



# Forest Place Group Limited

(consisting of Forest Place Group Limited ABN 75 061 421 565 and its controlled entities)

Appendix 4D and  
Financial Report  
for the half year ended  
31 December 2010

This half year financial report constitutes the Appendix 4D prepared in accordance with the Australian Securities Exchange Listing Rules and the half year financial report in accordance with the *Corporations Act 2001*. This report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial report for the year ended 30 June 2010 and any public announcements made by FPG in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

# Forest Place Group Limited

## Appendix 4D for the half year ended 31<sup>st</sup> December 2010

### 1. Company Details and Reporting Period

Name of Entity and ABN:	FOREST PLACE GROUP LIMITED ABN 75 061 421 565
Reporting Period:	31 December 2010
Previous Corresponding Period:	31 December 2009

### 2. Results for Announcement to the Market

				\$'000
Revenue from ordinary activities	Down	0.6%	to	8,907
Profit after income tax expense attributable to the members	Down	0.5%	to	13,445

Dividends (Distributions)	Amount Per Security	Franked Amount Per Security	Total Dividend Payable
Interim dividend	2.20 c	2.20 c	\$1.817m
Previous corresponding period	0.00 c	0.00 c	-
Record date for determining entitlements to the dividends (if any)	14 March 2011		
Payment date for dividend	31 March 2011		

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:  
Refer to Directors Report on Page 4 of the Financial Report for the Half-Year Ended 31 December 2010.

### 3. Statement of Comprehensive Income with Notes to the Statement

Refer to Page 7 of the Financial Report for the Half-Year Ended 31 December 2010 and Accompanying Notes.

### 4. Balance Sheet with Notes to the Statement

Refer to Page 8 of the Financial Report for the Half-Year Ended 31 December 2010 and Accompanying Notes.

### 5. Cash Flow Statement with Notes to the Statement

Refer to Page 10 of the Financial Report for the Half-Year Ended 31 December 2010 and Accompanying Notes.

### 6. Dividends / Distributions

Refer to Page 14 of the Financial Report for the Half-Year Ended 31 December 2010 and Accompanying Notes.

### 7. Dividend / Distribution Reinvestment Plan (DRP)

N/A.

### 8. Net Tangible Assets (NTA) Per Security

	31 December 2010	30 June 2010
NTA per share	\$2.77	\$2.66

**9. Entities Over Which Control has Been Gained or Lost During the Period**

Historically, the Cleveland and Clayfield Syndicates 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. Refer to Page 14 of the Financial Report for the Half-Year Ended 31 December 2010 and Accompanying Notes for further details.

**10. Associates and Joint Venture Entities**

With reference to Note 9 above, there are no associates or joint ventures recognised and accounted for as at 31 December 2010. Refer to Page 14 of the Financial Report for the Half-Year Ended 31 December 2010 and Accompanying Notes for further details.

**11. Commentary on the Results for the Period**

Refer to the Directors' Report on Page 4 of the Financial Report for the Half-Year Ended 31 December 2010.

**12. Status of Audit / Review**

The attached Financial Report for the Half-Year Ended 31 December 2010 has been reviewed.

**13. Dispute or Qualifications if Audited**

Not applicable.



**P D McNamara**  
Company Secretary  
24 February 2011

The Directors present their Report together with the Consolidated Financial Statements of Forest Place Group Limited and its Controlled Entities (together 'Consolidated Entity') for the half-year ended 31 December 2010 and the Independent Auditor's Review Report thereon.

## DIRECTORS

The Directors of Forest Place Group Limited during the half-year and until the date of this Report are:

I L Fraser	Independent Non-Executive Chairman
D C Mackenzie	Independent Non-Executive Director
J M Laboo	Executive Director
G E Grady	Executive Director
P Parker	Non-Executive Director

All Directors shown were in office from the beginning of the half-year until the date of this Report, unless otherwise stated.

## REVIEW AND RESULTS OF OPERATIONS

### Consolidated Result

The consolidated profit for the half-year ended 31 December 2010 attributable to the members of Forest Place Group Limited was:

	31 December 2010 \$'000	31 December 2009 \$'000
Profit before income tax	18,793	19,310
Income tax expense	(3,144)	(5,793)
<b>Profit after income tax</b>	<b>15,649</b>	<b>13,517</b>
Less: profit attributable to non-controlling interests	(2,204)	-
<b>Profit attributable to the Owners of Forest Place Group Limited</b>	<b>13,445</b>	<b>13,517</b>

### Revenue

Income for the period comprised the following:

	31 December 2010 \$'000	31 December 2009 \$'000	Change \$'000	Change %
Rendering of services	1,602	1,550	52	3.4
Deferred management fee	6,891	6,385	506	7.9
Syndicate fees	-	789	(789)	(100.0)
<b>Operating revenue</b>	<b>8,493</b>	<b>8,724</b>	<b>(231)</b>	<b>0.3</b>
Other income	414	235	179	76.2
<b>Total revenue</b>	<b>8,907</b>	<b>8,959</b>	<b>(52)</b>	<b>0.6</b>

### Retirement Villages

Total revenue for the retirement villages (excluding fair value changes) was \$8.907m for the period (2009: \$8.959m). In addition, the fair value of the retirement villages increased by \$14.399m compared to \$17.519m in the prior comparable period. A discount rate of 12.5% has been used to determine the fair value of the investment properties (December 2009: 12.5%, June 2010: 12.5%). In assessing the appropriate rate, the Board has taken into account pricing of transactions within the sector in the last twelve months, the published views of professional firms and the size, location and quality of the Consolidated Entity's villages.

During the period under review, the Consolidated Entity leased or re-leased 55 accommodation units in its owned retirement villages. There were 3 leases of new units and 52 re-leases of existing units compared to 3 leases and 56 re-leases in the prior comparable period.

### 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 half year ended 31 December 2010 as a result of the Cleveland and Clayfield Syndicates being consolidated as part of the Consolidated Entity during the period. Refer to Note 5 of the 31 December 2010 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 remained materially consistent with that earned in the prior period.

### 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.

### **Operations**

The Consolidated Entity controls 1,241 units under lease at its five owned villages and has ongoing development plans involving a further 185 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.

### **Current Assets and Current Liabilities**

The Balance Sheet of the Consolidated Entity discloses total current assets of \$10.665m and current liabilities of \$281.115m. 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 twelve months after the reporting period. In practice, the rate at which the Consolidated Entity's retirements' 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 \$254.955m, only \$24.442m is expected to be paid within the next twelve months. Further, if this amount was repayable, it is estimated that incoming contributions of more than \$45.006m 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 \$245.150m at 31 December 2010;
- The Consolidated Entity's forecast profitability and cash flows;
- The Consolidated Entity complied at all times during 2010 with its debt covenant obligations and there are reasonable grounds to believe that it will continue to do so in 2011.

### **Outlook**

Forest Place has an excellent base of leased accommodation units and while ongoing development activities are planned for Albany Creek, Durack South and the syndicated villages at Cleveland and Clayfield, these are still subject to feasibility reviews by the Board.

### **Impact of floods in Queensland**

The Company's assets and operations at Taringa and Durack were affected by the recent flooding in Queensland. While the full assessment of the damage caused by the flooding has not been completed, there are reasonable grounds to believe that there will not be any material impact on the Consolidated Entity's profit and assets arising from any losses as all properties retain insurance cover for property damage and business interruption.

### **DIVIDENDS**

A dividend of 2.2 cents per share was declared post 31 December 2010, attributable to the half year ended 31 December 2010. The dividend is fully franked and is expected to be paid to shareholders on 31 March 2011. The record date for entitlement to the dividend is 14 March 2011.

### **ROUNDING**

The amounts contained in this Report and in the Half-Year Financial Report are presented in Australian dollars and all values have been rounded off to the nearest one thousand dollars in accordance with ASIC Class Order 98/100, unless otherwise indicated.

### **AUDITOR'S INDEPENDENCE DECLARATION**

We confirm that we have obtained an Independence Declaration from our Auditor which is set out on Page 6.

Signed in accordance with a resolution of the Directors:



**D C Mackenzie**  
Director

Dated at Brisbane this 24<sup>th</sup> day of February 2011.



**ERNST & YOUNG**

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

In relation to our review of the financial report of Forest Place Group Limited for the half year ended 31 December 2010, 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.*

**Ernst & Young**

**Douglas Bain**  
Partner  
Sydney

Dated at Sydney this 24<sup>th</sup> day of February 2011

	Note	Consolidated Entity	
		31 December 2010 \$'000	31 December 2009 \$'000
Rendering of services		1,602	1,550
Deferred management fee		6,891	6,385
Syndicate fees	5	-	789
<b>Revenue</b>		<b>8,493</b>	<b>8,724</b>
Change in fair value of investment properties	5	14,399	17,519
Change in fair value of resident loans	7	(856)	(5,458)
Other income		414	235
Corporate and overheads		(1,343)	(1,067)
Sales and marketing expenses		(690)	(781)
Residential aged care facility operating costs		(1,282)	(768)
Other expenses		(56)	-
Finance costs		(286)	(387)
Share of net profits of associates accounted for using the equity method	5	-	1,293
<b>Profit Before Income Tax Expense</b>		<b>18,793</b>	<b>19,310</b>
Income tax expense		(3,144)	(5,793)
<b>Profit After Income Tax Expense</b>		<b>15,649</b>	<b>13,517</b>
<b>Other comprehensive income</b>			
Syndicate put options	5	(5,509)	-
<b>Total other comprehensive income</b>		<b>(5,509)</b>	<b>-</b>
<b>Profit for the period is attributable to:</b>			
Non-controlling interests		2,204	-
Owners of Forest Place Group Limited		13,445	13,517
		<b>15,649</b>	<b>13,517</b>
<b>Total Comprehensive income for the period is attributable to:</b>			
Non-controlling interests		2,204	-
Owners of Forest Place Group Limited		7,936	13,517
		<b>10,140</b>	<b>13,517</b>
<b>Earnings per Share attributable to the ordinary equity holders of the Parent:</b>			
Basic earnings per share		16.28 cents	16.37 cents
Diluted earnings per share		16.28 cents	16.37 cents

	Note	Consolidated Entity	
		31 December 2010 \$'000	30 June 2010 \$'000
<b>Current assets</b>			
Cash and cash equivalents		3,446	3,862
Trade and other receivables		5,698	14,710
Other financial assets		1,451	1,586
Other assets		70	264
<b>Total current assets</b>		<b>10,665</b>	<b>20,422</b>
<b>Non-current assets</b>			
Investment properties	5	620,089	466,755
Equity-accounted investments	5	-	27,705
Property, plant and equipment		610	636
Intangible assets		253	253
Other financial assets		3,264	3,861
<b>Total non-current assets</b>		<b>624,216</b>	<b>499,210</b>
<b>Total assets</b>		<b>634,881</b>	<b>519,632</b>
<b>Current liabilities</b>			
Trade and other payables		5,412	2,494
Interest bearing loans and borrowings		14	43
Resident loans	5	254,955	184,730
Unearned income		19,172	12,123
Provisions		111	102
Provision for income tax		-	-
Other financial liabilities		1,451	1,586
<b>Total current liabilities</b>		<b>281,115</b>	<b>201,078</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings		6,329	4,707
Deferred tax liabilities		93,477	90,333
Provisions		37	41
Other financial liabilities		8,773	3,861
<b>Total non-current liabilities</b>		<b>108,616</b>	<b>98,942</b>
<b>Total liabilities</b>		<b>389,731</b>	<b>300,020</b>
<b>Net assets</b>		<b>245,150</b>	<b>219,612</b>
<b>Equity</b>			
Contributed equity		56,605	56,605
Reserves		(5,509)	-
Retained profits		177,363	163,007
<b>Total equity attributable to the Owners of the Company</b>		<b>228,459</b>	<b>219,612</b>
Equity attributable to non-controlling interests		16,691	-
<b>Total equity</b>		<b>245,150</b>	<b>219,612</b>

The Consolidated Balance Sheet is to be read in conjunction with the accompanying Notes to the Half-Year Financial Report set out on pages 11 to 14.

	Note	Attributable to Equityholders of Forest Place Group Limited				Non-controlling Interest \$'000	Total Equity \$'000
		Share Capital \$'000	Retained Earnings \$'000	Reserves \$'000	Sub Total \$'000		
<b>Balance at 1 July 2009</b>		56,605	144,993	-	201,598	-	201,598
<i>Comprehensive income:</i>							
Profit for the period		-	13,517	-	13,517	-	13,517
Other comprehensive income		-	-	-	-	-	-
<b>Total Comprehensive Income</b>		<b>-</b>	<b>13,517</b>	<b>-</b>	<b>13,517</b>	<b>-</b>	<b>13,517</b>
<i>Other transactions with owners in their capacity as owners:</i>							
Dividends and distributions provided for		-	-	-	-	-	-
<b>Total Transactions with Owners</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 December 2009</b>		<b>56,605</b>	<b>158,510</b>	<b>-</b>	<b>215,115</b>	<b>-</b>	<b>215,115</b>
<b>Balance at 1 July 2010</b>		56,605	163,007	-	219,612	-	219,612
<i>Comprehensive income:</i>							
Profit for the period		-	13,445	-	13,445	2,204	15,649
Other comprehensive income	5	-	-	(5,509)	(5,509)	-	(5,509)
<b>Total Comprehensive Income</b>		<b>-</b>	<b>13,445</b>	<b>(5,509)</b>	<b>7,936</b>	<b>2,204</b>	<b>10,140</b>
<i>Other transactions with owners in their capacity as owners:</i>							
Dividends and distributions provided for	4	-	-	-	-	-	-
Non-controlling interests on consolidation of syndicates	5	-	911	-	911	14,487	15,398
<b>Total Transactions with Owners</b>		<b>-</b>	<b>911</b>	<b>-</b>	<b>911</b>	<b>14,487</b>	<b>15,398</b>
<b>Balance at 31 December 2010</b>		<b>56,605</b>	<b>177,363</b>	<b>(5,509)</b>	<b>228,459</b>	<b>16,691</b>	<b>245,150</b>

	<b>Consolidated Entity</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities:</b>		
Cash receipts in the course of operations	11,112	9,711
Cash payments in the course of operations	(2,799)	(2,127)
Interest received	75	40
GST recovered	4	142
Income tax paid	-	-
Borrowing costs paid	(286)	(387)
<b>Net cash provided by operating activities</b>	<b>8,106</b>	<b>7,379</b>
<b>Cash flows from investing activities:</b>		
Payments for property plant and equipment	(612)	(2)
Payments for investment properties	(3,152)	(711)
Payment for investment in syndicates	(732)	(665)
Cash acquired on consolidation of syndicates	928	-
<b>Net cash used in investing activities</b>	<b>(3,568)</b>	<b>(1,378)</b>
<b>Cash flows from financing activities:</b>		
Finance lease payments	(36)	(16)
Proceeds from interest bearing loans and borrowings	-	25
Repayment of interest bearing loans and borrowings	(4,918)	-
<b>Net cash (used in) / provided by financing activities</b>	<b>(4,954)</b>	<b>9</b>
Net increase / (decrease) in cash and cash equivalents	(416)	6,010
Cash and cash equivalents at beginning of financial period	3,862	2,982
<b>Cash and cash equivalents at end of financial period</b>	<b>3,446</b>	<b>8,992</b>

## 1. STATEMENT OF ACCOUNTING POLICIES

Forest Place Group Limited is a company domiciled and incorporated in Australia and limited by shares. The Financial Report for the half-year ended 31 December 2010 consists of the Financial Statements of Forest Place Group Limited and its Controlled Entities (together 'Consolidated Entity'). The shares of Forest Place Group Limited are traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Consolidated Entity are described in Note 2.

The Half-Year Financial Report of the Consolidated Entity was authorised for issue by the Directors on 24 February 2011.

The significant accounting policies which have been adopted in the preparation of the Half-Year Financial Report are:

### (a) Basis of Preparation

This general purpose interim financial report for the half-year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*.

This Half-Year Financial Report does not include all of the information required for a full Annual Financial Report. Accordingly this Report is to be read in conjunction with the Annual Financial Report for the year ended 30 June 2010 and any public announcements made by Forest Place Group Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

Other than as detailed in Note 5, the half-year financial statements have been prepared using the same accounting policies and methods of computation as used in the annual financial statements for the year ended 30 June 2010.

For the purpose of preparing the half-year Consolidated Entity's financial statements, the half-year has been treated as a discrete reporting period.

### (b) Current Assets and Current Liabilities

The Balance Sheet of the Consolidated Entity discloses total current assets of \$10.665m and current liabilities of \$281.115m. 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 twelve months after the reporting period. In practice, the rate at which the Consolidated Entity's retirements' 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 \$254.955m, only \$24.442m is expected to be paid within the next twelve months. Further, if this amount was repayable, it is estimated that incoming contributions of more than \$45.006m 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 \$245.150m at 31 December 2010;
- The Consolidated Entity's forecast profitability and cash flows;
- The Consolidated Entity complied at all times during 2010 with its debt covenant obligations and there are reasonable grounds to believe that it will continue to do so in 2011.

### (c) New Accounting Standards and Interpretations

There were no new Standards or 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 group.

### (d) Accounting estimates and uncertainty

Estimates and judgments 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 Consolidated Entity makes estimates and assumptions concerning the future.

In preparing this consolidated half year financial report, other than as detailed in Note 5, the significant judgments made by the Directors in applying the Consolidated Entity's accounting policies and the key sources of estimation, were the same as those that applied to the Consolidated Financial Report of Forest Place Group Limited as at and for the year ended 30 June 2010.

## 2. SEGMENT INFORMATION

### (a) Reportable Segments

The Consolidated Entity comprises the following main business segments, based on its management reporting systems:

Retirement Villages	Management of retirement villages.
Residential Aged Care Facilities	Management of residential aged care facilities

### (b) Segment Revenues and Results

The following is an analysis of the consolidated entity's revenue and results by reportable operating segments for the periods under review:

31 December 2010	Residential Aged Care Facilities \$'000	Retirement Villages \$'000	Consolidated Entity \$'000
<b>Revenue:</b>			
Revenue from outside the Consolidated Entity	926	7,981	8,907
<b>Total Segment Revenue<sup>1</sup></b>			<b>8,907</b>
<b>Result:</b>			
Segment result including changes in fair value	57	18,736	18,793
Profit from ordinary activities before income tax expense			18,793
Income tax expense			(3,144)
<b>Net Profit After Income Tax Expense</b>			<b>15,649</b>
Less: profit attributable to non-controlling interests			(2,204)
<b>Net Profit After Income Tax Attributable to Equity Holders of the Parent</b>			<b>13,445</b>
Depreciation and amortisation	26	10	36
<b>31 December 2009</b>			
	<b>Residential Aged Care Facilities \$'000</b>	<b>Retirement Villages \$'000</b>	<b>Consolidated Entity \$'000</b>
<b>Revenue:</b>			
Revenue from outside the Consolidated Entity <sup>2</sup>	833	8,126	8,959
<b>Total Segment Revenue<sup>1</sup></b>			<b>8,959</b>
<b>Result:</b>			
Segment result including changes in fair value	(20)	18,037	18,017
Share of net profit of equity-accounted investments			1,293
Profit from ordinary activities before income tax expense			19,310
Income tax expense			(5,793)
<b>Net Profit</b>			<b>13,517</b>
Depreciation and amortisation	21	21	42

<sup>1</sup> Segment revenue from ordinary activities represents an aggregation of income from rendering of services, deferred management fee, syndicate fees and other income. Each of these represents a separate line item on the face of the statement of comprehensive income.

<sup>2</sup> Segment revenue for comparative half year, has been adjusted to align with the change in the disclosure of deferred management fees. Previously, this was included in revenue from rendering of services. This balance is now disclosed within the change in fair value of resident loans financial statement line item. Thus, comparative balances have been adjusted to achieve year on year consistency. Refer to Note 7 for further details.

## 2. SEGMENT INFORMATION (CONTINUED)

### (c) Segment Balance Sheet

31 December 2010

	Residential Aged Care Facilities \$'000	Retirement Villages \$'000	Consolidated Entity \$'000
<b>Assets:</b>			
Segment assets	1,822	633,059	634,881
<b>Consolidated Total Assets</b>			<b>634,881</b>
<b>Liabilities:</b>			
Segment liabilities	1,025	388,706	389,731
<b>Consolidated Total Liabilities</b>			<b>389,731</b>

Acquisition of property, plant and equipment

10 602 612

30 June 2010

	Residential Aged Care Facilities \$'000	Retirement Villages \$'000	Consolidated Entity \$'000
<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	297,617	300,020
<b>Consolidated Total Liabilities</b>			<b>300,020</b>

Acquisition of property, plant and equipment

16 3,083 3,099

### (d) Geographical Segments

The Consolidated Entity operates solely in Australia.

## 3. CONTRIBUTED EQUITY

	31 December 2010 Number of Securities	30 June 2010	31 December 2010 \$'000	30 June 2010 \$'000
Issued Capital (No Par Value)	82,578,509	82,578,509	56,605	56,605

There was no movement in contributed equity during the year (30 June 2010: nil).

### (a) Capital Management

When managing capital, being fully paid ordinary shares, Management's objective is to ensure that the Consolidated Entity continues as a going concern as well as to maintain optimal returns to its shareholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available.

Under a new Dividend and Gearing policy announced in December 2010, the Consolidated Entity intends to distribute 40-60% of Realised Underlying Profit from 1 July 2010 with the non-cash component of any retirement revaluation to be excluded from the base. The new policy will seek to balance the Group's recurring income with proposed development plans for the Albany Creek, Durack and Clayfield Villages.

As part of its capital management review, the Board has also agreed to adopt a formal gearing policy with a target maximum gearing level of 35%. This will introduce further discipline while still allowing the flexibility needed for the successful execution of growth targets.

Management has no current plans to issue further shares to the market. The Consolidated Entity is not subject to any externally imposed capital requirements.

#### 4. DIVIDENDS AND DISTRIBUTIONS

A dividend of 2.2 cents per share was declared post 31 December 2010, attributable to the half year ended 31 December 2010. The dividend is fully franked and is expected to be paid to shareholders on 31 March 2011. The record date for determining entitlement to the dividend is 14 March 2011.

#### 5. CONSOLIDATION OF SYNDICATES

##### *Cleveland and Clayfield Syndicates*

Historically, the Cleveland and Clayfield Syndicates 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 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 \$5.509m taken to equity reserves.

Investment properties increased by \$153.334m on prior period, \$135.182m of which was attributable to the consolidation of the syndicates. The increase in investment properties on prior period also included a \$7.023m fair value uplift from 30 June 2010 attributable to the syndicates.

Resident Loans increased by \$70.225m on prior period, \$69.110m of which was attributable to the consolidation of the syndicates. The increase in resident loans on prior period also included a \$0.417m fair value uplift from 30 June 2010.

#### 6. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

##### (a) Guarantees

Adelaide Bank a Division of Bendigo and Adelaide Bank Limited, on behalf of the Consolidated Entity, has provided guarantees of \$0.010m 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.

#### 7. DISCLOSURE OF DEFERRED INCOME AND ACCRUED DEFERRED MANAGEMENT FEES

The Consolidated Entity previously disclosed the period movement in the net balance of deferred income and accrued deferred management fees as a single entry within the deferred management fees component of 'Revenue from rendering of services' in the Consolidated Statement of Comprehensive Income. The net movement is now offset against 'Change in fair value of resident loans' in the Consolidated Statement of Comprehensive Income to better reflect the nature of these amounts and to make the period movement in valuation more transparent.

	31 December 2010 \$'000	31 December 2009 \$'000
Change in value of resident obligations <sup>1</sup>	42	1,877
Change in value of accrued deferred management fees <sup>2</sup>	814	3,581
<b>Total change in fair value of resident loans</b>	<b>856</b>	<b>5,458</b>

<sup>1</sup> Resident obligations represent the principal amount of the resident loans less unearned income, plus the resident's share of any increase in the market value of the underlying property at balance date.

<sup>2</sup> Previously disclosed as 'Revenue from rendering of services' in the Statement of Comprehensive Income.

#### 8. SUBSEQUENT EVENTS

There has not arisen any item, transaction or event of a material or unusual nature in the interval between the end of the current half year and the date of this report which, in the opinion of the Directors, is likely to affect significantly the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in future financial years.

The Directors of Forest Place Group Limited declare that they are of the opinion that:

- (a) the Financial Statements and Notes of Forest Place Group Limited and its Controlled Entities are in accordance with the *Corporations Act 2001*, including that they:
  - (i) comply with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Regulations 2001*; and
  - (ii) give a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date of Forest Place Group Limited and its Controlled Entities;
- (b) at the date of this Statement 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.

Dated at Brisbane this 24<sup>th</sup> day of February 2011.

Signed in accordance with a resolution of the Directors:



**D C Mackenzie**  
Director



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## Independent review report to members of Forest Place Group Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Forest Place Group Limited (FPG), which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated group comprising FPG and the entities it controlled at the half-year end or from time to time during the half-year.

#### *Directors' Responsibility for the Half-year Financial Report*

The directors of FPG are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated group's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Forest Place Group Limited and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of FPG a written Auditor's Independence Declaration.

#### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Forest Place Group Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated group's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in dark ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in dark ink that appears to read 'Douglas Bain'.

Douglas Bain  
Partner  
Sydney  
24 February 2011