



Forest Place Group Limited

ABN 75 061 421 565

and its Controlled Entities

Half-Year Financial Report 31 December 2008

Directors' Report for the Half-Year Ended 31 December 2008

The Directors present their Report together with the Consolidated Financial Statements of Forest Place Group Limited ('Company') and its Controlled Entities ('Consolidated Entity') for the half-year ended 31 December 2008 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
P Parker	Non-Executive Director
M A Miller	Non-Executive Director (Resigned 28 November 2008)

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

The consolidated profit for the half-year ended 31 December 2008 attributable to the members of Forest Place Group Limited was:

	31 December 2008 \$'000	31 December 2007 \$'000
Profit before income tax	6,181	19,237
Income tax expense	(1,789)	(5,778)
Profit Attributable to the Company	4,392	13,459

This represents a decrease in profit after tax of 67.3% over the previous corresponding period.

Revenue (excluding fair value changes) was \$4.575m for the period (2007: \$4.700m). In addition, the revenue generated by the fair value increase in investment properties was \$4.373m, compared to \$17.501m in the prior comparable period. A discount rate of 12.0% (2007: 11.5%) has been used in determining the fair value of the investment properties. In assessing the appropriate rate, the Board has taken into account pricing of transactions within the sector in the last six months, the published views of valuers and 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 33 accommodation units in its owned retirement villages. There were 3 leases of new units and 30 re-lease units. This compares with leases and re-leases in the corresponding prior period of 12 and 50 respectively. The decrease in re-leases has resulted in reduced operating revenue.

Development

At the Albany Creek village, the development of Stage 7 including 16 new self-contained units was completed during the period. Sell-down for this stage commenced in December with 3 sales achieved in that month.

Current Assets and Current Liabilities

The Balance Sheet of the Consolidated Entity discloses total current assets of \$21.163m and current liabilities of \$201.516m. At face value, this would appear to indicate short-term pressures on the cash flow of the Consolidated Entity. However, this arises because of the requirement under Australian Accounting Standards to classify resident loans, in full, as a current liability, whereas the asset to which this relates, investment properties, is required to be classified as a non-current asset. 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.

The Consolidated Entity's best estimate is that of the total resident loans of \$173.438m, only \$15.940m 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 \$28.003m 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.

Included in current liabilities is \$11.879m of interest bearing debt maturing on 15 December 2009. 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 \$200.3m at 31 December 2008;
- The Consolidated Entity's forecast profitability and cash flows;
- The Consolidated Entity complied at all times during 2008 with its debt covenant obligations and expects to continue to do so in 2009.

Bank Loan

Bank loans expire on 15 December 2009, at which time these loans are expected to be refinanced. The amounts have been disclosed as current interest bearing loans and borrowings in the Balance Sheet as at 31 December 2008.

Directors' Report for the Half-Year Ended 31 December 2008

Outlook

Forest Place has an excellent base of leased accommodation units. Although the number of leases and re-leases has decreased as a result of the current economic climate, deferred management fees achieved remain strong. Subject to finance being available, significant development opportunities remain at Albany Creek, Durack South and the syndicated villages at Cleveland and Clayfield. Feasibility studies are currently in progress for these developments.

DIVIDENDS

There were no dividends paid or declared by the Company.

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 3.

Signed in accordance with a resolution of the Directors:



D C Mackenzie
Director

Dated at Brisbane this 26th day of February 2009.



Chartered Accountants
& Business Advisers

Auditor's Independence Declaration

As lead auditor for the review of Forest Place Group Limited and its Controlled Entities for the half-year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Forest Place Group Limited and the entities it controlled during the half year.

PKF

K L Colyer
Partner

Dated: 26th February 2009
Brisbane

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Condensed Income Statement for the Half-Year Ended 31 December 2008

	Consolidated Entity	
	31 December 2008 \$'000	31 December 2007 \$'000
Rendering of services	1,506	1,688
Deferred management fee	2,392	1,960
Syndicate fees	551	1,050
Change in fair value of investment properties	4,373	17,501
Change in fair value of resident loans	85	(1,975)
Other income	126	2
Corporate and unallocated overheads	(1,414)	(1,227)
Sales and marketing expenses	(365)	(713)
Nursing home operating costs	(819)	(766)
Other expenses	(25)	-
Finance costs	(488)	(519)
Share of net profits of associates accounted for using the equity method	259	2,236
Profit Before Income Tax Expense	6,181	19,237
Income tax expense relating to ordinary activities	(1,789)	(5,778)
Net Profit from Continuing Operations Attributable to Members of the Company	4,392	13,459
Earnings per Share:		
Basic earnings per share	5.3 cents	16.3 cents
Diluted earnings per share	5.3 cents	16.3 cents

Condensed Balance Sheet as at 31 December 2008

	Note	Consolidated Entity	
		31 December	30 June
		2008 \$'000	2008 \$'000
Current Assets:			
Cash and cash equivalents		3,623	5,345
Trade and other receivables		14,344	12,371
Other financial assets		1,753	521
Tax receivables		1,323	-
Other		120	142
Total Current Assets		21,163	18,379
Non-Current Assets:			
Trade and other receivables		164	-
Investment properties		434,846	424,937
Equity-accounted investments	3(a)	24,877	22,931
Property, plant and equipment		2,802	4,709
Intangible assets		253	253
Total Non-Current Assets		462,942	452,830
Total Assets		484,105	471,209
Current Liabilities:			
Trade and other payables		7,339	4,053
Interest bearing loans and borrowings	1(b)	11,879	33
Resident loans		173,438	172,252
Unearned income		6,527	5,509
Current tax liabilities		-	3,891
Provisions		308	62
Other financial liabilities		2,025	834
Total Current Liabilities		201,516	186,634
Non-Current Liabilities:			
Interest bearing loans and borrowings		-	12,223
Deferred tax liabilities		82,049	76,368
Provisions		205	41
Total Non-Current Liabilities		82,254	88,632
Total Liabilities		283,770	275,266
Net Assets		200,335	195,943
Equity:			
Contributed equity		56,605	56,605
Retained profits		143,730	139,338
Total Equity		200,335	195,943

The Condensed Balance Sheet is to be read in conjunction with the accompanying Notes to the Half-Year Financial Report set out on page 8.

Condensed Statement of Changes in Equity for the Half-Year Ended 31 December 2008

	Consolidated Entity	
	31 December 2008 \$'000	30 June 2008 \$'000
Share Capital:		
Balance at beginning and end of period	56,605	56,605
Retained Earnings:		
Balance at beginning of period	139,338	108,363
Profit for the period	4,392	30,975
Balance at end of period	143,730	139,338
Total Equity at End of Period	200,335	195,943

The Condensed Statement of Changes in Equity is to be read in conjunction with the accompanying Notes to the Half-Year Financial Report set out on page 8.

Condensed Cash Flow Statement for the Half-Year Ended 31 December 2008

	Consolidated Entity	
	31 December	31 December
	2008 \$'000	2007 \$'000
Cash Flows from Operating Activities:		
Cash receipts in the course of operations	7,256	12,746
Cash payments in the course of operations	(2,695)	(4,975)
Interest received	126	2
GST recovered	274	26
Income tax paid	(1,322)	-
Borrowing costs paid	(488)	(665)
Net Cash Provided By / (Used In) Operating Activities	3,151	7,134
Cash Flows from Investing Activities:		
Payments for property plant and equipment	(3,668)	(22)
Payments for investment properties	-	(573)
Payment for investment in syndicates	(828)	(340)
Net Cash Provided By / (Used In) Investing Activities	(4,496)	(935)
Cash Flows from Financing Activities:		
Finance lease payments	(17)	(11)
Proceeds from interest bearing loans and borrowings	-	1,679
Repayment of interest bearing loans and borrowings	(360)	(2,681)
Net Cash Provided By / (Used In) Financing Activities	(377)	(1,013)
Net increase / (decrease) in cash and cash equivalents	(1,722)	5,186
Cash and cash equivalents at beginning of financial period	5,345	664
Cash and Cash Equivalents at End of Financial Period	3,623	5,850

The Condensed Cash Flow Statement is to be read in conjunction with the accompanying Notes to the Half-Year Financial Report set out on page 8.

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 2008 consists of the Financial Statements of Forest Place Group Limited ('Company') and its Controlled Entities ('Consolidated Entity'). The Company's shares 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 26 February 2009.

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 Financial Report for the interim half-year reporting period ended 31 December 2008 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 the notes of the type of normally included in an Annual Financial Report. Accordingly this Report is to be read in conjunction with the Annual Financial Report for the year ended 30 June 2008 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.

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 2008.

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) Bank Loans

The loan with Suncorp expires on 15 December 2009 and has been disclosed within current interest bearing loans and borrowings in the Balance Sheet as at 31 December 2008. It is expected that these loans will be refinanced upon expiration.

(c) Current Assets and Current Liabilities

The Balance Sheet of the Consolidated Entity discloses total current assets of \$21.163m and current liabilities of \$201.516m. At face value, this would appear to indicate short-term pressures on the cash flow of the Consolidated Entity. However, this arises because of the requirement under Australian Accounting Standards to classify resident loans, in full, as a current liability, whereas the asset, to which this relates, investment properties, is required to be classified as a non-current asset. 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.

The Consolidated Entity's best estimate is that of the total Resident Loans of \$173.438m, only \$15.940m 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 \$28.003m would be received from new residents. The Consolidated Entity has limited legal liability to pay outgoing residents prior to receiving funds from incoming residents.

Included in current liabilities is \$11.879m of interest bearing debt maturing on 15 December 2009. 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 \$200.3m at 31 December 2008;
- The Consolidated Entity's forecast profitability and cash flows;
- The Consolidated Entity complied at all times during 2008 with its debt covenant obligations and expects to continue to do so in 2009.

Notes to the Condensed Financial Statements for the Half-Year Ended 31 December 2008

2. SEGMENT INFORMATION

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

Retirement Villages	Management of retirement villages.
Nursing Homes	Management of nursing homes.

The Consolidated Entity operates solely in Australia.

	Nursing Homes \$'000	Retirement Villages \$'000	Consolidated Entity \$'000
31 December 2008			
Revenue:			
Revenue from outside the Consolidated Entity	800	3,649	4,449
Total Segment Revenue			4,449
Other unallocated revenue			126
Revenue from Ordinary Activities			4,575
Result:			
Segment result including changes in fair value	(19)	5,941	5,922
Share of net profit of equity-accounted investments			259
Profit from ordinary activities before income tax expense			6,181
Income tax expense			(1,789)
Net Profit			4,392
Depreciation and amortisation	18	21	39

	Nursing Homes \$'000	Retirement Villages \$'000	Consolidated Entity \$'000
31 December 2007			
Revenue:			
Revenue from outside the Consolidated Entity	941	3,757	4,698
Total Segment Revenue			4,698
Other unallocated revenue			2
Revenue from Ordinary Activities			4,700
Result:			
Segment result including changes in fair value	175	16,826	17,001
Share of net profit of equity-accounted investments			2,236
Profit from ordinary activities before income tax expense			19,237
Income tax expense			(5,778)
Net Profit	-	-	13,459
Depreciation and amortisation	-	15	15

3. EQUITY-ACCOUNTED INVESTMENTS**(a) Carrying Amounts**

		Ownership Interest		Investment Carrying Amounts	
		31 December 2008 %	30 June 2008 %	31 December 2008 \$'000	30 June 2008 \$'000
Forest Place Cleveland Syndicate	Retirement village ²	70.00 ¹	70.00	13,242	12,042
Forest Place Clayfield Syndicate	Retirement village ²	49.47	46.40	11,635	10,889
				24,877	22,931

¹ The investment in the Forest Place Cleveland Syndicate has been treated as an investment in associate as the Consolidated Entity does not have the ability to make key financial and operating decisions as this requires unanimous agreement by all syndicate members, and precludes the Consolidated Entity from voting on matters benefiting the Consolidated Entity.

² Both syndicates were formed in Australia.

3. EQUITY-ACCOUNTED INVESTMENTS (continued)**(b) Movements in Carrying Amounts of Investments**

	6 Months to 31 December 2008 \$'000	Year Ended 30 June 2008 \$'000
Carrying amount of investment in syndicates at the beginning of financial year	22,931	19,604
Purchase of investment in syndicates	1,687	786
Share of net profit	259	2,541
Carrying Amount of Investments in Syndicates at End of Financial Period	24,877	22,931

(c) Summarised Financial Information of Syndicates

	31 December 2008 \$'000	30 June 2008 \$'000
<i>Consolidated Entity's share of:</i>		
Assets	75,744	72,999
Liabilities	50,867	50,068
Revenue	1,771	4,506
Profit	259	2,541

4. DIVIDENDS AND DISTRIBUTIONS

No dividends or distributions were declared or paid during the financial period.

5. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**(a) Guarantees**

Suncorp-Metway Limited, on behalf of the Consolidated Entity, has provided guarantees of \$0.82m 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.

(b) Put Options - Syndicates

As part of the syndicate arrangements for the Cleveland and Clayfield retirement villages, 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. A number of these options have been exercised by syndicate investors and have been recognised in the Balance Sheet. The net present value of the amounts which would be payable under the put options for the remaining shares if they were exercised by the investors of the Cleveland and Clayfield Syndicates at reporting date is as follows:

Cleveland Syndicate	3,544	4,214
Clayfield Syndicate	10,469	10,478

(c) Call Options - Syndicates

As part of the syndicate arrangements for the Cleveland and Clayfield retirement villages, the Consolidated Entity has a call option over the other shares in the syndicates, exercisable on completion of the villages. The net present value of the payments for the remaining shares under each call option if exercised by the Consolidated Entity at reporting date using a new Master Plan Development, are estimated as follows:

Cleveland Syndicate	2,412	2,747
Clayfield Syndicate	7,736	13,474

6. SUBSEQUENT EVENTS

Since 31 December 2008, there have been no events which have a material effect on the Consolidated Entity that have not already been reported in the current period.

Directors' Declaration

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

- (a) the Financial Statements and Notes of the 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 2008 and the performance for the half-year ended on that date of the 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 26th day of February 2009.

Signed in accordance with a resolution of the Directors:



D C Mackenzie
Director



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the 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, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2008.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim Financial Report 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 company's financial position as at 31 December 2008 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, 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*.

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 entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

PKF

K L Colyer
Partner

Dated: 26th February 2009
Brisbane

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