



ASX / Media Release

9 August 2013

Strategy and Group Update

FKP Property Group (ASX: FKP) today provides an update on progress with its stated strategy to evolve to a pure play retirement group.

Strategy Update:

- In line with the Group's strategy to evolve to a pure play retirement owner, operator and manager, FKP Property Group will be rebranded to Aveo Group, subject to securityholder approval.
- FKP's holding in PBD Developments Limited (ASX: PBD) will be disposed.

Group Update:

- A revaluation of the Group's property asset values as at 30 June 2013 has been completed. The impact of the revaluation is a \$187.9m impairment. The impairment is predominantly attributable to non-retirement property assets and is in the context of the Group's strategy for their rationalisation.
- The valuation of the Australian retirement assets as at 30 June 2013 remains unchanged and is supported by an independent valuation.
- The reported NTA per stapled security at 31 December 2012 was \$3.98. The 30 June 2013 pro forma NTA per stapled security decreases by \$0.44 to \$3.54 based on the after tax impact of the impairments detailed in the table below.
- Consistently with the AICD best practice guidelines, these impairments are excluded from the determination of the Group's underlying result. For the year ended 30 June 2013, the underlying result is expected to be in the range of \$38m to \$40m.

FKP's CEO Mr Geoff Grady said: "The write downs are a necessary step in executing our strategy. With the gradual recovery of the retirement sector, we are confident about the outlook for our business and are well progressed on delivering our strategy of becoming Australia's leading pure play retirement group."

Summary of Property Revaluation Impacts:

	Unaudited 30/6/13 Book Value	Pre Tax Impairment (from 31/12/12 Reported Book Value)
Retirement	\$1,080.1m	\$7.8m
Non-retirement	\$788.9m	\$180.1m
Total	\$1,869.0m	\$187.9m

Please refer to Appendix 1: Summary of Property Revaluation Impacts by Asset Classification for more detail. The above impairments are preliminary and are subject to finalisation of the audited accounts which will be released to the market on 21 August 2013.

Investment Property:

Investment Property which includes Retirement and Commercial property assets are carried at fair value.

1. Retirement: After cumulative decreases to unit list prices for independent living units (ILUs) and serviced apartments (SAs) in June 2012 and December 2012 that totalled approximately 10%, the unit list prices at June 2013 are consistent with those at December 2012. Key assumptions in the Retirement portfolio Directors' valuation relating to discount rate (12.5%), property price growth forecasts (Year 1-5: 3%-4%, Year 6 onwards: 4.5%) and long-term turnover (10 years for ILUs and 4 years for SAs) remain unchanged from the prior comparative period. Consistently with previous financial year ends, an independent valuation of the FKP retirement assets has been conducted by Deloitte Touche Tohmatsu. As a result, no impairment has been made to the valuations last reported at December 2012.
2. Commercial: The Group has achieved sales totalling \$134.0m, all at or around book value, in the last 12 months including the sale of 465 Victoria Avenue in New South Wales, Browns Plains Town Centre in Queensland and Browns Plains Homemaker Centre in Queensland. FKP has two remaining commercial assets being Lonsdale Street in Melbourne and Miller Street in Pyrmont. Miller Street was acquired as part of FKP's acquisition of the non-FKP units in the Core Plus Two fund during the second half of FY13. The fair value of both assets has been determined with reference to independent valuations and recent sale negotiations, resulting in no change to the book value.

Inventory:

Inventory which includes Residential and Commercial developments is carried at the lower of cost or net realisable value (NRV). In determining each asset's NRV in previous periods, the Board assumed each asset would be realised through use (i.e. being fully developed and sold on completion). Given FKP's strategy to rationalise non-retirement assets the Board has deemed it appropriate to determine NRV for 30 June 2013 to be based on the assets' current fair value.

1. Residential Land: The NRV of residential land projects has been determined based on the assumption that unsold completed lots are disposed of in the ordinary course of business and undeveloped land may be disposed of as englobo lots. This assessment has resulted in an impairment of \$107.4m to total residential land development inventory. This impairment relates principally to Saltwater Coast in Melbourne \$63.7m and The Rochedale Estates in Brisbane \$28.2m but also includes an amount of \$15.5m for Ridges at Peregian Springs and Peregian Springs on the Sunshine Coast, Currumbin on the Gold Coast and Shearwater on Phillip Island in Victoria.
2. Apartments: The NRV of residential apartments has been determined based on an 'as is, where is' assessment of current project values. The resulting valuations were above cost for all projects with the exception of Albion Mill in Brisbane. The resulting impairment for Albion Mill is \$3.6m.
3. Commercial: Development inventory relates to the Gasworks development at Newstead in Brisbane, undeveloped land at Mackay in Queensland and completed office suites at Brookvale in Sydney. The assessment of NRV on an 'as is, where is' basis has resulted in a total impairment of \$48.7m to commercial development inventory. Of this total, \$47.6m relates to Gasworks.

Equity Accounted Investments:

For Equity Accounted Investments that are unlisted and comprise Residential and Commercial developments, the Board has deemed it appropriate to consider these Equity Accounted Investments on a similar basis to that adopted for Inventory assessment. In respect of those Equity Accounted Investments relating to Retirement, the Board has continued to adopt the value of its interest based on either the independent valuation of the underlying assets or discounted cash flows of those underlying businesses. For Equity Accounted Investments that are listed, the Board has valued its interest based on the closing share price on 28 June 2013.

1. Retirement Villages Group (RVG): Consistently with previous periods, FKP has taken up its interest in the net assets of RVG at 30 June 2013. RVG's Australian assets were independently valued at 30 June 2013 and RVG's Equity Accounted Investment in Metlifecare Limited (New Zealand) was based on the closing share price on 28 June 2013. Consequently, no impairment of investment was necessary.
2. US Senior Living: The fair value of US Senior Living assets has been determined with reference to the most recent actual and forecast trading results from the US business.
3. Mulpha FKP (MFKP): The fair value of MFKP has been determined based on the discounted cash flows of the underlying business whereas at 30 June 2012 FKP's interest was valued using the most recent independent valuations. Individual risk assessments have been undertaken for each project and the appropriate discount rates have been determined accordingly.
4. PBD: FKP's investment in PBD has been adjusted to align with the closing share price on 28 June 2013.

In line with the rationalisation of various fractional interests and holdings over the last 12 months, including the purchase of the non-FKP interests in the Core Plus funds and the purchase of the external interests in the Cleveland retirement village syndicate, the Group is exploring further rationalisation of its fractional interests. As part of this process, the Board has agreed to the sale of the Group's 23.6% stake in PBD at market value, partly to Mulpha Group and partly on market.

FKP will release its Full Year Results for the year ended 30 June 2013 to the market at 11am (AEST) on 21 August 2013.

ENDS

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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.
www.fkp.com.au

Appendix 1:

Summary of Property Revaluation Impacts by Asset Classification:

	Unaudited 30/6/13 Book Value	Pre Tax Impairment (from 31/12/12 Reported Book Value)
Investment Property		
Retirement (net of resident loans)	\$988.2m	Nil
Commercial	\$50.5m	Nil
Subtotal	\$1,038.7m	Nil
Inventory		
Residential Land	\$328.4m	\$107.4m
Apartments	\$147.8m	\$3.6m
Commercial	\$198.7m	\$48.7m
Subtotal	\$674.9m	\$159.7m
Equity Accounted Investments		
Retirement Villages Group	\$86.9m	Nil
US Senior Living	\$5.0m	\$7.8m
MFKP	\$55.6m	\$13.5m
PBD Developments	\$7.9m	\$6.9m
Subtotal	\$155.4m	\$28.2m
Total	\$1,869.0m	\$187.9m