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28th February 2007

FKP PROPERTY GROUP ANNOUNCES RECORD PROFITS AND EARNINGS PER SHARE

Profits & EPS

FKP Property Group ("the Group") today announced a record net profit for the December 2006 half year of $87.5m, up 83% over the (restated AIFRS) figure for the comparable period. The result translates to earnings per security ("EPS") of 43.1 cents (up 60%).

The headline result includes certain non-operating gains, and the operating profit after tax for the period was $54.8m, an increase of 18%.

The operating result equates to EPS of 27.0 cps, up 3%. In the corresponding period last year, the Group earned $5.1m after tax from the sale of its 31 Queen St Melbourne asset, and the operating EPS increase is 15% excluding Queen St.

Recurring income was 69%, compared with 66% (or 59% excluding sale of Queen St) in the corresponding half last year.

Distributions

Directors confirm the estimate provided in December 2006 of a dividend/distribution of 15.2 cents per security for the December half, up 7%. This will be paid on April 13, 2007.

The company component of the interim distribution has been franked to 85%, resulting in an overall franking level of 62%. The Group believes that, barring unexpected developments, it will maintain the franking level of the company component at 85% for the foreseeable future.

Total Shareholder Return

During the six month period, the Group's total shareholder return was 28.3%, taking into account distributions and movement in the security price. Based on published data, the FKP Property Group has outperformed the ASX Property Accumulation Index on all key timeframes within the five year measurement period.

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Operational Results

The following table shows the operating results from the Group's reporting segments, compared with prior year:

Division	December 2005 Divisional EBIT ($,000)[1]	December 2006 Divisional EBIT ($,000)[1]	Change %
Retirements Investments	34,366	47,548	+38
RVG (Macquarie Bank Joint Venture) – Equity Accounted Share	1,002[2]	11,122 [2]	+1010
Development	9,178	11,151	+21
Mulpha FKP - Equity Accounted Share	2,696	6,831	+153
Land	12,324	10,743	-13
Property Investment and Funds Management	10,782	5,582	-48

1 All numbers are pre-tax except for Mulpha FKP
2 Includes interest earned on shareholder loans.

Managing Director and Chief Executive Officer Peter Brown said today:

"The six months saw another set of strong results from FKP's operations, again underscoring the benefits of FKP's geographic and product diversification. The retirements and developments divisions generated significant profit increases, while earnings from the land division were slightly lower, as previously advised, and in accordance with budget. The Property Investment and Funds Management division saw very strong trading results, although the headline result was down due to the successful sale of 31 Queen St in the prior period."

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Highlights

The Retirement division consolidated its position as the leader in the Australian market with agreement reached to acquire the Cbus portfolio of villages in Sydney. This acquisition will increase the number of units owned in Australia to about 6,000, and will boost the Group's presence in the important Sydney market.

In September 2006 the Group acquired Wilbow Corporation, one of Australia's leading private development companies. This acquisition has given FKP immediate scale in the Victorian market, and the Group's commercial and land development pipeline has now increased to about $5 billion. The acquisition of Wilbow had a limited impact on earnings in the December half, but will make a more significant contribution in the next six months.

The Funds Management division completed its very successful launch of the Core Plus Fund, which had been announced in December 2005. The fund was closed with $136m of equity, and demand from wholesale investors caused the Group's cornerstone investment to be scaled back to 14%. The fund produced a stand-alone return of 18.8% for the six months, reflecting its success in adding value to income-producing commercial buildings in Melbourne, Sydney and Brisbane.

The Group's investment in Retirement Villages Group (RVG) continued to grow in value. In addition to the operating earnings shown in the earlier table, FKP has booked an additional $29.0m of non-operating profits after tax from revaluations of the RVG portfolio of assets. Towards the end of the period, RVG acquired a portfolio of villages in Sydney from the Gandel group, and RVG's portfolio of retirement units in Australia and New Zealand is now second only to that of FKP itself in the combined markets.

FKP and Macquarie are currently exploring the merits of creating a wholesale fund using RVG's assets, a move that would be consistent with FKP's stated ambition to grow its funds management business.

In December 2005, FKP completed the first leg of its purchase of 49.9% of Mulpha Norwest (now Mulpha FKP). In February 2007, FKP has issued the remaining 7,916,667 securities due to Mulpha Australia under the 2005 agreement. FKP's investment generated a profit of $6.8m (after tax) during the six months, despite the subdued nature of the NSW residential market.

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Strategic Investment in China

In 2006 the Group advised shareholders that it was exploring opportunities in China to leverage off its relationship with the Mulpha Group. Through that association, FKP has formed a working relationship with Tian An China Investments Company Limited ("Tian An"), a property development and investment company listed on the Hong Kong Stock Exchange with a market capitalisation of approx. $A1 billion. Tian An has been successfully developing in China for 20 years, and holds an extensive landbank for further development.

FKP executives have visited all of Tian An's current projects, and have formed a favourable view of the company's land bank. Preliminary discussions have been held about Tian An and FKP undertaking selected joint developments, and to strengthen the association, FKP purchased a holding of 2.3% of Tian An towards the end of 2006. The investment had increased in value by year end, and an amount of $3.1m (after tax) has been included in non-operating earnings for the six months.

Gearing

At period end, the Group's interest bearing debt stood at $707m. Measured as a percentage of assets, net of resident obligations and unearned income, the gearing at December 2006 was 35%.

Outlook

Managing Director and CEO Peter Brown said today "The operating outlook for the balance of 2006/2007 is positive, with operating earnings expected to be higher in the second half. The Group is maintaining its target of 10% growth in distributions for the year."

ENDS

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