



Level 5 120 Edward Street  
Brisbane Qld 4000

GPO Box 2447  
Brisbane Qld 4001

T 07 3223 3888  
F 07 3223 3877  
W [www.fkp.com.au](http://www.fkp.com.au)

## ASX & MEDIA RELEASE

### FKP PROPERTY GROUP DELIVERS SOLID OPERATING PROFIT AND INCREASED NET ASSET VALUE

Today FKP Property Group (“Group”) announced that it has delivered a solid full year operating profit in a challenging market led by strong contributions from its Land and Retirement Divisions.

This is backed by a footprint of diverse assets that FKP considers is demonstrably undervalued.

#### **Financial Highlights**

**Net Operating Profit \$150.2m, up 11%**

**Full year dividend/distribution 31.7 cents, in line with guidance**

**NTA \$5.04 per security, increase of 5% year on year**

**NTA approximately \$6.00 per security if assets stated at estimated market value**

**Recurring income percentage 70%**

**Gearing at 40%, or 36% if assets stated at estimated market value**

#### **Financial Commentary**

Operating profit for the 2007/2008 financial year was a record \$150.2m, up 11%, translating to earnings per security (“EPS”) of 57.1 cents (down 7%).

The statutory or “headline” Net Profit After Tax was \$145.3m. This is 25% below the prior year, which included one-off gains in the value of equity accounted investments that have more than reversed this year.

The final dividend/distribution is confirmed at 15.7 cents per security, taking the total for the year to 31.7 cents per security, in line with the previous year. The company portion of the final distribution has been franked to 60%.



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Managing Director and CEO Peter Brown said today **“FKP is a consistent and proven performer and 2008 was no exception. Our performance was delivered in challenging market conditions, with strong contributions from our Land and Retirement Divisions.”**

### Divisional Operating Results

Division	June 2008 Divisional EBIT (\$m)	June 2007 Divisional EBIT (\$m)	Change
Retirement	125.3	103.3	+21%
Development <sup>1</sup>	36.1	55.6	-35%
Land	40.4	20.8	+94%
Funds Management	5.5	4.5	+22%
Trust and Investments <sup>2</sup>	46.6	40.2	+16%

1 Includes equity-accounted profits of development investments, such as Mulpha FKP

2 Includes earnings from the FKP Property Trust and investments such as RVG, Principal Senior Living and the Group's managed funds

### Operating Highlights

FKP Property Group is the market leader in the Australian retirement sector. The Retirement Division generated operating earnings of \$125.3m, an increase of 21% over prior year. Cash received from the rollover of contracts increased by 17% to \$31.7m.

The units within the Group's portfolio achieved price growth of approximately 9% over the year. Double digit increases were achieved in Queensland and South Australia, the States with the highest representation in the FKP portfolio.



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The Developments Division achieved operating earnings of \$36.1m, compared with \$55.6m in the prior year. The fall reflected a lower volume of work completed in the year, but the Group has a number of significant projects underway that are expected to generate considerable profits in coming years.

In April 2008, the Group settled the purchase of the key Newstead Riverpark (Brisbane) site, and has commenced construction on the Energex commercial development (fully pre-leased to Energex) within the precinct.

The Land Division achieved a 94% increase in earnings, on the back of strong sales at the Peregrin Springs Estate. Lot sales more than doubled to 182 lots, and the quality of the development enabled price growth to be achieved over the year.

Funds Management profitability increased from \$4.5m to \$5.5m, with the launch of FKP Core Plus Fund Two, and the RVG Wholesale Fund during the financial year.

Operating earnings from the Group's investments, including the FKP Property Trust, RVG and portfolio investments in the Group's managed funds increased 16% to \$46.6m. Following the launch of the RVG Wholesale Fund, the Group's investment in that fund was reduced from 48% to approximately 20%.

### Asset Backing

The Group's NTA for accounting purposes increased by 5% to \$5.04 per security.

The balance sheet valuation of the Group's retirement annuity streams increased to \$1,006m, including a non-operating increase in earnings of \$46.3m (post tax) as "undervalued contracts" were brought to account, following a demonstrable pattern of acceptance of higher contract rates at certain villages. The balance sheet valuation of the 100% FKP-owned villages is supported by an independent valuation.

Offsetting this, the accounts have taken write-downs in trust assets (\$17.1m) and the investment in RVG (\$26.4m), based on independent valuations. In addition impairments of development inventory (\$5.0m) amounting to about 1% of the inventory balance were brought to account.

### Estimated Asset Backing Using Market Values

Under accounting rules, certain components of commercial value cannot be recognised on the balance sheet. These include the portfolio value of the retirement villages, the value of the retirement development pipeline, and development and land trading stock.



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The Directors commissioned independent valuations of the FKP retirement portfolio, and of the two largest approved development projects, namely the Newstead and Albion sites. They have also reviewed detailed feasibility studies of the retirement development pipeline, and of the land holdings at Peregian Springs and The Ridges, which were purchased a number of years ago and are carried in the accounts at historical cost.

On the basis of this analysis, Directors are of the view that if these components of commercial value could be recognised on the balance sheet the estimated market NTA (tax effected) of the Group's securities is of the order of \$6.00 per security.

### **Financing**

During the year, the Group obtained increased funding for its Retirement Division, and extended the maturity of short-term development and trust facilities.

Gearing at June 2008 was 40%, but if the estimated market values of the assets are taken into account, the gearing falls to 36%.

At June 2008, approximately 1% of the bank debt is classified as Current.

### **Outlook**

Managing Director and CEO Peter Brown said today "We anticipate land projects such as Saltwater Coast (Melbourne), The Ridges (Sunshine Coast) and Rochedale (Brisbane) to achieve their first sales in 2008/2009 generating strong cash flows".

Subject to there being no further deterioration in market conditions, and no unexpected delays in regulatory approvals, the Group is cautiously optimistic of achieving 10% growth in operating profits in 2008/2009, similar to this year's growth rate.

### **For further information:**

Shalome Mielewska, Investor Relations Manager, (m) 0404 811 847

Katherine O'Regan, General Manager, Corporate Communications (m) 0419 411 801