



ASX / MEDIA RELEASE

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RESIDENTIAL SALES UNDERPIN SOLID PROFIT RESULT

FKP Property Group (FKP) today announced an underlying profit after tax of \$108.6 million representing an increase of 38 per cent on FY09. FKP also announced FY11 guidance of 10-15 per cent growth in underlying profit based on current and anticipated trading.

FINANCIAL HIGHLIGHTS

- Underlying Profit After Tax \$108.6 million, up 38%
- Statutory Profit After Tax \$50.8 million
- Distribution 1.5 cps
- NTA per unit \$1.26
- Gearing 28.5%

Chief Executive Officer and Managing Director Peter Brown said the result reflected the benefits of having a strong diversified portfolio. "This result has been driven by increased residential sales and a lift in recurring income from our mature retirement portfolio. FKP has played to its strengths by capitalising on its experience in the Retirement business and unlocking the value of key residential land assets in the growth areas of Melbourne's western suburbs and Queensland's Sunshine Coast," Mr Brown said.

"FKP is undertaking a profit growth strategy, which involves producing strong streams of recurring income and trading income. We also have secure funding with significant progress made on the refinancing of key facilities and a move to project financing."

FKP revised its distribution policy to target distributions of 40 - 60 per cent of Realised Underlying Profit, effective FY11, while distribution guidance for FY11 is 3c per unit.

FKP also made a strategic investment with its purchase of 29 per cent of Perth developer Port Bouvard.

OPERATING HIGHLIGHTS

Retirement - *A growing generator of cash*

- Profit from operations \$40.3 million up from \$26.3 million, an increase of 53% on FY09
- Revaluation component of \$76.4 million down from \$93.0 million
- Resales up 38% from 346 to 477
- Cash from DMF and Capital Gain up 47% (from \$30.1 million to \$44.2 million)

In FY10 FKP maintained its position as the most experienced retirement village operator and largest owner of retirement villages in Australia, with 80 villages owned or managed. Retirement continues to provide the largest profit contribution and recurring income for FKP after it delivered a profit of \$40.3 million up 53 per cent on pcp.

FKP continues to improve the cash generation capability of its assets through a successful retirement unit buyback and refurbishment program. This generates an immediate development profit and also increases the base from which future DMF and capital gain cash flows will be generated.

Profit generation will continue to grow in Retirement through the elevated DMF base, as well as reactivation of the development pipeline, which includes construction of a new village on the NSW South Coast and the expansion of several existing villages.

Residential Communities - *Future earnings well secured*

- Profit \$33.6 million up from \$8.3 million or 305% on FY09
- Land lot sales 433 up 106% from 210

The re-weighting of the FKP portfolio towards residential land and built form product has been rewarded by a strong increase in profits delivered by Residential Communities. Profits were driven up in FY10 by the release of the first five stages in the Saltwater Coast land development at Point Cook in Melbourne's western suburbs, where 258 settlements were recorded. Increased sales at the Sunshine Coast communities Peregian Springs and Ridges Peregian Springs also helped deliver a significantly improved result.

FKP is well placed to deliver further growth in residential sales through a strong pipeline of projects. In FY11, a further 300 lots are expected to be developed and sold at the Saltwater Coast masterplanned community with approximately 50 per cent of FY11 budgeted lot sales already contracted or settled. The first stages of The Rochedale Estates in Brisbane will be launched in the coming weeks, with 50 pre-sales recorded and the first settlements due in late FY11. The communities have estimated life spans of 5 years for The Rochedale Estates, more than 8 years for Peregian Springs and over 7 years for Saltwater Coast.

Five major built form developments are in the pipeline with estimated combined revenue of over \$1.0 billion. Construction on Aerial in Melbourne commenced in April 2010 and 65 per cent of the development is pre sold. The Milton apartments in Brisbane along with an apartment development at Woolloomooloo in Sydney will launch soon.

Commercial and Industrial - *Positioning for quality growth*

- Profit \$36.7 million up 59% on FY09
- Profit balanced - 50% recurring income and 50% trading income
- Lot sales revenue \$69.7 million up from \$67.5 million

A positive result in Commercial and Industrial was driven by the sale of the Six Star Green Star by design Energex building at Gasworks in Brisbane, which delivered a profit of \$15.8 million. There has also been a strong focus on the recycling of assets in the FKP Property Trust, which included the disposal of 56 Clarence Street and the Illawong Shopping Centre, in June and August respectively, while all leasing targets were met across the portfolio.

The focus for FY11 will be the development of retail and commercial components of the Circa precinct in north west Sydney and the Gasworks mixed use urban renewal precinct.

Funds Management and Investments - *Consolidation of Platform*

- Profit \$25.2 million up 71% on FY09 from \$14.7 million

Funds Management continues to be core to the diverse and integrated business of FKP and has a strong platform for growth.

FKP is realising its managed fund investments in the Core Plus funds through a number of strategic sales of commercial assets which have realised their full value through refurbishment and leasing.

Capital Management

- New distribution policy announced to commence in FY11
- Target gearing of less than 35%

FKP has delivered on key capital management strategies with the introduction of a new distribution policy and target gearing level. FKP intends to distribute 40-60 per cent of Realised Underlying Profit. The non-cash component of the retirement revaluation will be excluded from the base, which will assist in balancing recurring income with earnings growth from developments. The 35 per cent maximum gearing target will introduce further discipline while still allowing the flexibility needed for the successful execution of growth targets. Current gearing is 28.5 per cent.

FKP has a credit approved facility for Aerial, which is due for completion in FY12. FKP will continue to match development risks with specific development assets through further project financing.

There are no material debt maturities for FKP until its Retirement Syndicate Facility, which expires in March 2011. Advanced negotiations are underway to refinance that facility for a further three years.

Strategy and Outlook

FKP has strong growth expected in both recurring and trading income, which is expected to lead to increases in underlying profit growth. The pipeline of well positioned residential land and built form product is set to deliver strong profits, which will be underpinned by the stability and predictability of 50 per cent recurring income from a mature Retirement portfolio that continues to grow through refurbishments and the development of new product.

Immediate gains will be made through the realisation of profits from strong residential pre-sales and the new product to come to market in FY11. When the commercial property market returns FKP will be well positioned for quality growth with major commercial offerings through its mixed used development sites at Circa at Norwest and Gasworks at Newstead.

FKP is well placed for further growth after a solid performance in the 2010 financial year. The positive outlook is reflected in the guidance of a 10-15 per cent lift in underlying profit for the next financial year and a distribution of 3.0 cps.

For further information:

Brett Zarb
Media and Communications Manager
M: 0417 256 563

Shalome Mielewska
Investor Relations Manager
M: 0404 811 847

FKP

FKP is a leading Australian property and investment group. Our strategy of diversification and integration has enabled us to build a comprehensive property portfolio that capitalises on our proven expertise in development, construction, land subdivision, retirement village ownership and management, property investment and asset management. Over more than thirty years our portfolio has grown to include mixed-use, land, retail, residential, retirement, industrial and commercial assets that define how hundreds of thousands of people live, work, retire and invest.

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