



**ASX / Media Release**

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## **FPG Releases Half Year Results, Cash Flow Up 313%**

Forest Place Group (ASX: FPG), the specialist retirement group with a portfolio of high-quality retirement and healthcare facilities in South East Queensland, today released its half year results for the period ended 31 December 2012.

### **Financial Results**

- Statutory loss after tax of \$4.6 million
- Underlying profit after tax of \$1.6 million<sup>1</sup>
- Operating cash flow of \$12.8 million
- Net tangible assets per share of \$2.34
- Gearing steady at 10%
- Interim dividend of 2.2 cents per share

Over the period, FPG increased the cash generation from its villages through a stronger sales focus. This resulted in an increased turnover of units, in particular company-owned units, while ensuring that the highest quality of service and facilities were maintained for residents. This strategy increased operating cash flows by 313% to \$12.8 million, from \$3.1 million recorded in the six months to 31 December 2011.

FPG Chairman Peter Brown said: "The retirement market, like the residential property market, remains challenging. However, we have met the market on pricing and as a result have been able to improve cash flows."

The underlying profit after tax of \$1.6 million was underpinned by the deferred management fees and capital gains received from the sale of resident-to-resident stock. The underlying profit after tax excludes the impact of fair value movements of the retirement portfolio due to the non-cash nature of this item.

While cash flow generation is the most important indicator of financial performance for FPG, the focus on the sale of company-owned stock resulted in lower margins than traditional resident-to-resident resales subsequently negatively impacting underlying profit. In achieving the sale of company-owned stock, unit prices within the villages have decreased by an average of 2.8% during the period. The impact of these price adjustments reduced the retirement valuation by \$8.5 million, and therefore, FPG reported an after-tax statutory loss of \$4.6 million.

### **Operational Highlights**

FPG operates five retirement villages and one healthcare facility under the Aveo brand, comprising 1,280 units and 25 aged care beds. For the half year ended 31 December 2012, FPG achieved turnover of 50 units across the portfolio. There were 8 sales of new units and 42 resales of existing units. This compares with 1 sale and 48 resales in the previous corresponding period.

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<sup>1</sup> Underlying profit is the relevant metric to gauge FPG's performance as it reflects the financial results generated from ongoing operating activities and is calculated in accordance with AICD/Finsia principles. The non-operating adjustments are considered to be non-recurring in nature. These items are included in the Group's consolidated statutory result but excluded from the underlying result. The Group's distribution policy is based upon underlying profit.

FPG has a development pipeline of 341 units and over the period delivered 8 new units at Aveo Durack. It is anticipated that further development activity will be undertaken at Aveo Durack, Aveo Albany Creek and Aveo Clayfield.

## **Capital Management**

FPG will continue to focus on seeking to improve cash flow through the increased turnover of units.

FPG maintains a low level of gearing of 10% and only utilises debt facilities for development activities. FPG remains focused on extracting value from its development pipeline by proactively managing working capital levels through a selective roll out of its development pipeline.

As underlying profit was impacted by the mix of sales rather than the quantum achieved, for this period and through to 30 June 2013, the Board has decided to depart from its dividend policy of distributing 40%-60% of underlying profit to hold the interim dividend in line with the previous corresponding period at 2.2 cents per share.

## **Outlook**

FPG continues to explore opportunities to evolve the business model in line with resident needs by providing higher care services which complement current offerings enhancing FPG's position in the market as the only listed pure-play retirement vehicle in Australia. With low gearing, FPG is well-positioned to explore growth and expansion opportunities while rolling out its development pipeline.

## **ENDS**

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### **About Forest Place Group**

Since its inception, Forest Place Group has established itself as a market leader in provision of quality retirement accommodation in South East Queensland. Under the Aveo brand, Forest Place Group's philosophy is 'Quality of Life'. This philosophy is embedded in all areas of the company's business including creating a friendly and productive working environment for employees, ensuring the company is a sound investment for shareholders and providing a superior lifestyle for residents. Forest Place Group villages offer high-quality recreational and health facilities for elderly Australians coupled with a range of accommodation options to suit each resident's housing preference and level of independence.

[www.forestplace.com.au](http://www.forestplace.com.au)