

29 November 2012

The Manager  
Company Announcements Office  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

## **Chairman's Address 2012 Annual General Meeting**

The results for the year ended 30 June 2012 which were sent to shareholders and are available on the Company's website are hereby tabled and I will take them as read. I will answer any questions shareholders might have when the accounts are considered by this meeting.

As you would be aware, for property groups and most companies, the past few years have been challenging, with weak consumer sentiment and constrained capital flows impacting overall operating and business conditions. The 2012 financial year was no exception and FPG was not immune to these conditions.

From a statutory perspective, FPG reported an after-tax loss of \$45.2 million in FY12 compared to a \$40.6 million statutory profit in the prior year. This was almost entirely due to the adoption of more appropriate valuation assumptions, based on prevailing market conditions, which resulted in an impairment of \$74.3 million on the valuation of retirement assets in the portfolio.

However, more indicative of the actual performance of FPG in 2012 was the underlying profit achieved. This year, FPG delivered an underlying profit after tax of \$9.0 million. This was 13% lower than the previous year, a good performance given the difficult headwinds that we, and all property groups, faced in FY12.

Weak Queensland property markets impacted turnover as cautious consumer sentiment prevailed. In addition, the business increased its focus on cash flow generation and recycling capital, resulting in reduced margins on company owned stock realised in the second half and a change in the mix of sales from the prior year impacting underlying profit.

Pleasingly, and a good indicator of future business performance, FPG achieved 121 sales this year representing a 19% increase on 2011, with 50% of those sales comprising company owned stock.

For the year ahead, the Board has elected not to give market guidance for the 2013 financial year as the property and financial markets continue to be volatile, uncertain and without clear trend. This creates uncertainty among our potential clients.

Regardless, Australia has an ageing population, with growing demand for retirement living options and the FPG portfolio has high quality retirement assets that are very well run. We know that our business is simply about providing a quality service and creating communities for elderly Australians. This is what we are focused on and it is a natural comparative advantage that we have.

FPG is continuing to explore expansion opportunities and leverage its position in the market as the only listed pure retirement business in Australia. As the market turns, FPG remains well-positioned to utilise its low gearing to continue the roll out of its development pipeline and execute on growth opportunities.

FPG will continue to focus on seeking to improve cash generation and extract value from its embedded development pipeline where it makes economic sense. It is anticipated that development activity will be undertaken at Durack, Albany Creek and Clayfield during the 2013 financial year.

I would like to thank all our employees and service providers for their dedication and support during the past twelve months. In tough conditions it is reassuring that we have great people on board. I look forward with optimism for the year ahead and look forward to keeping you updated with progress.

A handwritten signature in black ink, appearing to read 'Peter Brown', with a stylized, cursive script.

Peter Brown  
**Chairman**