



# **Forest Place Group Limited**

(ABN 75 061 421 565)

and its controlled entities

## **2011 Annual Report**

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## CONTENTS

Company Profile	iv
Directory	v
Chairman and Executive Director's Report	1
Directors' Report	2
Remuneration Report	7
Corporate Governance Statement	11
Auditor's Independence Declaration	15
Financial Statements	
Statement of Comprehensive Income	16
Balance Sheet	17
Statement of Changes in Equity	18
Cash Flow Statement	19
Notes to the Financial Statements	20
Directors' Declaration	46
Independent Auditor's Report	47
Shareholder Information	49

## COMPANY PROFILE

Forest Place Group Limited (**Company**) and its Controlled Entities (together called the **Consolidated Entity** or **Forest Place Group**) continues to build an outstanding reputation for providing quality retirement communities in South-East Queensland.

Forest Place Group's portfolio comprises five retirement villages, located in Albany Creek, Clayfield, Cleveland, Durack and Taringa. The Cleveland and Clayfield villages are owned by syndicates of investors (including Forest Place Group).

Forest Place Group derives income from:

- the development and sale of leases of accommodation units;
- fees charged to retirement village residents for the use of communal facilities and retirement village infrastructure. The payment of these fees is deferred until the resident's unit is resold following their departure from the village; and
- providing development, marketing, management and administration services to syndicated villages.

Forest Place Group is committed to providing a safe and secure base from which retirees can live well. In line with this philosophy, the Forest Place Group has adopted the corporate brand – '*Aveo Live Well*'.

Aveo prides itself on the presentation and aesthetics of its retirement communities and its ability to offer residents an extensive range of living options to suit each resident's housing preference and level of independence.

Aveo offers retirement living with a strong sense of community spirit that forms the cornerstone of village life. This spirit is evident not only through informal interaction between residents and staff, but through the emphasis that is placed on providing an array of extensive community, recreational and social facilities that enrich the lives of residents.

Each village boasts a combination of Independent Living Units, Serviced Apartments and community facilities and is managed by teams of fully qualified and experienced staff. Aveo Durack also boasts an aged care facility (nursing home) for residents requiring additional care and support.

Aveo Live Well is the trademark of FKP Limited, a publicly listed property and investment group ranked in the ASX 200. FKP Limited currently operates 76 villages Australia wide and currently holds an 85.42% interest in Forest Place Group.

Forest Place Group has substantial investments in:

- accrued deferred management fees;
- retirement village land, communal facilities and infrastructure; and
- syndicated retirement villages.

## DIRECTORY

### REGISTERED OFFICE

Level 5, Crowe Horwath Centre  
120 Edward Street,  
BRISBANE QLD 4000

### PRINCIPAL PLACE OF BUSINESS

Level 5, Crowe Horwath Centre  
120 Edward Street,  
BRISBANE QLD 4000

Ph: +61 7 3319 3630 Fax: +61 7 3223 3809  
Email: [info@forestplace.com.au](mailto:info@forestplace.com.au)  
Website: [www.forestplace.com.au](http://www.forestplace.com.au)

### BOARD OF DIRECTORS

Geoffrey Earl Grady (Chairman)  
Donald Charles Mackenzie  
Philip Parker  
Justin Michael Laboo

### COMPANY SECRETARY

Michael Barry Shannon

### EXECUTIVE DIRECTORS

Justin Michael Laboo  
Geoffrey Earl Grady

### AUDIT COMMITTEE

Donald Charles Mackenzie (Chairman)  
Ian Leslie Fraser (Resigned 22 August 2011)

### VILLAGES:

#### ALBANY CREEK

61 Explorer Drive  
ALBANY CREEK QLD 4035  
Ph: + 61 7 3264 5444 Fax: + 61 7 3264 4922  
Manager: Leanne Todkill RN

#### CLAYFIELD

469 Sandgate Road  
ALBION QLD 4010  
Ph: + 61 7 3262 0107 Fax: + 61 7 3862 3248  
Manager: Scott Noble

#### CLEVELAND

148 Smith Street  
CLEVELAND QLD 4163  
Ph: + 61 7 3286 7600 Fax: + 61 7 3286 5906  
Manager: Diane Brown

#### DURACK

356 Blunder Road  
DURACK QLD 4077  
Ph: + 61 7 3372 7777 Fax: + 61 7 3372 7537  
Manager: Muriel Biner

#### TARINGA

1 Moore Street  
TARINGA QLD 4068  
Ph: + 61 7 3870 3077 Fax: + 61 7 3870 7190  
Manager: Jennifer Smith

**NURSING HOME:**

DURACK

276 Blunder Road  
DURACK QLD 4077  
Ph: + 61 7 3372 8800 Fax: + 61 7 3372 8417  
Care Manager: Susan Crouch RN

**AUDITORS**

Ernst & Young  
680 George Street  
SYDNEY NSW 2000

**SOLICITORS**

Minter Ellison  
Waterfront Place  
1 Eagle Street  
BRISBANE QLD 4000

**SHARE REGISTRY**

Link Market Services Limited  
Locked Bag A14  
SYDNEY SOUTH NSW 1235  
Ph: + 61 2 8280 7454 Fax: + 61 2 9287 0303  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

**SECURITIES EXCHANGE**

The ordinary shares of Forest Place Group Limited are listed on the Australian Securities Exchange (ASX code: FPG).

**OTHER INFORMATION**

Forest Place Group Limited, incorporated and domiciled in Australia, is a publicly listed company.

## CHAIRMAN AND EXECUTIVE DIRECTOR'S REPORT

The 2011 financial year saw an improvement in Forest Place Group's operating results with net profit after tax of \$40.6 million, (including contributions from non-controlling entities), up significantly on last year's result of \$18.0 million, an increase of 126%. This improvement was achieved through strong uplifts in the fair value of the investment properties and increases in the deferred management fee income received, which improved 17% to \$15.8 million, up from \$13.5 million last year.

As in previous years, the main improvement was the rise in the fair value of the Villages, which increased 88% to \$41.1 million this year, versus \$21.9 million in the corresponding period last year. As a result, and in conjunction with a steady capital base, basic earnings per share improved 98% to 43.2 cents, from last year's result of 21.8 cents. Also pleasing was the improvement in the group's Net Tangible Asset position which increased 11.3% to \$2.96, up from \$2.66 in the prior year.

These stronger results demonstrate the continuing success of the seniors' accommodation business model and with the quality assets Forest Place Group holds. We remain cautiously optimistic about the outlook for the Company. Market conditions remain uncertain and there is no doubt that greater certainty in the residential property market will improve the outlook for Forest Place Group's clients and hence improve demand even further.

With a strong capital position, management is keen to pursue growth opportunities. Works and further planning is underway for continuing development at Albany Creek, Durack and Clayfield. Sales from the next stages of development will take place in FY12 at Albany Creek and Durack. The next stage of Clayfield development is programmed to commence in CY13. Further delivery of organic growth to Forest Place Group remains a keen focus in the year ahead.

The retirement living sector continues to go through consolidation and change, with much speculation around the future structure and ownership within the industry. With assets amongst the best in the country and a solid capital base, Forest Place Group is well poised for future expansion. We are committed to looking for opportunities to ensure shareholder value is maximised and the company continues to grow. We look forward to keeping shareholders informed about opportunities as they arise.

It was pleasing this year to commence our dividend payment program. Our intention is to distribute between 40 to 60% of underlying profit, excluding non-cash items, while balancing the considerations of future cash needs for operations and investment in development activity, as well as the ongoing requirement to redeem syndicate put options. The full year dividend is anticipated to result in a final dividend of 3.8c per share and subject to the considerations above, we look forward to continuing this program for shareholders into the future.

This year saw the resignation of outgoing Chairman Ian Fraser. Ian has been a valued member of the business for many years. We thank him for his valued contribution to Forest Place Group and wish him all the best for the future. We thank all the staff for their continued support and a job well done in 2011, as it is through them that the Company continues to deliver services to its clients, creating a platform for future growth.



Geoff Grady  
Chairman



Justin Laboo  
Executive Director

## DIRECTORS' REPORT

Your Directors present their report on the Consolidated Entity consisting of Forest Place Group Limited ('Company') and its controlled entities for the financial year ended 30 June 2011 and the Auditor's Report thereon.

## DIRECTORS

The Directors of the Company during the whole of the financial year and up to the date of this Report are:

G E Grady <sup>1</sup>	Executive Chairman
J M Laboo	Executive Director
D C Mackenzie	Non-Executive Independent Director
P Parker	Non-Executive Director

1 Mr Grady was appointed Executive Chairman of the Board on 24 May 2011.

I L Fraser was the Non-Executive Chairman from the beginning of the year until his resignation from the position on 24 May 2011. Mr Fraser resigned from the Board on 22 August 2011.

### Information on Directors

**G E Grady** BCom LLB (Hons) ACA  
Executive Chairman (Age 52)

Mr Grady was appointed a Director on 27 May 2009 and was appointed Executive Chairman of the Board on 24 May 2011. He is a Chartered Accountant and a solicitor of the Supreme Court of Queensland. Mr Grady is currently the Chief Operating Officer of FKP Limited and was previously the Chief Executive Officer of Mulpha Sanctuary Cove. Prior to this, Mr Grady was a partner at KPMG. Mr Grady was previously an alternate Director of FKP Limited (December 2008 to March 2009).

**D C Mackenzie** FCA  
Non-Executive Independent Director (Age 66)

Mr Mackenzie was appointed a Director on 29 March 2004 and Chairman of the Audit Committee in June 2004. He is a Chartered Accountant and has had experience working with chartered accounting firms and has held senior positions with public companies involved in the rural and manufacturing industries. Since 1993 he has provided corporate support services to public companies predominantly involved in manufacturing, mining, information technology and rural operations. Mr Mackenzie is an alternate Director of Silver Chef Limited (since March 2005) and was previously a Director of OMI Holdings Limited (November 2004 to 26 July 2010).

**J M Laboo** LLB BSc MBA  
Executive Director (Age 38)

Mr Laboo was appointed a Director on 27 August 2007. He joined FKP Limited in August 2005, as head of Corporate Finance, leading FKP Limited's treasury, mergers and acquisitions activities and was appointed as FKP Limited's Executive General Manager Retirement in November 2006. As Executive General Manager Retirement, Mr Laboo leads all aspects of FKP Limited's Retirement Division. Mr Laboo has more than 10 years' experience in finance and strategy areas, across the banking, construction and energy industries and holds a Bachelor of Science Mathematics and a Bachelor of Laws, both from Queensland University of Technology and an executive MBA from the Australian Graduate School of Management.

**P Parker**  
Non-Executive Director (Age 65)

Mr Parker was appointed a Director on 21 April 2004. He is a founding Director of the ultimate holding Company, FKP Limited (July 1987 to date), with over 35 years' experience as a real estate agent and property developer. Mr Parker is a registered real estate agent having operated real estate businesses in Darwin, and on the Sunshine Coast, and having spent 7 years in Brisbane and the Northern Territory in a marketing capacity for one of Queensland's largest land developers. In 1975, Mr Parker moved to the Sunshine Coast and subsequently established his own real estate business expanding into property management, body corporate administration and the sale and leasing of commercial buildings.

## COMPANY SECRETARY

**P D McNamara** BCom

Mr McNamara was appointed to the position of Company Secretary on 27 May 2010 and resigned on 30 June 2011. He holds a Bachelor of Commerce and was the Assistant Company Secretary of FKP Limited until his resignation on 30 June 2011.

**M B Shannon** BA LLB (Hons)

Mr Shannon was appointed to the position of Company Secretary on 30 June 2011. Mr Shannon is a solicitor of the Supreme Court of Queensland. He holds a Bachelor of Arts and a Bachelor of Laws (Hons) from the University of Queensland and is currently Company Secretary of FKP Limited.



## DIRECTORS' INTERESTS

The relevant interest of each Director in the shares of the Company, as notified by the Directors to the Australian Securities Exchange ('ASX') in accordance with section 205G (1) of the *Corporations Act 2001*, at the date of this Directors' Report is as follows:

	Number of Ordinary Securities	
	2011	2010
G E Grady	Nil	Nil
D C Mackenzie <sup>1</sup>	1,000	1,000
J M Laboo	Nil	Nil
P Parker	Nil	Nil
I L Fraser <sup>1,2</sup>	1,000	1,000

<sup>1</sup> The shares are held by entities and/or by associates in which Non-Executive Directors have a beneficial interest.

<sup>2</sup> Mr Fraser resigned as a Director on 22 August 2011.

## DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

Directors	Board Meetings		Audit Committee Meetings		Contract Review Committee - Construction and Marketing Meetings	
	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended
D C Mackenzie	8	8	4	4	1	1
J M Laboo	8	6	-	-	-	-
P Parker	8	5	-	-	-	-
G E Grady	8	7	-	-	-	-
I L Fraser <sup>2</sup>	8	7	4	4	1	1

<sup>1</sup> Reflects the number of meetings held in the time the Director held office during the year.

<sup>2</sup> Mr Fraser resigned as a Director on 22 August 2011.

All Directors were eligible to attend all meetings held.

## Committee Membership

As at the date of this Report, the Company has an Audit Committee and a Contract Review Committee.

Members acting on the Committees of the Board during the year were:

Audit	Contract Review
D C Mackenzie (Chair)	I L Fraser (Chair)
I L Fraser	D C Mackenzie

## PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the course of the financial year were the development, ownership and operation of retirement villages and residential aged care facilities.

There was no significant change in the nature of the activities of the Consolidated Entity during the year.

## STATE OF AFFAIRS

There have been no material changes in the state of the Consolidated Entity's affairs since the date of the last Report, other than as disclosed in this Report and the accompanying Financial Statements.

## REVIEW AND RESULTS OF OPERATIONS

The consolidated profit for the year ended 30 June 2011 attributable to members of the Consolidated Entity was as follows:

	2011 \$'000	2010 \$'000
Profit from continuing operations before income tax	54,925	25,663
Income tax expense relating to ordinary activities	(14,314)	(7,649)
<b>Net Profit from Continuing Operations</b>	<b>40,611</b>	<b>18,014</b>
Net profit/(loss) attributable to non-controlling interests	4,921	-
<b>Net Profit Attributable to Members of the Consolidated Entity</b>	<b>35,690</b>	<b>18,014</b>

The net profit after tax attributable to the security holders for the year was \$35.690m (2010: \$18.014m), which represents a 98% increase on the prior corresponding period. Earnings per share during the year were 43.2 cents per share (2010: 21.8 cents per share). Net tangible assets at 30 June 2011 were \$2.96 per share (2010: \$2.66).

## REVIEW AND RESULTS OF OPERATIONS (continued)

The increase in net profit after tax attributable to members was predominantly due to the change in fair value of investment properties and the change in fair value of resident loans offset by an increase in income tax expense and the recognition of non-controlling interest associated with the consolidation of the Forest Place Cleveland Syndicate and Forest Place Clayfield Syndicates. The change in fair value of investment properties increased to \$41.067m, compared to \$21.862m in the prior corresponding period. The increase was as a result of the application of the consistent valuation metrics across the entire consolidated portfolio resulting in an increase in the change in fair value of investment properties of \$3.301m as well as an increase in the change in fair value of investment property associated with development assets at Albany Creek, Cleveland, Clayfield and Durack villages resulting in an increase in the change in fair value of investment property of \$14.487m. The fair value of the retirement development assets was determined by using discounted cash flow valuation methodology. A discounted cash flow analysis was conducted for each future retirement development stage across the entire development portfolio. Revenue and cost assumptions were based on project feasibilities, with cash flows discounted by 15.0%.

The change in fair value of resident loans increased to a gain of \$0.293m from a loss of \$9.389m reported at 30 June 2010. The predominant reason for this variance was as a result of incoming contributions from Residents as result of the resale of \$6.173m of company owned stock as well the composition of capital gains payable to residents as a result of the rollovers that have occurred during the period.

### Revenue from Continuing Operations

Income for the year was \$20.291m comprising:

	2011 \$'000	2010 \$'000	Change \$'000	Change %
Deferred management fee	15,770	13,517	2,253	16.7
Syndicate fees	-	1,796	(1,796)	(100.0)
Services provided	484	464	20	4.3
Government grants	2,717	2,625	92	3.5
Interest	125	209	(84)	(40.2)
Other	1,195	223	972	435.9
<b>Total Revenue</b>	<b>20,291</b>	<b>18,834</b>	<b>1,457</b>	<b>7.7</b>

### Retirement Village

Revenue from retirement villages is largely comprised of deferred management fees ('DMF'). Total revenue for the retirement villages for the year ended 30 June 2011 excludes fair value changes of \$41.360m.

### Syndicate Revenue

Syndicate fees represent work performed by the Consolidated Entity in managing the overall construction and development activities, marketing, and administration of the syndicated villages. Syndicate revenue has been eliminated in the year ended 30 June 2011 as a result of the Cleveland Syndicate and Clayfield Syndicate being consolidated as part of the Consolidated Entity during the year. Refer to Note 10 of the financial statements for further details.

### Services Provided

Revenue from services provided mainly comprises fees from respite accommodation and the hostel care option. Revenue from such services increased on the prior year.

### Residential Aged Care Facility

The residential aged care facility receives revenue from two sources: government funding and resident contributions. The amount of government funding paid is dependent on the assessed care needs of the residents.

## Operational Highlights

The Consolidated Entity continues to improve the cash-generating capability of its assets through a successful retirement unit buyback and refurbishment program, with volume for the year ended 30 June 2011 being approximately 4 times the previous corresponding period. This generates an immediate development profit and also increases the base from which future DMF and capital gain cash flows will be generated. There has also been a 16.7% increase in DMF over the 2010 result.

During the year, the Consolidated Entity leased or re-leased 102 (2010: 117) accommodation units in its owned retirement villages. There were 4 leases of new units and 98 re-leases of existing units. This compares with leases and re-leases in the corresponding prior year of 10 and 107 respectively.

The Consolidated Entity controls 1,241 units (2010: 1,017 units plus an additional 222 units in the Syndicates) under lease at its 5 owned villages (2010: 3 owned villages). Profit generation is likely to continue to grow as a result of the elevated DMF base coupled with the reactivation of the development pipeline, which includes 420 units.

The villages have been built on a philosophy of 'Quality of Life'. Improvements continue to be made to the standard of service and facilities.

## Capital Management

When managing capital, being fully paid ordinary securities, retained profits and reserves, management's objective is to ensure that the Consolidated Entity uses a mix of funding options, while remaining focused on the objective of optimising returns to its equity holders. The Board and Management aim to maintain a capital structure that ensures that available capital and return to equity are critical in determining the group's strategic direction.

The Board and Management may adjust the Consolidated Entity's capital structure to take advantage of favourable changes in the cost of capital. This could include changing the amount of dividends to be paid to equity holders, returning capital to equity holders or adjusting debt levels.

## Capital Management (continued)

The Consolidated Entity intends to distribute 40%-60% of realised underlying profit. Underlying profit reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Consolidated Entity in accordance with AICD/Finsia principles of recording underlying profit. The non-cash component of the underlying retirement revaluation will be excluded from the base, which will assist in balancing recurring income with earnings growth from developments. The 35% maximum gearing target will introduce further discipline while still allowing the flexibility needed for the successful execution of growth targets. The new policy will seek to balance the Group's recurring income with proposed development plans for the Albany Creek, Durack and Clayfield Villages.

The Consolidated Entity made an interim dividend of 2.2 cents per share and a final dividend of 3.8 cents per share. No dividends were made during the year ending 30 June 2010.

The Consolidated Entity is not subject to any externally imposed capital requirements.

## Going Concern

The Balance Sheet of the Consolidated Entity discloses total current assets of \$8.559m and current liabilities of \$291.097m. At face value, this would appear to indicate short-term pressures on the cash flow of the Consolidated Entity. However, this arises because resident loans are classified in full as a current liability, whereas the asset to which the loans relate, investment properties, is classified as a non-current asset. Resident loans are classified as a current liability because the Consolidated Entity does not have an unconditional right to defer settlement of resident loans for at least 12 months after the reporting period. In practice, the rate at which the Consolidated Entity's retirement residents vacate their units, and hence the rate at which the resident loans will fall due for repayment, can be estimated on the basis of statistical tables. This position is consistent with prior reporting periods.

The Consolidated Entity's best estimate is that of the total resident loans of \$257.102m, only \$26.412m is expected to be paid within the next 12 months. Further, if this amount was repayable, it is estimated that incoming contributions of more than \$48.325m would be received from new residents. The Consolidated Entity has no legal liability to pay outgoing residents prior to receiving funds from incoming residents other than within the specific operation of the guaranteed transfer provisions.

The Directors believe that the Consolidated Entity will continue to pay its debts as and when they become due and payable. This assessment has taken account of the impact of current financial market conditions on liquidity and the ability to refinance debt, as well as compliance with lending covenants and all other matters that should be assessed in arriving at the conclusion that the financial statements can be prepared on a going concern basis. The Directors have also considered the following matters:

- the Consolidated Entity had net assets of \$263.332m at 30 June 2011;
- the Consolidated Entity's forecast profitability and cash flows; and
- the Consolidated Entity complied at all times during 2011 with its debt covenant obligations and there are reasonable grounds to believe that it will continue to do so in 2012.

## DIVIDENDS

Dividends paid or declared by the Consolidated Entity for the year ended 30 June 2011 were as follows:

Dividends	Cents per Security	Total Amount \$'000	Date of Payment
Final dividend	3.8	3,133	30 September 2011
Interim dividend	2.2	1,817	31 March 2011

There were no dividends paid or declared by the Consolidated Entity for the year ending 30 June 2010.

## ENVIRONMENTAL REGULATION

The Consolidated Entity's operations are subject to environmental regulations under relevant local laws, council policies and state and federal government legislation in relation to construction and operating activities.

FKP Constructions Pty Ltd and Evo-Con Pty Ltd provide design and management services for development work at the Consolidated Entity's villages in accordance with Design and Construction Management Agreements. As part of this process, development approvals are obtained from the respective local authorities in relation to the development of new villages and stages of villages. The development approvals include specific environmental regulations pertaining to earthworks, soil and sediment control, erosion and sediment management, damage and/or removal of trees, clearance of vegetation and excavation of materials.

Operations of the residential areas of the villages are closely monitored in accordance with operating procedures to ensure that the potential for environmental contamination is minimised.

The Directors are not aware of any significant breaches in environmental regulations during the period covered by this Report.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments have been reported in the Directors' Report to the extent considered appropriate. Further information as to likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years has not been included in this Report because the Directors believe that it would likely result in unreasonable prejudice to the Consolidated Entity.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Other than as disclosed in this Report, no matters or circumstances have arisen since the end of the financial year and up until the date of this Report which significantly affect or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent years.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND AUDITORS

### Indemnification

Under the Company's Constitution, the Company indemnifies each Director, Officer and Agent of the Company ('Officer') against:

- any liability incurred by that Officer in defending any proceedings, whether civil or criminal, in which judgement is given in favour of the Officer or which are discontinued, withdrawn, dismissed or struck out, or in which the Officer is acquitted, or in connection with any application in relation to those proceedings in which relief is granted to the Officer by the Court; and
- any liability incurred by an Officer in carrying out the business or exercising the powers of the Company which does not involve any negligence, default, breach of duty or breach of trust by the Officer in relation to the Company.

### Insurance Premiums

Since the end of the previous financial year the Company has paid insurance premiums in respect of Directors' and Officers' Liability and Legal Expense insurance contracts. The premiums were paid in respect of current and former Directors and Officers of the Company.

The Directors have not included details of the nature of the liabilities covered in respect of Directors' and Officers' Liability and Legal Expenses insurance contracts, as such disclosure is prohibited under the terms of the such contracts.

### NON-AUDIT SERVICES

During the year Ernst & Young, the Consolidated Entity's external auditor, performed certain other services in addition to statutory duties. The Board has considered the non-audit services provided during the year by the external auditor and in accordance with advice provided by the Audit Committee, is satisfied that the provision of those services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001 (Cth)* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Consolidated Entity and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the external auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board, as they did not involve reviewing or auditing the external auditor's own work, acting in a management capacity for the Consolidated Entity, acting as an advocate for the Consolidated Entity or jointly sharing risks or rewards.

The following amounts were paid or are payable by the Consolidated Entity for non-audit services provided during the year:

	2011 \$	2010 \$
<b>Ernst &amp; Young:</b>		
Other assurance services	25,000	-
	<b>25,000</b>	<b>-</b>

### AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*

We confirm that we have obtained the Auditor's Independence Declaration, which is set out on page 15.

### ROUNDING

The Company is a company of a kind referred to in ASIC Class Order 98/100, and in accordance with that Class Order, amounts in the Financial Report and Directors' Report are rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:



**G E Grady**  
Director

Brisbane  
25 August 2011

## REMUNERATION REPORT

The key management personnel (KMP) of Forest Place Group Limited (FPG Limited) are:

G E Grady <sup>1</sup>	Executive Chairman
J M Laboo	Executive Director

The Non-Executive Directors of FPG Limited are:

D C Mackenzie	Non-Executive Independent Director
P Parker	Non-Executive Director

<sup>1</sup> Mr Grady was appointed Executive Chairman of the Board on 24 May 2011.

I L Fraser was the Non-Executive Chairman from the beginning of the year until his resignation from the position on 24 May 2011. Mr Fraser resigned from the Board on 22 August 2011.

The above KMP and Non-Executive Directors, with the exception of Mr Fraser and Mr Mackenzie, are not employed or remunerated by the Consolidated Entity. They are employed and remunerated by FKP Limited, the ultimate parent of the Consolidated Entity. The Consolidated Entity has entered into an Operating Agreement with FKP Limited for the supply of services on an arm's length basis. Management fees paid to FKP Limited by the Consolidated Entity includes consideration for services provided by the KMP to the Consolidated Entity. The combined remuneration of the KMP compensated by FKP Limited amounts to \$1,313,297. Full disclosure of the FKP Limited KMP remuneration and remuneration policies has been made in the FKP Limited Remuneration Report.

The Consolidated Entity's and FKP Limited's Boards have determined that it is not practical to allocate the remuneration of these personnel across these businesses. The strategic objectives of the Consolidated Entity and FKP Limited are aligned and focused on long term value creation for security holders. The disclosure in this Remuneration Report consists of the total remuneration received by the KMP during the year for the role that they carried out at the ultimate parent level. There is no direct link between the remuneration of these 'shared' KMP and the overall performance of the Consolidated Entity, but rather the link is to the overall performance of FKP Limited.

The Remuneration Report should be read in conjunction with FKP Limited's 2011 Financial Report.

### 1. REMUNERATION FRAMEWORK

#### 1.1 KMP Defined

The table below shows the name, position and period of employment for each KMP and Non-Executive Director whose remuneration is disclosed in this Remuneration Report.

Non-Executive Directors	Position	Period of Employment
I L Fraser	Non-Executive Independent Director	Full Year – resigned on 22 August 2011
P Parker	Non-Executive Director	Full Year
D C Mackenzie	Non-Executive Independent Director	Full Year
<b>Executives and Other KMP</b>		
G E Grady	Executive Chairman	Full Year – was previously an Executive Director of FPG Limited, appointed Executive Chairman effective 24 May 2011.
J M Laboo	Executive Director	Full Year

#### 1.2 Remuneration Policy

The remuneration policy for KMP is to ensure that remuneration packages properly reflect the person's duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The structure of remuneration, as explained below, is designed to attract suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of long-term value creation for security holders. The remuneration structures take into account a range of factors, including the following:

- the capability, skills and experience of the KMP;
- the ability of KMP to impact achievement of the strategic objectives;
- the performance of the KMP in their roles;
- the overall performance;
- the remuneration levels being paid by competitors for similar positions; and
- the need to ensure continuity of executive talent and smooth succession planning.

## **2. LINK BETWEEN REMUNERATION AND PERFORMANCE**

The remuneration of the KMP is linked to the overall performance of FKP Limited. There is no direct link between the remuneration of the KMP employed and compensated by FKP Limited and the overall performance of the Consolidated Entity. The key financial performance measures of FKP Limited are analysed in the Remuneration Report of FKP Limited.

## **3. REMUNERATION OF NON-EXECUTIVE DIRECTORS**

### **P Parker – Remunerated by FKP Limited**

Mr Parker is a Director of the ultimate holding company, FKP Limited and as such is remunerated by FKP Limited.

#### **3.1 Retirement Benefits**

Mr Parker is entitled to retirement benefits under FKP Limited's Directors' Retirement Benefits Scheme. The benefit is payable by FKP Limited and details of this scheme are detailed in FKP Limited's Remuneration Report.

#### **3.2 Performance Based Remuneration**

Non-Executive Directors do not receive any performance based remuneration.

### **Other Non-Executive Independent Directors – Remunerated by the Consolidated Entity**

Mr Fraser and Mr Mackenzie are the only Non-Executive Directors who receive remuneration from FPG Limited, the levels of which are set to attract and retain appropriately qualified and experienced Directors and which reflect current remunerative trends in the corporate sphere both locally and internationally.

The above named Non-Executive Directors' remuneration consists of a fixed salary package including superannuation with no performance related components. The Chairman of the Board is responsible for reviewing and recommending to the Board the remuneration arrangements and assessing the appropriateness of the nature and amount of remuneration for each of the Non-Executive Directors on a periodic basis by reference to the overall objective of ensuring maximum share holder benefit.

No alteration to the level of remuneration payable to Directors has been made during the year.

## **4. REMUNERATION OF KEY MANAGEMENT PERSONNEL (EXCLUDING NON-EXECUTIVE INDEPENDENT DIRECTORS)**

### **4.1 Target and FY11 Achieved Mix of Remuneration Components**

All KMP, excluding Non-Executive Independent Directors are employed and remunerated by FKP Limited, the ultimate parent. Full disclosure of the remuneration of these KMP has been included in FKP Limited's Remuneration Report.

## 5. REMUNERATION TABLES

### 5.1 Non-Executive Directors

Non-Executive Directors	Year	Short-Term Employee Benefits			Post-Employment		Aggregate Excluding AASB 2 Expense Relating to Security Options	Equity Compensation		Proportion of Remuneration Performance Related	Proportion of Remuneration Non-Performance Related	Proportion of Remuneration Consisting of Options
		Salary and Fees	Bonus	Non-Monetary Benefits	Super Benefits	Other Post Employment Benefits <sup>2</sup>		AASB 2 Expense Relating to Security Options	Aggregate Including AASB 2 Expense Relating to Security Options			
		\$	\$	\$	\$	\$	\$	\$	\$	%	%	%
I L Fraser <sup>1</sup>	2011	58,039	-	-	5,224	-	63,263	-	63,263	-	100.0	-
	2010	65,000	-	-	5,850	-	70,850	-	70,850	-	100.0	-
P Parker <sup>3</sup>	2011	29,993	-	-	2,699	(29,992)	2,700	-	2,700	-	100.0	-
	2010	29,993	-	-	2,699	(30,371)	2,321	-	2,321	-	100.0	-
D C Mackenzie	2011	42,372	-	-	900	-	43,272	-	43,272	-	100.0	-
	2010	40,000	-	-	3,600	-	43,600	-	43,600	-	100.0	-
<b>Director Totals</b>	2011	130,404	-	-	8,823	(29,992)	109,235	-	109,235	-	100.0	-
	2010	134,993	-	-	12,149	(30,371)	116,771	-	116,771	-	100.0	-

1 Mr Fraser resigned as a Director on 22 August 2011.

2 Other post-employment benefits include movements in accrued retirement benefits during the year.

3 Mr. Parker is employed and compensated by FKP Limited and not the Consolidated Entity. Full disclosure of Mr. Parker's remuneration and the remuneration policies of FKP Limited have been disclosed in FKP Limited's 2011 Financial Report.

## 5. REMUNERATION TABLES

### 5.2 Key Management Personnel excluding Non-Executive Directors

Executives including Key Management Personnel	Year	Short-Term Employee Benefits			Post-Employment	Other Compensation	Aggregate excluding AASB 2 Expense Relating to Securities/ Security Options	Equity Compensation			Proportion of Remuneration Related	Proportion of Remuneration Non-Performance Related	Proportion of Remuneration Consisting of Securities/ Security Options
		Salary and Fees <sup>1</sup>	Bonus <sup>3</sup>	Non-Monetary Benefits <sup>2</sup>	Super Benefits	Termination Benefits		AASB 2 Expense Relating to Securities	AASB 2 Expense Relating to Security Options	Aggregate including AASB 2 Expense Relating to Securities/ Security Options			
		\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	%
G E Grady <sup>4</sup>	2011	380,356	190,000	-	46,747	-	617,103	1,000	105,218	723,321	41.0	59.0	14.7
	2010	395,940	200,000	2,467	13,560	-	611,967	1,000	66,878	678,845	39.3	60.7	9.9
J M Laboo <sup>4</sup>	2011	332,851	130,000	-	39,407	-	502,258	1,000	84,018	587,276	36.6	63.4	14.5
	2010	345,722	150,000	-	19,112	-	514,834	1,000	135,574	650,408	43.9	56.1	20.8
<b>Total</b>	2011	713,207	320,000	-	86,154	-	1,119,361	2,000	189,236	1,310,597	38.9	61.1	14.6
	2010	741,662	350,000	2,467	32,672	-	1,126,801	2,000	202,452	1,329,253	41.7	58.3	15.4

1 Includes annual leave paid and accrued together with salary packaged benefits including car parking, motor vehicles and club memberships calculated at a "cost to FKP Limited" basis, grossed up for FBT payable.

2 Comprises fringe benefits paid to employees which are not salary packaged.

3 KMP remuneration is structured such that the actual payment of 30% of STIs is deferred to 1 July of the following year.

4 Mr Grady and Mr Laboo are employed by FKP Limited and not the Consolidated Entity. Full disclosure of Mr. Grady's and Mr Laboo's remuneration and the remuneration policies of FKP Limited have been disclosed in FKP Limited's 2011 Financial Report.



Forest Place Group Limited's Board of Directors (Board) is responsible for the corporate governance of the Consolidated Entity, and is accountable to the shareholders for the overall business performance of the Consolidated Entity.

Forest Place Group Limited is committed to implementing and maintaining sound governance practices.

This statement outlines the main corporate governance practices in place and the extent to which the Consolidated Entity has followed the recommendations of the ASX Corporate Governance Council ('Council') throughout the year, including the Council's revised Corporate Governance Principles and Recommendations (2nd edition) published in August 2007 ('Guidelines').

Areas where the corporate governance practices do not follow the Council's Guidelines arise due to FKP Limited's 85 per cent ownership and the management, direction and services provided by FKP Limited. As outlined below, the Board considers that appropriate measures have been applied throughout the financial year to take into account the size of the Board and current ownership structure.

A copy of this statement is available on the Company's website at [www.forestplace.com.au](http://www.forestplace.com.au).

### **Principle 1: Lay Solid Foundations for Management and Oversight**

The Board has developed and implemented policies and practices which ensure that the Consolidated Entity complies with the recommendations, principles and spirit set out in the Guidelines.

The role and responsibilities of the Board, Board Committees, management and operating subsidiaries have been established through Board approved charters and policies all of which are available on the Forest Place Group website. The most significant responsibilities of the Board remain the provision of strategic guidance for the Consolidated Entity, including contributing to the effective development of the corporate strategy, and authorising and monitoring major investment and strategic commitments.

The Board has delegated to the Executive Director, Justin Laboo, responsibility for the overall operational, business management and financial performance of the Consolidated Entity, implementation of agreed corporate strategies, risk management and keeping the Board and market fully informed of material developments.

The Consolidated Entity does not directly employ any corporate staff (including senior executives) but has entered into an Operating Agreement with FKP Limited for the supply of operational and administrative support services including Human Resources, Finance, Treasury, Legal, Premises and IT. The support services have been provided by FKP Limited since April 2004 and are reimbursed on an arms-length basis pursuant to the terms of the Operating Agreement which was last renewed in July 2009. Mr Laboo is responsible for the effective operation of services under the agreement and is assisted by senior managers of FKP Limited who report to Mr Laboo.

### **Principle 2: Structure the Board to Add Value**

During the financial year the Board comprised three Non-Executive Directors, two of whom are independent and two Executive Directors (including the Chairman).

The names, skills and experience of the Directors who held office during the financial year and as at the date of this Statement, and the period of office of each director, are included in the Directors' Report.

### **Independence of Directors**

In assessing the independence of Non-Executive Directors, the Board considered each Director's previous and current relationships with Forest Place Group Limited's customers, suppliers, consultants, professional advisors and substantial shareholders. The Board considers that of the three Non-Executive Directors, Ian Fraser and Don Mackenzie are independent. Non-Executive Director Phil Parker and Executive Directors, Geoff Grady (Chairman) and Justin Laboo, are nominees of the Company's major shareholder, FKP Limited.

It is acknowledged that the Board does not consist of a majority of independent directors in accordance with recommendation 2.1 of the Council's Guidelines. The composition of the Board recognises FKP Limited's 85 per cent shareholding and the Board considers it appropriate that several directors associated with the major shareholder have a presence on the Board. Given the small size of the Consolidated Entity, and the safeguards established internally primarily through the operation of the Contract Review Committee, the appointment of additional independent directors so as to reach a majority of independent directors is not considered necessary or cost effective, nor is it believed that such action would derive any benefit to shareholders.

The Contract Review Committee exists to review agreements and any significant contractual commitments between the Consolidated Entity and related parties. The Committee comprises the independent Non-Executive members of the Board and, when required, external parties. The Committee considers, for new agreements, whether the terms and conditions are appropriate and on an arms-length basis, and once agreements are in place, reviews compliance with and the continuing suitability of those arrangements for the needs of the Consolidated Entity.

The Committee applies a high standard of scrutiny and rigor to all of the matters it considers and decides and is acutely aware that it has a significant role in protecting the rights of all shareholders particularly those which are not associated with the majority shareholder FKP Limited.

In doing so, the independence of the Committee effectively operates as an internal mechanism of control to ensure the decision making process of the Forest Place Group Limited's Board is consistent with the governance demands of all shareholders.

### **Role of Chairman**

Geoff Grady was appointed as Chairman of the Consolidated Entity on 24 May 2011 following the retirement of Ian Fraser, whom remains a Non-executive Director. Geoff Grady is not an independent director for the purposes of the Guidelines as Mr Grady is an executive of FKP Limited, the major shareholder. While this is not in compliance with recommendation 2.2 of the Council's Guidelines, the Board considers the appointment is appropriate given FKP Limited's current ownership structure.

Mr Justin Laboo (an executive of FKP Limited) holds the position of Executive Director. This is consistent with recommendation 2.3 of the Council's Guidelines that the managing director and chairman be different people.

## **Principle 2: Structure the Board to Add value (continued)**

### **Role of Chairman (continued)**

The Board distinguishes between the concept of independence and the issues of conflict of interest or material personal interests which may arise from time to time. Wherever there is an actual or potential conflict of interest or a material personal interest, the Board's policies and procedures ensure:

- > that the interest is fully disclosed and the disclosure is recorded in the register of directors' interests and in the Board minutes;
- > the relevant director is excluded from all considerations of the matter by the Board; and
- > where appropriate, the matter is delegated to an appropriate committee of the Board which comprises only the independent directors of the Company.

Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could be perceived to materially interfere with, the exercise of their unfettered and independent judgment. As the determination of independence remains a matter for the Board's judgment, the Board confirms that all Directors considered to be independent meet the stated requirements for independence as recommended in the Guidelines.

Each Director has the right, at the Company's expense, to seek independent professional advice in relation to the execution of Board responsibilities. Prior approval of the Chairman, which will not be unreasonably withheld, is required. Where appropriate, Directors share such advice with the other directors.

Given the current ownership structure of the Consolidated Entity, the Consolidated Entity does not intend to establish a separate nomination committee. This function will continue to be performed by the full Board. The Board acknowledges that this is not in compliance with recommendation 2.4 of the Council's Guidelines however the Board considers that its existing practices are appropriate given the size of the Board and FKP Limited's current ownership structure.

### **Diversity**

The Council's Guidelines were updated on 30 June 2010 to include new recommendations concerning gender diversity. The Consolidated Entity will recognise the impact of the changes and report against those recommendations in the annual report for the year ending 30 June 2012.

In respect of the gender diversity initiatives contained in these changes, the Consolidated Entity will facilitate the introduction of an appropriate policy and monitor progress towards the achievement of appropriate gender diversity in the company taking into account the size of the Forest Place Group Limited business and the fact that the Consolidated Entity does not directly employ any corporate or executive staff as these services are provided under an Operating Agreement with the major shareholder, FKP Limited.

## **Principle 3: Promote Ethical and Responsible Decision-Making**

The Consolidated Entity has well-established policies and procedures which seek to promote throughout the Consolidated Entity a culture of compliance with legal requirements and ethical standards. The Board has established a Code of Conduct with the objective of enhancing the Consolidated Entity's reputation for fair and reasonable dealing and to help maintain high standards of corporate and individual behaviour throughout the Consolidated Entity. The Code of Conduct promotes ethical and responsible decision making by Directors and employees of FKP Limited.

The Code of Conduct is published on Forest Place Group Limited's website. Company policy during the financial year prohibited directors and employees of FKP Limited from dealing in Company shares when in possession of price sensitive information that is not known to the market.

The Consolidated Entity has a formal Securities Trading Policy that reinforces to all directors, officers and employees the prohibition against insider trading. A copy of the policy has been released to the ASX in accordance with ASX Listing Rules and is also available on the Forest Place Group Limited website.

## **Principle 4: Safeguard Integrity in Financial Reporting**

The Executive Director and General Manager Finance, state in writing to the Board each reporting period that the Consolidated Entity's financial reports present a true and fair view, in all material respects, of the Consolidated Entity's financial condition and operational results and are in accordance with relevant accounting standards.

The Board has established an Audit Committee which operates under a charter approved by the Board. The Audit Committee Charter determines the Committee's function and responsibilities and a copy of the charter is available on the Forest Place Group website.

The Committee comprises two independent non-executive members. The Chairman of the Committee is an independent Non-Executive Director who is not chair of the Board. Whilst the Committee does not consist of three members in accordance with ASX recommendations, the Board is satisfied that given the financial and public company experience of the Audit Committee members and the size of the Consolidated Entity, it is not necessary for an additional member to be appointed to the Audit Committee or that such action would derive any benefit to the shareholders.

The names and qualifications of the Audit Committee members are set out in the Directors' Report. Meetings of the Committee are attended, by invitation, by the Executive Director, assisted by the General Manager Finance, Company Secretary, the engagement partner from the Consolidated Entity's external auditor and such other senior staff or professional people as may be appropriate from time to time.

The number of meetings of the Committee held during the year is set out in the Directors' Report.

Minutes of all Committee meetings are available to the Board and the Chairman of the Committee reports to the Board after each Committee meeting.

The auditor, Ernst & Young has declared its independence to the Board. The Committee has examined detailed material provided by the external auditor and by management and has satisfied itself that the standards for auditor independence and associated issues are fully complied with.

#### **Principle 5: Make Timely and Balanced Disclosure**

A continuous disclosure regime operates throughout the Company and policies and procedures are in place to ensure timely, open and accurate information to all stakeholders, including shareholders, regulators and investors.

The Company Secretary has primary responsibility for communications with the Australian Securities Exchange including responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing information going to the ASX, shareholders and other interested parties. The Company Secretary reports to the Board at each meeting on matters notified to the ASX.

All announcements made to the ASX by the Company are published on the Forest Place Group website.

#### **Principle 6: Respect the Right of Shareholders**

The Company aims to keep shareholders informed of the Company's performance and all major developments in an ongoing manner. Information is communicated to shareholders through:

- > the annual report which is distributed to all shareholders (unless specifically requested otherwise);
- > other correspondence regarding matters impacting on shareholders as required.

All documents that are released publicly are made available on Forest Place Group's website.

Shareholders are also encouraged to participate in the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategies and goals. Important issues are presented to shareholders as single resolutions. In this regard, Annual General Meetings are held on site at villages. Shareholders can also register on Forest Place Group's website to receive email notification of when the above details including Company Announcements are posted on the Forest Place Group website.

The engagement partner of the Consolidated Entity's external auditor, Ernst & Young, attends the Company's Annual General Meeting and is available to answer questions from shareholders about the audit. The Chairman advises the shareholders of this at the commencement of each Annual General Meeting.

#### **Principle 7: Recognise and Manage Risk**

The Board has developed and implemented policies and practices which ensure that the material business risks facing the Consolidated Entity are adequately identified, assessed, monitored and managed throughout the whole organisation.

These include:

- > preparation of annual budgets and the Consolidated Entity's strategic plan for approval by Directors;
- > presentation of actual trading results for the Consolidated Entity to the Board at each Board Meeting, compared against budget and forecast, with revised forecasts if required;
- > preparation of comprehensive Board papers containing relevant operational, strategic, financial and legal information by each senior manager and circulated to directors before each meeting;
- > the establishment and implementation of financial authority limits by the Board to delegate the Board's approval process of such matters. Where the cost is above those delegated authorities' approval of the full Board is required;
- > maintenance of insurance cover appropriate to the size and nature of the Consolidated Entity's operations to reduce the financial impact of any significant insurable losses; and
- establishment of a risk register which identifies the material risks facing the Consolidated Entity and which is regularly reviewed and updated.

The Board is responsible for oversight of the Consolidated Entity's risk management and control framework. The active identification of risks and implementation of mitigation measures is the responsibility of the Executive Director, Justin Laboo and delegated executive management who provide services to the Company under the Operating Agreement with FKP Limited.

In view of its size and operational structure, the Consolidated Entity relies on the FKP Limited financial management team, led by the General Manager Finance to perform internal audit functions. The General Manager Finance reports in writing to all Board meetings and attends when requested. The General Manager Finance also attends all meetings of the Audit Committee and provides written reports to that Committee.

In conjunction with the certification of financial reports provided under Principle 4, the Executive Director and General Manager Finance state in writing to the Board each reporting period that:

- > the statements made with regard to the integrity of the Consolidated Entity's financial reports are founded on a sound system of risk management and internal controls which, in all material respects, implements the policies adopted by the Board; and
- > the Consolidated Entity's risk management and internal compliance and control systems to the extent they relate to financial reporting are operating efficiently and effectively in all material respects and nothing has occurred since the end of the reporting period that would materially change the position.

#### **Principle 8: Remunerate Fairly and Responsibly**

The Board has established an approval process for monitoring the performance of the Board, its Committees, individual Directors and key executives appropriate for the size and structure of the Consolidated Entity.

The independent Non-Executive Directors have determined that as the Consolidated Entity does not directly employ any corporate staff (including senior executive staff) it is not necessary to establish a separate Remuneration Committee. In this regard, the Consolidated Entity has entered into an Operating Agreement with FKP Limited for the supply of services which are reimbursed on an arms-length basis. The basis of service fees charged under the agreement are reviewed and approved by the Contract Review Committee.

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The Board acknowledges that this is not in compliance with recommendation 8.1 of the Council's Guidelines however the Board considers that this is appropriate given the employment structure of the Consolidated Entity and the operation of the Contract Review Committee.

Only independent Non-Executive Directors receive remuneration, the levels of which are set to attract and retain appropriately qualified and experienced Directors and which reflect current remunerative trends in the corporate sphere both locally and internationally.

Independent Non-Executive Directors remuneration consists of a fixed salary including superannuation with no performance related components. The Chairman of the Board is responsible for reviewing and recommending the remuneration arrangements for Directors and assessing the appropriateness of the nature and amount of remuneration for each Independent Non-Executive Director on a periodic basis by reference to the overall objective of ensuring maximum shareholder benefit.

No alteration to the level of remuneration payable to Directors has been made during the financial year.

Details of the nature and amount of each element of the remuneration of each Director of the Company and each of the executive officers of the Company for the financial year are disclosed in the relevant section of the Directors' Report. There are no Directors' retirement benefits and no share and option plans for directors and officers.

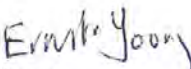
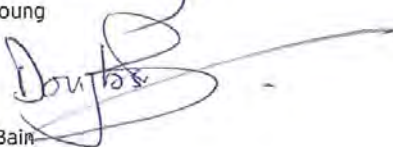
Directors, executives and non-executives, appointed as nominees of FKP Limited currently receive no remuneration from Forest Place Group Limited.



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### Auditor's Independence Declaration to the Directors of Forest Place Group Limited

In relation to our audit of the financial report of Forest Place Group Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

  
Ernst & Young  
  
Douglas Bain  
Partner  
25 August 2011

Liability limited by a scheme approved  
under Professional Standards Legislation

	Note	<b>Consolidated Entity</b>	
		<b>2011</b>	<b>2010</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Continuing Operations</b>			
Rendering of services	2	3,201	3,089
Deferred management fee		15,770	13,517
Syndicate fees	10	-	1,796
Other income	2	1,320	432
<b>Revenue</b>		<b>20,291</b>	<b>18,834</b>
Change in fair value of investment properties	9,10	41,067	21,862
Change in fair value of resident loans		293	(9,389)
Corporate and unallocated overheads		(2,320)	(1,887)
Sales and marketing expenses		(1,184)	(1,669)
Residential aged care facility operating costs		(2,453)	(2,418)
Other expenses		(298)	(393)
Finance costs	3	(471)	(914)
Share of net profits / (losses) of associates accounted for using the equity method	10	-	1,637
<b>Profit Before Income Tax Expense</b>		<b>54,925</b>	<b>25,663</b>
Income tax expense	4	(14,314)	(7,649)
<b>Profit After Income Tax Expense</b>		<b>40,611</b>	<b>18,014</b>
Other comprehensive income		-	-
<b>Total Comprehensive Income for the Period</b>		<b>40,611</b>	<b>18,014</b>
<b>Profit for the Period is Attributable to:</b>			
Owners of Forest Place Group Limited		35,690	18,014
Non-controlling interests	21	4,921	-
		<b>40,611</b>	<b>18,014</b>
<b>Total Comprehensive Income for the Period is Attributable to:</b>			
Owners of Forest Place Group Limited		35,690	18,014
Non-controlling interests	21	4,921	-
		<b>40,611</b>	<b>18,014</b>
<b>Earnings per Share (Cents per Share)</b>			
Basic earnings per share	6	43.2	21.8
Diluted earnings per share	6	43.2	21.8

	Note	Consolidated Entity 2011 \$'000	2010 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	7	2,143	3,760
Trade and other receivables	8	4,910	14,710
Other financial assets	12	1,487	1,586
Other assets	13	19	366
<b>Total Current Assets</b>		<b>8,559</b>	<b>20,422</b>
<b>Non-Current Assets</b>			
Investment properties	9	663,713	466,755
Equity-accounted investments	10	-	27,705
Property, plant and equipment	11	584	636
Intangible assets	14	307	253
Other financial assets	12	2,511	3,861
<b>Total Non-Current Assets</b>		<b>667,115</b>	<b>499,210</b>
<b>TOTAL ASSETS</b>		<b>675,674</b>	<b>519,632</b>
<b>Current Liabilities</b>			
Trade and other payables	15	5,689	2,494
Interest bearing loans and borrowings	16	1,814	43
Resident loans	1(r)	257,102	184,730
Unearned income	1(d)	20,671	12,123
Provisions	17	3,248	102
Other financial liabilities	18	2,573	1,586
<b>Total Current Liabilities</b>		<b>291,097</b>	<b>201,078</b>
<b>Non-Current Liabilities</b>			
Interest bearing loans and borrowings	16	9,399	4,707
Deferred tax liabilities	4(d)	104,725	90,333
Provisions	17	37	41
Other financial liabilities	18	7,084	3,861
<b>Total Non-Current Liabilities</b>		<b>121,245</b>	<b>98,942</b>
<b>TOTAL LIABILITIES</b>		<b>412,342</b>	<b>300,020</b>
<b>NET ASSETS</b>		<b>263,332</b>	<b>219,612</b>
<b>Equity</b>			
Contributed equity	19	56,605	56,605
Reserves	20	(5,994)	-
Retained profits		193,747	163,007
<b>Total Equity Attributable to the Members of Forest Place Group Limited</b>		<b>244,358</b>	<b>219,612</b>
Non-controlling interests	21	18,974	-
<b>TOTAL EQUITY</b>		<b>263,332</b>	<b>219,612</b>

The above Balance Sheet should be read in conjunction with the accompanying notes.

	Note	Attributable to the Members of Forest Place Group Limited				Non- Controlling Interests \$'000	Total Equity \$'000
		Share Capital \$'000	Retained Earnings \$'000	Reserves \$'000	Sub-Total \$'000		
<b>Balance at 1 July 2009</b>		<b>56,605</b>	<b>144,993</b>	-	<b>201,598</b>	-	<b>201,598</b>
<i>Comprehensive income:</i>							
Profit for the year		-	18,014	-	18,014	-	18,014
Other comprehensive income		-	-	-	-	-	-
<b>Total Comprehensive Income for the Year</b>		-	18,014	-	18,014	-	18,014
<i>Other transactions with owners in their capacity as owners:</i>							
Dividends and distributions provided for	5	-	-	-	-	-	-
<b>Total Transactions with Owners</b>		-	-	-	-	-	-
<b>Balance at 30 June 2010</b>		<b>56,605</b>	<b>163,007</b>	-	<b>219,612</b>	-	<b>219,612</b>
<b>Balance at 1 July 2010</b>		<b>56,605</b>	<b>163,007</b>	-	<b>219,612</b>	-	<b>219,612</b>
<i>Comprehensive income:</i>							
Profit for the year		-	35,690	-	35,690	4,921	40,611
Other comprehensive income		-	-	-	-	-	-
<b>Total Comprehensive Income for the Year</b>		-	35,690	-	35,690	4,921	40,611
<i>Other transactions with owners in their capacity as owners:</i>							
Dividends and distributions provided for	5	-	(4,950)	-	(4,950)	-	(4,950)
Non-controlling interests on consolidation of syndicates	10	-	-	(5,994)	(5,994)	14,053	8,059
<b>Total Transactions with Owners</b>		-	(4,950)	(5,994)	(10,944)	14,053	3,109
<b>Balance at 30 June 2011</b>		<b>56,605</b>	<b>193,747</b>	<b>(5,994)</b>	<b>244,358</b>	<b>18,974</b>	<b>263,332</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.



	Note	Consolidated Entity	
		2011 \$'000	2010 \$'000
<b>Cash Flows from Operating Activities</b>			
Cash receipts in the course of operations		25,650	22,013
Cash payments in the course of operations		(3,731)	(8,449)
Interest received		125	209
GST recovered		153	196
Borrowing costs paid		(445)	(914)
<b>Net Cash Flows from Operating Activities</b>	24(c)	<b>21,752</b>	<b>13,055</b>
<b>Cash Flows from Investing Activities</b>			
Payments for property plant and equipment and investment properties		(20,735)	(3,099)
Proceeds from the sale of property, plant and equipment		5	-
Payments for intangible assets		(54)	-
Payments for investment in syndicates		(1,586)	(2,068)
Cash acquired on consolidation of syndicates		928	-
<b>Net Cash Flows Used in Investing Activities</b>		<b>(21,442)</b>	<b>(5,167)</b>
<b>Cash Flows from Financing Activities</b>			
Finance lease payments		(45)	(32)
Proceeds from interest bearing loans and borrowings		5,600	-
Repayment of interest bearing loans and borrowings		(5,665)	(7,078)
Dividends paid		(1,817)	-
<b>Net Cash Flows Used in Financing Activities</b>		<b>(1,927)</b>	<b>(7,110)</b>
Net increase / (decrease) in cash and cash equivalents		(1,617)	778
Cash and cash equivalents at beginning of the financial year		3,760	2,982
<b>Cash and Cash Equivalents at End of Financial Year</b>	24(a)	<b>2,143</b>	<b>3,760</b>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Forest Place Group Limited is a company domiciled and incorporated in Australia. Forest Place Group Limited's registered office and its principal place of business is Level 5, 120 Edward Street, Brisbane, Queensland, 4000. The Financial Report of Forest Place Group Limited consists of the Financial Statements of the Forest Place Group Limited ('Company') and its controlled entities ('Consolidated Entity'). The Financial Report is presented in Australian dollars.

The significant accounting policies adopted in the preparation of this Financial Report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### (a) Basis of Preparation of Financial Report

This general purpose Financial Report has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The Financial Report has been prepared on a historical cost basis, except for 'Available-for-Sale' Financial Assets, 'Financial Assets at Fair Value Through Profit or Loss', certain classes of Property, Plant and Equipment, Investment Property and 'Non-Current Assets Held for Sale', which have been measured at fair value.

The Financial Report also complies with International Financial Reporting Standards ('IFRS') and Interpretations as issued by the International Accounting Standards Board.

### (b) New Accounting Standards and Interpretations

#### *i) New Standards and Interpretations Applicable for the Year Ended 30 June 2011*

The following are new standards and/or amendments to standards which are applicable for the first time for the year ended 30 June 2011 (unless early adopted): There were no new standards and interpretations adopted since the Annual Financial Report for the year ended 30 June 2010, deemed to have a material impact on the Financial Statements or performance of the Consolidated Entity.

- AASB 2009-5: 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. Amendments are made to AASB 5, 8, 101, 107, 117, 118, 136 and 139.' These standards are applicable to annual reporting periods beginning on or after 1 January 2010. The Consolidated Entity has yet to determine the potential effect of these standards. The effect of these standards was determined to be immaterial for the Consolidated Entity.
- AASB 2009-8: 'Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions'. This standard is applicable to annual reporting periods beginning on or after 1 January 2010. The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and, as a consequence, these two Interpretations are superseded by the amendments. The effect of this standard was determined to be immaterial for the Consolidated Entity.
- AASB 2010-3: 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. Amendments are made to AASB 3, 7, 121, 128, 131, 132 and 139.' These standards are applicable to annual reporting periods beginning on or after 1 January 2010. The Consolidated Entity has yet to determine the potential effect of these standards. The effect of these standards was determined to be immaterial for the Consolidated Entity.

#### *ii) New Standards and Interpretations Issued But Not Yet Effective*

The following standards, amendments to standards and interpretations have been identified as those which may impact the Consolidated Entity in the period of initial application. They have not been applied in preparing this Financial Report:

- IFRS 10: 'Consolidated Financial Statements'. This standard replaces part of IAS 27: 'Consolidated and Separate Financial Statements' and is applicable for the annual period beginning 1 January 2013. This new standard introduces a new definition of control that determines which entities are consolidated. This new definition of control may potentially lead to the consolidation of entities that were not previously included in the Consolidated Entity, resulting in more assets and liabilities on the books. The Consolidated Entity is currently assessing the impact of this standard.
- IFRS 12: 'Disclosure of interests in other entities'. This standard is applicable for annual reporting periods beginning on or after 1 January 2013. This standard clarifies the disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Consolidated Entity is currently assessing the impact of this standard.
- IFRS 13: 'Fair Value Measurement'. This standard establishes a single source of guidance for determining the fair value of assets and liabilities. The Consolidated Group is currently assessing the impact of this standard.

### (c) Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the parent entity, Forest Place Group Limited ('Company') and its Controlled Entities ('Consolidated Entity').

Subsidiaries are all those entities over which the Consolidated Entity has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The Financial Statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. In preparing the Consolidated Financial Report, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full. The Financial Statements of controlled entities are included in the Financial Report from the date that control commences until the date that control ceases.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Basis of Consolidation (continued)

After initial recognition, Goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, Goodwill acquired in a business combination is, from the acquisition date, allocated to a cash-generating unit that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to that unit.

Non-controlling interests in the net assets of consolidated entities are allocated their share of net profit after tax in the Statement of Comprehensive Income, and are presented within equity in the Balance Sheet, separately from the equity of the owners of the Company.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

A change in ownership interest of a subsidiary that does not result in loss of control is accounted for as an equity transaction.

### **Accounting Estimates and Judgements**

The preparation of this Financial Report requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

### **Valuation of Retirement Living Assets and Liabilities**

For details on the valuation basis of retirement living assets and liabilities refer to Notes 1(r) and Note 9(a).

### **Critical Accounting Judgements in Applying the Consolidated Entity's Accounting Policies**

In the process of applying the Consolidated Entity's accounting policies, the Entity makes various judgements, apart from those involving estimations and assumptions, that can significantly affect the amounts recognised in the Consolidated Financial Statements. These include:

- whether the substance of the relationship between the Consolidated Entity and a constituent entity indicates that the entity should be consolidated by the Consolidated Entity or recognised as an equity accounted investment; and
- the percentage completion on construction work performed.

### (d) Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised:

#### (i) *Deferred Management Fees ('DMF') Revenue*

DMF revenues on retirement village assets are earned while the resident occupies the independent living unit or serviced apartment and are recognised as income over the resident's expected tenure. The expected tenure is calculated with reference to Australian Bureau of Statistics current data relating to life expectancy and historical trends of roll-overs within the Consolidated Entity. DMF revenue is not discounted to present value, as the revenue is earned by reducing the existing resident loan.

More specifically, DMF is calculated as follows:

- 'entry' based contracts – calculate the expected DMF receivable based on the entry market value amortised over the expected average period of tenure of the resident; and
- 'exit' based contracts – calculate the expected DMF receivable based on the current market value amortised over the expected average period of tenure of the resident.

#### (ii) *Unearned Income*

Resident Loans are reduced by the amount due to the village operator in accordance with the resident contract terms. This amount is included in liabilities as Unearned Income. Unearned Income is taken to the Statement of Comprehensive Income over the average tenure of residents as DMF revenue.

#### (iii) *Rendering of Services*

Residents are invoiced monthly and revenue is recognised as it accrues. Within the villages, residents are invoiced to cover the costs of the day-to-day operation of their village. For the residential aged care facility, the level of fees is set by the Australian federal government.

#### (iv) *Interest Revenue*

Interest revenue is recognised in the Statement of Comprehensive Income as it accrues using the effective interest rate method and if not received at balance date, is reflected in the Balance Sheet as a receivable.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Revenue Recognition (continued)

#### (v) *Syndicate Fees*

Syndicate fees have been eliminated in the Financial Report for the year ended 30 June 2011 as a result of the Clayfield Syndicate and Cleveland Syndicate being consolidated as part of the Consolidated Entity during the year. Refer to Note 10 for further details. Syndicate fees, representing work performed in managing the overall construction and development activities, marketing and administration of the syndicate owned retirement villages, are recognised as revenue as they accrue.

#### (vi) *Government Grants*

Grants from the Australian federal government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Consolidated Entity will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

### (e) Goods and Services Tax ('GST')

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as part of operating cash flows.

### (f) Income Tax

Current Income Tax Assets and Current Income Tax Liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recorded directly in equity is recognised in equity and not in the Statement of Comprehensive Income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to the interpretation and establishes provisions where appropriate.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred Income Tax Liabilities are recognised for all taxable temporary differences except:

- when the Deferred Income Tax Liability arises from the initial recognition of Goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred Income Tax Assets are recognised for all deductible temporary differences, carry-forward or unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- where the Deferred Income Tax Asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of Deferred Income Tax Assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the Deferred Income Tax Asset to be utilised.

Unrecognised Deferred Income Tax Assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred Income Tax Assets and Deferred Income Tax Liabilities are measured at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax Assets and Deferred Income Tax Liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Income Tax (continued)

#### ***Tax Consolidation Legislation***

Forest Place Group Limited and its wholly-owned Australian controlled entities have implemented the Tax Consolidation Legislation as of 1 March 2004. The Head Entity and the Controlled Entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Parent Entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from Controlled Entities in the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

The entities in the tax consolidated group have entered into tax sharing / funding agreements to limit the joint and several liabilities of the wholly-owned entities in the case of a default by the Head Entity. A tax funding agreement where the wholly-owned entities fully compensate the Head Entity for any Current Income Tax Receivable and Deferred Income Tax Assets related to unused tax losses or unused tax credits that are transferred to the Head Entity under the tax consolidation legislation has also been entered into. The transfer of such amounts to the head entity is recognised as inter-company receivables or payables.

#### ***Taxation of Financial Arrangements (TOFA)***

Legislation is in place which changes the tax treatment of financial arrangements. The Consolidated Entity has assessed the potential impact of these changes on the Consolidated Entity's tax position. No impact has been recognised and no adjustments have been made to the deferred tax and income tax balances at 30 June 2011 (2010: \$nil).

### (g) Cash and Cash Equivalents

Cash and Cash Equivalents on the Balance Sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, Cash and Cash Equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within Interest Bearing Loans and Borrowings in current liabilities on the Balance Sheet.

### (h) Trade and Other Receivables

Trade and Other Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of Trade and Other Receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Consolidated Entity will not be able to collect the receivable. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

### (i) Investment Properties

Retirement villages are Investment Properties held to earn revenues and capital appreciation over the long term, comprising of independent living units, serviced apartments, common facilities and integral plant and equipment.

Investment Properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing Investment Property when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Consolidated Entity and the cost can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred. The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal and is included in the Statement of Comprehensive Income in the year of disposal. Subsequent to initial recognition, Investment Properties are measured at fair value. Gains or losses arising from changes in the fair values of Investment Properties are recognised in the Statement of Comprehensive Income in the year in which they arise.

Investment Property Under Construction represents works in progress which are classified as Investment Properties and stated at fair value at each balance date, with fair value movements recognised in the Statement of Comprehensive Income in the year in which they arise. Where the Consolidated Entity determines that the fair value of an Investment Property Under Construction is not reliably determinable, the Investment Property Under Construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). Fair value is assessed with reference to the percentage completion of the development, reliable estimates of future cash flows, risks associated with the forecast completion of the asset, forecast cost of the development and current market evidence for similar assets.

Refer to Note 9(a) for details on the valuation basis for retirement villages.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Property, Plant and Equipment

Property, Plant and Equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in the Statement of Comprehensive Income as incurred.

Items of plant and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Assets are depreciated from the date they are put to use.

The depreciation rates used in the current and prior year are:

Residential aged care facility buildings	2.5%
Residential aged care facility plant and equipment	13.0% to 20.0%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in the Statement of Comprehensive Income.

An item of Property, Plant and Equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

### (k) Other Financial Assets

Financial assets in the scope of AASB 139: 'Financial Instruments: Recognition and Measurement' are classified as either 'Financial Assets at Fair Value Through Profit or Loss', 'Held-to-Maturity' Investments, Loans and Receivables or 'Available-for-Sale' Financial Assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

#### **Subsequent Measurement**

##### *(i) Financial Assets at Fair Value Through Profit or Loss*

Financial assets classified as 'Held for Trading' are included in the category 'Financial Assets at Fair Value Through Profit or Loss'. Financial assets are classified as 'Held for Trading' if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as 'Held for Trading' unless they are designated as effective hedging instruments. Gains or losses on financial assets 'Held for Trading' are recognised in profit or loss.

##### *(ii) Held-to-Maturity Investments*

'Held-to-Maturity' Investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has a positive intention and ability to hold to maturity. If the Consolidated Entity was to sell more than an insignificant amount of 'Held-to-Maturity' financial assets, the whole category would be tainted and reclassified as 'Available-for-Sale'. 'Held-to-Maturity' financial assets are included in non-current assets, with the exception of those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

##### *(iii) Loans and Receivables*

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains or losses are recognised in profit or loss when the Loans and Receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

##### *(iv) Available-for-Sale Financial Assets*

'Available-for-Sale' Financial Assets are those non-derivative financial assets that are designated as 'Available-for-Sale' or are not classified as any of the three preceding categories. After initial recognition, 'Available-for-Sale' Financial Assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the Balance Sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; and option pricing models.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Intangible Assets

Intangible assets are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired (see Note 1(n)). The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Comprehensive Income in the expense category consistent with the function of the intangible asset.

Licences exist for the 25 beds at Forest Place Residential Aged Care Facility at Durack. No new licences were purchased during the year. These licences entitle the residential aged care facility to government funding. Licences to operate residential aged care facilities and hostels acquired are carried at cost as they have an indefinite useful life. The licences are issued for an unlimited period and there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Directors review the carrying value of licences for impairment by comparing this value to the recoverable value of the licences within the current active market. Any reduction of recoverable amount below cost is written off as an expense.

### (m) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

When the Consolidated Entity acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Consolidated Entity's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at the fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139: 'Financial Instruments: Recognition and Measurement' either in profit or loss or as a change to Other Comprehensive Income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

### (n) Impairment of Assets

#### (i) Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an 'Available-for-Sale' Financial Asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the Statement of Comprehensive Income. Any impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the Statement of Comprehensive Income. For 'Available-for-Sale' Financial Assets that are equity securities, the reversal is recognised directly in equity.

#### ii) Non-Financial Assets Other Than Indefinite Life Intangibles

Non-financial assets other than Goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than Goodwill that suffered an impairment are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment may be reversed.

#### iii) Intangibles with Indefinite Useful Lives

Intangible assets with indefinite useful lives are tested for impairment annually and are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed each reporting period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) Employee Benefits

#### (i) Wages, Salaries, Annual Leave and Non-Monetary Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the balance date are recognised as other payables in respect of service up to the balance date and are measured at the amounts expected to be paid when the liabilities are settled.

#### (ii) Long Service Leave

The liability for long service leave is recognised in the Employee Benefits Provision and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to future wage and salary levels, experience of employee departures, and periods of service.

### (p) Trade and Other Payables

Trade and Other Payables are carried at amortised cost. They represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services. Trade accounts payable are normally settled within 30 days, unless otherwise arranged.

### (q) Interest Bearing Loans and Borrowings

Interest Bearing Loans and Borrowings are initially recognised at the fair value of consideration received less directly attributable transaction costs. After initial recognition, Interest Bearing Loans and Borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest Bearing Loans and Borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

#### **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of the asset. For non-specific borrowings, borrowing costs are capitalised using a weighted average capitalisation rate. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### (r) Resident Loans

Resident Loans are measured at the principal amount less unearned income, plus the resident's share of any increase in market value based on the expected market value of the underlying property at turnover and is then discounted to fair value at balance date. Fair value adjustments are recognised in the Statement of Comprehensive Income.

Resident Loans are non-interest bearing and are payable at the end of the resident contract. In most cases this is greater than 12 months; however, they are classified as current liabilities because the Consolidated Entity does not have an unconditional right to defer settlement.

The rate at which the Consolidated Entity's residents vacate their units, and hence the rate at which the Resident Loans will fall due for repayment, is estimated on the basis of statistical tables.

### (s) Provisions

A Provision is recognised where there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying the economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the Provision resulting from the passage of time is recognised in finance costs.

### (t) Syndicate Put Options

The Consolidated Entity has entered into put and call options over the remaining interest not owned by the Company as part of the syndicate arrangements for the Cleveland and Clayfield Villages. The estimated value of put options exercised, but for which payment is not yet due, is recognised in the Financial Statements as both an asset (rights to acquire syndicate shares) and a corresponding liability (put option liabilities). The estimated value of the remaining put options not exercised is recognised as a financial liability with a corresponding balance recognised in equity reserves.

The classification between current and non-current is based on the commitment to make payment for these put options at the rate of one share per syndicate per calendar month.



## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (u) Leased Assets

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

All items of Property, Plant and Equipment other than freehold and leasehold land, are depreciated using the straight-line method.

### (i) Consolidated Entity as Lessee

Finance leases, which transfer to the Consolidated Entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Statement of Comprehensive Income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Consolidated Entity will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

### (v) Contributed Equity

Ordinary securities are classified as equity. Incremental costs directly attributable to the issue of ordinary securities and security options are shown in equity as a deduction, net of tax, from the proceeds.

### (w) Rounding of Amounts

The Consolidated Entity is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Financial Report. Amounts in the Financial Report have been rounded off in accordance with the Class Order to the nearest thousand dollars, or in certain circumstances, the nearest dollar.

### (x) Parent Entity Financial Information

The financial information for the Parent Entity, Forest Place Group Limited disclosed in Note 31 has been prepared on the same basis as the Consolidated Financial Statements except as set out below.

#### *Controlled Entities*

Investments in controlled entities are carried in the Company's Balance Sheet at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the Statement of Comprehensive Income when they are declared by the controlled entities.

### (y) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level and nature of information presented to the Board of Directors.

### (z) Earnings per Share

Basic earnings per share is calculated as net profit attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognized as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

## 2. OTHER INCOME

	Consolidated Entity	
	2011 \$'000	2010 \$'000
<b>Other Income</b>		
<b>From Continuing Operations</b>		
<i>Rendering of Services</i>		
Government grants	2,717	2,625
Other	484	464
	<b>3,201</b>	<b>3,089</b>
<i>Other Revenues</i>		
Interest - other parties	125	209
Other revenue	1,195	223
	<b>1,320</b>	<b>432</b>

### Government Grants

Government grants of \$2.717m (2010: \$2.625m) were recognised by the Consolidated Entity during the financial year, received to fund the residential aged care facilities. There are no unfulfilled conditions or other contingencies attaching to these grants. The Consolidated Entity did not benefit directly from any other forms of government assistance.

## 3. EXPENSES

*Profit Before Income Tax Includes the Following Specific Expenses*

Depreciation and amortisation – buildings and leasehold improvements	53	46
Amortisation – plant and equipment under finance lease	19	38
Finance costs - other parties:		
Bank loans and overdraft	609	910
Capitalised interest	(140)	-
Finance charges on capitalised leases	2	4
	<b>471</b>	<b>914</b>

## 4. INCOME TAX

### (a) Income Tax Expense

#### Current Tax

Current year income tax charge	(2,497)	-
Adjustments in respect of current income tax of previous Years	(2,134)	-

#### Deferred Income Tax

Current tax year movement	16,793	7,674
Under provisions	2,152	(25)

### Income Tax Expense Reported in the Statement of Comprehensive Income

**14,314**      **7,649**

### (b) Numerical Reconciliation Between Aggregate Tax Expense Recognised in the Statement of Comprehensive Income and Tax Expense Calculated per the Statutory Income Tax Rate

Profit before income tax expense	54,925	25,663
Tax at the Australian tax rate of 30% (2010: 30%)	16,478	7,699

#### Tax Effect of Amounts Which Are Not Deductible/Taxable in Calculating Taxable Income:

Non-assessable income	(2,255)	(523)
Assessable income not booked	79	13
Non-deductible expenses	-	523
Other deductible expenses	(6)	(38)

**14,296**      **7,674**

(Over) / under provisions	18	(25)
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### Income Tax Expense

**14,314**      **7,649**

### (c) Deferred Tax Assets

The balance comprises temporary differences attributable to:

Amounts recognised in statement of comprehensive income

Accrued expenses	30	-
Provisions for employee benefits	46	43
Tax losses	12,890	8,345
Unearned revenue	5,514	3,648

### Deferred Tax Assets

**18,480**      **12,036**

Less: set-off against deferred tax liabilities

(18,480)      (12,036)

### Net Deferred Tax Assets

-      -

#### 4. INCOME TAX (continued)

#### Consolidated Entity

2011  
\$'000

2010  
\$'000

##### (c) Deferred Tax Assets (continued)

##### Movements

Opening balance at 1 July	12,036	10,374
(Over) / Under provisions	2,048	(79)
Accrued expenses	19	(2)
Provisions for employee benefits	3	(14)
Tax losses	2,496	369
Unearned revenue	1,878	1,388
	<b>18,480</b>	<b>12,036</b>
Less: set-off against deferred tax liabilities	(18,480)	(12,036)
<b>Closing Balance at 30 June</b>	<b>-</b>	<b>-</b>

##### (d) Deferred Tax Liabilities

The balances comprises temporary differences attributable to:

Amounts recognised in statement of comprehensive income

Fair value of investment properties	173,498	138,238
Resident loans	(54,316)	(37,467)
Equity-accounted profits	-	2,079
Syndicate fair value adjustment	331	-
Other expenditure currently deductible for tax but deferred and amortised for accounting	3,692	(481)

##### Deferred Tax Liabilities

Less: deferred tax assets set off from above

<b>Net Deferred Tax Liabilities</b>	<b>104,725</b>	<b>90,333</b>
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##### Movements

Opening balances at 1 July	102,369	93,058
(Under) / Over provision	2,066	(105)
Fair value of investment properties	35,259	7,902
Resident loans	(18,853)	2,949
Syndicate results	(1,811)	(209)
Other expenditure currently deductible for tax but deferred and amortised for accounting	4,175	(1,226)
	<b>123,205</b>	<b>102,369</b>
Less: deferred tax assets set off from above	(18,480)	(12,036)
<b>Closing Balance at 30 June</b>	<b>104,725</b>	<b>90,333</b>

##### (e) Tax Consolidation Legislation

The Consolidated Entity has implemented the Tax Consolidation Legislation as of 1 July 2003. The accounting policy in relation to this Legislation is set out in Note 1(f).

#### 5. DIVIDENDS

Details of dividends proposed or paid by the Consolidated Entity are:

Type	Cents per Security	Total Amount \$'000	Date of Payment	Franked Tax Rate %	Percentage Franked %
<b>2011</b>					
Dividends recognised in the current year:					
Interim 2011 dividend	2.2	1,817	31 March 2011	30	100
Final 2011 dividend	3.8	3,133	30 September 2011	30	43
	<b>6.0</b>	<b>4,950</b>			

##### 2010

No dividends were proposed or paid in the year ended 30 June 2010.

## 5. DIVIDENDS (continued)

### Consolidated Entity

	2011 \$'000	2010 \$'000
<b>Dividend Franking Account</b>		
Balance of the 30% franking credits at the end of the year	-	1,350

The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the year end;
- (c) franking credits that will arise from the receipt of dividends recognised at the year end; and
- (d) franking credits that the Parent Entity may be prevented from distributing in subsequent years.

## 6. EARNINGS PER SHARE

### (a) Earnings Used in Calculating Earnings Per Share

Net profit/(loss) after income tax attributable to equity holders of Forest Place Group Limited	35,690	18,014
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### (b) Weighted Average Number of Shares Used as the Denominator

	Consolidated Entity Number of Shares	
	2011	2010
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share	82,578,509	82,578,509

## 7. CASH AND CASH EQUIVALENTS

### Consolidated Entity

	2011 \$'000	2010 \$'000
Cash at bank	2,025	3,700
Capital replacement funds <sup>1</sup>	118	60
<b>Total Cash and Cash Equivalents</b>	<b>2,143</b>	<b>3,760</b>

1 A statutory charge, imposed under the Retirement Village Act 1999 (QLD), exists over all amounts held in capital replacement funds, which restricts the use for which these funds can be applied.

## 8. TRADE AND OTHER RECEIVABLES

### Current

Trade receivables	3,054	2,797
Other receivables	1,855	788
Receivables from other related parties	1	-
Due from syndicates <sup>1</sup>	-	11,125
<b>Total Current Receivables</b>	<b>4,910</b>	<b>14,710</b>

1 Effective 1 July 2010, the Cleveland Syndicate and Clayfield Syndicate were consolidated into the Consolidated Entity. Refer to Note 10.

### (a) Fair Value and Credit Risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables.

### (b) Ageing of Trade Receivables

Trade Receivables as disclosed below are generally aged on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. Indicators of impairment include where there is objective evidence of significant financial difficulties, debtor bankruptcy, financial reorganisation or default in payment. All impairment losses have been provided for and all other and related party receivables are neither past due nor impaired and therefore are considered to be recoverable.

The ageing of Trade Receivables for the Consolidated Entity at the reporting date was:

### Trade Receivables Ageing

0-30 days	1,798	2,157
31-60 PDNI <sup>1</sup>	379	290
31-60 CI <sup>2</sup>	-	-
61-90 PDNI <sup>1</sup>	80	-
61-90 CI <sup>2</sup>	-	-
+ 91 days PDNI <sup>1</sup>	797	350
+ 91 days CI <sup>2</sup>	-	-
<b>Total</b>	<b>3,054</b>	<b>2,797</b>

1 Past Due Not Impaired ('PDNI')

2 Considered Impaired ('CI')

## 8. TRADE AND OTHER RECEIVABLES (continued)

### (b) Ageing of Trade Receivables (continued)

Trade Receivables past due but not considered to be impaired at 30 June 2011 total \$1.256m (2010: \$0.640m). These Trade Receivables comprise customers who have good credit history and hence the balances are considered recoverable. Other balances within Trade and Other Receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

### (c) Total Trade and Other Receivables Impairment Loss

There was no impairment of Trade Receivables for the Consolidated Entity for the current or prior year. All Trade Receivables are subject to normal terms of trade which provide for settlement within 30 days or are subject to a contractual settlement date within 12 months of year end.

### (d) Security – Trade Receivables

Trade and Other Receivables are not secured by mortgages over real property assets of the debtors.

## 9. INVESTMENT PROPERTIES

	Consolidated Entity	
	2011 \$'000	2010 \$'000
<b>Retirement Villages at Fair Value</b>		
Balance at beginning of year	463,650	438,746
Capitalised subsequent expenditure	16,231	3,042
Additions resulting from the consolidation of syndicates <sup>1</sup>	132,438	-
Net gain from fair value adjustment	26,580	21,862
Transfers to investment properties under construction	(2,532)	-
<b>Balance at End of Year - Retirement Villages at Fair Value</b>	<b>636,367</b>	<b>463,650</b>
<b>Retirement Villages Under Construction</b>		
Balance at beginning of year	-	-
Transfers from property, plant and equipment	3,105	3,064
Capitalised subsequent expenditure	4,479	41
Additions resulting from the consolidation of syndicates <sup>1</sup>	2,743	-
Net gain from fair value adjustment	14,487	-
Transfers from retirement villages at fair value	2,532	-
<b>Balance at End of Year - Retirement Villages Under Construction</b>	<b>27,346</b>	<b>3,105</b>
<b>Balance at End of Year</b>	<b>663,713</b>	<b>466,755</b>

<sup>1</sup> Effective 1 July 2010, the Cleveland Syndicate and Clayfield Syndicate accounts were consolidated into the Consolidated Entity. Refer to Note 10.

### (a) Valuation Basis

The fair value method to account for Investment Property requires any movements in the fair value of the Investment Property to be taken directly to the Statement of Comprehensive Income. The fair value has been determined by Directors' valuation using discounted cash flow valuation methodology. These valuations are based on cash flows derived from the current market value of individual retirement units and individual resident contracts. In determining these market values, a rolling program of external valuations is undertaken so that each asset is independently valued every three years. During the intervening period, management separately assesses the value of individual assets on a six monthly basis to reaffirm valuations and reflect the most current pricing and market conditions. The most recent independent valuation was completed at 30 June 2011. Key assumptions used in the Directors' valuations are the discount rate of 12.5% (2010: 12.5%), long-term property growth rate of 5% (2010: 5%) and average tenure period of nine years for independent living units (ILU) and four years for serviced apartments (SA) (2010: ILU: nine years, SA: four years).

## 10. CONSOLIDATION OF SYNDICATES

Historically, the Cleveland Syndicate and Clayfield Syndicate have been treated as associates and accounted for under the equity method. Effective 1 July 2010, the Syndicate accounts were consolidated into the Consolidated Entity.

The Consolidated Entity's investment in the Syndicates (including previously held equity interests) as at 1 July 2010 represents fair value. As such, no gain/loss has arisen on consolidation.

The Cleveland Syndicate and Clayfield Syndicate Deeds contain a put and call option arrangement. Members of the syndicates have the right to put their shares in the syndicate to the Consolidated Entity based upon a formula set out in the Syndicate Deed. The Consolidated Entity in turn has a call option over the other shares in the Syndicates, exercisable on completion of the villages. Historically the potential liability under the options was disclosed as a contingent liability. Effective 1 July 2010, consistent with the consolidation of the Syndicates, the liability has been recognised in the Balance Sheet, with the corresponding balance of \$5.659m as at 30 June 2011 taken to equity reserves.

Investment Properties increased by \$196.958m on the prior period, \$151.956m of which was attributable to the consolidation of the Syndicates. The increase in Investment Properties on the prior period also included a \$16.891m fair value uplift from 30 June 2010 attributable to the Syndicates.

Resident Loans increased by \$72.372m on the prior period, \$70.031m of which was attributable to the consolidation of the Syndicates. The increase in Resident Loans on the prior period also included a \$0.920m fair value uplift from 30 June 2010 attributable to the Syndicates.

## 11. PROPERTY, PLANT AND EQUIPMENT

### Consolidated Entity

2011  
\$'000

2010  
\$'000

Land and buildings – residential aged care facilities:

At cost

1,474

1,454

Accumulated depreciation

(917)

(864)

**Total Land and Buildings**

**557**

**590**

Plant and equipment – under finance lease:

At cost

99

211

Accumulated depreciation

(72)

(165)

**Total Plant and Equipment**

**27**

**46**

**Total Property, Plant and Equipment**

**584**

**636**

### *Movements During the Year*

#### **Investment Properties Under Construction at Cost:**

Balance at beginning of year

-

3,064

Additions

-

-

Transfer to investment property

-

(3,064)

**Balance at End of Year**

**-**

**-**

#### **Land and Buildings – Residential Aged Care Facilities:**

Balance at beginning of year

590

642

Additions

25

16

Transfers

-

(14)

Impairment

-

(8)

Disposals

(5)

-

Depreciation

(53)

(46)

**Balance at End of Year**

**557**

**590**

#### **Plant and Equipment – Under Finance Lease:**

Balance at beginning of year

46

84

Depreciation

(19)

(38)

**Balance at End of Year**

**27**

**46**

## 12. OTHER FINANCIAL ASSETS

### **Current**

Rights to acquire shares in syndicates

1,487

1,586

**Total Current Other Financial Assets**

**1,487**

**1,586**

### **Non-Current**

Rights to acquire shares in syndicates

2,511

3,861

**Total Non-Current Other Financial Assets**

**2,511**

**3,861**

### **(a) Financial Assets Recognised at Fair Value Through Profit or Loss**

Changes in the fair value of 'Fair Value Through Profit or Loss Financial Assets' are recorded in the Statement of Comprehensive Income.

### **(b) Rights to Acquire Syndicate Shares**

Rights to acquire syndicate shares constitute put options over Cleveland Syndicate and Clayfield Syndicate units which have been exercised but for which payment is not yet due. A corresponding liability is recognised under financial liabilities. The amount recognised is equal to the net present value of the amount payable based upon a formula set out in the Syndicate deeds, calculated as the amount actually paid for the shares less distributions received to date, compounded at 5% per year.

### 13. OTHER ASSETS

	Note	Consolidated Entity 2011 \$'000	2010 \$'000
<b>Current</b>			
Prepayments and sundry assets		19	366
<b>Total Current Other Assets</b>		<b>19</b>	<b>366</b>

### 14. INTANGIBLE ASSETS

Licences are allocated to the Consolidated Entity's Cash Generating Units ('CGU's') identified according to business segment. A segment level summary of licences is presented below:

Licenses - Residential Aged Care Facilities	253	253
Development costs	54	-
<b>Total Intangible Assets</b>	<b>307</b>	<b>253</b>

Residential aged care facility bed licenses are not amortised as they have an indefinite useful life. The licenses are issued for an unlimited period and there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Consolidated Entity.

### 15. TRADE AND OTHER PAYABLES

#### Current

Other creditors and accruals		3,651	1,289
Payables to related parties	26(a)(iv)	2,038	1,205
<b>Total Current Trade and Other Payables</b>		<b>5,689</b>	<b>2,494</b>

Trade Payables are usually due within 30 days. No interest is charged on the balances paid outside normal terms.

#### (a) Fair Value

The carrying amounts of payables approximate fair values.

#### (b) Secured Amounts Payable

None of the payables are secured.

### 16. INTEREST BEARING LOANS AND BORROWINGS

#### Current – Secured

Bank loans	1,800	-
Finance lease liabilities	14	43
<b>Total Secured Current Borrowings</b>	<b>1,814</b>	<b>43</b>

#### Non-Current – Secured

Bank loans	9,370	4,664
Finance lease liabilities	29	43
<b>Total Non-Current Secured Borrowings</b>	<b>9,399</b>	<b>4,707</b>

#### (a) Financing Arrangements

The Consolidated Entity has access to the following lines of credit:

#### Total Facilities Available

Bank loans	22,001	14,000
Performance guarantee facilities	102	20
Finance lease facility	43	86
<b>22,146</b>	<b>14,106</b>	

#### Facilities Utilised at Balance Date

Bank loans	11,170	4,664
Performance guarantee facilities	72	20
Finance lease facility	43	86
<b>11,285</b>	<b>4,770</b>	

#### Facilities Not Utilised at Balance Date

Bank loans	10,831	9,336
Performance guarantee facilities	30	-
<b>10,861</b>	<b>9,336</b>	

## 16. INTEREST BEARING LOANS AND BORROWINGS (continued)

### (b) Restrictions as to Use or Withdrawal

There are no restrictions on the use or withdrawal of any facilities however, the facilities are subject to the Consolidated Entity complying with covenants concerning such matters as minimum interest times cover, maximum loan to value ratio, current ratios and net tangible assets. As a result, the facilities not utilised at balance date are limited to \$10.831m (2010: \$9.336m).

### (c) Bank Loans (Wholly-Secured)

The weighted average interest rate on all loans at 30 June 2011 was 7.94% (2010: 7.45%). Collateral pledged comprises first mortgages over certain properties and a floating charge over assets of the Consolidated Entity. Refer to Note 16(e) for further details.

The Company guarantees bank loans of controlled entities within the Consolidated Entity.

### (d) Finance Lease Liability (Wholly-Secured)

The finance lease liabilities are secured over the respective leased assets being motor vehicles. The leases expire in October 2012. The respective effective interest rate at 30 June 2011 was 8.8% (2010: 8.7%).

### (e) Assets Pledged as Security

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
<i>Floating Charge:</i>		
Cash and cash equivalents	2,143	3,760
Trade and other receivables	4,910	3,585
Other financial assets	1,487	1,586
Other assets	19	366
<b>Total Current Assets Pledged as Security</b>	<b>8,559</b>	<b>9,297</b>
<b>Non-Current</b>		
<i>First Mortgage:</i>		
Freehold land and buildings	557	590
Investment properties	344,989	263,945
<i>Floating Charge:</i>		
Investment properties	318,724	202,810
Other financial assets	2,511	3,861
<i>Finance Lease:</i>		
Leased plant and equipment	27	46
<b>Total Non-Current Assets Pledged as Security</b>	<b>666,808</b>	<b>471,252</b>
<b>Total Assets Pledged as Security</b>	<b>675,367</b>	<b>480,549</b>

### (f) Defaults and Breaches

During the current and prior year, there were no defaults or breaches on any of the loans.

## 17. PROVISIONS

### Current

Employee Benefits	115	102
Dividends payable	3,133	-
<b>Total current provisions</b>	<b>3,248</b>	<b>102</b>

### Non-Current

Employee Benefits	37	41
	<b>37</b>	<b>41</b>

### Reconciliations

Reconciliation of the carrying amounts of each class of provision, except for employee benefits, is set out below:

### Dividends payable

Carrying amount at beginning of the year	-	-
Provisions made during the year	4,950	-
Payments made during the year	(1,817)	-
<b>Carrying amount at the end of the year</b>	<b>3,133</b>	<b>-</b>



## 18. OTHER FINANCIAL LIABILITIES

### Current

Put Option Liabilities for Syndicate Shares

**2,573** **1,586**

### Non-Current

Put Option Liabilities for Syndicate Shares

**7,084** **3,861**

## 19. CONTRIBUTED EQUITY

### Consolidated Entity

#### Number of Shares 2011 2010

Issued Capital (No Par Value)

82,578,509 82,578,509

Value of Issued Capital

**\$56,605,000** **\$56,605,000**

There was no movement in contributed equity during the year (2010: nil).

### (a) Terms and Conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at Share Holders' Meetings. In the event of winding up of the Company, ordinary share holders rank after all creditors and are fully entitled to any proceeds of liquidation

### (b) Capital Management

When managing capital, being fully paid ordinary securities, retained profits and reserves, management's objective is to ensure that the Consolidated Entity uses a mix of funding options, while remaining focused on the objective of optimising returns to its equity holders. Management aims to maintain a capital structure that ensures that available capital and return to equity are critical in determining the group's strategic direction..

Management may adjust the Consolidated Entity's capital structure to take advantage of favourable changes in the cost of capital. This could include changing the amount of dividends to be paid to equity holders, returning capital to equity holders or adjusting debt levels.

The Consolidated Entity intends to distribute 40%-60% of realised underlying profit. Underlying profit reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Consolidated Entity in accordance with AICD/Finsia principles of recording underlying profit. The non-cash component of the underlying retirement revaluation will be excluded from the base, which will assist in balancing recurring income with earnings growth from developments. The 35% maximum gearing target will introduce further discipline while still allowing the flexibility needed for the successful execution of growth targets. The new policy will seek to balance the Group's recurring income with proposed development plans for the Albany Creek, Durack and Clayfield Villages.

The Consolidated Entity is not subject to any other externally imposed capital requirements.

## 20. RESERVES

### Consolidated Entity

**2011** **2010**  
**\$'000** **\$'000**

### Syndicate Share Options Reserve<sup>1</sup>

Balance at beginning of the year

- -

Syndicate put options

5,659 -

Fair value reserve

335 -

### Total Reserves

**5,994** **-**

<sup>1</sup> Effective 1 July 2010, the Cleveland Syndicate and Clayfield Syndicate accounts were consolidated into the Consolidated Entity. Refer to Note 10.

## 21. NON-CONTROLLING INTERESTS

### Non-Controlling Interests in Controlled Entities Comprise:

Interests in retained profits at the beginning of the year after adjusting for non-controlling interest in entities acquired during the year

4,776 -

Interests in profit from ordinary activities after income tax

4,921 -

### Interests in Retained Profits at End of Financial Year

**9,697** **-**

Interest in share capital

9,277 -

### Total Non-Controlling Interests

**18,974** **-**

## 22. COMMITMENTS

### Consolidated Entity

2011  
\$'000

2010  
\$'000

#### (a) Capital Expenditure Commitments

There are no capital expenditure commitments outstanding as at 30 June 2011 (2010: nil).

#### (b) Finance Lease Payment Commitments: Consolidated Entity as Lessee

Future minimum lease payments

Within one year

14 45

Later than one year and no later than five years

29 45

**43 90**

Less: Future lease finance charges not provided for in the financial statements

- (4)

**43 86**

Lease liabilities provided for in these financial statements -  
present value of minimum lease payments:

Current (Note 16)

14 43

Non-current (Note 16)

29 43

#### Total Lease Liability

**43 86**

The Consolidated Entity leases motor vehicles under finance leases expiring within the next two years. At the end of the lease or agreement the Consolidation Entity has the option to purchase the asset at the nominated residual value. Interest on finance leases is charged at prevailing market rates. The weighted average interest rate for all finance leases as at 30 June 2011 is 8.8% (2010: 8.7%).

## 23. CONTINGENT LIABILITIES

#### (a) Guarantees

The Consolidated Entity's financial institution, has provided guarantees of \$72,000 (2010: \$20,000) to local authorities to secure obligations pursuant to development approvals for villages still being developed. The guarantees are secured by a registered mortgage over the retirement villages.

## 24. NOTES TO THE CASH FLOW STATEMENT

#### (a) Reconciliation of Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

#### Cash on Hand and at Bank

**2,143 3,760**

#### (b) Financing Facilities Available

Financing facilities are detailed in Note 16, 'Interest Bearing Loans and Borrowings'.

#### (c) Reconciliation of Net Cash Provided by Operating Activities to Operating Profit After Income Tax

### Consolidated Entity

2011  
\$'000

2010  
\$'000

Net profit from continuing operations after income tax

40,611 18,014

#### Add / (Less) Non-Cash Items:

Depreciation / Amortisation

72 84

Change in fair value of investment properties

(41,067) (21,862)

Change in fair value of resident loans

(293) 4,761

Share of syndicates net (profit) / loss

- (1,637)

Bad debts

3 -

Interest on finance leases and amortisation of borrowings

26 -

Fair value adjustment on consolidation of the syndicates

(845) -

#### Change in Assets and Liabilities:

(Increase) / Decrease in trade and other receivables

(122) (990)

(Increase) / Decrease in other assets

629 (180)

(Increase) / Decrease in GST clearing accounts

(213) 64

Increase / (Decrease) in trade and other payables

2,763 (1,593)

Increase / (Decrease) in unearned income

5,864 8,791

Increase / (Decrease) in provisions

10 (46)

Increase / (Decrease) in deferred tax liabilities

14,314 7,649

#### Net Cash Provided by Operating Activities

**21,752 13,055**

## 25. KEY MANAGEMENT PERSONNEL DISCLOSURES

### (a) Directors

The names and positions held by each person holding a position of Director of the Consolidated Entity during the 2010 and 2011 financial years were:

G E Grady <sup>1</sup>	Executive Chairman
J M Laboo	Executive Director
I L Fraser <sup>2</sup>	Non-Executive Director
D C Mackenzie	Non-Executive Independent Director
P Parker	Non-Executive Director

1 Mr Grady was appointed Executive Chairman of the Board on 24 May 2011.

2 Mr Fraser was the Chairman of the Board from the beginning of the financial year until his resignation on 24 May 2011. Mr Fraser resigned as a Director of the Company on 22 August 2011.

### (b) Other Key Management Personnel ('KMP')

The Consolidated Entity does not directly employ any staff. It has entered into an operating agreement with FKP Limited for the supply of services on an arms-length basis. Management fees paid to FKP Limited by Forest Place Group Limited includes consideration for services provided by the KMP to Forest Place Group Limited.

### (c) KMP Compensation

The following table provides the details of all the KMP (including Non-Executive Directors) and the nature and amount of the elements of their remuneration for the year ended 30 June 2011.

The above KMP and Non-Executive Directors, with the exception of Mr Fraser and Mr Mackenzie, are not employed or remunerated by the Consolidated Entity. They are employed and remunerated by FKP Limited, the ultimate parent of the Consolidated Entity. The Consolidated Entity has entered into an Operating Agreement with FKP Limited for the supply of services on an arm's length basis. Management fees paid to FKP Limited by the consolidated Entity includes consideration for services provided by the KMP to the Consolidated Entity. The combined remuneration of the KMP compensated by FKP Limited amounts to \$1,313,297. A full disclosure of the FKP Limited KMP remuneration and remuneration policies has been made in the FKP Limited Remuneration Report

The Consolidated Entity's and FKP Limited's Boards have determined that it is not practical to allocate the remuneration of these personnel across these businesses. The strategic objectives of the Consolidated Entity and FKP Limited are aligned and focused on long term value creation for security holders. The disclosure in this Remuneration Report consists of the total remuneration received by the KMP during the year for the role that they carried out at the ultimate parent level. There is no direct link between the remuneration of these 'shared' KMP and the overall performance of the of the Consolidated Entity, but rather the link is to the overall performance of FKP Limited.

KMP/Non-Executive Director	Years	Short-Term Benefits			Equity Compensation		Post-Employment		Total
		Salary and Fees	Bonus	Non-Monetary Benefits	AASB 2 Expense Relating to Securities	AASB 2 Expense Relating to Security Options	Superannuation Benefits	Other Post-Employment Benefits	
		\$	\$	\$	\$	\$	\$	\$	
G E Grady <sup>1,2</sup>	2011	380,356	190,000	-	1,000	105,218	46,747	-	723,321
	2010	395,940	200,000	-	1,000	66,878	13,560	-	677,378
I L Fraser <sup>1</sup>	2011	58,039	-	-	-	-	5,224	-	63,263
	2010	65,000	-	-	-	-	5,850	-	70,850
D C Mackenzie	2011	42,372	-	-	-	-	900	-	43,272
	2010	40,000	-	-	-	-	3,600	-	43,600
J M Laboo <sup>2</sup>	2011	332,851	130,000	-	1,000	84,018	39,407	-	587,276
	2010	345,722	150,000	-	1,000	135,574	19,112	-	651,408
P Parker <sup>2</sup>	2011	29,993	-	-	-	-	2,699	(29,992)	2,700
	2010	29,993	-	-	-	-	2,699	(30,371)	2,321
Total	2011	843,611	320,000	-	2,000	189,236	94,977	(29,992)	1,419,832
	2010	876,655	350,000	-	2,000	202,452	44,921	(30,371)	1,445,557

1 Mr Fraser was the Chairman of the Board from the beginning of the financial year until his resignation from the position on 24 May 2011. Mr Fraser resigned as Director of the Company on 22 August 2011. Mr Grady was appointed Executive Chairman of the Board on 24 May 2011.

2 Messrs.' Grady, Parker and Laboo are employed by FKP Limited and not the Consolidated Entity. Full disclosure of Messrs.' Grady, Parker and Laboo's remuneration and the remuneration policies of FKP Limited have been disclosed in FKP Limited's 2011 Financial Report.

### (d) Loans to Key Management Personnel

There were no loans to key management personnel during the year.

## 25. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

### (e) Share Holdings of Key Management Personnel

There were no movements in share holdings by key management personnel during the year.

	Number of Ordinary Securities	
G E Grady	Nil	Nil
I L Fraser <sup>1,2</sup>	1,000	1,000
D C Mackenzie <sup>1</sup>	1,000	1,000
J M Laboo	Nil	Nil
P Parker	Nil	Nil
M P Pearson	Nil	Nil

<sup>1</sup> The shares are held by entities and or by associates in which the Directors have a beneficial interest in.

<sup>2</sup> Mr Fraser resigned as Director on 22 August 2011

## 26. RELATED PARTIES

### (a) Transactions with Related Entities

#### (i) Design and Construction Management Agreement – FKP Constructions Pty Ltd

On 2 March 2007, the Consolidated Entity extended an existing arm's length contract dated 15 July 2004 (the contract is based on the Australian Standard - General Conditions of Contract for Construction Management - AS 4300 1995 and is on an arm's length basis) with FKP Constructions Pty Ltd (a subsidiary of FKP Limited, the ultimate parent entity) to provide design and construction services for development work at all of the Consolidated Entity's villages ('Design and Construction Management Agreement'). This extension also included Evo-Con Pty Ltd (a subsidiary of FKP Limited, the ultimate parent entity) as a party to the Design and Construction Management Agreement. The Design and Construction Management Agreement subsists until otherwise notified, or until it is terminated pursuant to its terms.

Amounts paid by the Consolidated Entity to FKP Constructions Pty Ltd and/or Evo-Con Pty Ltd during the period in accordance with the current Design and Constructions Management Agreement:

	Consolidated Entity	
	2011	2010
	\$'000	\$'000
Claims made, either paid or provided for, regarding reimbursement of construction expenditure incurred by Evo-Con Pty Ltd:	4,284	-

#### (ii) Marketing Agreement - FKP Real Estate Pty Ltd

On 2 March 2007 the Consolidated Entity extended an existing arm's length contract dated 5 March 2004 with FKP Real Estate Pty Ltd (a subsidiary of FKP Limited, the ultimate parent entity) under which FKP Real Estate Pty Ltd provides marketing services for the Consolidated Entity (Marketing Agreement). The Marketing Agreement subsists until otherwise notified, or until it is terminated pursuant to its terms.

Amounts paid or payable by the Consolidated Entity to FKP Real Estate Pty Ltd during the year, in accordance with the current Marketing Agreement:

Commission on leases for new and re-lease accommodation units:

On behalf of the Consolidated Entity (2.5% plus GST of the gross transfer price and \$1,500 plus GST for unit transfers under the guaranteed transfer option)	809	852
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Marketing charges per unit on leases for new and re-lease accommodation units:

On behalf of the Consolidated Entity (1% - 2.05% plus GST based on development stage)	226	452
On behalf of the syndicates (0.05% - 4.85% plus GST based on development stage)	63	364

<b>Total</b>	<b>1,098</b>	<b>1,668</b>
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FKP Real Estate Pty Ltd employs all marketing staff used in the Consolidated Entity's owned villages and syndicated villages.

#### (iii) Support Services Recharges - FKP Limited

Following FKP Limited's acquisition of its interest in the Consolidated Entity, a number of operational support functions including Human Resources, Finance, Treasury, Legal, Premises and IT were rationalised within the Consolidated Entity with the aim of achieving greater efficiencies. These support services have been provided directly by FKP Limited since 1 April 2004 and reimbursed on an arm's length basis pursuant to an Operating Agreement between the Consolidated Entity and FKP Limited. In the prior year, the term of the Operating Agreement was extended for a further three year period effective 1 July 2009 and the basis of charges under the agreement were reviewed and approved by the Contract Review Committee to reflect the current level of services being provided. Upon expiry of the term on 30 June 2012, the agreement will extend for a further period of two years unless either party provides notice to the other at least three months prior to the expiry of the relevant term.

<b>Operational Support Recharges by FKP Limited</b>	<b>1,548</b>	<b>1,617</b>
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#### (iv) Balances with Related Parties

The aggregate amounts payable or provided for, to related parties at balance date are as follows:

##### Trade and Other Payables:

FKP Real Estate Pty Ltd	-	263
FKP Limited	2,038	1,205
	<b>2,038</b>	<b>1,468</b>

## 26. RELATED PARTIES (continued)

### (b) Transactions with Syndicates

#### (i) Put and Call Options

The Syndicate Deeds for each syndicate contains put and call options over shares in the syndicates under which each investor has the right to require the Consolidated Entity to buy, and the Consolidated Entity has the right to require each investor to sell, any share or shares upon specified terms.

The put option in favour of each investor is exercisable by the investor at any time or times in respect of any share or shares held by it. The price payable by the Consolidated Entity is a sum equal to the amount paid by the investor for the share or shares in question less any distributions previously made thereon plus interest calculated at 5% per year (calculated on a daily basis and compounded at the end of June and December in each year) on the amount from time to time paid by the investor thereon less any distributions previously made thereon. The Consolidated Entity is not obliged to complete and make payment for more than one share (taking all investors together) in any single calendar month for each syndicate.

The call options in favour of the Consolidated Entity are only exercisable after the sale of all new leases following completion of the development at a syndicate village. The option can only be exercised simultaneously in respect of all remaining shares and all remaining investors (but not the Consolidated Entity itself) in each syndicate and the price payable by the Consolidated Entity is calculated as 27.5% of the aggregate standard lease entry price paid by residents at the date of the option exercise less the aggregate price paid by residents (to secure capital growth in the value of their leases and / or pre-pay the deferred payments) in respect of leases current at the date of option exercise. The option price payable by the Consolidated Entity will be adjusted for GST if applicable.

#### (ii) Transactions

All transactions between the Consolidated Entity and each syndicate are on normal terms and conditions.

## 27. AUDITOR'S REMUNERATION

	2011 \$	2010 \$
<b>Audit of the Consolidated Entity</b>		
Audit and review of financial reports of the Consolidated Entity – Ernst & Young	80,000	-
Audit and review of financial reports of the Consolidated Entity – PKF	-	85,100
<b>Audit of the Consolidated Entity</b>	<b>80,000</b>	<b>85,100</b>
<b>Non-Audit Services</b>		
Other assurance services – Ernst & Young	25,000	-
<b>Total Non-Audit Services</b>	<b>25,000</b>	<b>-</b>

## 28. CONTROLLED ENTITIES

### (a) Parent Entity

The parent entity within the Consolidated Entity is Forest Place Group Limited. The ultimate parent entity in Australia is FKP Limited. All of the following entities are incorporated/formed in Australia:

Name	Class of Share	Interest Held %	
		2011	2010
Forest Place Clayfield Pty Ltd	Ordinary	100.0	100.0
Forest Place Pty Ltd	Ordinary	100.0	100.0
Forest Place Management Limited	Ordinary / Preference	100.0	100.0
Forest Place Unit Trust	Ordinary	100.0	100.0
FP Asset Holdings Pty Ltd	Ordinary	100.0	100.0
FP Assets Holdings (No. 2) Pty Ltd	Ordinary	100.0	100.0
Forest Place Cleveland Syndicate <sup>1</sup>	Ordinary	76.3	75.0
Forest Place Clayfield Syndicate <sup>1</sup>	Ordinary	62.0	57.2

<sup>1</sup> Effective 1 July 2010, the Cleveland Syndicate and Clayfield Syndicate were consolidated into the Consolidated Entity. Refer to Note 10.

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Consolidated Entity's principal financial instruments comprise receivables, payables, bank loans, resident loans, financial assets/liabilities at fair value through profit and loss, finance leases, cash and short-term deposits, syndicate put options and derivatives. The Consolidated Entity's policy is to manage its finance costs using a mix of fixed and variable rate debt.

The Consolidated Entity's policy is to comply with covenants concerning such matters as minimum interest times cover, maximum loan to value ratio, current ratios and net tangible assets. Borrowings are carried at amortised cost.

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, credit risk and liquidity risk. The Consolidated Entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessing market forecasts for interest rate prices. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk, and liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Directors of Forest Place Group Limited. They review and agree to policies for managing each of the risks identified below, including limits for approved instruments, transaction values, tenor and counterparties with whom the Consolidated Entity transacts. The Consolidated Entity does not enter into financial transactions for the purpose of short-term trading.

### (a) Interest Rate Risk

Interest rate risk is the risk that the fair value of financial instruments or cash flows associated with instruments will fluctuate due to changes in market interest rates, resulting in an adverse impact on financial performance. The Consolidated Entity's exposure to market interest rates relates primarily to the Consolidated Entity's bank debt obligations. Borrowings issued at variable rates expose the Consolidated Entity to cash flow interest rate risk. The level of debt is disclosed in Note 16.

At balance date, the Consolidated Entity had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets</b>		
Cash assets	2,143	3,760
	<b>2,143</b>	<b>3,760</b>
<b>Financial Liabilities</b>		
Bank loans	11,170	4,664
	<b>11,170</b>	<b>4,664</b>

Interest rates over the 12 month period were analysed and sensitivity determined to show the effect on profit and equity after tax if the interest rates at reporting date had been 75 basis points higher or lower, with all other variables held constant. This level of sensitivity was considered reasonable given the current level of both short-term and long-term Australian interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the Balance Sheet date.

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	<b>Post Tax Profit</b>		<b>Equity</b>	
	<b>Higher/(Lower)</b>		<b>Higher/(Lower)</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Consolidated Entity</b>				
+0.75% (75 basis points)	(47)	(5)	(47)	(5)
-0.75% (75 basis points)	47	5	47	5

### (b) Credit Risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet contractual obligations, with the maximum exposure being equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note to the Financial Statements. Credit risk arises from the financial assets of the Consolidated Entity, which comprise cash and cash equivalents, trade and other receivables. Details of receivables secured by registered mortgage are outlined in Note 8.

The Consolidated Entity's external customers are subject to contracts upon settlement of independent living units; if contracts are breached then legal proceedings may follow. This is a rare occurrence, as procedures are carried out to mitigate risk including an assessment of customer's independent credit rating and financial position.

It is the Consolidated Entity's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored.

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (b) Credit Risk (continued)

In addition, receivable balances are monitored on an ongoing basis with the intention that the Consolidated Entity's exposure to bad debts is minimised.

The Consolidated Entity had no concentrations of credit risk with any single counterparty or group of counterparties.

The granting of financial guarantees also exposes the Consolidated Entity to credit risk, being the maximum amount that would have to be paid if the guarantee is called on. As the amounts written into the guarantees are not significantly greater than the original liability, such risk is deemed to be immaterial.

### (c) Liquidity Risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due.

The Consolidated Entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, related party loans, put options, finance leases and committed available credit lines in addition to other sources.

The Consolidated Entity regularly reviews existing funding lines and assesses future requirements based upon known and forecast information provided by each of the business units. This assists flexibility by matching profiles of short-term investments with cash flow requirements and also assists in timing the negotiation of credit facilities. Cash forecasts are prepared for review and presentation to the Board as appropriate. In order to ensure that the Consolidated Entity is able to meet short term commitments (i.e. less than 12 months) and have sufficient time to plan and fund longer term commitments, forward commitment tests must be satisfied unless exemptions are approved by the Board.

At 30 June 2011, \$1.800m of the Consolidated Entity's debt facilities will mature in less than one year (2010: \$0.348m). The Consolidated Entity manages liquidity risk through monitoring the maturity of its debt portfolio. The Consolidated Entity will report and monitor the maturity and amortisation profile of all debt facilities on a regular basis and will present a draft refinancing plan for the approval of the Board ahead of a debt facility maturing.

The current weighted average debt maturity is 8.1 years (2010: 9.71years).

The table below reflects the contractual maturity of the Consolidated Entity's fixed and floating rate financial liabilities and derivatives. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2011 and are presented on an undiscounted cash flow basis.

The remaining contractual maturities of the financial liabilities are:

	<b>Consolidated Entity</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>
6 months or less	265,061	188,305
6-12 months	2,964	899
1-2 years	2,345	1,850
2-5 years	6,811	3,444
Over 5 years	14,995	6,126
	<b>292,176</b>	<b>200,624</b>

Contractual maturity analysis of financial liabilities:

#### 2011

	<b>Consolidated Entity</b>				
	<b>≤ 6 Months</b>	<b>6-12 Months</b>	<b>1-2 Years</b>	<b>2-5 Years</b>	<b>5+ Years</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Liabilities</b>					
Payables	5,689	-	-	-	-
Resident loans <sup>1</sup>	257,102	-	-	-	-
Bank loans	443	2,204	753	2,258	12,162
Finance leases	7	7	29	-	-
Syndicate put options	1,820	753	1,563	4,553	2,833
	<b>265,061</b>	<b>2,964</b>	<b>2,345</b>	<b>6,811</b>	<b>14,995</b>
					<b>292,176</b>

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (b) Liquidity Risk (continued)

2010	Consolidated Entity					
	≤ 6 Months \$'000	6-12 Months \$'000	1-2 Years \$'000	2-5 Years \$'000	5+ Years \$'000	Total \$'000
<b>Financial Liabilities</b>						
Payables	2,494	-	-	-	-	2,494
Resident loans <sup>1</sup>	184,730	-	-	-	-	184,730
Bank loans	174	174	347	1,042	6,126	7,863
Finance leases	37	8	16	29	-	90
Syndicate put options	870	717	1,487	2,373	-	5,447
	<b>188,305</b>	<b>899</b>	<b>1,850</b>	<b>3,444</b>	<b>6,126</b>	<b>200,624</b>

<sup>1</sup> Resident Loans have been disclosed as current liabilities because the Consolidated Entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period. In practice, the rate at which the Consolidated Entity's retirement residents vacate their units, and hence the rate at which the resident loans will fall due for repayment, can be estimated on the basis of statistical tables. The Consolidated Entity's best estimate is that of the total resident loans in 2011 of \$257.102m (2010: \$184.730m,) \$26.412m (2010: \$ 23.700m) are expected to be paid within the next 12 months.

### (d) Fair Value

The carrying amount of the Consolidated Entity's financial assets and financial liabilities approximate their fair value.

Fair value of the financial liabilities is calculated based on present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For interest bearing loans and borrowings, the market rate of interest is determined by reference to similar liabilities in the same industry and with a similar risk rating, and for finance leases, by reference to similar finance leases at balance date.

#### Fair Value Hierarchy

The Consolidated Entity uses various methods in estimating the fair value of a financial instrument where a valuation technique is used. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets;
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Quoted Market Price (Level 1) \$'000	Valuation Techniques- Market Observable Inputs (Level 2) \$'000	Valuation Techniques Non-Market Observable Inputs (Level 3) \$'000	Total \$'000
<b>2011</b>				
<b>Consolidated Entity</b>				
<b>Financial Liabilities</b>				
Put option liability to acquire syndicate shares <sup>1</sup>	-	5,659	-	<b>5,659</b>
Resident loan obligations at fair value through profit and loss	-	257,102	-	<b>257,102</b>
	-	<b>262,761</b>	-	<b>262,761</b>

<sup>1</sup> The balance includes \$5.659m of unexercised put options to acquire units in the Cleveland Syndicate and Clayfield syndicate that have been brought to account during the year, in line with the consolidation of Syndicates effective 1 July 2010. A corresponding balance is sitting in equity reserves as at 30 June 2011.



## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (b) Fair Value (continued)

2010	Quoted Market Price (Level 1) \$'000	Valuation Techniques- Market Observable Inputs (Level 2) \$'000	Valuation Techniques Non-Market Observable Inputs (Level 3) \$'000	Total \$'000
<b>Consolidated Entity</b>				
<b>Financial Liabilities</b>				
Resident loan obligations at fair value through profit and loss	-	184,730	-	184,730
	-	184,730	-	184,730

For resident loan obligations for which a value is not quoted in active markets, the Consolidated Entity uses valuation techniques such as present value techniques to arrive at the fair value for these instruments. These valuation techniques use both observable and unobservable market inputs. The Consolidated Entity considers that any inputs used which are not observable market inputs, are not significant to the overall valuation of these items, and as such classifies these as Level 2 financial instruments.

## 30. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports that are regularly reviewed by the chief decision maker in order to allocate resources to the segment and assess its performance.

### (a) Reportable Segments

The principal products and services delivered by the Consolidated Entity, from which each reportable segment derives revenue is as follows:

- Retirements Management of retirement villages
- Residential aged care facilities Management of residential aged care facilities

The accounting policies used by the Consolidated Group in reporting segments internally are the same as those contained in Note 1 to the accounts and in the prior period.

### (b) Segment Revenues and Results

The Consolidated Entity operates solely in Australia. The following is an analysis of the Consolidated Entity's revenue and results by reportable operating segment for the periods under review:

	Residential Aged Care Facility \$'000	Retirements \$'000	Consolidated \$'000
<b>2011</b>			
<b>Revenue</b>			
Revenue from outside the Consolidated Entity	1,833	18,458	20,291
<b>Revenue from Ordinary Activities</b>			<b>20,291</b>
<b>Segment Profit / (Loss)</b>			
Segment profit including changes in fair value	76	54,849	54,925
Profit from ordinary activities before income tax expense			54,925
Income tax expense			(14,314)
<b>Net Profit / (Loss)</b>			<b>40,611</b>
Depreciation, amortisation and impairment	53	19	72
<b>Assets</b>			
Segment assets	1,101	674,573	675,674
Equity-accounted investments			-
<b>Consolidated Total Assets</b>			<b>675,674</b>
<b>Liabilities</b>			
Segment liabilities	923	306,651	307,574
Unallocated corporate liabilities			104,768
<b>Consolidated Total Liabilities</b>			<b>412,342</b>
Acquisition of property, plant and equipment	25	20,710	20,735

## 29. SEGMENT INFORMATION (continued)

### (b) Segment Revenue and Results (continued)

	Residential Aged Care Facility \$'000	Retirements \$'000	Consolidated \$'000
<b>2010</b>			
<b>Revenue</b>			
Revenue from outside the Consolidated Entity	2,770	16,064	18,834
<b>Revenue from Ordinary Activities<sup>1</sup></b>			<b>18,834</b>
<b>Segment Profit / (Loss)</b>			
Segment profit including changes in fair value	672	23,354	24,026
Share of net profit of equity-accounted investments			1,637
Profit from ordinary activities before income tax expense			25,663
Income tax expense			(7,649)
<b>Net Profit / (Loss)</b>			<b>18,014</b>
Depreciation, amortisation and impairment	46	38	84

2 Segment revenue for the comparative year has been adjusted to align with the disclosure in the current year, which excludes changes in fair value from the segment revenue. This was done to better reflect the nature of these amounts and to make period on period movements in segment revenue more transparent.

	Residential Aged Care Facility \$'000	Retirements \$'000	Consolidated \$'000
<b>2010</b>			
<b>Assets</b>			
Segment assets	2,202	489,725	491,927
Equity-accounted investments			27,705
<b>Consolidated Total Assets</b>			<b>519,632</b>
<b>Liabilities</b>			
Segment liabilities	2,403	207,196	209,599
Unallocated corporate liabilities			90,421
<b>Consolidated Total Liabilities</b>			<b>300,020</b>
Acquisition of non-current assets	16	3,083	3,099

## 31. PARENT ENTITY INFORMATION

Information relating to Forest Place Group Limited (the parent entity) is as follows.

### (a) Summary Financial Information

	Parent Entity	
	2011 \$'000	2010 \$'000
Current Assets	37,802	39,776
Total Assets	345,607	327,430
Current Liabilities	127,612	119,245
Total Liabilities	196,110	180,132
Issued Capital	56,605	56,605
Retained Earnings	103,500	90,693
Total Shareholders Equity	149,496	147,298
Profit or Loss of the Parent Entity	12,807	8,025
Other Comprehensive Income / (Loss)	-	-
Total Comprehensive Income of the Parent Entity	12,807	8,025

### (b) Guarantees

The Consolidated Entity's financial institution, has provided guarantees of \$72,000 (2010: \$20,000) to local authorities to secure obligations pursuant to development approvals for villages still being developed. The guarantees are secured by a registered mortgage over the retirement villages.

### (c) Bank Loans (Wholly-Secured)

The weighted average interest rate on all loans at 30 June 2011 was 7.94% (2010: 7.45%). Collateral pledged comprises first mortgages over certain properties and a floating charge over assets of the Consolidated Entity. The Company guarantees bank loans of controlled entities within the Consolidated Entity.

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**32. EVENTS AFTER BALANCE SHEET DATE**

There has not arisen between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of these operations, or the state of affairs of the Consolidated Entity, in future financial years.

The Directors of Forest Place Group Limited declare that:

- (a) in the Directors' opinion the Financial Statements and notes on pages 16 to 45, and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on pages 7 to 10, are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2011 and of its performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the Financial Report also complies with International Financial Reporting Standards (as issued by the International Accounting Standards Board) as disclosed in Note 1;
- (c) the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 'Related Party Disclosures,' the *Corporations Act 2001* and the *Corporations Regulations 2001*; and
- (d) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Executive General Manager and General Manager Finance for the financial year ended 30 June 2011, required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors.



**GE Grady**  
Director

Dated at Brisbane, 25 August 2011



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## Independent auditor's report to the members of Forest Place Group Limited

### Report on the financial report

We have audited the accompanying financial report of Forest Place Group Limited ("FPG") which comprises the balance sheet as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising FPG and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

The directors of FPG are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



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### Opinion

In our opinion:

- a. the financial report of Forest Place Group Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

### Report on the remuneration report

We have audited the Remuneration Report included in pages 7 to 10 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Opinion

In our opinion, the Remuneration Report of Forest Place Group Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

  
Ernst & Young  
  
Douglas Bain  
Partner  
Sydney  
25 August 2011

## SHAREHOLDER INFORMATION

The information set out below was prepared as at 13 September 2011.

### (a) Class of Shares and Voting Rights

There are currently 148 holders of Ordinary shares of the Company. The voting rights attaching to the Ordinary shares set out in article 13.2 of the Company's Constitution are:

- (i) on a show of hands, each natural person present at a General Meeting who is a voting member or a proxy (other than a person who is present only as one of two proxies appointed by the same member), representative or attorney appointed by a voting member has one vote; and
- (ii) on a poll, each natural person present at a General Meeting has the number of votes calculated as the aggregate of the following:
  - (a) the number of fully paid shares held by the person;
  - (b) the number of fully paid shares in respect of which voting members holding those shares have appointed the person as proxy, representative or attorney.

There are no partly paid shares on issue in the Company.

### (b) Distribution of Shareholders

Category	Number of Shareholders	Number of Shares	Percentage of Total Shares
1 - 1,000	34	9,993	0.01
1,001 - 5,000	50	139,852	0.17
5,001 - 10,000	27	189,087	0.23
10,001 - 100,000	25	590,117	0.72
100,001 and over	12	81,649,460	98.88
	148	82,578,509	100.0

There were 23 shareholders holding less than a marketable parcel of securities as at 13 September 2011. They hold a total of 2,597 ordinary shares.

### (c) Substantial Shareholders

The name and number of shares held by substantial shareholders with a relevant interest in the Company, as disclosed in substantial holder notices received by the Company and advised to the Australian Securities Exchange, are:

Shareholder	Ordinary Shares
FKP Limited	70,541,782
Stockland Retirement Pty Ltd <sup>1</sup>	16,433,123
Mr John Patrick O'Shea and Mr Peter Joseph O'Shea	9,712,053

<sup>1</sup> Stockland Retirement Pty Limited does not hold a direct interest in any shares of the Company. In accordance with a Subscription Agreement dated 15 October 2008 between FKP Limited and Stockland Retirement Pty Limited, Stockland Retirement Pty Ltd has a first right of refusal over 19.9% of the shares held by FKP Limited in the Company, resulting in a relevant interest in 16,433,123 ordinary shares in the Company pursuant to section 608 of the *Corporations Act 2001* (Cth).

**(d) Largest Twenty Shareholders**

NAME	Number of Shares Held	Percentage of Total Shares
1. FKP Limited	70,541,782	85.42
2. Mr John Patrick O'Shea & Mr Peter Joseph O'Shea	4,449,460	5.39
3. Mr Peter Joseph O'Shea	2,406,213	2.91
4. Margonna Pty Ltd	802,784	0.97
5. Mr John Patrick O'Shea & Mr Peter Joseph O'Shea	652,271	0.79
6. Movius Pty Ltd	650,000	0.79
7. Amaka Pty Limited	620,000	0.75
8. Ribbet Pty Ltd	600,000	0.73
9. White Booyong Pty Ltd	500,000	0.61
10. Mr Brian Maurice Kearney & Mrs Mirella Ughetta Dorica Kearney	276,950	0.34
11. White Booyong Pty Ltd <Black Booyong Superfund A/C>	150,000	0.18
12. Honan Business Services Pty Limited	50,000	0.06
13. Mr Kenneth Edward White & Mrs Mary Patricia White	48,894	0.06
14. Mr Michael William Kearney & Mrs Margaret Mary Kearney	43,778	0.05
15. Mr Phillip Dickinson	40,000	0.05
16. Mr Dong Rong Lun	38,894	0.05
17. Mrs Susan May Ashton	34,903	0.04
18. Investment and Money Management Pty Ltd	33,068	0.04
19. Thirty Fifth Valdera Pty Ltd	28,132	0.03
20. Mr John Kerry Prickett	27,000	0.03
	<b>81,994,129</b>	<b>99.29</b>

The total number of shares on issue as at 13 September 2011 was 82,578,509.

**(e) On-market Buy Back**

There is no current on-market buy back.

**(f) Securities Exchange**

The ordinary shares of Forest Place Group Limited are listed on the Australian Securities Exchange (ASX code: FPG).

**(g) Shareholder Enquiries**

Shareholders with enquiries about their holding should contact the Forest Place Group Limited Share Registry as follows:

Link Market Services Limited  
Locked Bag A14  
SYDNEY SOUTH NSW 1235  
Ph: + 61 2 8280 7454 Fax: + 61 2 9287 0303  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

Enquiries of a general nature should be directed to the Company Secretary on +61 7 3319 3630.

**(h) Annual Report**

Shareholders have a choice as to whether or not they receive the annual report. If you do not wish to receive the annual report please advise the Share Registry in writing. These shareholders will continue to receive all other shareholder information. The Annual report together with all significant announcements made by the Company to the ASX, are available on the Forest Place Group website at [www.forestplace.com.au](http://www.forestplace.com.au).