

# **BUNNINGS**

**WAREHOUSE PROPERTY TRUST**

14 December 2005

The Manager  
Company Announcements Office  
Australian Stock Exchange Limited  
Level 4, 20 Bridge Street  
SYDNEY NSW 2000

Dear Sir

**CHAIRMAN'S ADDRESS AND  
GENERAL MANAGER'S ADDRESS**

We enclose herewith a copy of the abovementioned addresses to be presented at the meeting of unitholders in the Bunnings Warehouse Property Trust to be held at 10.30 am (AWST) today.



A M NIARDONE  
COMPANY SECRETARY  
BUNNINGS PROPERTY MANAGEMENT LIMITED

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**BUNNINGS WAREHOUSE PROPERTY TRUST  
UNITHOLDER MEETING – 14 DECEMBER 2005  
CHAIRMAN’S ADDRESS**

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**INTRODUCTION**

Good morning ladies and gentlemen.

I extend a warm welcome to you all.

I am Bill Cairns, Chairman of Bunnings Property Management Limited which is the responsible entity for the Bunnings Warehouse Property Trust.

I have been appointed by the responsible entity to Chair this meeting.

Can I ask that all mobile phones be turned off.

I would like to introduce you to the non-executive directors of the responsible entity:

- John Austin – who is Managing Director of Ringmer Pacific, a private property investment company;
- Peter Johnston – who previously held the position of Company Secretary of Wesfarmers Limited between 1994 and 2001 and during that time was also an inaugural director of Bunnings Property Management Limited from 1998 to his retirement in 2001; and
- Peter Mansell – who retired as a partner at Freehills in February 2004, and is currently a director of a number of listed and unlisted companies.

I would also like to introduce you to Andrew Hopkins who is the General Manager of the responsible entity, Andrew Ross who is the Portfolio Manager and Anthony Niardone, the Company Secretary.

Let me outline the way the meeting will be conducted.

I will talk briefly about the Trust’s progress over the last year. This will be followed by the General Manager’s Review on the current performance and outlook for the Trust. Finally, I will open the formal part of the meeting to consider, discuss and vote on the resolutions set out in the Notice of Meeting.

Having dealt with the formal business it is my intention to close the meeting. However, before adjourning for morning tea there will be time for general questions and discussion.

### **CHAIRMAN'S ADDRESS**

As set out in the Notice of Unitholders' Meeting and Explanatory Memorandum mailed to you in November, the main purpose of this meeting is to consider a number of resolutions, each in regard to amendments to the Trust Constitution.

But, before we deal with the formal business of the meeting, this is an excellent opportunity to briefly review the recent performance of the Trust.

The Trust's activities and performance have been well covered in the annual report.

I therefore don't propose going into detail and will confine my remarks to a few general comments.

The 2005 financial year was a good year for the Trust, marked by improved earnings and also by significantly higher valuations of properties held in the Trust's portfolio for some years.

The Trust reported an operating profit of 36.1 million dollars for the year ended 30 June 2005, representing an increase of 11.8 per cent on the profit of 32.2 million dollars earned the year before.

This profit was earned on revenue of 50.6 million dollars, up by 13.8 per cent from 44.5 million dollars last year due to additional rent received from newly acquired properties, several upgrades completed on Trust properties and rental growth.

These higher earnings enabled the Trust to make a final distribution of 6.17 cents per unit in August 2005, which lifted the total distribution for the full year to 11.96 cents per unit. This full-year distribution represented a 5.1 per cent increase on the previous year's distribution of 11.38 cents per unit.

This morning, we released an estimated distribution of 6.19 cents per unit for the six month period ending 31 December 2005. The estimate is a 6.9 per cent increase on the 5.79 cents per unit distribution paid in the previous corresponding period.

The Trust's unit price on the Australian Stock Exchange has appreciated significantly. During the financial year ended 30 June 2005 the units traded on the Stock Exchange within a range of \$1.55 to \$1.99, and at close of trade yesterday was \$2.00.

Market rent reviews continue to contribute to earnings growth. In the year to 30 June 2005, seven Trust properties underwent market rent reviews, which resulted in an average 14.8 per cent uplift in the passing rent of those properties. Those reviews followed the completion of 20 market rent reviews in the preceding year, which resulted in a 14.6 per cent uplift in the passing rent. The market rent reviews are programmed every five years, and in years other than those in which a market review is to occur, Trust leases provide for CPI escalation on an annual basis.

The regular revaluation of properties owned by the Trust is ongoing. The Trust's latest annual report covering the financial year to 30 June 2005, noted that a further 11 Trust properties had been revalued by an independent valuer resulting in the market value of these properties increasing by 29 million dollars or 31 per cent.

Those revaluations, together with acquisitions, developments and property upgrades, increased the value of Trust investment properties by 51 million dollars during the last financial year. The value of Trust investment properties, currently 650 million dollars, is now significantly greater than the 170 million dollars of property owned by the Trust at the time of listing in 1998.

The revaluations also have a direct and immediate impact on the Trust's net tangible asset backing per unit, or NTA. In the 2005 financial year the NTA per unit increased from \$1.34 at the beginning of the year to \$1.44 at year end.

The Trust regularly assesses acquisition opportunities which arise from the rollout of Bunnings Warehouses which are forecast to continue at a rate of some 10 to 14 stores per annum. These properties are also keenly sought by institutional and other property investors, and as a consequence the acquisition yields remain firm. The Trust applies strict investment criteria when assessing opportunities, and we will continue to seek properties which we believe will deliver future income and capital growth.

In February this year, the directors suspended the Distribution Reinvestment Plan that was introduced in early 2000. This was as a result of the gearing level of the Trust, which at the time was 27.5 per cent and considered to be low. We are pleased to report that the gearing level is currently at a more acceptable level of approximately 31 per cent, and we will regularly review the reintroduction of the plan.

In terms of the board and management of Bunnings Property Management Limited, there have been some recent changes.

Firstly, in September 2004 and after being a director since 1998, Mr Robert McCuaig retired. Robert was replaced by Mr John Austin, whose experience in the property and funds management industries is a great asset to the responsible entity. Like myself, John is based in Sydney.

Secondly, in September 2005 and after being a director since July 2001, Mr Gene Tilbrook retired, shortly after being appointed Finance Director of Wesfarmers Limited. Gene was replaced by Mr Peter Johnston, who was previously a director of Bunnings Property Management Limited from 1998 to July 2001. Until his retirement in July 2001, Peter was the Company Secretary of Wesfarmers Limited.

I would like to record the valuable contribution made to the Trust by both Robert and Gene during their time as directors of Bunnings Property Management Limited.

I am also pleased to welcome to the management team Mr Andrew Ross, who joined Bunnings Property Management Limited as Portfolio Manager in June 2005. Andrew is a licensed property valuer and has had wide experience in property and funds management work, most recently with the Centro Properties Group in Melbourne. Welcome Andrew, we're pleased to see you back in Western Australia.

Now I will invite the General Manager of Bunnings Property Management Limited, Andrew Hopkins, to provide a more detailed update of the performance and outlook of the Trust.

## **GENERAL MANAGER'S REVIEW**

Thank you Andrew.

**BUNNINGS WAREHOUSE PROPERTY TRUST  
UNITHOLDER MEETING – 14 DECEMBER 2005  
GENERAL MANAGER'S REVIEW**

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Thank you Mr Chairman and good morning ladies and gentlemen.

It is a pleasure to report to you today on aspects of the Trust's recent performance and the outlook for the Trust as we currently see it.

The retail property market in Australia has performed strongly in recent years, with particularly strong growth in the bulky goods sector. On the back of that growth, demand for Bunnings Warehouse properties is as strong now as it has ever been, buoyed by the strength of the Wesfarmers lease covenant.

In regard to the Trust's portfolio the market sentiment has been very positive, resulting in strong property revaluation results, and pleasing results from market rent reviews.

Property revaluations have to date contributed approximately 104 million dollars to the value of the Trust portfolio, and contributed largely to increases in the Net Tangible Asset backing of units, which at 30 June 2005 was \$1.44. The revaluation process is ongoing, and we look forward to reporting more positive revaluation results when financial results are released for the period ending 31 December 2005.

Market rent review results have also been strong. Of the 28 market rent review results completed to date, there has been an average 14.4 per cent uplift on the property rent over the rent in the year preceding the review. These uplifts are of course in addition to the programmed rental escalation in accordance with the Consumer Price Index in years other than those in which a market review is due.

Whilst only one market rent review is scheduled for the current financial year, that being for the Rockingham property south of Perth, we currently have six reviews scheduled for the next financial year, seven for the year after and 22 for the 2009 financial year.

So far, 24 of the 28 reviews have been determined by independent valuers appointed mutually by the Trust and Bunnings. In those instances, the Trust and Bunnings were not able to reach a negotiated agreement on the respective market rental. In terms of process, the Trust seeks independent professional advice on market rentals. It is only when rental levels in accordance with advice to the Trust cannot be agreed with Bunnings that a determining valuer is called in. Under the terms of the leases, the cost of appointing a determining valuer is shared equally between the Trust and Bunnings. Market rental determinations are further evidence of the arms length nature of all transactions between the Trust and Bunnings.

Since 30 June 2003, the Trust has acquired four properties; three ex BBC Hardwarehouse properties from subsidiaries of Wesfarmers, and a site upon which a Bunnings Warehouse was subsequently developed at Maitland in New South Wales. The Trust portfolio now comprises 52 properties, with a value of approximately 650 million dollars, a significant uplift on the 155 million dollar portfolio at the time of listing in 1998.

In terms of land area, the Trust owns some 150 hectares of prime commercial real estate spread around the country. The geographic diversification of the portfolio is more even these days due to acquisitions in recent years in New South Wales and Queensland.

### **Slide 1: Australia chart**

As shown on the screen, the Trust currently owns 49 of the 126 Bunnings Warehouse properties in Australia. In addition, the Trust owns two Bunnings distribution centres as well as a development site upon which a Bunnings Warehouse store is likely to be developed in the future.

On screen now we show the growth in the portfolio over time:

### **Slide 2: Assets**

The significant contribution to portfolio value from revaluations in recent years is evident from the chart.

Also evident is a comparative slowdown in investment since June 2003, particularly when compared with the acquisition of 11 properties in the financial year ending 30 June 2003. We are not concerned by the number of acquisitions made during any particular period, more so that any investments made are in the best interests of unitholders. Put simply, and in terms of the portfolio size, we are not about growth for growth's sake.

In terms of prospective acquisition opportunities, the outlook for the Trust is as positive now as it has ever been. The momentum of the rollout of the Bunnings hardware business is being maintained, and the Trust continues to work towards the acquisition of new properties as well as established Bunnings Warehouse properties from Wesfarmers and other parties.

In the recent past the Trust has been active in adding value to the existing portfolio. Property upgrades are becoming more prevalent due to a natural evolution of improvements to the layout of Bunnings Warehouses, and the desire of Bunnings to increase the size of its stores in many locations. In the last 12 months, upgrades have been completed on 5 Trust properties for a total investment of 8.1 million dollars. In each case there has been an earnings accretive uplift in the rent paid by Bunnings, and in several cases an extension of the lease term has been agreed.

### **Slide 3: Portfolio – property upgrades**

Further commitments have been made to property upgrade works, and approximately 6.7 million dollars of work is scheduled to be completed by 30 June 2006.

The Trust has also recently completed the development of a 2,500 square metre premises in Bayswater, Victoria at a cost of approximately 2 million dollars.

### **Slide 4: Bayswater**

The premises is adjacent to a Bunnings Warehouse acquired by the Trust in April 2004. It is the first such premises developed by the Trust that is to be tenanted by a party other than Bunnings. There will be two tenants in the small complex. The Trust is currently considering leasing offers for each of the two premises.

The Bayswater project and property upgrades are examples of value adding being undertaken on the Trust portfolio.

The balance sheet of the Trust is in good shape.



Gearing, when expressed as a ratio of debt to total assets, is currently approximately 31 per cent, and is close to the middle of our preferred gearing range. Un-utilised bank facilities amount to approximately 50 million dollars, which would readily enable debt funding of investments in the short term. Approximately 88 per cent of debt is currently hedged at a rate, excluding margins, of 5.7 per cent. The hedging of course mitigates potential impacts on earnings from any short term fluctuations in interest rates.

So in summary then, we feel the Trust is in good shape, and the outlook remains positive.

### **Slide 5: Outlook**

Future earnings growth will continue to come from the existing portfolio, via programmed rental escalation and five yearly market rent reviews. Property upgrades and redevelopments are likely to add value, and acquisition opportunities will be sought from a number of sources. Ongoing property revaluations are likely to continue to provide growth in the net tangible asset backing per unit.

I look forward to taking questions on any aspects of the Trust later in this morning's proceedings.

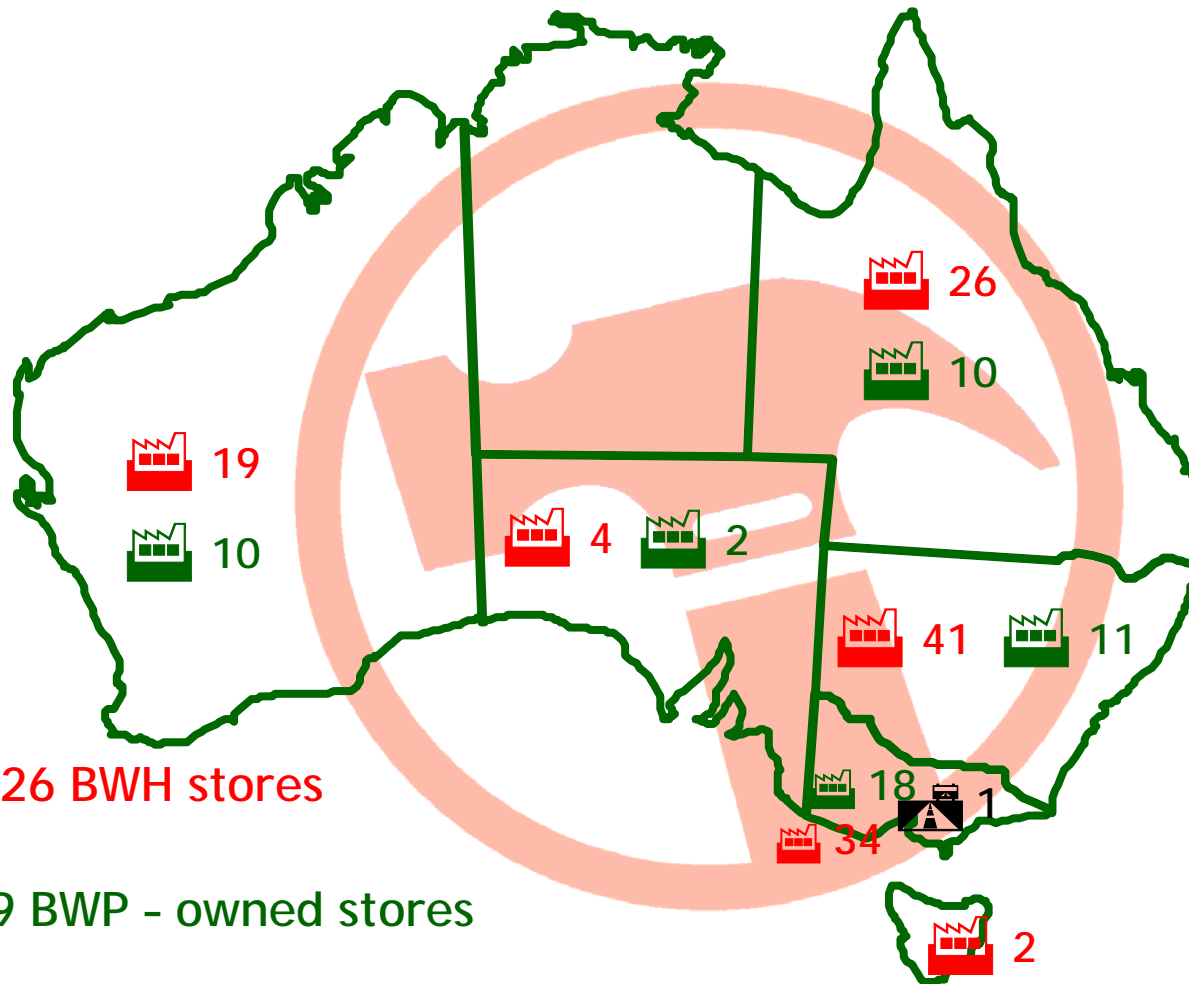
# Unitholders' Meeting

14 December 2005



**BUNNINGS**  
WAREHOUSE PROPERTY TRUST

# Portfolio - 52 properties Australia-wide



	Nov 05
VIC	19 <sup>1</sup>
QLD	10 <sup>2</sup>
NSW/ACT	11
WA	10
SA	2
<b>TOTAL</b>	<b>52</b>

<sup>1</sup>includes a development site

<sup>2</sup>includes 2 distribution centres



126 BWH stores

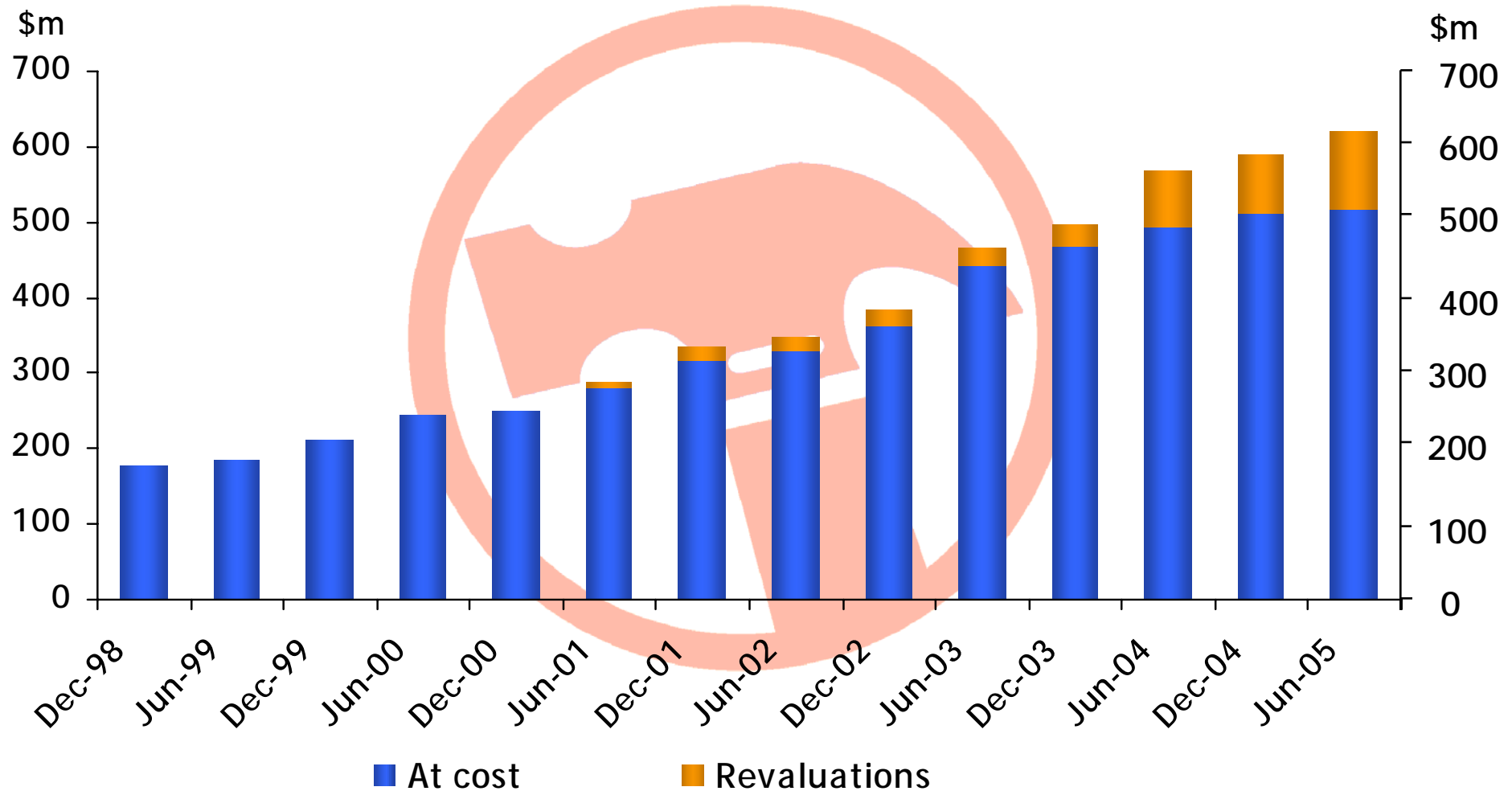


49 BWP - owned stores



1 BWP development site

# Portfolio - steady asset growth



# Portfolio - property upgrades

	<i>Timing</i>	<i>Expenditure (\$million)</i>	<i>Incremental rental (\$000pa)</i>
<i>Tuggeranong, ACT</i>	<i>Dec 04</i>	<i>0.2</i>	<i>22</i>
<i>Fountain Gate, VIC</i>	<i>Dec 04</i>	<i>1.6</i>	<i>130</i>
<i>Nunawading, VIC</i>	<i>Feb 05</i>	<i>3.1</i>	<i>248</i>
<i>Mile End, SA</i>	<i>Feb 05</i>	<i>0.3</i>	<i>26</i>
<i>Northland, VIC</i>	<i>Aug 05</i>	<i>2.9</i>	<i>234</i>
<i>Cairns, QLD</i>	<i>by Jun 06<sup>1</sup></i>	<i>0.7</i>	<i>60</i>
<i>Croydon, VIC</i>	<i>by Jun 06<sup>1</sup></i>	<i>5.6</i>	<i>486</i>
<i>Lismore, NSW</i>	<i>by Jun 06<sup>1</sup></i>	<i>0.4</i>	<i>36</i>
		<b><i>14.8</i></b>	<b><i>1,242</i></b>

<sup>1</sup> estimate

# Portfolio - Bayswater, Victoria



14 December 2005

# Outlook

- Acquisition opportunities
  - ex Bunnings rollout
  - former BBC properties (ex Wesfarmers & others)
- Portfolio upgrades/redevelopments
- Rent reviews
- Revaluations

	FY06	FY07	FY08	FY09	FY10
Rent reviews	1	6	7	22	12

# Impact of market rent reviews (MRRs)

Period ended	Jun 03	Dec 03	Jun 04	Dec 04	Jun 05	Dec 05	Total
<b>MRRs (no.)</b>							
- scheduled	-	18	2	5	3	1	29
- actual	-	10	10	-	7	1	28
<b>DPU (cents)</b>							
- actual	5.35	5.51	5.87	5.79	6.17	tba	
- hypothetical	5.35	5.58	5.81	5.82	6.15	tba	



# Proxy votes

## RESOLUTION 1 - AMENDMENT TO CONSTITUTION - AIFRS AND REMOVING THE FIXED DURATION OF THE TRUST

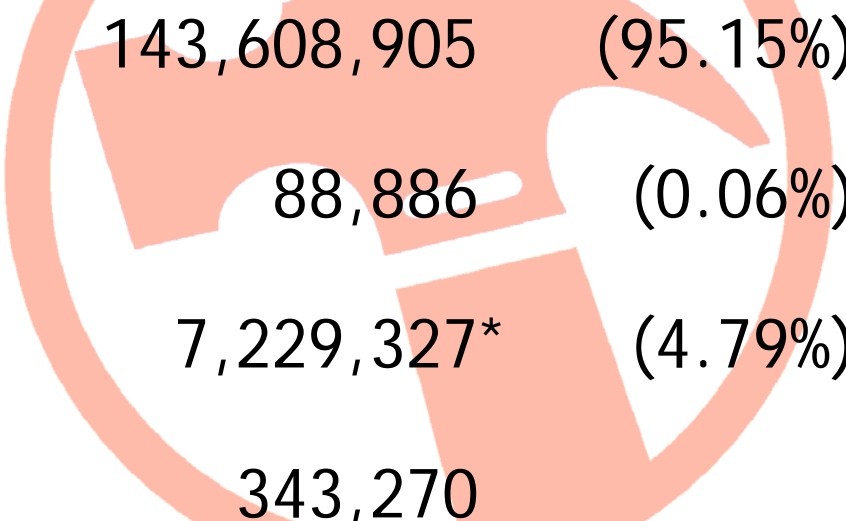


For	143,591,058	(95.15%)
Against	74,854	(0.05%)
Open	7,247,977*	(4.80%)
Abstain	356,499	

\*includes 6,672,262 open votes held by the Chairman that will be cast for the resolution

# Proxy votes

## RESOLUTION 2 - AMENDMENT TO CONSTITUTION - AIFRS AND DEFINITIONS OF "NET ASSET VALUE" AND "LIABILITIES"

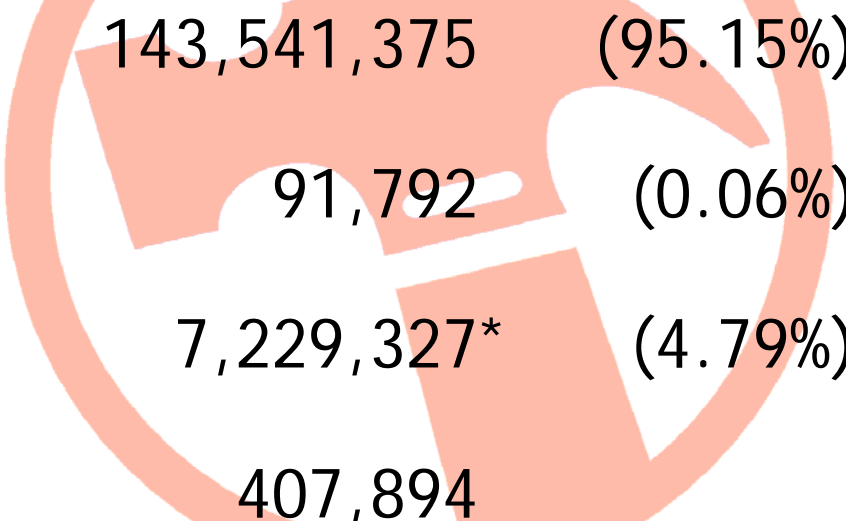


For	143,608,905	(95.15%)
Against	88,886	(0.06%)
Open	7,229,327*	(4.79%)
Abstain	343,270	

\*includes 6,653,612 open votes held by the Chairman that will be cast for the resolution

# Proxy votes

## RESOLUTION 3 - AMENDMENT TO CONSTITUTION - AIFRS AND THE DEFINITION OF "INCOME"



For	143,541,375	(95.15%)
Against	91,792	(0.06%)
Open	7,229,327*	(4.79%)
Abstain	407,894	

\*includes 6,653,612 open votes held by the Chairman that will be cast for the resolution

# Proxy votes

## RESOLUTION 4 - AMENDMENT TO CONSTITUTION - DISTRIBUTIONS OF INCOME



For	143,054,719	(94.83%)
Against	566,470	(0.38%)
Open	7,229,327*	(4.79%)
Abstain	419,872	

\*includes 6,653,612 open votes held by the Chairman that will be cast for the resolution

# Proxy votes

## RESOLUTION 5 - AMENDMENT TO CONSTITUTION - ASIC CLASS ORDER 05/26 AND PLACEMENTS OF UNITS WITHOUT UNITHOLDER APPROVAL



For	142,503,370	(94.50%)
Against	1,067,517	(0.71%)
Open	7,223,083*	(4.79%)
Abstain	476,418	

\*includes 6,647,368 open votes held by the Chairman that will be cast for the resolution

# Proxy votes

## RESOLUTION 6 - AMENDMENT TO CONSTITUTION - ASIC CLASS ORDER 05/26 AND SALE PRICE FOR FORFEITED UNITS



For	143,301,830	(95.03%)
Against	238,095	(0.16%)
Open	7,259,217*	(4.81%)
Abstain	471,246	

\*includes 6,683,502 open votes held by the Chairman that will be cast for the resolution