,383**	**17,750**	**(430,506)**	**(15,373)**	**–**	**(15,373)**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

	Notes	2012 $	2011 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		154,928	81,268
Payments to suppliers and employees (inclusive of goods and services tax)		(149,344)	(75,626)
		5,584	5,642
Dividends received		243	4,632
Other revenue		614	89
Interest paid		(3,460)	(11,584)
Net cash inflow/(outflow) from operating activities	40	2,981	(1,221)
Cash flows from investing activities			
Payments for property, plant and equipment	15	(77)	(166)
Payments for investment other financial assets		–	(6,495)
Proceeds from disposal of financial assets at fair value through profit or loss		27,384	4,849
Distributions paid to non-controlling interest		–	(2,973)
Proceeds from sale of business unit		–	1,880
Interest received		410	396
Net cash inflow/(outflow) from investing activities		27,717	(2,509)
Cash flows from financing activities			
Proceeds from borrowings		69,789	173,027
Share issue and buy-back transaction costs		418	–
Repayment of borrowings		(109,152)	(167,346)
Net cash (outflow)/inflow from financing activities		(38,945)	5,681
Net (decrease)/increase in cash and cash equivalents		(8,247)	1,951
Cash and cash equivalents at the beginning of the financial year		11,134	9,183
Cash and cash equivalents at end of year	9	2,887	11,134

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2012

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Becton Property Group Limited as an individual entity and the consolidated entity consisting of the aggregation of Becton Property Group Limited and its controlled entities and Becton Property Trust and its controlled entities, refer Note 1(c)(i).

The financial report is presented in the Australian currency. Becton Property Group Limited is a company limited by shares, incorporated and domiciled in Australia.

It's registered office and principal place of business is: Becton Property Group Limited, Level 2 289 Wellington Parade South, East Melbourne, VIC, 3002. A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities and in the Directors' report, both of which are not part of this financial report. The financial report was authorised for issue by the Directors on 27 September 2012.

The company has the power to amend and reissue the financial report. All press releases, financial reports and other information are available on our website: www.becton.com.au.

a. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Becton Property Group Limited is a for-profit entity for the purpose of preparing the financial statements.

i. Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Becton Property Group Limited comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

ii. Early adoption of standards

The Group has not elected to apply early any accounting standards that have been issued but not yet effective.

iii. Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, derivative financial instruments and investment properties at fair value.

iv. Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

b. Going concern

During the year ended 30 June 2012 the Consolidated Entity (or "Group") incurred a net loss after tax from continuing operations of $17.9 million and positive cash inflows from operating activities of $3.0 million, positive cash inflows from investing activities of $27.7 million and negative cash outflows from financing activities of $38.9 million. In addition, the Group reported a net liability position of $15.4 million as at 30 June 2012.

The net loss and liability position was affected by falling asset valuations held within the joint venture entity, Retirement Finance Pty Ltd (or "Retirement Alliance") of which the Group holds a 50% interest, and a further impairment charge against this asset.

Notwithstanding the above, the Directors have prepared this financial report on a going concern basis as at 30 June 2012, based on their consideration and reliance on the following material factors;

- The cash flow forecasts ("forecasts") indicate that the finance facilities in existence as at 30 June 2012, and over the forecast period, being a period of at least 12 months from the date of this financial report, are sufficient for the Group to pay its debts as and when they fall due.

  The assessment by the Directors included a sensitivity analysis on base case assumptions in the cash flow forecasts. Based on the cash flow forecasts adopted the Directors do not anticipate the need for additional debt facilities or equity over this forecast period, outside of normal project funding as developments mature;
- The forecasts assume that the core assets currently under construction will continue to be developed in the normal course of business. In particular, the Directors are not expecting material fluctuations in domestic residential property prices in either of our core markets in Melbourne and Sydney, and neither are the Directors expecting material fluctuations in domestic interest rates.

The Group currently has two residential development projects and one retirement development project in progress and based on the support provided by financiers to date, and the success of these developments to date, the Directors have a reasonable expectation that these core assets will continue to be developed in the normal course of business and provide profit and cash inflows on the sale of the developments. The Directors are dependent on the continued support of lenders to these projects. On completion of stage 3 (expected before the end of the forecast period) of our Bonnyrigg project, which has been fully financed (refer to Note 39 for details on facility terms), the Group will be required to secure funding for further stages on commercially acceptable terms. If the Group is unable to secure funding for these future stages, it may result in the crystallisation of significant contingent liabilities arising from specific performance guarantees. For further information regarding the contingent liabilities, refer to Note 33.

- The Directors have specifically considered the impact of Borrowings in relation to the cash flow forecast period. As at 30 June 2012, the Group had total borrowings of $173.7 million, of which:
  - $80.0 million relates to project debt
  - $93.7 million relates to corporate debt

Project Debt $80.0 million:

- $77.8 million expiring 30 June 2014. This is an on going construction facility in relation to the Waterloo project and it is expected to be repaid out of future settlements as the project matures.
- $2.2 million expiring 28 February 2013. This facility is expected to be repaid with settlements from the sale of Hervey Bay and Bribie Island.

Corporate Debt $93.7 million:

- $93.7 million relates to a non-current working capital facility of $126.0 million with Bank of Scotland International ("BOSI") which expires in June 2014. On 20 September 2012, the Group received notification of credit approval to extend the expiry date to June 2015.
- The cash flow forecasts indicate that the Group expects to continue to need to draw down on the unused portion of the facility during the forecast period.
- The ability of the Group to access the unused portion of the facility is subject to various terms and conditions, which includes the obligation to meet financial covenants. On 28 June 2012, the Group received notification of a formal waiver of the 30 June 2012 and 31 December 2012 financial covenant test. On 20 September 2012, the Group received notification of a formal waiver of the 30 June 2013 financial covenant test.

The Directors acknowledge that while they are of the view that the assumptions adopted in the cash flow forecasts are reasonable, and their best estimate based on circumstances existing today, forecasts are by their nature subject to inherent uncertainty.

The Directors have also considered events outside of the forecast period as part of their going concern assessment. As at 30 June 2012, the Group is in a net liability position with a material uncertainty over the carrying value of its investment in the Retirement Alliance as disclosed in Note 1 (ai). On 20 September 2012, the Group received notification of credit approval to extend the expiry date of the $126.0 million non-current working capital facility by 12 months to 30 June 2015. In addition BOSI provided the Directors comfort that it was prepared to in principle work with the Group in the event of future negative events.

If the matters noted above do not eventuate in line with the Directors current expectations, there is a material uncertainty in relation to the Group continuing as a going concern. In particular, the Directors are dependent on the continuing support of the primary financier, BOSI, and access to future project funding in forming their view that the Group can continue as a going concern.

No adjustments have been made to the financial report related to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary if the entity does not continue as a going concern.

c. Principles of consolidation

i. Stapling

The shares of Becton Property Group Limited (BPG) and securities of Becton Property Trust (BPT) (collectively the BPG Group or the Group) are combined and issued as stapled securities on the Australian Securities Exchange.

The shares and units cannot be traded separately and can only be traded as stapled securities. These financial statements reflect the aggregation of the consolidated financial statements of BPG and BPT.

For statutory reporting purposes, in accordance with AIFRS, specifically the requirements of AASB 3 Business Combinations, BPG has been identified as the acquirer in the BPG Group based on the size of its net assets and its operations and accordingly, BPG presents the consolidated financial report of the BPG Group. In accordance with these requirements the equity section of the consolidated balance sheet and the consolidated statement of changes in equity represent the aggregate equity of BPG together with BPT.

Notes to the Consolidated Financial Statements

(continued)

Note 1. Summary of significant accounting policies (continued)

Investments in subsidiaries are accounted for at cost in the parent entity note for BPG, refer to Note 43 of these financial statements.

These aggregated financial statements incorporate an elimination of inter entity balances and other adjustments necessary to present the financial statements on a combined basis.

ii. Controlled entities

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of the Group as at 30 June 2012 and the results of all controlled entities for the year then ended. Becton Property Group Limited and its controlled entities together are referred to in this financial report as the Group or the consolidated entity.

Controlled entities are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a security holding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Controlled entities are fully consolidated from the date on which control is transferred to the Group. They are de consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of controlled entities by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the controlled entity.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of controlled entities are shown separately in the consolidated income statement and balance sheet respectively.

Investments in controlled entities are accounted for at cost in the individual financial statements of Becton Property Group Limited.

iii. Joint venture entities

The interests in joint venture partnerships is accounted for in the consolidated financial statements using the equity method and are carried at cost by the parent entity. Under the equity method, the share of the profits or losses of partnerships is recognised in the consolidated income statement, and the share of movements in reserves is recognised in reserves in the consolidated balance sheet. Details relating to the partnership are set out in Note 38.

Profits or losses on transactions establishing joint venture partnerships and transactions with joint ventures are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture partnerships on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

d. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic steering committee.

e. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of GST paid.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

i. Projects in progress and completed buildings

The Group constructs residential developments for sale to the public as well as office, retail and industrial developments, revenue is recognised on these projects upon settlement of the relevant unit, apartment or property.

Any loss on projects is recognised as soon as it is foreseen.

ii. Construction contracts

Where the Group constructs buildings under construction contracts with external parties, revenue is recognised on these projects on a percentage of completion basis.

iii. Deferred management fee income

Deferred Management Fees (DMF) revenue from the investment in retirement village facilities is accrued during the period a resident occupies a leased unit or apartment. The fees are only received upon the re-lease of the unit or apartment to an incoming resident. The DMF receivable is calculated according to the terms of each lease, the elapsed time of the resident occupancy and where relevant the current market value of the lease. Any difference between the receivable and the cash received when a unit or apartment is re-leased is recognised in profit or loss in the period in which the re-lease occurs.

iv. Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

v. Dividends and distributions

Dividends and distributions are recognised as revenue when the right to receive payment is established.

f. Income tax

Pursuant to the provisions of Division 6A of the Act, BPT and its controlled entities are not liable for income tax, provided that the taxable income of the Trusts are fully distributed to unitholders each year. Accordingly, income tax and deferred tax accounting is not applied in relation to BPT and its controlled trusts.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

i. Tax consolidation legislation

Becton Property Group Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Becton Property Group Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Becton Property Group Limited also recognises the current tax liabilities (or assets) and deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Becton Property Group Limited for any current tax payable assumed and are compensated by Becton Property Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Becton Property Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables in Note 8.

Note 1. Summary of significant accounting policies (continued)

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

g. Leases

Leases of plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases (Note 15). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 34). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the period of the lease.

h. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition-date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

i. Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

j. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

k. Trade receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from recognition.

Up until 16 December 2010, the Group managed a series of sector and single property trusts as part of its funds management business and these funds have a defined duration, at which time the underlying assets may be sold and the trust wound up. At that time, exit fees may be payable on the sale of trust property in accordance with terms of the constitution for each trust. Exit fees typically consist of a "guaranteed" exit fee and a "performance" exit fee. The performance exit fee is subject to satisfying certain criteria related to the value of the underlying assets of the trusts. Both fees are governed by the constitution of the trust and are calculated as a percentage of the value of the underlying assets to be sold. As part of the sale of the funds management business to 360 Capital Property Limited, the Group is entitled to 30% of exit fees charged and received by 360 Capital Property Limited.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

l. Inventories

i. Projects in progress and completed buildings

The cost of projects in progress and completed buildings include the direct development costs as incurred. These include direct materials, direct labour, direct borrowing costs and any other inputs to the current work in progress and are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

ii. Land held for redevelopment and improvements

The cost of land for redevelopment and improvements includes the original purchase price of property purchased for development and resale and the direct holding costs such as rates, taxes and borrowing costs incurred during development, provided that the addition of these costs does not result in a book value exceeding that which would enable profit to be recognised when the property is sold.

m. Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

i. Financial assets at fair value through profit or loss

These include financial assets that are not held for trading purposes which may be sold. These are investments in unlisted equity instruments. Financial assets designated at fair value through profit or loss at inception, are those that are managed and their performance evaluated on a fair value basis in accordance with the Group's documented investment strategy. The Group's policy is for the responsible entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

ii. Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (Note 10) and receivables (Note 13) in the consolidated balance sheet.

iii. Available-for-sale financial assets

Available for sale financial assets, comprising principally marketable equity securities, are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and derecognition

Regular purchases and sales of investments and financial assets are recognised on trade date the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive payments is established.

Note 1. Summary of significant accounting policies (continued)

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

n. Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 22. Movements in the hedging reserve in shareholder's equity are shown in Note 29. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

i. Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

ii. Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

iii. Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

o. Property, plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated income statement during the reporting period in which they are incurred.

Depreciation is calculated using the straight line method to allocate their cost amounts, net of their residual values, over their estimated useful lives or in the case of leased plant and equipment, the shorter lease term, as follows:

• Plant and equipment	3 – 11 years
• Vehicles	5 years
• Furniture, fittings and equipment	7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

p. Investment properties

Investment properties, principally comprising of retirement villages, are held for long term yields and are not occupied by the Group. Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition investment properties are stated at fair value, representing the Directors' assessment of open market values based on either external independent valuations or internal valuations. Gains or losses arising from changes in the fair values of investment properties are included as other income in the income statement in the period in which they arise. This includes revaluation gains when a retirement unit is transferred to a resident for the first time.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use. Any gains or losses on derecognition of an investment property are recognised in the income statement in the period of derecognition. This includes revaluation gains when a retirement unit is transferred to a resident for the first time.

The Group makes a determination, on a property by property basis, as to whether a property should be considered an investment property. Factors taken into account include:

a. whether the property generates cash flows largely in dependent of other services provided to residents of the properties;
b. whether the property is held for long term capital appreciation rather than for short term sale in the ordinary course of business; and
c. the probable future use of land that is not currently generating cash flows.

q. Intangible assets

i. Goodwill

Goodwill is measured as described in Note 1(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (Note 4).

ii. Brand names

Brand names represent the value of the exclusive use of the Becton business name acquired by the Group in previous years. Brand names have an indefinite useful life and are not subject to amortisation and are tested annually for impairment.

r. Non-current assets held for sale

Non-current assets are classified as held-for-sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Note 1. Summary of significant accounting policies (continued)

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held-for-sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale continue to be recognised. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held-for-sale and the assets of a disposal group classified as held-for-sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

s. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

t. Liabilities to retirement village residents

Amounts paid by residents for apartments and units are classified as a liability to the resident. The liability represents the residents share of the expected proceeds from the re-lease of the apartment or unit. The expected proceeds are based on independent valuations of gross realisable value after taking into account expected fees payable to the owner (accrued deferred management fees, (1(e)(iii)).

The liability is recognised as soon as the resident signs a lease agreement. Liabilities to retirement village residents are non interest bearing and repayable after the residents departure. Liabilities to retirement village residents are classified as current liabilities because the Group does not have an unconditional right to defer settlements for greater than 12 months. History has shown that residents stay for an average period of 8 to 12 years in Independent Living Units (ILUs) and 3 to 6 years in serviced apartments.

u. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw down of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non cash assets transferred or liabilities assumed, is recognised in other income or finance costs.

v. Borrowing costs

Borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

w. Provisions

Provisions for legal claims and dividends are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of managements best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

For personal use only

x. Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract is less than the unavoidable cost of meeting the obligations under that contract, and only after any impairment losses to assets to that contract have been recognised.

The provision recognised is based on the excess of the estimated cash flows to meet the unavoidable costs under the contract over the estimated cash flows to be received in relation to the contract, having regard to those risks of the activities relating to the contract.

y. Employee benefits

i. Wages and salaries and annual leave

Liabilities for wages and salaries and annual leave are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

ii. Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the reporting period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

iii. Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

iv. Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

z. Contributed equity

Ordinary shares and units are classified as equity (Note 28).

Incremental costs directly attributable to the issue of new shares or units are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or units for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

aa. Dividends and distributions

Provision is made for the amount of any dividend and distribution declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

ab. Earnings per share

i. Basic earnings per share

Basic earnings per security is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary securities, by the weighted average number of ordinary securities outstanding during the financial year.

ii. Diluted earnings per share

Diluted earnings per security adjusts the figures used in the determination of basic earnings per security to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary securities that would have been outstanding assuming the conversion of all dilutive potential ordinary securities.

ac. Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Note 1. Summary of significant accounting policies (continued)

ad. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

ae. Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

af. New accounting standards and interpretations

i. Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

ii. Standards and Interpretations adopted with no effect on financial statements

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

AASB 124 "Related Party Disclosures? (revised December 2009), AASB 2009-12 "Amendments to Australian Accounting Standards"	The application of AASB 124 has not had any material effect on amounts reported in the financial statements.
AASB 1054, AASB 2011-1 "Australian Additional Disclosure and Related Amendments"	The application of AASB 1054 has not had any material effect on amounts reported in the financial statements
AASB 2009-14 "Amendments to Australian Interpretation	The application of AASB 2009-14 has not had any material effect on amounts reported in the financial statements.
AASB 2010-4 "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project?	The application of AASB 2010-4 has not had any material effect on amounts reported in the financial statements.
AASB 2010-5 "Amendments to Australian Accounting Standards - arising from the Annual Improvements Project"	The application of AASB 2010-5 has not had any material effect on amounts reported in the financial statements.
AASB 2010-6 "Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets"	The application of AASB 2010-6 has not had any material effect on amounts reported in the financial statements.
AASB 2011-5 "Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation (AASB 127, AASB 128, AASB 131) - 'not-for-profit' entity	The application of AASB 2011-5 has not had any material effect on amounts reported in the financial statements

iii. Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 "Financial Instruments", AASB 2009-11 "Amendments to Australian Accounting Standards arising from AASB 9" and AASB 2010-7 "Amendments to Australian Accounting Standards arising from AASB 9" (December 2010)	1 January 2013	30 June 2014
AASB 10, "Amendments to Australian Accounting Standards – Consolidated Financial Statements"	1 January 2013	30 June 2014
AASB 11 "Joint Arrangements"	1 January 2013	30 June 2014
AASB 12 "Disclosure of Interests in Other Entities"	1 January 2013	30 June 2014

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 127 Separate Financial Statements (2011)	1 January 2013	30 June 2014
AASB 128 "Investments in Associates and Joint Ventures" (2011)	1 January 2013	30 June 2014
AASB 13 "Fair Value Measurement" and related AASB 2011-8 "Amendments to Australian Accounting Standards arising from AASB 13"	1 January 2013	30 June 2014
AASB 119 "Employee Benefits" (2011), AASB 2011-10 "Amendments to Australian Accounting Standards arising from AASB 119" (2011) and AASB 2011-11 "Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirement"	1 January 2013	30 June 2014
AASB 2010-8 "Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets"	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013

The directors have yet to assess the impact of the above standards on the financial statements of future periods.

ag. Parent entity financial information

The financial information for the parent entity, Becton Property Group Limited, disclosed in Note 43 has been prepared on the same basis as the consolidated financial statements.

ah. Capital restructure

On the 16th June 2011 securityholders and key debt providers approved a recapitalisation and debt refinancing plan (the "Plan") intended to stabilise the Group's financial position and provide longer term financing. The key elements of the Plan were:

- conversion of $85.6 million of the Group's borrowings to equity in the form of ordinary equity, options (issued to Australian Capital Reserve (ACR)) and preferred equity (issued to Bank of Scotland International Limited (BOSI));
- conversion of $22 million of the Group's borrowings from BOSI to a covenant light, interest capitalising facility; and
- extension of the Group's remaining working capital facility with BOSI (after the above conversion) from the original maturity date of August 2011 to March 2013.

The options issued to ACR have the following rights attaching:

- may be transferred to wholesale clients as defined in the Corporations Act;
- exercisable at any time;
- each option is exchangeable for one stapled security of the Group;
- have a nil exercise price;
- expire 10 years from the issue date; and
- if the Group reorganises its capital structure, in certain cases, the exercise ratio is adjusted so that a holder of options is no worse off.

The preferred equity issued to BOSI has the following rights attaching:

- may be transferred to wholesale clients as definite in the Corporations Act, however there must be less than 20 holders of preferred equity at all times;
- may be exchanged into securities of the Group at any time, in accordance with an exchange formula (refer below);
- may be redeemed by the Group at any time for cash in accordance with the exchange formula (refer below), plus, if redemption is five years or more from implementation date, the amount of any outstanding distributions (including undeclared distributions) on the preferred equity;
- will have the same terms as all other ordinary securities on issue and there will be no restrictions imposed on a holder's ability to trade preferred equity;

Notes to the Consolidated Financial Statements

(continued)

Note 1. Summary of significant accounting policies (continued)

- five years after the implementation date, preferred equity will be entitled to six monthly cumulative distributions at a per annum rate of the Australian Bank Bill Swap Bid Rate plus 5.0% per annum subject to declaration by the Group;
- for the five years following implementation date, the Group cannot pay distributions on ordinary securities;
- five years after the implementation date, the Group cannot pay distributions on ordinary securities while any preferred equity is on issue. From that date, the Group will only be able to pay a distribution on ordinary securities if all outstanding, declared an undeclared distribution on the preferred equity, have been paid;
- if the Group reorganises its capital structure, in certain cases, the exchange formula is adjusted so that a holder of preferred equity is no worse off; and
- under certain circumstances the holder of preferred equity may demand redemption for the greater of:
  - face value of the preferred equity plus an amount equal to 10% of the face value of the preferred equity per annum calculated from the date of issue until the redemption date, compounded annually for each year (but not part of a year) the preferred equity has been on issue plus any outstanding distributions owing on the preferred equity; and
  - 39.06 times the 30 day volume weighted average price of ordinary securities plus any outstanding distributions owed on the preferred equity.

Exchange Formula

Months from implementation date	Time based multiplier	Number of ordinary securities issued per preferred equity security
0 Months	$1.00	39.1
6 Months	$1.05	41.0
12 Months	$1.10	43.0
18 Months	$1.16	45.3
24 Months	$1.20	47.3
30 Months	$1.27	49.6
36 Months	$1.33	52.0
42 Months	$1.40	54.5
48 Months	$1.46	57.2
54 Months	$1.54	60.0
60 Months	$1.61	62.9

Further details on the Plan are contained within the Securityholder and Noteholder meeting booklets available from the Group's website: (www.becton.com.au).

Subsequently on the 5 June 2012 ACR sold all of its ownership in both Becton stapled securities and options.

ai. Interest in joint venture

The Group has a 50% interest in a joint venture entity, Retirement Finance Pty Ltd (or "Retirement Alliance"), with a carrying value of $35.4 million at 30 June 2012, which is accounted for using the equity method. The Retirement Alliance has a finance facility, drawn to $73.6 million as at 30 June 2012, which was due to expire in 31 July 2012. Subsequent to 30 June 2012 the following has occurred:

1. The facility expiry date has been extended to 31 October 2012; and
2. The financier (Suncorp-Metway Limited) sold its interest in the facility to a related entity of Goldman Sachs

The Directors of the Group have been advised by the Directors of the Retirement Alliance that negotiations to refinance the facility are continuing with a number of debt providers, including the current provider. However, at the date of this report no agreement has been reached in regard to a medium term refinance of this facility.

In the absence of an agreement with a debt provider to refinance this facility, which expires in 31 October 2012, there is significant uncertainty in relation to the Retirement Alliance being able to continue as a going concern without the continued support of the new debt provider.

The Directors are also of the opinion that there is a risk that any future refinancing of this facility may be at less commercially attractive terms. This in turn creates uncertainty over the carrying value of the Group's investment in the Retirement Alliance, as finance costs increase and values of assets decrease where debt amortisation becomes a priority.

Based on the above, there is significant uncertainty over the carrying value of the Group's investment in the Retirement Alliance.

For personal use only

Note 2. Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks, aging analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by the Group finance department under policies approved by the Board of Directors. The Group finance department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments, and investment of excess liquidity.

The group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2010.

The Group holds the following financial instruments:

	2012 $'000	2011 $'000
Financial assets		
Cash and cash equivalents	2,887	11,134
Trade and other receivables	5,315	34,004
	8,202	45,138
Financial liabilities		
Payables	14,694	38,690
Borrowings	173,673	213,048
Derivative financial instruments	6,732	3,136
	195,099	254,874

a. Market risk

i. Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the consolidated balance sheet either as available for sale or at fair value through profit or loss. The Group is not exposed to commodity price risk.

ii. Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from short term and long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2012 and 2011, the Group's borrowings at variable interest rate were denominated in Australian Dollars. Cash and cash equivalents above are at variable interest rates and thus are also subject to interest rate risk.

Notes to the Consolidated Financial Statements

(continued)

Note 2. Financial risk management (continued)

As at the end of the reporting period, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	30 June 2012 Weighted average interest rate %	30 June 2012 Balance $'000	30 June 2011 Weighted average interest rate %	30 June 2011 Balance $'000
Bank loans	7.2%	173,673	8.3%	213,048
Interest rate swaps (notional principal amount)	7.0%	(40,000)	7.0%	(40,000)
Net exposure to cash flow interest rate risk		133,673		173,048

An analysis by maturities is provided in Note (c) below.

The Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly monthly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Sensitivity

At 30 June 2012, if interest rates had changed by +/- 125 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been $1,635,000 lower/higher (2011 change of +/- 125 bps: $2,024,000 lower/higher), mainly as a result of higher/lower interest expense from short term and long term borrowings. Equity would have been $2,613,000 higher/lower (2011 change of +/- 125bps: $2,609,000 lower/higher) mainly as a result of an increase/decrease in the value of the retained earnings.

iii. Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and other price risk.

		Interest rate risk				Unlisted investments price risk			
		–1.25%		+1.25%		–5%		+5%	
At 30 June 2012	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets									
Cash and cash equivalents	2,887	(36)	–	36	–	–	–	–	–
Trade and other receivables	5,315	–	–	–	–	–	–	–	–
Equity accounted investments	38,857	–	–	–	–	(1,943)	(1,943)	1,943	1,943
Financial liabilities									
Derivatives – cash flow hedges	(6,732)	(500)	(2,613)	500	2,613	–	–	–	–
Trade payables	(14,694)	–	–	–	–	–	–	–	–
Borrowings	(173,673)	2,171	–	(2,171)	–	–	–	–	–
Total increase/(decrease)		1,635	(2,613)	(1,635)	2,613	(1,943)	(1,943)	1,943	1,943

		Interest rate risk				Unlisted investments price risk			
		–1.25%		+1.25%		–5%		+5%	
At 30 June 2011	Carrying amount $'000	Profit $'000	Other equity $'000	Profit $'000	Other equity $'000	Profit $'000	Other equity $'000	Profit $'000	Other equity $'000
Financial assets									
Cash and cash equivalents	11,134	(139)	–	139	–	–	–	–	–
Trade and other receivables	34,004	–	–	–	–	–	–	–	–
Equity accounted investments	59,460	–	–	–	–	(2,973)	(2,973)	2,973	2,973
Financial liabilities									
Derivatives – cash flow hedges	(3,136)	(500)	(2,609)	500	2,609	–	–	–	–
Trade payables	(38,690)	–	–	–	–	–	–	–	–
Borrowings	(213,048)	2,663	–	(2,663)	–	–	–	–	–
Total increase/(decrease)		2,024	(2,609)	(2,024)	2,609	(2,973)	(2,973)	2,973	2,973

b. Credit risk

The carrying amounts of trade and other receivables, financial assets at fair value through profit or loss and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

The Company has no concentration of credit risk with respect to trade receivables because of its diverse customer base. For customers without credit rating the Group generally retains title over the goods until full payment is received. For some trade receivables the Group may obtain security in the form of guarantee, deeds of undertaking or letters of credit which can be called upon if the counterparty default under the terms of the agreement.

The Group regularly performs risk control assessment on the credit quality of the receivables and loans to related companies. Furthermore, the Company manages its deposits with banks by monitoring credit ratings and only places deposits to banks with AA rating.

c. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and close out market positions. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2012 $'000	2011 $'000
Floating rate		
– Expiring within one year (bank loans)	**37,663**	46,561
– Expiring beyond one year (bank loans)	**53,895**	45,188
	91,558	91,749

Of the $91.6 million, $74.6 million relates to project debt and $17.0 million relates to corporate debt. The access to the available funds is dependent upon the Group meeting a number of conditions in relation to each specific debt facility:

i. relevant conditions precedent, and

ii. compliance with financial covenants and facility terms.

The secured bank loans may be drawn at any time and are subject to a range of facility maturities. The bank loan facilities may be drawn at any time (subject to no Event of Default or Potential Event of Default) in Australian dollars and have an average maturity of 1.98 years (2011: 1.58 years).

Note 2. Financial risk management (continued)

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

a. all non-derivative financial liabilities, and

b. net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Contractual maturities of financial liabilities

At 30 June 2012	Less than 6 months $'000	6 –12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000
Non-derivatives						
Variable rate	8,063	5,807	183,085	–	–	196,955
Fixed rate	–	–	–	–	–	–
Total non-derivatives	8,063	5,807	183,085	–	–	196,955
Derivatives						
Net settled (interest rate swaps)	(616)	(778)	(1,495)	(3,895)	(557)	(7,341)
Total Derivatives	(616)	(778)	(1,495)	(3,895)	(557)	(7,341)
At 30 June 2011						
Non-derivatives						
Variable rate	31,333	16,097	200,046	–	–	247,476
Fixed rate	–	–	–	–	–	–
Total non-derivatives	31,333	16,097	200,046	–	–	247,476
Derivatives						
Net settled (interest rate swaps)	(398)	(405)	(750)	(1,560)	(475)	(3,588)
Total derivatives	(398)	(405)	(750)	(1,560)	(475)	(3,588)

d. Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair values of quoted investments are based on-current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

AASB 7 *Financial Instruments:* Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

a. quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
b. inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
c. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2012 and 30 June 2011:

30 June 2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Derivatives used for hedging	–	6,732	–	6,732
Total liabilities	–	6,732	–	6,732

30 June 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Derivatives used for hedging	–	3,136	–	3,136
Total liabilities	–	3,136	–	3,136

Note 3. Critical accounting estimates and judgements

The following are the critical judgements, that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

a. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i. Income taxes

The Group is subject to income taxes in Australia. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

ii. Deferred exit fees receivable

Deferred exit fee income is recognised when the related deferred exit fee is earned. The Group has applied estimates and judgements to what this value is likely to be before applying an appropriate discount rate in order to arrive at a value for the receivable. It is the movement in this receivable that is taken to profit and loss each period.

In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate probability rates on an individual fund basis. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

iii. Financial assets at fair value through profit or loss

The fair value of investments which are not traded in an active market is determined by using valuation techniques (including discounted cash flow model or price/earnings multiple model). The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

The Group sold its funds management business and as part of this sale 360 Capital Diversified Property Fund and 360 Capital Developments Income Fund were subject to a Call Option which was exercised on 30 June 2011, refer to Note 10 and Note 42.

Notes to the Consolidated Financial Statements
(continued)

Note 3. Critical accounting estimates and judgements (continued)

iv. Deferred management fee receivables

The deferred management fee receivable is calculated according to the terms of each lease, the elapsed time of the resident occupancy and where relevant the current market value of the lease.

In making the judgement, valuation techniques on the underlying investment properties is based on independent valuation. At each reporting date the Directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The Company determines a property's value within a range of reasonable fair value estimates.

v. Earn-out fee receivable

The Group carry an earnout fee receivable from 360 Capital Industrial Fund (360CIF). The Group is contractually entitled to receipt of this receivable which is due and payable on 17 December 2012 based on the assets held in 360CIF at that time. The collection of this fee is dependent on the contractual right to entitlement and credit risk of 360 Capital Investment Management Limited.

vi. Carrying value of inventory

The Group carries inventory at the lower of cost and net realisable value. In assessing this, the Group has applied judgement to identify whether the inventory will be sold or further developed. If the inventory is to be sold in its current state, the Group has applied estimates in assessing the net realisable value.

b. Critical judgements in applying the entity's accounting policies

i. Cost of inventory sold

The Group applies judgement in determining the value of raw materials and consumables used during the period. The value of settlement proceeds received as a proportion of total settlements forecasted at balance date is applied to total forecasted raw materials and consumables expense for a project to determine the expense for the current period. This approach is based on a judgement that the latest forecast revenues and expenses at balance date are the best evidence of what the actual costs are likely to be, and therefore the best method of allocating costs to financial periods.

ii. Fair value asset under construction

The Group applies judgement in determining the carrying value of Wahroonga stage 2, the asset has been assessed by the Board to be carried at a value which best represents its current use which is that of a retirement village and matches the valuation provided by the third party valuer.

Note 4. Segment information

a. Description of segments

Business segments

No separate geographical segment is presented as the consolidated entity is organised into the following divisions by product and service type.

Development and construction

Development of residential and commercial land, principally in south eastern Australia, including construction and sale to external purchasers.

Retirement management

Management of retirement estates in Victoria, New South Wales and Western Australia, largely via a joint venture.

Discontinued operations

The investment and property management and property investment previously reported were sold during 2011, refer to Note 42.

Geographical segments

No separate geographical segment presented as the consolidated entity operates entirely within Australia.

b. Primary reporting format – business segments

2012	Development and construction $'000	Retirement management $'000	Total $'000
Segment revenue			
Sales to external customers	138,007	–	138,007
Other revenue	538	8,300	8,838
Total segment revenue	138,545	8,300	146,845
Intersegment elimination	–	–	–
Unallocated revenue	–	–	904
Consolidated Revenue	**138,545**	**8,300**	**147,749**
Segment result	**11,778**	**(19,866)**	**(8,088)**
Unallocated revenue less unallocated expenses	–	–	(9,820)
Profit before income tax	–	–	(17,908)
Income tax (expense)/benefit	–	–	–
Profit for the year	**–**	**–**	**(17,908)**
Segment assets and liabilities			
Segment assets	**133,642**	**74,866**	**208,508**
Unallocated assets	–	–	52,824
Total assets	**133,642**	**74,866**	**261,332**
Segment liabilities			
Segment liabilities	(94,087)	(34,749)	(128,836)
Unallocated liabilities	–	–	(147,869)
Total Liabilities	**(94,087)**	**(34,749)**	**(276,705)**
Other segment information			
Investments in joint venture entities (Note (iii))	3,442	55,943	59,385
Share of net (loss)/profits of joint venture entities (Note (iii))	–	(20,528)	(20,528)
Impairment of inventories	6,761	1,006	7,767
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	–	–	–
Unallocated	–	–	1,407
Total acquisitions	–	–	1,407
Depreciation and amortisation	41	–	41
Unallocated	–	–	926
Total depreciation and amortisation	41	–	967

Notes to the Consolidated Financial Statements
(continued)

Note 4. Segment information (continued)

2011	Development and construction $'000	Retirement management $'000	Total $'000
Segment revenue			
Sales to external customers	69,122	–	69,122
Other revenue	2,357	9,892	12,249
Total segment revenue	71,479	9,892	81,371
Intersegment elimination	–	–	–
Unallocated revenue	–	–	–
Consolidated Revenue	**71,479**	**9,892**	**81,371**
Segment result	**630**	**9,289**	**9,919**
Unallocated revenue less unallocated expenses	–	–	(27,120)
Profit before income tax	–	–	(17,201)
Income tax (expense)/benefit	–	–	(1,382)
Profit for the year	**–**	**–**	**(18,583)**
Segment assets and liabilities			
Segment assets	**158,263**	**89,509**	**247,772**
Unallocated assets	–	–	97,749
Total assets	**158,263**	**89,509**	**345,521**
Segment liabilities			
Segment liabilities	(135,047)	(29,274)	(164,321)
Unallocated liabilities	–	–	(175,487)
Total Liabilities	**(135,047)**	**(29,274)**	**(339,808)**
Other segment information			
Investments in joint venture entities (Note (iii))	3,517	48,534	52,051
Share of net (loss)/profits of joint venture entities (Note (iii))	–	7,409	7,409
Impairment of inventories	9,360	1,403	10,763
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	–	–	–
Unallocated	–	–	166
Total acquisitions	–	–	166
Depreciation and amortisation	15	–	15
Unallocated	–	–	267
Total depreciation and amortisation	15	–	282

c. Notes to, and forming part of, the segment information

i. Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Note 1 and Accounting Standard AASB 8 Operating Segments.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, investment properties, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, liability to retirement village residents and employee benefits. Segment assets and liabilities do not include income taxes.

ii. Inter-segment transactions

Segment revenues, expenses and results include transactions between segments. Such transactions are recorded on a cost basis and are eliminated on consolidation.

iii. Equity accounting investments

The Group has investments in Australian joint venture entities that are accounted for using the equity method. These investments are included in the development and construction segment and the retirement management segment.

Information about major customers

Included in development and construction revenues of $138.0 million is approximately $4.6 million of revenue which arose from sales the Department of Human Services, as part of the public private partnership (PPP) agreement with the Victorian Department of Housing for the Kensington public/private project and $12.1 million of revenue arose from sales to the Bonnyrigg Partnership, as part of the private partnership (PPP) agreement for the Bonnyrigg PPE project.

Note 5. Revenue

	2012 $'000	2011 $'000
From continuing operations		
Sales revenue		
Sale of inventory	138,645	69,752
Other revenue		
Services	939	651
Interest	410	397
Other	418	1,418
Total other revenue	1,767	2,466
	140,412	72,218

Note 6. Other income

	Notes	2012 $'000	2011 $'000
Fair value adjustment to investment property	16	835	2,719
Corporate Recovery from Retirement Alliance		6,502	6,540
		7,337	9,259

a. Fair value adjustment to investment property

Amount represented the net changes in fair values of investment properties and liabilities to retirement village residents. They are included as other income in the period in which they arise.

Notes to the Consolidated Financial Statements

(continued)

Note 7. Expenses

	Notes	2012 $'000	2011 $'000
(Loss) before income tax includes the following specific expenses:			
Depreciation			
Plant and equipment		961	196
Plant and equipment under finance leases		3	4
Motor Vehicles		3	3
Total depreciation		967	203
Amortisation			
IT projects amortisation		–	79
Total amortisation		–	79
Total depreciation and amortisation		967	282
Finance costs			
Interest and finance charges paid/payable		8,781	20,416
Realised loss on derivative financial instrument		–	416
Amount capitalised		–	(2,526)
Finance costs expensed		8,781	18,306
Rental expense relating to operating leases			
Minimum lease payments		694	901
Total rental expense relating to operating leases		694	901
Defined contribution superannuation expense			
Contributions to employee superannuation plans		1,308	744
		1,308	744
Write down/impairment of other assets			
Write down in inventory to net realisable value		7,767	9,496
Impairment of Retirement Finance Pty Ltd	38	8,836	–
Impairment of trade receivables		200	4,263
Total impairment losses – other assets		16,803	13,759

Note 8. Income tax expense relating to continuing operations

a. Income tax expense

	2012 $'000	2011 $'000
Current tax	1,070	2,396
Deferred tax	(1,070)	(1,014)
Total income tax expense recognised in the current year related to continuing operations	–	1,382
Deferred income tax expense/(revenue) included in income tax expense comprises:		
Decrease/(Increase) in deferred tax assets (Note 17)	9,842	(8,283)
(Decrease)/increase in deferred tax liabilities (Note 26)	(8,772)	7,269
	1,070	(1,014)

b. Numerical reconciliation of income tax expense to prima facie tax payable

	2012 $'000	2011 $'000
(Loss) from continuing operations before income tax expense	(17,908)	(17,206)
Tax at the Australian tax rate of 30.0% (2011 – 30.0%)	(5,372)	(5,162)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment	3	3
Consolidated net profit attributable to stapled trust	(3,165)	4,661
Sundry items	8,534	2,751
	–	2,253
Adjustments for current tax of prior periods	–	143
Income tax expense	–	2,396

c. Amounts recognised directly in equity

	2012 $'000	2011 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Net deferred tax – debited (credited) directly to equity	1,070	1,014

d. Tax consolidation legislation

Becton Property Group Limited and its wholly owned Australian controlled non trust entities have implemented the tax consolidation legislation as of 1 July 2005. The accounting policy in relation to this legislation is set out in Note 1(f).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, Becton Property Group Limited.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Becton Property Group Limited for any current tax payable assumed and are compensated by Becton Property Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Becton Property Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables (see Note 10).

Notes to the Consolidated Financial Statements

(continued)

Note 9. Current assets – Cash and cash equivalents

	2012 $'000	2011 $'000
Cash at bank and in hand	2,887	11,134
Balances per statement of cash flows	2,887	11,134

a. Cash at bank and on hand

Cash at bank represents cash held in transactional bank accounts. These bear interest rates between 1% and 5% (2011: between 1% and 5%) per annum.

Note 10. Current assets – Trade and other receivables

	2012 $'000	2011 $'000
Trade receivables	3,689	5,564
Other receivables (a)	1,089	26,168
Prepayments	537	495
	5,315	32,227

a. Other receivables

The other receivables of $1.089 million relates to an earnout fee receivable from 360 Capital Industrial Fund (360CIF). The Group is contractually entitled to receipt of this receivable which is due and payable on 17 December 2012 based on the assets held in 360CIF at that time. The collection of this fee is dependent on the contractual right to entitlement and credit risk of 360 Capital Investment Management Limited.

b. Past due but not impaired

As at 30 June 2012, trade receivables of $3.5 million (2011: $5.3 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2012 $'000	2011 $'000
Up to 3 months	3,412	4,790
3 to 6 months	134	512
	3,546	5,302

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables Note 2(b).

c. Effective interest rates and credit risk

The Group has no exposure to interest rate risk on its receivables as all are non interest bearing.

d. Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of receivables mentioned above. The fair value of securities held for certain trade receivable is insignificant as is the fair value of any collateral sold or repledged. Refer to Note 2 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

Note 11. Current assets – Inventories

	2012 $'000	2011 $'000
Projects in progress		
– at cost	62,981	33,772
– at net realisable value	6,419	14,216
	69,400	47,988
Finished goods		
– at cost	–	14,075
	69,400	62,063

a. Projects in progress

Projects in progress represent capitalised costs incurred on projects under construction at year end.

In May 2012, the Directors of The Group engaged a sales and marketing agent to exclusively market the property. There are several interested parties and the sale negotiations continue.

b. Finished goods

Finished goods represent capitalised costs incurred on projects completed and available-for-sale at year end.

c. Inventory expense

Write downs of inventories to net realisable value recognised as an expense during the year ended 2012 amounted to $7.8 million (2011: $9.5 million).

Inventories are pledged as security for external borrowings, refer to Note 25(c).

Note 12. Current assets – Construction contracts

	2012 $'000	2011 $'000
Contracts in progress		
Construction costs incurred plus recognised profits	13,109	7,445
Less progress billings	(13,486)	(7,611)
	(377)	(166)
Recognised and included in the financial statements as amounts due:		
From customers under construction contracts	(377)	(166)
	(377)	(166)

At balance date progress billings exceeded construction costs incurred resulting in a net liability position.

At 30 June 2012 retentions of $0.6 million were held on the Stonnington Project only (30 June 2011: $Nil).

Note 13. Non-current assets – Receivables

	2012 $'000	2011 $'000
Deferred exit fees	–	1,777
	–	1,777

The carrying amounts of non-current receivables approximate their fair values.

Note 14. Non-current assets – Investments accounted for using the equity method

	2012 $'000	2011 $'000
Interest in joint venture entities (Note 38)	**38,857**	59,460
	38,857	59,460

a. Interest in joint venture entities

The interest in joint venture entities are accounted for in the consolidated financial statements using the equity method of accounting. For all interests held by the Group in joint venture entities, ownership and voting power do not exceed 50% and do not constitute control (refer to Note 38).

The Group has a 50% interest in a joint venture entity the Retirement Finance Pty Ltd (Retirement Alliance), with a carrying value of $35.4 million at 30 June 2012 (30 June 2011: $55.9 million). The Retirement Alliance has a $73.6 million facility which is due to expire in October 2012. Refer to Note 1(ai) for further information.

Note 15. Non-current assets – Property, plant and equipment

	Plant and equipment $'000	Machinery and vehicles $'000	Leased plant and equipment $'000	Total $'000
Balance at 1 July 2010				
Cost or fair value	1,530	64	54	1,648
Accumulated depreciation	(163)	(51)	(25)	(239)
Balance at 30 June 2011				
Opening net book amount	1,367	13	29	1,409
Additions	166	–	–	166
Depreciation charge	(196)	(3)	(3)	(202)
Closing net book amount	1,337	10	26	1,373
Balance at 30 June 2011				
Cost or fair value	1,696	64	54	1,814
Accumulated depreciation	(359)	(54)	(28)	(441)
Net book amount	1,337	10	26	1,373
Balance at 30 June 2012				
Opening net book amount	1,337	10	26	1,373
Additions	51	48	–	99
Assets included in a disposal group classified as held for sale and other disposals	–	–	(22)	(22)
Depreciation charge	(962)	(3)	(4)	(969)
Closing net book amount	426	55	–	481
Balance at 30 June 2012				
Cost or fair value	1,681	144	–	1,825
Accumulated depreciation	(1,255)	(89)	–	(1,344)
Net book amount	426	55	–	481

For personal use only

Note 16. Non-current assets – Investment properties

	2012 $'000	2011 $'000
At fair value		
Opening balance at 1 July	33,475	37,429
Classified as held for sale or disposals	–	(24,368)
Net gain/(loss) from fair value adjustment	(227)	(5,981)
Transfer (to)/from investment properties under construction	6,402	26,395
Closing balance at 30 June	39,650	33,475

a. Amounts recognised in profit or loss for investment properties

	2012 $'000	2011 $'000
Cumulative change in fair value recognised in profit and loss of investment property	835	2,718

b. Valuation basis

The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on-current prices in an active market for similar properties in the same location and condition and subject to similar leases. The 2012 valuations were performed by three different retirement valuers, CBRE, Colliers and Knight Frank. All of the valuers are recognised as leaders in their field within retirement village industry.

Factors taken into consideration when determining the fair value of the property include:

i. current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

ii. discounted cash flow projections based on reliable estimates of future cash flows.

Note 17. Non-current assets – Deferred tax assets

	2012 $'000	2011 $'000
The balance comprises temporary differences attributable to:		
Accrued expenses	380	503
Employee benefits	359	350
Capital raising costs	436	653
Tax losses	27,401	30,872
Write down of inventories	1,038	2,993
Other	12,891	18,697
Derivative financial instrument	2,019	–
Deferred exit fees	326	–
Property, plant and equipment	449	–
Net deferred tax assets	45,299	54,068

Notes to the Consolidated Financial Statements
(continued)

Note 17. Non-current assets – Deferred tax assets (continued)

Movements	2012 $'000	2011 $'000
Opening balance at 1 July	54,068	46,805
Charged/(credited)		
– to profit or loss	(916)	(8,061)
– directly to equity	1,071	(1,014)
– current period tax loss	(1,017)	16,053
– prior period overprovision	(7,907)	285
Closing balance at 30 June	45,299	54,068

Deferred tax assets are recognised for tax losses to the extent that realisation of the related tax benefit through the future taxable profits is probable. At 30 June 2012, the Group had unrecognised tax losses of $34.4 million (2011: $36.8 million) to carry forward against future taxable income. The tax losses have no expiry date.

Note 18. Non-current assets – Inventories

	2012 $'000	2011 $'000
Projects in progress		
– at cost	55,296	73,742
– at net realisable value	1,376	6,576
	56,672	80,318
Investment properties under construction		
– at fair value	2,771	9,626
	2,771	9,626
	59,443	89,944

Non-current inventories represent projects in progress which will not be settled within 12 months from the balance sheet date.

Note 19. Current liabilities – Payables

	2012 $'000	2011 $'000
Trade payables	11,833	25,161
Accrued expenses	2,861	7,513
	14,694	32,674

The Group has financial risk management policies in place to ensure all payables are paid within the pre-agreed credit terms.

Note 20. Current liabilities – Borrowings

	2012 $'000	2011 $'000
Secured		
Bank loans	2,202	33,974
Lease liabilities (Note 34)	–	12
Total secured current borrowings	2,202	33,986

a. Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 2.

b. Security and fair value disclosures

Details of the security relating to each of the secured liabilities and the fair value of each of the borrowings are provided in Note 25.

Note 21. Current liabilities – Provisions

	2012 $'000	2011 $'000
Employee benefits	1,570	1,237
	1,570	1,237

a. Amounts not expected to be settled within the next 12 months

Employee benefits include provisions for annual leave and vested long service leave. The entire annual leave obligation is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months.

b. Movements in provisions

Movements in each class of provision during the financial year are set out below:

2012	Employee benefits $'000	Distributions to minority interests $'000	Total $'000
Current			
Carrying amount at the start of the year	1,237	–	1,237
Additional provisions recognised	1,570	–	1,570
Amounts used during the year	(1,237)	–	(1,237)
Carrying amount at end of year	1,570	–	1,570

2011	Employee benefits $'000	Distributions to minority interests $'000	Total $'000
Carrying amount at the start of the year	1,958	171	2,129
Additional provisions recognised	1,237	–	1,237
Amounts used during the year	(1,958)	(171)	(2,129)
Carrying amount at end of year	1,237	–	1,237

Notes to the Consolidated Financial Statements
(continued)

Note 22. Derivative financial instruments

	Consolidated 2012 $'000	2011 $'000
Current liabilities		
Interest rate swaps – cash flow hedges	1,394	803
Total current derivative financial instrument liabilities	1,394	803
Non-current liabilities		
Interest rate swaps – cash flow hedges	5,338	2,333
Total non-current derivative financial instrument liabilities	5,338	2,333
Total derivative financial instrument liabilities	6,732	3,136

Note 23. Current liabilities – Liability to retirement village residents

	2012 $'000	2011 $'000
Liability to retirement village residents	34,554	29,105
	34,554	29,105

Amounts paid by residents for apartments and units are classified as a liability to the resident. The liability represents the residents share of the expected proceeds from the re-lease of the apartment or unit. The expected proceeds are based on independent valuations of gross realisable value after taking into account expected fees payable to the owner (accrued deferred management fees, Note 1(e)(iii)). The liability is recognised as soon as the resident signs a lease agreement. Liabilities to retirement village residents are non-interest bearing and repayable after the residents departure. Liabilities to retirement village residents are classified as current liabilities because the Group does not have an unconditional right to defer settlements for greater than 12 months. History has shown that residents stay for an average period of 10 to 12 years in independent living units and 3 to 6 years in assisted living serviced apartments.

Note 24. Non-current liabilities – Trade and other payables

	2012 $'000	2011 $'000
Trade payables	–	6,000
Maintenance funds owned by residents	35	16
	35	6,016

The maintenance funds owned by residents represents cash deposits held on trust by the Group on behalf of retirement village residents, their fair value is equal to their carrying value.

Note 25. Non-current liabilities – Borrowings

	2012 $'000	2011 $'000
Secured		
Bank loans	171,471	179,062
Total secured non-current borrowings	171,471	179,062

a. Total secured liabilities

The Group had access to a number of current and non-current facilities at reporting date. The following are the undrawn borrowing facilities at reporting date:

	2012 $'000	2011 $'000
Corporate Debt		
Total facilities	126,000	126,000
Drawn facilities	(93,665)	(102,030)
Bank guarantees	(15,357)	(14,829)
Unused corporate debt at balance date	16,978	9,141

	2012 $'000	2011 $'000
Project Debt		
Total facilities	155,865	196,534
Drawn facilities	(80,008)	(111,005)
Bank guarantees	(1,277)	(2,921)
Unused project debt at balance date	74,580	82,608

b. Convertible notes

The convertible notes were converted into ordinary equity as part of the Capital Restructure Proposal on 17 June 2011. For further details on this transaction see Note 28.

c. Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

	2012 $'000	2011 $'000
Bank loans	173,673	213,036
Lease liabilities	–	12
Total secured liabilities	173,673	213,048

The bank loans of the Group are secured by first mortgages against the assets of individual projects. Bank loans related to corporate are secured against fixed and floating charges over the Group and all its remaining assets and liabilities.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

Notes to the Consolidated Financial Statements
(continued)

Note 25. Non-current liabilities – Borrowings (continued)

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	2012 $'000	2011 $'000
Current		
First mortgage		
Inventories	69,400	62,063
Floating charge		
Cash and cash equivalents	2,887	11,134
Receivables	5,315	32,227
Total current assets pledged as security	77,602	105,424
Non-current		
First mortgage		
Investment properties	39,650	33,475
Inventories	59,443	89,944
	99,093	123,419
Finance lease		
Plant and equipment	–	26
	–	26
Floating charge		
Receivables – non-current	–	1,777
Investments accounted for using the equity method	38,858	59,460
Derivative financial instruments	(6,732)	(3,136)
Property, plant and equipment	481	1,373
	32,607	59,474
Total non-current assets pledged as security	131,700	182,919
Total assets pledged as security	209,302	288,343

d. Fair value

The carrying amounts and fair values of borrowings at the end of the reporting period are:

	2012		2011	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
On-balance sheet				
Non-traded financial liabilities				
Bank loans	173,673	173,673	213,036	213,036
Lease liabilities	–	–	12	12
	173,673	173,673	213,048	213,048

The Group received a formal waiver of a financial covenant breach existing at 30 June 2012 in relation to the Group's working capital facility with BOSI, which had the effect of retaining the $93.7 million of debt and other payables as non-current in line with the facility expiry in June 2014. On 20 September 2012, the Group also received notification of a formal waiver of the 30 June 2013 financial covenant test.

Note 26. Non-current liabilities – Deferred tax liabilities

	2012 $'000	2011 $'000
The balance comprises temporary differences attributable to:		
Investment property	12,255	19,606
Deferred management fees	25,109	22,061
Deferred exit fees	–	208
Intangible assets	4,027	4,027
Depreciation	–	605
Other	3,911	7,567
Net deferred tax liabilities	45,302	54,074

Movements	2012 $'000	2011 $'000
Opening balance at 1 July	54,074	46,805
Charged/(credited)		
– profit or loss	(921)	6,189
– prior period overprovision	(7,851)	1,080
Closing balance at 30 June	45,302	54,074

Notes to the Consolidated Financial Statements
(continued)

Note 27. Non-current liabilities – Provisions

	2012 $'000	2011 $'000
Employee benefits	145	518
	145	518

Employee benefits include provisions for long service leave. The entire obligation is presented as non-current.

a. Movements in provisions

2012	Employee benefits $'000
Non-current	
Carrying amount at the start of year	518
Additional provisions recognised	138
Amounts used during the year	(511)
Carrying amount at end of year	145

2011	Employee benefits $'000
Carrying amount at the start of year	479
Additional provisions recognised	87
Amounts used during the year	(48)
Carrying amount at end of year	518

Note 28. Contributed equity

a. Share capital

	2012 Shares	2011 Shares	2012 $'000	2011 $'000
Ordinary shares				
Fully paid	7,374,116	7,374,527	397,383	396,965

b. Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$'000
1 July 2010	Opening balance	204,820,547		338,948
17 June 2011	New ordinary equity issued under capital restructure	1,270,084,806	$0.03	32,514
25 November 2011	Securities consolidated on a 200:1 basis*	(1,467,530,826)		–
30 June 2011	Less: capital raising costs	–		(6,484)
30 June 2011	Less: tax related to transaction costs arising to previous share issue	–		(1,014)
30 June 2011	Balance	7,374,527		363,964
1 July 2011	Opening balance	7,374,527		363,964
15 December 2011	Share buyback	(411)		–
26 June 2012	Add: capital raising cost adjustment	–		419
30 June 2012	Balance	7,374,116		364,383

* At the Annual General Meeting on 25 November 2011, securityholders of the Group approved a resolution to consolidate securities on a 200:1 basis. This took the total number of securities from 1,474,905,353 (pre-consolidation) to 7,374,116 (post consolidation). This consolidation has been reflected in the 30 June 2011 number of ordinary shares.

c. Movements in preferred equity

Date	Details	Number of shares	$'000
1 July 2010	Opening balance	–	–
	New preferred equity issued under capital restructure	33,000,000	33,000
30 June 2011	Balance	33,000,000	33,000
1 July 2011	Opening balance	33,000,000	33,000
30 June 2012	Balance	33,000,000	33,000

d. Ordinary shares and units (stapled securities)

Each stapled security entitles the holder to participate in dividends and distributions and the proceeds on winding up of the company in proportion to the number of and amounts paid on the securities held.

On a show of hands every holder of stapled securities present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each stapled security is entitled to one vote.

As part of the Group capital restructure, new ordinary stapled securities were issued, refer to Note 1(ah).

e. Preferred equity securities

As part of the Group capital restructure, BOSI converted $33 million of debt into preferred equity securities. Note 1(ah) describes the rights attaining to these securities.

Note 29. Reserves and accumulated losses

a. Reserves

	2012 $'000	2011 $'000
Hedging reserve – cash flow hedges	(3,570)	26
Share-based payments reserve	1,258	1,258
Options issued	20,062	20,062
	17,750	21,346

	2012 $'000	2011 $'000
Movements:		
Cash flow hedges		
Opening balance	26	(1,958)
Transfer to reserves	(3,596)	1,984
Balance 30 June	(3,570)	26

As part of the Group capital restructure, ACR converted a portion of its debt to Options exercisable into Stapled Securities with the number of units issued to ACR being 783,682,575. Subsequently on the 5 June 2012 ACR sold all of its ownership in both Becton stapled securities and options. Refer to Note 1(ah) which describes the rights attaining to these units.

b. Accumulated losses

Movements in accumulated losses were as follows:

	2012 $'000	2011 $'000
Balance 1 July	(412,598)	(368,321)
Net (loss) for the year	(17,908)	(44,277)
Balance 30 June	(430,506)	(412,598)

Note 30. Dividends and distributions

No dividends were declared or paid in the current financial year. During the prior period an amount of $3.0 million was paid to minority interests by 360 Capital Diversified Property Fund, a controlled Group entity during the period.

Note 31. Key management personnel disclosures

a. Directors

The following persons were directors of Becton Property Group Limited during the financial year:

i. Chairman – non-executive

W J Conn

ii. Executive director

M B Chun, CEO

iii. Non-executive directors

P Dempsey

R K Critchley

R K Critchley resigned from the position of non-executive director on 25 November 2011.

J Crumlin

J Crumlin was appointed to the position of non-executive director on 26 July 2011 and retired from the position on 5 June 2012.

b. Other key personnel compensation

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer
S Catalfamo	Head of Development	Becton Group Holdings Pty Ltd
S Leske	Group Treasurer	Becton Group Holdings Pty Ltd
S Nicolson	CEO Becton Living	Becton Living Pty Ltd
P McIntyre	Head of Construction	Becton Group Holdings Pty Ltd
J Ciardulli*	Company Secretary	Becton Group Holdings Pty Ltd
D Dalgleish*	CEO Development & Construction	Becton Group Holdings Pty Ltd

The above persons marked * were key management persons during the year ended 30 June 2012, and ceased employment in March 2012 and April 2012 respectively.

c. Key management personnel compensation

	2012 $	2011 $
Short-term employee benefits	**3,108,597**	3,304,192
Post-employment benefits	**179,186**	178,203
Termination benefits	**547,966**	698,767
	3,835,749	4,181,162

The Company has taken advantage of the relief provided by Corporations regulation 2M 6.04 and has transferred the detailed remuneration disclosures to the Directors report Sections A, B, C and D.

d. Equity instrument disclosures relating to key management personnel

i. Option holdings

There were no options granted to key management personnel in 2012.

ii. Security holdings

The numbers of securities held during the financial year by each Director of Becton Property Group Limited and other key management personnel of the Group, including their personally related parties, are set out below. No securities were granted as compensation during the reporting period.

2012 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Becton Property Group Limited				
Ordinary shares				
W J Conn OAM	17,379	–	–	17,379
M B Chun	–	–	–	–
P Dempsey	–	–	–	–
R Critchley	1,278	–	–	1,278
J Crumlin	–	–	–	–
Other key management personnel of the Group				
Ordinary shares				
S Catalfamo	183	–	–	183
J Ciardulli	–	–	–	–
D Dalgleish	–	–	–	–
S Nicolson	–	–	–	–
P McIntyre	–	–	–	–
S Leske	–	–	–	–

2011 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Becton Property Group Limited				
Ordinary shares				
W J Conn OAM	17,379	–	–	17,379
M B Chun	125	–	–	125
P Dempsey	–	–	–	–
R Critchley	1,278	–	–	1,278
J Crumlin	–	–	–	–
Other key management personnel of the Group				
Ordinary shares				
S Catalfamo	183	–	–	183
J Ciardulli	–	–	–	–
D Dalgleish	–	–	–	–
S Nicolson	–	–	–	–
P McIntyre	–	–	–	–
S Leske	–	–	–	–

* At the Annual General Meeting on 25 November 2011, securityholders of the Group approved a resolution to consolidate securities on a 200:1 basis. This took the total number of securities from 1,474,905,353 (pre-consolidation) to 7,374,116 (post consolidation). This consolidation has been reflected in the 30 June 2011 number of ordinary shares.

Notes to the Consolidated Financial Statements

(continued)

Note 31. Key management personnel disclosures (continued)

e. Other transactions with key management personnel

The father of a Director, M B Chun, is a Director and shareholder of Philip Chun and Associates Pty Ltd. During the period, Group entities paid $16,000 (30 June 2011: $14,000) for consulting services from this entity. The fees were based on normal commercial terms and conditions.

Note 32. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

a. Deloitte Touche Tohmatsu

	2012 $	2011 $
Audit and other assurance services		
Audit and review of financial statements	304,500	290,000
Total remuneration for audit and other assurance services	304,500	290,000
Taxation services		
Tax compliance services	244,300	–
Total remuneration for taxation services	244,300	–
Other services		
Other assurance services	47,250	350,994
Total remuneration for other services	47,250	350,994
Total remuneration of Deloitte Touche Tohmatsu	596,050	640,994
Total auditors' remuneration	596,050	640,994

It is the Group's policy to employ Deloitte Touche Tohmatsu on assignments additional to their statutory audit duties where Deloitte Touche Tohmatsu's expertise and experience with the Group are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where Deloitte Touche Tohmatsu is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

Note 33. Contingent liabilities

a. Contingent liabilities

The Group had contingent liabilities at 30 June 2012 in respect of:

i. Specific performance guarantees

The Group has contingent liabilities at 30 June 2012 of $16.7 million (2011: $17.7 million). These relate to specific performance guarantees for development and construction activity.

ii. Parent company guarantee

The Group has a contingent liability at 30 June 2012 of $50 million in connection with the Bonnyrigg project. This relates to a $50 million Parent Company Guarantee that is provided by Becton Property Group Limited to the joint venture company - Bonnyrigg Partnership and Becton's joint venture partner of the Bonnyrigg project - WEST BP Pty Ltd (in its capacity as trustee of the WEST BP Trust). The Parent Company Guarantee secures the performance of Bonnyrigg Development Pty Ltd (a wholly owned Becton entity) in respect of its development and construction obligations under the Development Contract and the Project Deed.

The Parent Company Guarantee would be callable upon an event of default of any obligation under the Development Contract by Bonnyrigg Development Pty Ltd, if that default is not adequately rectified. The Directors believe that Bonnyrigg Development Pty Ltd is not currently in breach of its obligations under the Development Contract or the Project Deed.

A key obligation of Bonnyrigg Development Pty Ltd under the Development Contract is to secure finance for the development of each stage. As announced on the 21 September 2012 BPG have secured approval of a funding facility for stage 3. This facility matures on 30 June 2013. The Directors recognise the challenging funding environment that continues in the broader property development market and the increased risk of Bonnyrigg Development Pty Ltd not being able to secure construction finance on commercially acceptable terms.

iii. Other contingent liabilities

The Company has been assessed in the amount of $7.0 million in respect of land rich duty on properties arising from transactions that took place in FY05. The Company has lodged an objection against the assessment and the State Revenue Office of Victoria has agreed that payment of the assessment will only be required if it is confirmed on objection or on appeal that a liability exists. Based on legal advice, the Directors believe that the action can be successfully defended and therefore no losses (including costs) will be incurred. Consequently, the Directors have not accrued for a liability for stamp duty in this financial report. The information usually required by AASB 137 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it may prejudice the outcome of the objection.

The Company has been assessed in the amount of $10.0 million in respect of land rich duty on properties arising from the acquisition of Becton Properties Limited by the Group on 1 July 2005, in conjunction with the listing of the Company. The Company has lodged an objection against the assessment and the State Revenue Office of Victoria has agreed that payment of the assessment will only be required if it is confirmed on objection or on appeal that a liability exists. The Directors believe, based on legal advice, that the action can be successfully defended and therefore no losses (including costs) will be incurred. Consequently, the Directors have not accrued for a liability for stamp duty in this financial report. The information usually required by AASB 137 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it may prejudice the outcome of the objection.

Note 34. Commitments

a. Lease commitments: group as lessee

	2012 $'000	2011 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Not later than one year	654	905
Later than one year but not later than five years	1,872	2,379
Later than five years	–	–
	2,526	3,284
Representing:		
Non-cancellable operating leases	2,526	3,272
Commitments in relation to finance leases payable	–	12
	2,526	3,284

i. Non-cancellable operating leases

The Group leases various offices and warehouses under non-cancellable operating leases expiring within two to seven years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	2012 $'000	2011 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Not later than one year	654	893
Later than one year but not later than five years	1,872	2,379
Later than five years	–	–
Commitments not recognised in the financial statements	2,526	3,272

Notes to the Consolidated Financial Statements
(continued)

Note 34. Commitments (continued)

ii. Finance leases

The Group leased a motor vehicle with a carrying amount of $12,000 in 2011, in June 2012 the Group exercised the option to acquire the leased assets in accordance with the asset purchase agreement.

	2012 $'000	2011 $'000
Commitments in relation to finance leases are payable as follows:		
Not later than one year	–	12
Later than one year but not later than five years	–	–
Later than five years	–	–
Minimum lease payments	–	12
Representing lease liabilities:		
Current (Note 20)	–	12
Non-current (Note 25)	–	–
	–	12

The weighted average interest rate implicit in the lease is 7.9% (2011: 7.9%) per annum.

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

Note 35. Related party transactions

a. Parent entity

The parent entity within the Group and ultimate parent entity is Becton Property Group Limited.

b. Key management personnel

Details of key management personnel and any related party transactions in relation to Directors and key management personnel are set out in Note 31.

c. Subsidiaries

Interests in subsidiaries are set out in Note 36.

d. Transactions with other related parties

The Group is currently developing and constructing a retirement village for the Retirement Alliance, in which the Group has 50% ownership.

Note 36. Subsidiaries

a. Significant investments in subsidiaries

Name of subsidiary	Place of incorporation and operation	Class of shares	Proportion of ownership interest and voting power held by the Group** 2012 %	2011 %
Becton Property Trust	Australia	Ordinary	100	100
Becton Group Holdings Trust *	Australia	Ordinary	100	100
Becton Corporation Pty Ltd *	Australia	Ordinary	100	100
Becton New Leaf Homes Trust (formerly Becton City Constructions Trust)	Australia	Ordinary	100	100
Becton Developments Trust	Australia	Ordinary	100	100
Becton Constructions Trust	Australia	Ordinary	100	100
Becton City Living Trust	Australia	Ordinary	100	100
Becton Construction Group Nominees Pty Ltd *	Australia	Ordinary	100	100
Becton East Melbourne Constructions Trust	Australia	Ordinary	100	100
Becton Retirement Constructions Trust	Australia	Ordinary	100	100
Becton Breakwater Apartments Trust	Australia	Ordinary	100	100
Becton Residential Constructions (NSW) Trust	Australia	Ordinary	100	100
Becton Kensington Constructions Trust	Australia	Ordinary	100	100
Becton Industrial Constructions Trust	Australia	Ordinary	100	100
Brighton Classic Residences Trust	Australia	Ordinary	100	100
Becton Club Constructions Trust	Australia	Ordinary	100	100
Becton Retirement Construction Management Trust	Australia	Ordinary	100	100
Becton Classic Constructions Trust	Australia	Ordinary	100	100
Becton Bonnyrigg Equity Trust	Australia	Ordinary	100	100
Becton College Square Trust	Australia	Ordinary	100	100
College Square on Swanston Trust	Australia	Ordinary	100	100
Portside Finance Pty Ltd	Australia	Ordinary	100	100
The Mills Point Trust	Australia	Ordinary	100	100
Grovemoor Pty Ltd	Australia	Ordinary	100	100
Grasmoor Pty Ltd *	Australia	Ordinary	100	100
Becton Berry Street Trust	Australia	Ordinary	100	100
Becton Living Pty Ltd	Australia	Ordinary	100	100
Becton Living BCR Management Pty Ltd	Australia	Ordinary	100	100
Becton Living Brighton Investments Pty Ltd	Australia	Ordinary	100	100
Becton Living Menzies Management Pty Ltd	Australia	Ordinary	100	100
Becton Living Menzies Malvern Pty Ltd	Australia	Ordinary	100	100
Becton Living Services Pty Ltd	Australia	Ordinary	100	100
Becton Rowville Trust	Australia	Ordinary	100	100
Becton Living Hawthorn Trust	Australia	Ordinary	100	100
Glenmont Developments Pty Ltd *	Australia	Ordinary	100	100
BRIL Nominees Pty Ltd	Australia	Ordinary	100	100

Notes to the Consolidated Financial Statements
(continued)

Note 36. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and operation	Class of shares	Proportion of ownership interest and voting power held by the Group** 2012 %	2011 %
BRIL Dee Why 1 Pty Ltd	Australia	Ordinary	100	100
BRIL Dee Why 2 Pty Ltd	Australia	Ordinary	100	100
Becton Homes Pty Ltd *	Australia	Ordinary	100	100
The Byron Bay Joint Venture	Australia	Ordinary	100	100
Becton Bonnyrigg Equity Pty Ltd	Australia	Ordinary	100	100
Bonnyrigg Development Pty Ltd	Australia	Ordinary	100	100
Bonnyrigg Development Holdings Pty Ltd	Australia	Ordinary	100	100
Becton Bonnyrigg Holdings Pty Ltd	Australia	Ordinary	100	100
Bonnyrigg Partnership	Australia	Ordinary	50	50
Bonnyrigg Management Pty Ltd	Australia	Ordinary	50	50
Woodstock West Village Pty Ltd	Australia	Ordinary	100	100
Woodstock West Village (Bunbury) Pty Ltd	Australia	Ordinary	100	100
Becton Living Beaumaris Trust	Australia	Ordinary	100	100
Becton Living Mt Martha Trust	Australia	Ordinary	100	100
BPT Holdings Unit Trust	Australia	Ordinary	100	100
Becton Bribie Island Pty Ltd	Australia	Ordinary	100	100
Becton Living Hervey Bay Pty Ltd	Australia	Ordinary	100	100
Becton Living Mackay Pty Ltd	Australia	Ordinary	100	100
Becton Escen on Church Pty Ltd	Australia	Ordinary	100	100
Becton Developer Pty Ltd	Australia	Ordinary	100	100
Becton Retail Constructions Pty Ltd (formerly Becton High Tower Pty Ltd)	Australia	Ordinary	100	100
Becton Karinya Pty Ltd	Australia	Ordinary	100	100
Becton Kingfisher Grove Pty Ltd	Australia	Ordinary	100	100
Becton Queens Rd Pty Ltd	Australia	Ordinary	100	100
Becton Greenwich Pty Ltd	Australia	Ordinary	100	100
Becton Living East Malvern Trust	Australia	Ordinary	100	100
Becton Living Caulfield Trust	Australia	Ordinary	100	100
Becton Woniora Pty Ltd	Australia	Ordinary	100	100
Becton Development Services Pty Ltd	Australia	Ordinary	100	100
Becton Development Services (Fund) Pty Ltd	Australia	Ordinary	100	100
Becton Residential Constructions (Vic) Pty Ltd	Australia	Ordinary	100	100
Becton Residential Constructions (Qld) Pty Ltd	Australia	Ordinary	100	100
Becton Construction Holdings Pty Ltd	Australia	Ordinary	100	100
BPT Retirement Finance Trust	Australia	Ordinary	100	100
BPT Finance No. 1 Trust	Australia	Ordinary	100	100
BPT Everest Holdings Unit Trust	Australia	Ordinary	100	100
BPT Everest Unit Trust	Australia	Ordinary	100	100
Becton Everest Finance Pty Ltd	Australia	Ordinary	100	100

For personal use only

Name of subsidiary	Place of incorporation and operation	Class of shares	Proportion of ownership interest and voting power held by the Group** 2012 %	2011 %
Becton Property Management Ltd (formerly Lachlan REIT Ltd)	Australia	Ordinary	100	100
Lachlan Property Securities Fund	Australia	Ordinary	100	100
Becton Licensee Pty Ltd	Australia	Ordinary	100	100
Breezes Howard Pty Ltd ^	Australia	Ordinary	100	100
Breezes Bribie Island Pty Ltd ^	Australia	Ordinary	100	100
The Ridge Doreen Pty Ltd ^	Australia	Ordinary	100	100
Mernda Town Centre Pty Ltd ^	Australia	Ordinary	100	100
Mernda Mayfield Farm Pty Ltd ^	Australia	Ordinary	100	100
Mernda Mayfield Business Park Pty Ltd ^	Australia	Ordinary	100	100
Everest Project Developments Pty Ltd ^	Australia	Ordinary	100	100
Everest Property Holdings Pty Ltd ^	Australia	Ordinary	100	100
Wrights Road Pty Ltd ^	Australia	Ordinary	100	100
Karinya Apartments Pty Ltd ^	Australia	Ordinary	100	100
Everest on Miller Pty Ltd ^	Australia	Ordinary	100	100
French St Everest Pty Ltd ^	Australia	Ordinary	100	100
Werrington Everest Pty Ltd ^	Australia	Ordinary	100	100
Woniora Everest Pty Ltd ^	Australia	Ordinary	100	100
Everest on Hunter Pty Ltd ^	Australia	Ordinary	100	100
Everest at Wallsend Pty Ltd ^	Australia	Ordinary	100	100
Everest at Shortland Pty Ltd ^	Australia	Ordinary	100	100
Becton Retirement Management Pty Ltd	Australia	Ordinary	100	100
Retirement Finance Pty Ltd	Australia	Ordinary	100	100
Becton Kensington Trust	Australia	Ordinary	100	100
Becton Pty Ltd	Australia	Ordinary	100	100
BPS Issuer Pty Ltd	Australia	Ordinary	100	100
Kensington Management Company Pty Ltd	Australia	Ordinary	100	100
Classic Residences Serviced Apartments Pty Ltd	Australia	Ordinary	100	100
BDF No.1 Capital Residences Pty Ltd	Australia	Ordinary	100	100
BDF No.1 North Beach Byron Pty Ltd	Australia	Ordinary	100	100
BDF No.1 OEM Residences Pty Ltd	Australia	Ordinary	100	100
BDF No.1 OEM Tower Pty Ltd	Australia	Ordinary	100	100
Becton at Berry Street Pty Ltd	Australia	Ordinary	100	100
Becton at Kensington Pty Ltd	Australia	Ordinary	100	100
Becton Breakwater Apartments Pty Ltd	Australia	Ordinary	100	100
Becton City Living Pty Ltd	Australia	Ordinary	100	100
Becton Classic Constructions Pty Ltd	Australia	Ordinary	100	100
Becton Club Constructions Pty Ltd	Australia	Ordinary	100	100
Becton College Square Pty Ltd	Australia	Ordinary	100	100
Becton Construction Group Pty Ltd	Australia	Ordinary	100	100

Notes to the Consolidated Financial Statements
(continued)

Note 36. Subsidiaries (continued)

Name of subsidiary	Place of incorporation and operation	Class of shares	Proportion of ownership interest and voting power held by the Group** 2012 %	2011 %
Becton Developments Pty Ltd	Australia	Ordinary	100	100
Becton East Melbourne Constructions Pty Ltd	Australia	Ordinary	100	100
Becton Group Holdings Pty Ltd	Australia	Ordinary	100	100
Becton Industrial Constructions Pty Ltd	Australia	Ordinary	100	100
Becton Kensington Constructions Pty Ltd	Australia	Ordinary	100	100
Becton Living Caulfield Pty Ltd	Australia	Ordinary	100	100
Becton Living East Malvern Pty Ltd	Australia	Ordinary	100	100
Becton Living Hawthorn Pty Ltd	Australia	Ordinary	100	100
Becton Living Mt Martha Pty Ltd	Australia	Ordinary	100	100
Becton New Leaf Homes Pty Ltd (formerly Becton City Constructions Pty Ltd)	Australia	Ordinary	100	100
Becton Residential Constructions (NSW) Pty Ltd	Australia	Ordinary	100	100
Becton Retirement Construction Management Pty Ltd	Australia	Ordinary	100	100
Becton Retirement Constructions Pty Ltd	Australia	Ordinary	100	100
Becton Rowville Pty Ltd	Australia	Ordinary	100	100
Becton Classic Residences Pty Ltd	Australia	Ordinary	100	100
College Square on Swanston Pty Ltd	Australia	Ordinary	100	100
Shimmerbridge Pty Ltd	Australia	Ordinary	100	100

* These entities are parties to a deed of cross guarantee under which each company guarantees the debts of the others, refer to Note 37.

** The proportion of ownership interest is equal to the proportion of voting power held.

^ These entities are controlled by the Group although no issued capital is held. These entities sold (to the Group) the rights to develop the land and buildings they hold as part of the Fincorp and Estate acquisitions.

All of the entities above have a 30 June reporting date.

Note 37. Deed of cross guarantee

A number of Group entities are parties to a deed of cross guarantee under which each company guarantees the debts of the others, these entities are shown in Note 38. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

a. Consolidated income statement, consolidated statement of comprehensive income and summary of movements in consolidated retained earnings

The entities identified in Note 36 represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Becton Property Group Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2012 of the Closed Group consisting of Becton Property Group Limited and the entities marked with a * in Note 36.

	2012 $'000	2011 $'000
Consolidated income statement		
Revenue from continuing operations	138,651	66,129
Other income	7,081	9,258
Raw materials and consumables used	(117,060)	(53,926)
Employee benefits expense	(12,039)	(12,016)
Depreciation and amortisation expense	(967)	(282)
Impairment of other assets	(13,292)	(8,014)
Other expenses	(4,645)	(5,128)
Commission expense	–	(405)
Share of net (loss)/profits of joint venture entities	(11,692)	7,409
Forgiveness of waiver fee	6,000	–
Finance costs	(19,161)	(25,784)
Loss before income tax	(27,124)	(22,759)
Income tax expense	–	(1,382)
Loss for the year	(27,124)	(24,141)
(Loss)/profit from discontinued operations	–	(10,213)
Loss for the year	(27,124)	(34,354)
Consolidated statement of comprehensive income		
Loss for the year	(27,124)	(34,354)
Other comprehensive income		
(Loss)/gain on cash flow hedges taken to equity	(3,596)	1,984
Other comprehensive income for the year, net of tax	(3,596)	1,984
Total comprehensive income for the year	(30,720)	(32,370)

	2012 $'000	2011 $'000
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	(289,821)	(255,467)
(Loss) for the year	(27,124)	(34,354)
Retained earnings at the end of the financial year	(316,945)	(289,821)

Notes to the Consolidated Financial Statements
(continued)

Note 37. Deed of cross guarantee (continued)

b. Consolidated statement of financial position

Set out below is a consolidated balance sheet as at 30 June 2012 of the Closed Group consisting of the entities marked with a * in Note 36.

	2012 $'000	2011 $'000
Current assets		
Cash and cash equivalents	2,856	11,108
Trade and other receivables	4,194	2,590
Inventories	67,316	62,063
Total current assets	74,366	75,761
Non-current assets		
Inventories	56,672	77,900
Investments accounted for using the equity method	38,857	59,460
Property, plant and equipment	481	1,373
Deferred tax assets	45,299	54,068
Total non-current assets	141,309	192,801
Total assets	215,675	268,562
Current liabilities		
Trade and other payables	14,694	31,962
Borrowings	–	26,038
Intercompany loan	105,412	65,902
Provision	1,570	1,237
Total current liabilities	121,676	125,139
Non-current liabilities		
Trade and other payables	35	6,016
Borrowings	171,471	179,062
Deferred tax liabilities	45,302	54,074
Provisions	145	518
Total non-current liabilities	216,953	239,670
Total liabilities	338,629	364,809
Net assets	(122,954)	(96,247)
Equity		
Contributed equity	172,750	172,332
Reserves	21,241	21,242
Retained earnings	(316,945)	(289,821)
Total equity	(122,954)	(96,247)

Note 38. Interests in joint ventures

a. Joint venture entities

The Group has the following significant interests in joint venture entities:

A controlled entity has a 50% interest in the Bonnyrigg Partnership, which is resident in Australia and the principal activity of which is the management of an affordable housing development in Bonnyrigg, NSW.

A controlled entity has a 50% interest in the Retirement Finance Pty Ltd (or "Retirement Alliance"), which is a resident in Australia and the principal activity of which is the management of retirement villages throughout Australia.

Under the terms of the Relationship Agreement the joint venture partner is entitled up to 60% of the net asset value of the Retirement Alliance if the internal rate of return ("IRR") on their investment is less than 20%. Based on our most recent forecasting we no longer believe the joint venture partner will receive a 20% IRR on its investment and therefore is likely to be entitled to 60% of the net asset value of the Retirement Alliance on termination. This agreement does not affect the Groups voting rights in the Alliance.

As a result of the change in entitlement in accordance with Relationship agreement explained above, Becton have impaired the investment in the Retirement Alliance, to bring the carrying value in line with the forecast entitlement of 40%.

	Ownership interest		Carrying value of investment Consolidated	
Name	2012	2011	2012 $'000	2011 $'000
Bonnyrigg Partnership Nominees Pty Ltd (as nominee for the Bonnyrigg Partnership)	50%	50%	3,442	3,517
Retirement Finance Pty Ltd	50%	50%	44,251	55,943
			47,693	59,460
Impairment of Retirement Finance Pty Ltd			(8,836)	
			38,857	

Share of joint venture entities' assets and liabilities	2012 $'000	2011 $'000
Current assets	2,081	4,170
Non-current assets	282,046	281,075
Total assets	284,127	285,245
Current liabilities	236,408	225,773
Non-current liabilities	26	12
Total liabilities	236,434	225,785
Net assets	47,693	59,460

Share of joint venture entities revenue, expenses and results	2012 $'000	2011 $'000
Revenue	12,456	14,855
Expenses	(24,148)	(7,446)
(Loss)/profit after income tax)	(11,692)	7,409

Note 39. Events occurring after the reporting period

Subsequent to year end, the following events have occured:

- On 31 July 2012, BPG received a seven month extension of its $2.2 mllion Hervey Bay/ Wahroonga debt facility held with Suncorp bank. The facility, which was due to expire on 31 July 2012, has been extended until 28 February 2013 with an increased loan-to-value ratio covenant of 80 per cent.
- On 31 July 2012, BPG agreed on behalf of its Retirement Alliance joint venture, to a three month extension to 31 October 2012 of a $73.6 million debt facility with Suncorp, which was due to expire on 31 July 2012.
- On 7 September 2012, BPG were informed that the $73.6 million debt held by the Retirement Alliance joint venture had been sold by Suncorp Bank to The Goldman Sachs Group. The maturity date of the facility remains 31 October 2012.
- On 12 September 2012 Becton received approval of an extension to 30 June 2013 of its construction debt facility for the Bonnyrigg project.
- At 30 June 2012, the Group had a working capital facility of $126.0 million with BOSI which expires in June 2014. On 20 September 2012, the Group received notification of credit approval to extend the expiry date of working capital facility and the project debt facility held with BOSI to June 2015.
- On 20 September 2012, the Group received notification of a formal waiver of the 30 June 2013 financial covenant test on the Working capital facility with BOSI.
- On 21 September the Group signed the terms of the stage 3 Bonnyrigg project facility which require project financier approval before release of capital and profits.

Apart from the matters outlined above, the Directors are not aware of any other matters or circumstances not otherwise dealt with in the report, that has significantly or may significantly affect the operations of the Company or the Group, the results of those operations or state of affairs of the Company or the Group in subsequent financial years.

Note 40. Reconciliation of profit after income tax to net cash inflow from operating activities

	2012 $'000	2011 $'000
(Loss) for the year	(17,908)	(47,339)
Depreciation and amortisation	967	4,499
Write down in inventory to net realisable value	6,961	8,093
Impairment of trade receivables	–	5,650
Fair value adjustment to investment property	1,006	1,403
Fair value adjustment to financial assets	–	6,949
Forgiveness of waiver fee	(6,000)	–
Net loss on discontinued operation	–	21,523
Interest revenue	(410)	(396)
Share of loss/(profits) of joint venture entities not received as dividends or distributions	11,692	(7,409)
Impairment of investment in JV	8,836	–
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	1,370	(18,892)
Decrease/(increase) in inventories	16,203	(3,362)
Decrease/(increase) in deferred tax assets	8,769	(7,264)
(Increase)/decrease in value of investment properties	(1,732)	30,287
Decrease/(increase) in other assets	–	36
(Decrease)/increase in trade creditors	(17,961)	(1,415)
(Decrease)/increase in deferred tax liabilities	(8,772)	7,269
Increase/(Decrease) in other provisions	(40)	(853)
Net cash inflow/(outflow) from operating activities	2,981	(1,221)

Note 41. Earnings per share

a. Basic earnings per share

	2012 Cents	2011 Cents
(Loss) from continuing operations attributable to the ordinary equity holders of the company	(242.8)	(1,240.8)
(Loss) from discontinued operation	–	(2,298.8)
Total basic earnings per share attributable to the ordinary equity holders of the Company	(242.8)	(3,539.6)

b. Diluted earnings per share

	2012 $	2011 $
(Loss) from continuing operations attributable to the ordinary equity holders of the company	(242.8)	(1,240.8)
(Loss) from discontinued operation	–	(2,298.8)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	(242.8)	(3,539.6)

c. Reconciliation of earnings used in calculating earnings per share

	2012 $'000	2011 $'000
Basic and diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
(Loss) from continuing operations	(17,908)	(18,583)
(Loss) from continuing operations attributable to minority interests	–	3,062
(Loss) from discontinued operation	–	(28,756)
	(17,908)	(44,277)

d. Weighted average number of shares used as denominator

	2012 Number	2011 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (i)	7,374,304	1,250,901
Weighted average number of ordinary securities and potential ordinary securities used as the denominator in calculating diluted earnings per share	–	–
Options (ii)	–	–

e. Information on the classification of securities

i. Movements in securities and prior year comparatives

At the Annual General Meeting on 25 November 2011, securityholders of the Group approved a resolution to consolidate securities on a 200:1 basis. This took the total number of securities from 1,474,905,353 (pre consolidation) to 7,374,116 (post consolidation). The consolidation has been reflected in the 30 June 2011 weighted average number of ordinary shares.

ii. Options

A total of 783,682,575 options were issued to ACR on 17 June 2011 and subsequently on the 5 June 2012 sold all of its ownership in both Becton stapled securities and options. The weighted average of these options has been excluded from the fully diluted earnings calculation as the effect of the issue of these options is anti dilutive, by the fact that the Group incurred a loss from operations during the financial year.

Notes to the Consolidated Financial Statements
(continued)

Note 42. Discontinued operation

Discontinued Operation – Funds management and property investment

a. Description

On 16 December 2010, Becton property Group sold its shares in Becton Investment Management Limited and its controlled subsidiaries, being its funds management business. The interest in the funds management business is reported in this financial report as a discontinued operation.

In addition to the sale of the funds management business, the Group entered into a conditional Call Option Deed (the Option) for the divestment of its investment in 360 Capital Diversified Property Fund (formerly known as Becton Diversified Property Fund) and 360 Capital Developments Income Fund (formerly known as Becton Developments Income Fund), being its property funds business, to the same purchaser of the funds management business. As part of the capital restructure of the Group, the Group's investment in Becton Development Fund #1 was also divested. The interest in all three investments was the Groups property investment business and is reported in this financial report as a discontinued operation.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

b. Financial performance

The financial performance presented is for the period 30 June 2012

	2012 $'000	2011 $'000
Revenue (Note 5)	–	5,987
Expenses	–	(12,434)
Loss before income tax	–	(6,447)
Loss after income tax of discontinued operation	–	(6,447)
Loss on sale of funds management business before income tax	–	(9,248)
Loss on measurement to fair value less costs to sell off property investment business before income tax	–	(10,367)
Loss on sale of the division after income tax	–	(19,615)
Loss from discontinued operation	–	(26,062)

c. Details of the sale of the division

	2012 $'000	2011 $'000
Consideration received or receivable:		
Cash	–	1,880
Fair value of future exit fees	–	1,777
Fair value of contingent consideration	–	26,168
Total disposal consideration	–	29,825
Carrying amount of net assets disposed/remeasured to fair value less costs to sell	–	(49,440)
Total loss on sale after income tax	–	(19,615)

Discontinued operation – Mackay retirement village

d. Description

The Breezes Mackay retirement village was sold by the Group to RSL Care Limited and settled on 1st June 2011. The operations of this village is reported in this financial report as a discontinued operation.

e. Financial performance

The financial performance presented is for the period 30 June 2012.

	2012 $'000	2011 $'000
Revenue	–	1,328
Expenses	–	(125)
Profit before income tax	–	1,203
Loss on measurement to fair value less costs to sell before income tax	–	(3,898)
Income tax expense	–	–
Loss after income tax	–	(3,898)
Loss from discontinued operation	–	(2,695)

f. Details of the sale of the division

	2012 $'000	2011 $'000
Consideration received or receivable:		
Cash	–	9,734
Total disposal consideration	–	9,734
Carrying amounts of net assets sold	–	(12,429)
Loss on sale before income tax	–	(2,695)

Notes to the Consolidated Financial Statements
(continued)

Note 43. Parent entity financial information

a. Summary financial information
The individual financial statements for the parent entity show the following aggregate amounts:

	2012 $'000	2011 $'000
Balance sheet		
Current assets	42,914	33,545
Non-current assets	1,311	1,311
Total assets	44,225	34,856
Current liabilities	155,226	118,754
Non-current liabilities	93,695	108,060
Total liabilities	248,921	226,814
Net liabilities	(204,696)	(191,958)
Shareholders' equity		
Issued capital	222,943	222,525
Reserves	21,242	21,242
Retained earnings	(448,881)	(435,725)
	(204,696)	(191,958)
(Loss) for the year	(13,156)	(231,556)

b. Contingent liabilities of the parent entity
The parent entity is also party to Contingent liabilities discussed in Note 33.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 30 to 86 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer required by section 295A of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.

William J Conn
Chairman
Melbourne
This 27th day of September 2012

Auditors' Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

The Board of Directors
Becton Property Group Limited
Level 2, 289 Wellington Parade South
EAST MELBOURNE VIC 3002

27 September 2012

Dear Board Members

Auditor's Independence Declaration – Becton Property Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Becton Property Group Limited.

As audit partner for the audit of the financial statements of Becton Property Group Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S Pelusi
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

Independent Auditor's Report
to the members of Becton Property Group Limited

We have audited the accompanying financial report of Becton Property Group Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 30 to 87.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Becton Property Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Becton Property Group Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Significant uncertainty regarding continuation as a going concern and the carrying value of an investment in a joint venture entity accounted for using the equity method of accounting

Without qualifying our opinion, we draw attention to Note 1(b) in the financial report which indicates that the consolidated entity incurred a net loss of $17.9m during the year ended 30 June 2012, and at that date, the consolidated entity's liabilities exceeded its assets by $15.4m. These conditions, along with other matters set forth in Note 1(b), indicate the existence of a material uncertainty which may cast significant doubt about the company and the consolidated entity's ability to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts in the financial report.

Without qualifying our opinion, we draw attention to Note 1(ai) in the financial report which indicates that a material uncertainty exists in relation to the carrying value of Becton Property Group Limited's equity accounted investment in the Retirement Finance SPV Pty Ltd (or "Retirement Alliance") of $35.5 million as at 30 June 2012. The Retirement Alliance has a finance facility, drawn to $73.6 million as at 30 June 2012, which is due to expire in October 2012. This, along with other matters set forth in Note 1(ai), indicate the existence of a material uncertainty which may cast significant doubt over the carrying value of the Group's investment in the Retirement Alliance.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15-19 of the director's report for the year ended 30 June 2012. The director's of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

In our opinion the Remuneration Report of Becton Property Group Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001.*

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

S Pelusi
Partner
Chartered Accountants
Melbourne, 27 September 2012

ASX Additional Information

Additional information required by the Listing Rules of the Australian Stock Exchange Limited and which is not disclosed elsewhere in the Annual Report, is as follows. The information is made up to 28 September 2012.

Shareholder Distribution

The number of Security investors holding less than a marketable parcel of 910 securities ($0.550 on 28 September 2012) was 920 holding 205,747 securities.

Distribution of shareholders

Category (number of securities)	Ordinary Shares (Listed) Number of holders	Number of shares	Percentage of total (%)
1 – 1,000	959	244,260	3.21
1,001 – 5,000	320	740,113	9.73
5,001 – 10,000	60	435,666	5.73
10,001 – 100,000	66	1,690,053	22.21
100,001 – and over	10	4,499,130	59.13
	1,415	7,609,222	100.00

List of Top 20 Ordinary Shareholders

Ordinary Shareholder	Number of shares	Percentage of issued capital (%)
TELOPEA CAPITAL PARTNERS PTY LTD	1,471,944	19.34
MARINER CORPORATION LIMITED	1,425,060	18.73
TITANIUM PROPERTY INVESTMENT PTY LTD	515,181	6.77
MR DAVID MORTON GEER & MRS ROSEMARY GEER	235,106	3.09
MR DAVID MORTON GEER & MRS ROSEMARY GEER	220,792	2.90
LONGFARN PTY LTD	146,185	1.92
AVANTEOS INVESTMENTS LIMITED	140,000	1.84
HISHENK PTY LTD	125,000	1.64
LORNETTE PTY LTD	118,476	1.56
FUNDERBURK RV LIMITED	101,386	1.33
MR ALFIO DI BELLA & MRS LORRAINE PALMER	100,000	1.31
HYECORP PROPERTY FUND NO 1 PTY LTD	96,000	1.26
J P MORGAN NOMINEES AUSTRALIA LIMITED	86,962	1.14
MISS YANQIN QIN	70,583	0.93
BECK CORPORATION PTY LTD	60,000	0.79
ZIMAN WANG	57,802	0.76
AVANTEOS INVESTMENTS LIMITED	54,247	0.71
MR IVAN CASAGRANDE	53,147	0.70
MR BARRY DOUGLAS NEWEY & MRS REGINA NEWEY	50,000	0.66
EIGHTH SPIRIT PTY LTD	38,085	0.50
Total Ordinary Shareholders	5,165,956	67.89

ASX Additional Information
(continued)

Substantial shareholders

Ordinary Shareholder	Number of shares	Percentage of issued capital (%)
TELOPEA CAPITAL PARTNERS PTY LTD	1,471,944	19.34
MARINER CORPORATION LIMITED	1,425,060	18.73

Voting rights
On a show of hands every shareholder present in person or by proxy holding ordinary shares in the consolidated entity shall have one vote and upon a poll each share shall have one vote.

Audit and Risk Committee
As at the date of the Directors' Report, the consolidated entity had established an Audit and Risk Committee of the Board of Directors (refer Corporate Governance Statement).

"Just a note of appreciation for all the work and service the team at Becton has provided to make our purchase and building with Becton enjoyable. Can you thank the construction team for an excellent finished townhouse."

Ken and Kerry, purchasers,
Kensington Stage 10b,
Derby St Homes

"Becton sales people …were very helpful in answering all our questions over a number of days and hours... I thoroughly recommend them to anyone who would need to purchase a property."

David and Kwee, purchasers,
Newleaf

"May I say how pleased [we] are with the apartment and also the complex. Many thanks to Becton."

Julian, purchaser,
Divercity Waterloo

Derby Street Homes, Kensington

Divercity, Waterloo

"Everyone is so kind thoughtful and welcoming – you set a wonderful example and your staff and residents cannot help but follow."

Wendy and Noel, residents,
Menzies Malvern

"Many thanks for a beautiful introduction to 40 Derby Street… My congratulations to the design team and project manager and tradespeople. I am delighted."

Vince, purchaser,
Kensington Stage 10b,
Derby St Homes

"We looked through some of the finished apartments a few weeks ago and loved the look and feel of the development."

Jason, purchaser,
Divercity Waterloo

Menzies Malvern

4 Industry Awards for Newleaf:

- The Urban Taskforce Award for Excellence in Master Planned Communities
- The UDIA (NSW) Austral Bricks Award for Excellence in Urban Renewal
- The UDIA (NSW) President's Award – the best of 14 Excellence Awards category winners
- The Property Council of Australia Award for Innovation and Excellence in the Master Planned Communities Category

BECTON

www.becton.com.au