



ASX / Media Release

28 August 2012

FKP Delivers a Credible Result in a Challenging Market

FKP Property Group (ASX: FKP) today announced an underlying profit after tax of \$94.7 million¹ in line with market guidance for the financial year ended 30 June 2012. The result is down 22% on the FY11 underlying profit result after tax and reflects the previously announced delay of settlements at the Aerial apartment development in Melbourne to FY13.

FKP also announced an underwritten 6 for 7 accelerated non-renounceable pro-rata entitlement offer ("Entitlement Offer") of new fully paid ordinary stapled securities to raise \$208 million.

The full year statutory result was \$(350.3) million which included a write down in the fair value of the retirement portfolio due to the adoption of appropriate valuation assumptions given market conditions.

Managing Director and Chief Executive Officer Peter Brown said: "FKP has responded to changed market conditions in adopting these valuation assumptions for the retirement portfolio. This initiative has been taken on the back of ongoing constructive dialogue with our securityholders and other market participants and represents a new starting point from which to appraise FKP's value."

Mr Brown added: "We believe in the intrinsic value of our business, with high-quality assets, one of the largest footprints in retirement across the country and a well-positioned development pipeline. We expect that in due course our intrinsic value will translate into strong earnings."

"Already the signals are improving. Settlements in our retirement portfolio increased 46% in the second half over the settlements made in the first half of this financial year.

"In addition, demand at our mixed-use development Gasworks in Brisbane has been strong – BOQ has pre-committed under a heads of agreement to relocate its headquarters to Gasworks, taking up approximately 13,100sqm of space, and we have transacted approximately \$50 million in sales at our industrial estate Industroplex in Mackay. These are encouraging indicators for specific market sectors which, as conditions improve, may flow through to other property sectors.

"In the near term, constrained capital flows, weak property markets and fragile investor sentiment continue to affect short-term earnings from our residential development and retirement portfolios.

"Despite these headwinds we have achieved a credible full year underlying result while ensuring the long-term positioning of the portfolio remains strong with all assets approved, in the market and well placed to benefit from a property market upturn."

¹ Underlying profit reflects statutory profit as adjusted to reflect the FKP Directors' assessment of the result for the on-going business activities of the consolidated FKP Group, in accordance with AICD/Finsia principles of recording underlying profit. Underlying profit may be "non-IFRS financial information" under Regulatory Guide 230 Disclosing non-IFRS financial information published by the Australian Securities and Investments Commission ("ASIC"). For a reconciliation of underlying profit to statutory profit, refer to FKP's financial report for the year ended 30 June 2012 released to ASX today.

Financial Results for the Year Ended 30 June 2012

- Statutory profit/(loss) after tax of (\$350.3) million;
- Underlying profit after tax of \$94.7 million;
- Total final distribution of 2.8 cents per stapled security;
- Net tangible assets per stapled security decreased to \$0.90; and
- Earnings per stapled security on underlying profit after tax of 7.9 cents.

Operational Overview

Retirement Living

FKP's Retirement division continues to provide the largest profit contribution and recurring income for the Group delivering an underlying profit of \$113.1 million, a decrease of approximately 10% on FY11, comprising operating profit of \$33.2 million and underlying retirement revaluation contribution of \$79.9 million in FY12.

Retirement operating profit was impacted by reduced management fees and a lower contribution from buyback and development activity.

A total of 504 settlements were secured during the year. Settlements were heavily skewed to the second half with 299 settlements recorded for the six months to 30 June 2012, an increase of 17% over the previous corresponding period (pcp).

FKP made significant progress in streamlining the retirement platform during the year taking full control of the fund management rights of Retirement Villages Group (RVG) and subsequently successfully restructuring RVG's New Zealand investments. The six month transition of the RVG management platform is now complete and RVG is stabilised and fully embedded in the FKP group.

Residential Communities

The Residential division reported an underlying profit of \$18.9 million for FY12, a decrease of 48% on pcp, largely due to the deferral of settlements at Aerial in Melbourne to FY13 and a weak residential market.

The Residential division delivered a credible result in difficult market conditions with lower sales volumes across the portfolio. However, the number of deposits on hand has increased due to the higher number of projects that are in pre-sales stage.

In Victoria, where the property market deteriorated in FY12, FKP held margins at Saltwater Coast in Point Cook and the Group remains confident that the superior product offering at Saltwater Coast positions it well for a market upturn.

In Queensland, FKP's residential focus is on The Milton in Brisbane which continues to achieve strong sales volumes, with over 50% of the 298 apartment development sold to date. Early works are expected to start onsite over the next few months with full construction expected to begin in early 2013. The Hudson apartment development, the first stage of the Albion Mill urban lifestyle precinct in Brisbane, was launched in late 2011. Thirty sales have been recorded to date.

The Rochedale Estates, one of Brisbane's newest and largest masterplanned communities, recorded 105 settlements for the year. The Rochedale Estates builders' display village 'Display World' opened in May 2012 significantly increasing foot traffic to the estate.

The Sunshine Coast market continues to remain challenging, particularly at the upper end, impacting sales at Peregian Springs and Ridges at Peregian Springs.

In NSW, construction continues to progress at the Luxe apartment development in Sydney and is expected to be completed in FY14. The project is currently 77% pre-sold. Mulgoa Rise, a masterplanned community in Western Sydney recorded its first settlements this year. Upon completion Mulgoa Rise will comprise 600 lots set over 57 hectares.

Commercial and Industrial

The Commercial and Industrial division recorded an underlying profit contribution of \$9.3 million for the year. The result was impacted by a lower construction profit and a lower contribution from legacy projects.

FKP completed the refurbishment of 465 Victoria Avenue in Chatswood and successfully executed leases over all 15 levels of the commercial office tower. Consistent with FKP's strategy of focusing on capital efficiency and maximising asset value, this property has now been taken to the market.

FKP has secured anchor tenants at Gasometer 1, a retail and commercial building and Gasometer 2, a 13 level commercial tower at Gasworks in Brisbane. Construction is underway at Gasometer 1 which encompasses 8,000sqm of retail space and 9,000sqm of A-grade office space over five levels. Over 80% of the retail space has been pre-leased. Bank of Queensland has pre-committed to 13,100sqm of Gasometer 2, in what will become stage 3 of Gasworks' urban renewal development.

Momentum continues at Industroplex in Mackay as FKP capitalises on one of the fastest growing regional industrial areas in Australia with approximately \$50 million of sales transacted in the last four months.

Capital Management

FKP committed to an active capital management program in 2012. The Group continued to divest non-core assets and successfully disposed of Peregian Springs Shopping Centre and Browns Plains Bulky Goods Centre in the second half of FY12, with proceeds used to repay debt.

In December 2011, FKP successfully refinanced \$340 million of debt facilities, executed a \$50 million Project Finance Facility for the Luxe apartment development in Sydney and agreed terms for a new five year \$80 million facility for Forest Place Group. Coupled with the Entitlement Offer launched today, these active capital management initiatives ensure that FKP's capital position going forward will be sound.

Although FKP has been actively working to reduce its gearing position, asset write downs and an increase in debt levels has seen FKP's gearing increase to 39.1% from 28.9% in FY11. Following the Entitlement Offer, FKP's gearing (calculated on a pro-forma basis on a balance date of 30 June 2012) will be 32.0%.

FKP's net tangible assets (NTA) per stapled security at 30 June 2012 was \$0.90, a decrease of 28% from NTA per stapled security of \$1.25 at 30 June 2011. Earnings per stapled security on underlying profit decreased 23% to 7.9 cents. The Board has declared a final distribution of 1.4 cents per stapled security taking the final full year distribution to 2.8 cents per stapled security, a reduction of 7% on FY11.

Strategy and Outlook

In FY12, FKP commenced a strategic review of its retirement portfolio for the purpose of unlocking latent value by streamlining the ownership structure and operations of its three retirement platforms.

FKP believes there is substantial untapped value in its retirement portfolio with the potential to develop additional units on available land, the opportunity to redevelop a number of villages and increase site density over the medium to long-term.

On 13 June 2012, FKP announced it was exploring a demerger of its Retirement and Development/Property Trust businesses, subject to a further evaluation of the issues, costs and benefits to FKP's securityholders and continuing assessment of prevailing economic and capital market conditions. FKP is continuing to explore a demerger or other separation of its Retirement and Development/Property Trust businesses.

Over the medium term, FKP will continue to seek to re-position the retirement business model to meet evolving resident needs with continuum of care a key focus. During the year, FKP led the successful merger of three retirement platforms in New Zealand – Metlifecare, Vision Senior Living and Private Life Care - on behalf of its RVG retirement platform. FKP has retained significant intellectual capital from this exercise, particularly as the high performing New Zealand retirement sector has an established continuum of care model. In pursuing development or redevelopment activity with its Australian retirement platforms FKP is better equipped to evaluate incorporating similar continuum of care principles.

FKP has adjusted its business plan in response to the challenging market environment. The Group will focus on continuing to delever and improve its liquidity through the continued asset sales program and further implement a stringent capital management policy. The Group will continue to focus on seeking to improve retirement cash flow and extract value from its embedded development pipeline.

Notwithstanding ongoing uncertainty regarding volatility in global markets and consequent weakness in consumer and investor sentiment, FKP's future growth is expected to be generated from the delivery of its existing residential and commercial development pipeline, development opportunities in its retirement portfolio and potential synergies from streamlining the structure of the retirement platform backed by the recurring income generated by the retirement portfolio.

FKP remains well-positioned to benefit from improved property and global investment market conditions.

More details on the Retirement Strategic Review are provided in the FY12 Results Presentation available from www.fkp.com.au.

FKP's FY12 Results and Equity Raise Presentation will not be webcast. The live presentation will be available via teleconference at 10.30am (AEST) today.

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About FKP

With more than 30 years experience in the Australian property industry, FKP Property Group (FKP) is one of Australia's leading diversified property and investment companies. FKP successfully operates an integrated business model which includes retirement, property investment and funds management, land development, property development (incorporating residential, retail, industrial and commercial) and construction across Australia and New Zealand. FKP is an ASX top 200 company.

Issued by FKP Property Group (ASX: FKP) comprising FKP Limited ABN 28 010 729 950 and FKP Funds Management Limited ABN 17 089 800 082, AFSL No. 222273 as Responsible Entity for the FKP Property Trust ARSN 099 648 754.

Disclosures regarding forward-looking statements

This announcement contains certain 'forward-looking statements'. Forward-looking statements include those containing words such as: 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan', 'consider', 'foresee', 'aim', 'will' and other similar expressions. Any forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of FKP. This includes any statements about market and industry trends, which are based on interpretations of current market conditions.

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Investors should also be aware that certain financial data included in this announcement may be "non-IFRS financial information" under Regulatory Guide 230 Disclosing non-IFRS financial information published by ASIC. The non-IFRS financial information included in this announcement includes underlying profit after tax. FKP believes this non-IFRS financial information provides useful information to users in measuring the financial performance and conditions of FKP. The non-IFRS financial information measures do not have standardised meanings prescribed by International Financial Reporting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be considered as an alternative to other financial measures determined in accordance with International Financial Reporting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information.

Not an offer

This announcement is not and should not be considered as an offer or an invitation to acquire stapled securities in FKP or any other financial product and does not and will not form any part of any contract for the acquisition of stapled securities.

The Entitlement Offer does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Entitlement Offer, the entitlements or the new stapled securities being offered under the Entitlement Offer ("New Stapled Securities"), or otherwise permit a public offering of the New Stapled Securities, in any jurisdiction outside of Australia, New Zealand and certain other jurisdictions.

This announcement and any material accompanying it does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Neither the entitlements nor the New Stapled Securities have been, nor will they be, registered under the U.S. Securities Act of 1933 (the "Securities Act") or the securities laws of any state or other jurisdiction of the United States. The entitlements may not be taken up by persons in the United States and the New Stapled Securities may not be offered or sold to persons in the United States, except in transactions exempt from, or not subject to the registration requirements of the Securities Act and the applicable securities laws of any state or other jurisdiction of the United States.