ASX / Media Release **23 February 2012**

FKP RECORDS $43.1 MILLION UNDERLYING PROFIT IN FIRST HALF

RESULT REFLECTS SLOWDOWN IN AUSTRALIAN PROPERTY MARKET

FKP Property Group today announced an underlying profit after tax of $43.1 million for the half year ended 31 December 2011. This was down 21 per cent on the previous corresponding period.

FINANCIAL HIGHLIGHTS

- Statutory net profit after tax of $12.7 million
- Underlying profit after tax of $43.1 million
- Half year distribution 1.4 cents per stapled security
- Net tangible assets per stapled security of $1.22
- Gearing 30.9 per cent

Managing Director and CEO Peter Brown said: “2012 is a year of strategic repositioning and active capital management for FKP. This was highlighted in the first half when FKP became the sole manager of the $1.2 billion Retirement Villages Group (RVG) and successfully refinanced $340 million of debt facilities.

“Establishing the optimal structure for the three retirement vehicles under FKP’s management will be a key strategic focus for the Group in the near term.

“FKP has experienced a slowdown in residential sales across most development projects, coupled with longer lead times between deposit and settlement of sales for units in the retirement portfolio. This has impacted the first half result.

“In addition, the Aerial apartment development in Melbourne is now not expected to settle in this financial year with $16.7 million of net profit after tax deferred to FY13. We are confident that this project will be delivered early in the first quarter of FY13.

“As a result, it is prudent to advise that FKP’s underlying profit after tax for the full year will not exceed FY11 levels and is more likely to fall within a range of FY10 and FY11 underlying profit adjusted for Aerial, being a range of $91.9 million[1] to $104.3 million[2].

“As it is expected that Aerial will settle before the second half distribution payment in September, the Group will notionally adjust the payout ratio to include Aerial proceeds as if it settled at 30 June 2012. Notwithstanding the revised profit guidance the Group is still targeting a distribution of 3.3 cents per stapled security.”

[1] FY10 = $108.6 million, less Aerial $16.7 million = $91.9 million
[2] FY11 = $121.0 million, less Aerial $16.7 million = $104.3 million

OPERATING HIGHLIGHTS

Retirement

The Retirement division contributed an underlying profit from operations of $9.8 million for the half year, down 57 per cent on the previous corresponding period. This was due almost entirely to a general slowdown in the residential property market across almost all capital cities and states in Australia, impacting sales across the majority of the FKP portfolio.

As a consequence the time between deposit and settlement has increased, reflecting the longer period required by new residents to sell their existing properties.

Whilst overall transaction levels are down, it is pleasing that the average transaction price and the average deferred management fee and capital gain per transaction has continued to increase. As FKP has one of the most mature retirement portfolios in Australia, this augers well for future cash generation.

Residential Communities

The Residential Communities division recorded an underlying profit of $10.7 million for the half year, down 28 per cent on the previous corresponding period. The result was impacted by lower sales across most of the masterplanned residential communities.

Australian financial markets continue to experience high volatility in early 2012. Sovereign debt concerns in Europe and global recession fears continue to create significant market uncertainty and investor sentiment in the residential sector remains fragile.

While the Reserve Bank of Australia cut official interest rates in November and December there has been little evidence of flow through to improving property investment sentiment. Further pressure has been put on the property sector with the Reserve Bank of Australia holding rates in February and the major banks increasing rates independently of the Reserve Bank of Australia.

Residential Land

In a weak Victorian residential market, sales at Saltwater Coast in Melbourne have slowed from the exceptional levels that were achieved in 2010/11.

Regardless, Saltwater Coast continues to be the city's best-selling masterplanned community in the West, and the builders display village continues to attract purchasers. However the lead time between enquiry and settlement has increased. The Lifestyle Centre recently opened and is generating interest amongst residents.

In Queensland, delays in achieving required council approvals directly impacted the number of settlements at The Rochedale Estates. However, these approvals have now been attained and increased settlements are expected in the second half of the year. Work is well underway on The Rochedale Estates' builders display village which, once complete in mid-2012 will be Queensland's largest.

Sales volumes at Peregian Springs have held up in a difficult Sunshine Coast market. The $4.5 million Ridges Recreational Club opened in mid-February and has generated new interest in the masterplanned community.

Civil works are nearing completion at Mulgoa Rise in Western Sydney, with the first stage of prestige home sites taken to market this month. The strong levels of interest in this new masterplanned community have resulted in over 550 registrations of interest. Construction of the sales office is underway and a number of builders have committed to the builders display village.

Apartments

Construction at Aerial being undertaken by an external builder, is now expected to be completed in early FY13. FKP remains committed to delivering a high quality product to the market. Aerial is over 83 per cent pre-sold.

Construction at Luxe being undertaken by FKP commenced in September 2011 and is expected to be completed in FY13. Approximately 62 per cent of apartments have been pre-sold. While enquiries softened over the holiday season, construction activity on site is expected to drive demand.

In Brisbane, sales volumes at The Milton and Albion Mill remain resilient in a sluggish Queensland market. The Milton has now achieved 128 sales and construction of the 31 level transit oriented development is expected to start in early FY13 with first profits expected in FY15. The first stage of the Albion Mill, The Hudson, was launched in the fourth quarter of 2011. The project has generated interest in the community and enquiry levels remain strong.

Commercial and Industrial

Over the past 18 months FKP has continued to divest parts of its Commercial and Industrial investment portfolio, including the sale of Spring Street in Sydney at book value. The division's underlying profit contribution decreased to $4.7 million in the period with both trading and recurring income impacted by the sell down of existing stock and the decreased number of properties held in the portfolio.

Construction of stage 2 at The Gasworks is well underway and on track to be completed by mid-2013. Enquiries continue to be strong and the retail component of stage 2 is expected to be fully-leased before the end of the financial year.

In August 2011, FKP commenced the refurbishment of 465 Victoria Avenue, a 15 level commercial tower in Chatswood. The refurbishment is expected to be completed this year with 40 per cent of the net lettable area already pre-leased.

Retirement Villages Group

In January 2012, FKP acquired the sole management rights of the Retirement Villages Group (RVG) from Macquarie Capital Group Limited. Full ownership of the management of RVG complements the asset management services that were already provided by FKP to RVG's 30 Australian retirement villages.

The acquisition of RVG management rights will enhance efficiencies and generate synergies for FKP and RVG. It is an important strategic initiative and the first step of FKP's medium to long term strategy of consolidating its retirement portfolio.

FKP is undertaking a strategic review of the current operating model of retirement. The strategic intent is to increase the net cash generation of this asset class.

CAPITAL MANAGEMENT

In December 2011, FKP further strengthened its capital position with the refinancing of $340 million of debt facilities. The next major debt facility, the Wilbow Development facility, matures in June 2013.

In addition, FKP executed a $50 million Project Finance Facility to fund the construction of the Luxe apartment development in Sydney and has agreed terms for a new 5 year $80 million facility for Forest Place Group.

Following these capital management initiatives, the weighted average debt time to maturity has increased to 2.8 years and the weighted average borrowing cost has reduced to 8.3 per cent.

FKP's gearing has increased slightly to 30.9 per cent, below the Group's gearing policy maximum level of 35 per cent.

FKP has declared a half year distribution of 1.4 cents per stapled security and is still targeting a distribution on 3.3 cents per stapled security for the full year.

END

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