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ASX & MEDIA RELEASE

FKP PROPERTY GROUP ANNOUNCES RECORD OPERATING PROFITS AND EXTENSIONS OF BANK DEBT

Key Financial Highlights

Net Operating Profit \$72.9m, up 33%

Operating EPS 27.8 cents, up 3%

Interim dividend/distribution 16.0 cents, up 5%

Recurring income percentage 76%

NTA \$4.96 per security, up 23% YOY

Gearing at 39%

Bank facilities extended since balance date

FKP Property Group ("the Group") today announced a record interim operating profit for the 2007/2008 financial year of \$72.9m, up 33% over the previous period. The result translates to an operating earnings per security ("operating EPS") of 27.8 cents (up 3%).

The statutory or "headline" NPAT was \$77.1m. This is 12% below the first half result for 2006/2007, a period which included substantial non-operating gains on assets purchased by RVG (at that time a joint venture between FKP and Macquarie).

The interim dividend/distribution is confirmed at 16.0 cents per security, an increase of 5% on prior period. The company dividend component of the total distribution has been franked to 75%.

Managing Director and CEO Peter Brown said today "The first half result is strongly underpinned by recurrent earnings from the Group's retirement, investment and funds management operations. With a strong balance sheet, the FKP Property Group is well-placed to continue delivering on its growth plans."



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Bank Debt

The financial statements released today disclose a significant amount of short-term bank debt as at December 31, 2007, but since balance date the Group has reached agreement with its bankers to refinance or extend the maturity date on most of its facilities.

A retirement facility secured against the FKP wholly-owned retirement villages (excluding Cbus) due in March 2008 totalling \$165m will be refinanced from the proceeds of a new three-year facility.

In addition, other development, trust and general facilities totalling more than \$550m that were due to mature at timeframes ranging from March 2008 to January 2009 will be extended until the 2009/2010 financial year.

These extensions and increases have been formally approved and await documentation.

The only significant piece of short term debt that has not yet been extended is a \$135m facility secured by the Cbus assets, which matures in August 2008. FKP is in advanced discussions with its bankers that are expected to result in this facility being replaced by an increased term facility until 2010/2011.

As a result, FKP presently expects that only \$14m of bank debt will be classified as current in its June 2008 accounts.

Divisional Operating Results

Division	December 2006 Divisional EBIT (\$m)	December 2007 Divisional EBIT (\$m)	Change
Retirements Investments	47.5	58.0	+22%
RVG – Equity Accounted Share ¹	11.1	19.4	+75%
Development ²	17.9	16.0	-11%
US Senior Living (Equity Accounted Share)	NA	0.2	NA
Land	10.7	12.8	+20%
Property Investment and Funds Management	5.5	15.9	+189%

¹ Includes interest earned on loans

² Includes Mulpha FKP



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Operating Highlights

The FKP Property Group is the dominant Australian operator in the retirement sector. As well as owning a substantial portfolio in its own right, FKP is also the joint fund manager of the equally-substantial RVG portfolio and provides property services in respect of its Australian assets. FKP and RVG between them have more than 12,000 units, representing an estimated 16% of the combined Australian and New Zealand private market, plus a development pipeline of approx. 3,800 units.

In the first half, FKP's retirement division earned \$58.0m, an increase of 22% over prior period. The rate of increase in rollover cash receipts was 31%.

FKP's equity-accounted share of operating profits from RVG was \$19.4m, an increase of 75% over the prior comparable period. RVG's operations grew with the acquisition of the Zig Inge portfolio in November 2007. The latter is a very high quality portfolio, and will see FKP/RVG emerge with a comprehensive trans-Tasman footprint.

The Development division earned \$16.0m, a decrease of 11% on prior period. Due to project timing, there were no completed projects in the half in Queensland, the Group's largest division. The newer operations of New South Wales and Victoria both performed well, exceeding budget in the period.

The Land Division recorded earnings of \$12.8m, a 20% increase on prior period. Sales at the Group's Peregrin Springs estate are expected to achieve double the rate of settlements this financial year as compared with last year.

Between the Development and Land divisions, FKP now has a forward pipeline of \$5.3b, which will provide significant profitability for years to come.

The Property Investment and Funds Management division contributed \$15.9m to operating earnings, a substantial increase over prior period. During the half year, the Group successfully launched the Core Plus Fund Two, and the Retirement Villages Group, an unlisted wholesale fund jointly managed by FKP and Macquarie Capital. The Group now has \$2.6b of funds under management.

Outlook

The Group has budgeted a significant lift in earnings for the second half, but achievement of this target assumes a number of sales and pre-sales of the Group's developments. With the current volatility in the financial markets, and press speculation of distressed assets to be disposed of by large and small property groups, there is evidence that buyers are waiting to see what opportunities may emerge before committing to significant expenditures.



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The developments that FKP has considered for sale are “blue-chip” in nature, considering such factors as tenancy and location, and the Group’s financial position enables it to hold the assets until it assesses that shareholder value will be optimised.

Accordingly, FKP is not in a position to give singular guidance as to its profit expectations over the next half, and the possible outcomes on full-year operating earnings currently range from \$145m to \$175m, depending on whether the Group chooses to take certain profits in this or future financial years. The bottom end of this range would still represent an increase on last year’s operating earnings of \$134.9m, reflecting the strength of the Group’s recurring income.

For further information:

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