



Forest Place Group Limited

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

Appendix 4E and 2012 Financial Report

Forest Place Group Limited

Forest Place Group Limited ('Consolidated Entity') comprises Forest Place Group Limited ('Parent Entity') ABN 75 061 421 565 and its controlled entities.

Appendix 4E
for the year ended 30 June 2012
(previous corresponding period being the year ended 30 June 2011)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Profit after tax	\$'000	up/down	% movement
Revenue	20,896	up	3%
Loss after tax attributable to shareholders	(43,096)	down	221%

Dividend information	total dividend	amount per share	franked amount per share
Final dividend – payable 26 September 2012	\$3.141m	3.8 cps	-
Interim dividend – paid 30 March 2012	\$1.817m	2.2 cps	-
Total dividends	\$4.958m	6.0 cps	-

Previous corresponding period

Final dividend – paid 30 September 2011	\$3.133m	3.8 cps	1.6 cps
Interim dividend – paid 31 March 2011	\$1.817m	2.2 cps	2.2 cps
Total dividends	\$4.950m	6.0 cps	3.8 cps

The record date for determining entitlements to the final dividend is 12 September 2012. No dividend reinvestment plans are in operation with respect to the dividend.

Additional information	30 June 2012	30 June 2011
Net tangible assets ('NTA') per stapled security ¹	\$2.43	\$2.96
1. Attributable to shareholders, excluding non-controlling interests.		

Commentary on the results for the period can be found in the attached 2012 Directors' Report.

Additional Appendix 4E disclosure requirements can be found in the attached notes to the 2012 Consolidated Financial Statements.



Michael Shannon
Company Secretary

Brisbane
28 August 2012

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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 2012 and the Auditor's Report thereon.

DIRECTORS

The Directors of the Company during the whole of the financial year and until the date of this Report are as follows:

Director	Position	Period of directorship
G E Grady ¹	Executive Chairman	Full year
D C Mackenzie	Non-Executive Director	Full year
P Parker	Non-Executive Director	Full year
J M Laboo ²	Executive Director	Full year
I L Fraser	Non-Executive Director	Partial year – resigned 22 August 2011
M Palavidis	Non-Executive Director	Partial year – appointed 1 November 2011

1. G E Grady was appointed Alternate Director to J M Laboo effective 28 February 2012.
2. J M Laboo was appointed Alternate Director to G E Grady effective 28 February 2012.

Information on Directors

G E Grady BCom LLB (Hons) ACA
Executive Chairman (Age 53)

Mr Grady was appointed a Director on 27 May 2009 and was appointed Executive Chairman of the Board on 24 May 2011. He was also appointed an Alternate Director for J M Laboo on 28 February 2012. 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 and previously worked as a solicitor in conveyancing and general practice. Mr Grady was previously an Alternate Director of FKP Limited (December 2008 to March 2009).

D C Mackenzie FCA
Independent Non-Executive Director (Age 67)

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 predominately involved in manufacturing, mining, information technology and rural operations. Mr Mackenzie is also the Chairman of the Audit and Risk Management Committee (since March 2005), an Alternate Director (since October 2005) and Company Secretary (since November 2010) for Silver Chef Limited. He was previously a Director of OMI Holdings Limited (November 2004 to July 2010).

P Parker
Non-Executive Director (Age 66)

Mr Parker was appointed a Director on 21 April 2004. He was a founding Director of the ultimate holding Company, FKP Limited (July 1987 to February 2012), 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.

J M Laboo LLB BSc MBA
Executive Director (Age 39)

Mr Laboo was appointed a Director on 27 August 2007. He was also appointed an Alternate Director for G E Grady on 28 February 2012. 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 15 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.

M Palavidis BSc (Arch) B Arch
Independent Non-Executive Director (Age 50)

Mr Palavidis was appointed a Director and a member of the Audit Committee on 1 November 2011. Mr Palavidis is a qualified Architect from Sydney University and has extensive business experience. He has been involved in the significant growth of his consultancy practice, Acoustic Logic Group both in Australia and internationally. Mr Palavidis has experience in the retirement sector and is personally involved in major property developments in his own right. The combination of an architectural design background and experience in delivering pragmatic environmental solutions has led to him being sought as an adviser to a number of Australian and international publicly listed companies at board level.

DIRECTORS (CONTINUED)

Information on Directors (continued)

I L Fraser FCPA FAICD

Retired Non-Executive Director (Age 67)

Mr Fraser was appointed a Non-Executive Director on 27 November 2001 and resigned on 22 August 2011. He was the Non-Executive Chairman from 19 December 2001 until his resignation from the position on 24 May 2011. Mr Fraser's business experience spans some 40 years during which he has held a number of senior corporate positions including Managing Director Pioneer Sugar Mills Limited, Managing Director Clyde Industries Limited, Managing Director Australian Chemical Holding Limited and Managing Director TNT Australia Pty Ltd. Mr Fraser also has substantial international experience having lived and worked in South East Asia and the USA. Mr Fraser is currently a Non-Executive Director of PMP Limited (since April 2003), Structural Systems Limited (since May 2004) and Legend Corporation Limited (since January 2008). Previous Directorships held during the last three years include Wattyl Limited (appointed October 2006, resigned November 2008).

COMPANY SECRETARY

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 also 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 shares	
	2012	2011
G E Grady	-	-
D C Mackenzie	1,000	1,000
P Parker	-	-
J M Laboo	-	-
M Palavidis ¹	-	-
I L Fraser ²	-	1,000

1. M Palavidis was appointed Non-Executive Director on 1 November 2011.

2. I L Fraser resigned as Non-Executive 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:

	Board Meetings		Audit Committee Meetings		Contract Review Committee - Construction and Marketing Meetings	
	Held ¹	Attended ²	Held ¹	Attended ²	Held ¹	Attended ²
G E Grady	4	4	-	-	-	-
D C Mackenzie	4	4	4	4	2	2
P Parker	4	2	-	-	-	-
J M Laboo	4	3	-	-	-	-
M Palavidis ³	2	2	3	3	1	1
I L Fraser ⁴	-	-	1	1	1	1

1. Reflects the number of meetings held in the time the Director held office during the year.

2. Reflects the number of meetings attended by the Director or their Alternate.

3. Mr Palavidis was appointed Non-Executive Director on 1 November 2011.

4. Mr Fraser resigned as Non-Executive Director on 22 August 2011.

All Directors were eligible to attend all meetings held.

DIRECTORS' MEETINGS (CONTINUED)

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 Committee	Contract Review Committee
D C Mackenzie (Chair)	D C Mackenzie (Chair) ¹
M Palavidis ²	M Palavidis ²
I L Fraser ³	I L Fraser (Chair) ³

1. Mr Mackenzie was appointed Chair of the Contract Review Committee on 8 December 2011.
2. Mr Palavidis was appointed as member of the Audit Committee and the Contract Review Committee on 1 November 2011.
3. Mr Fraser resigned as member of the Audit Committee and Chair of the Contract Review Committee on 22 August 2011, in line with his resignation from the Board of Directors on 22 August 2011.

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 2012 attributable to shareholders of the Consolidated Entity was as follows:

	2012 \$'000	2011 \$'000
(Loss)/profit from continuing operations before income tax	(63,692)	54,925
Income tax benefit/(expense) relating to ordinary activities	18,491	(14,314)
Net (loss)/profit from continuing operations	(45,201)	40,611
Less: Net loss/(profit) attributable to non-controlling interests	2,105	(4,921)
Net (loss)/profit attributable to shareholders of the Consolidated Entity	(43,096)	35,690

The loss after tax attributable to shareholders for the year was \$43.096m (2011: profit \$35.690m), which represents a 221% decrease on the previous corresponding period. Loss per share during the year was 52.2 cents per share (2011: profit 43.2 cents per share). Net tangible assets at 30 June 2012 were \$2.43 per share (2011: \$2.96).

The loss of \$43.096m includes a decline in the fair value of the retirement portfolio due to the adoption of appropriate valuation assumptions in the context of current market conditions. In particular, the continued challenges facing the residential sector are directly impacting volumes and prices in the retirement business. While Management is confident that broader market conditions will return to longer term historical levels this may be a gradual process. The impact of the decline in the fair value of the retirement portfolio is reflected in the \$87.097m fair value adjustment to investment properties shown in Note 9 along with the increase of \$7.814m in resident loan and deferred revenue balances.

The key drivers of the decline in fair value relate to changes in assumptions in respect of subsequent resident turnover and long term prices. Subsequent resident turnover increased from 9 to 10 years while future price growth changed from 5% per annum to an average 3.5% over the first five years (range between 3% and 4%) and 4.5% from year six onwards.

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

Revenue from continuing operations

Revenue from continuing operations for the year was \$20.896m comprising:

	2012	2011	Change	Change
	\$'000	\$'000	\$'000	%
Deferred management fee	17,170	15,770	1,400	8.9
Services provided	1,052	1,088	(36)	(3.3)
Government grants	2,229	2,113	116	5.5
Interest	75	125	(50)	(40.0)
Other	370	1,195	(825)	(69.0)
Total revenue	20,896	20,291	605	3.0

Retirement village revenue

Revenue from retirement villages is largely comprised of deferred management fees ('DMF').

Services provided

Revenue from services provided mainly comprises fees from respite accommodation and the hostel care option. Revenue from such services decreased on the previous corresponding period.

Residential aged care facilities

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

During the year, the Consolidated Entity leased or re-leased 121 (2011: 102) accommodation units in its owned retirement villages, an improvement of 19% on the prior year. The Consolidated Entity achieved turnover of 9.6% against 8.3% in the prior year. The performance in the year was solid in light of the soft economic and residual market conditions.

The average price per re-lease during the year improved 16% on the prior year driving an improvement in the average DMF & CG per transaction of 12% on the prior year.

Another highlight during the year was the completion and leasing of new stock, with the first seven units within the Durack extension completed in June 2012 and 11 new units at Albany creek leased during the year. Village expansion is expected to continue with further development at Albany Creek, Durack, Cleveland and Clayfield (approximately 357 units).

The Consolidated Entity controls 1,272 units (2011: 1,241 units) under lease at its five owned villages (2011: five owned villages).

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 the lowest weighted average cost of capital available.

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 Consolidated Entity made an interim dividend of 2.2 cents per share (2011: 2.2 cents per share) and a final dividend of 3.8 cents per share (2011: 3.8 cents per share) was declared post 30 June 2012.

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

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

Going concern

The balance sheet of the Consolidated Entity discloses total current assets of \$18.274m and current liabilities of \$292.121m. 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 \$260.807m, only \$26.740m 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 \$46.441m 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.

After considering all available current information, the Directors have concluded 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. 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 \$214.478m at 30 June 2012;
- the Consolidated Entity's forecast profitability and cash flows; and
- the Consolidated Entity complied at all times during 2012 with its debt covenant obligations and there are reasonable grounds to believe that it will continue to do so in 2013.

DIVIDENDS

Dividends paid or declared by the Consolidated Entity for the year ended 30 June 2012 were as follows:

	Cents per security	Total amount \$'000	Date of payment
2012 Final dividend	3.8	3,141	26 September 2012
2012 Interim dividend	2.2	1,817	30 March 2012
2011 Final dividend	3.8	3,133	30 September 2011

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

A final dividend of 3.8 cents was declared post 30 June 2012, attributable to the year ended 30 June 2012. The dividend is unfranked and is expected to be paid to shareholders on 26 September 2012. The record date for determining entitlement to the dividend is 12 September 2012.

Other than as disclosed in this report, no other 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 the 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:

	2012 \$	2011 \$
Ernst & Young		
Other assurance services	-	25,000
	<u>-</u>	<u>25,000</u>

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 8.

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
28 August 2012



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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 2012, 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.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

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

Douglas Bain

Partner

28 August 2012

REMUNERATION REPORT

1. REMUNERATION FRAMEWORK

1.1 Definitions

EOP	Employee Option Plan subject to performance conditions
EOPS	Employee Option Plan subject to service period conditions
EPS	Earnings per Security
ESP	Employee Security Plan
KMP	Key Management Personnel: Those persons who, during the course of the year ended 30 June 2012, had the authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity, directly or indirectly, including any Director (whether executive or otherwise).
LTI	Long-Term Incentive: is largely equity-based compensation which provides KMP with securities or options, which may vest into FKP stapled securities dependent upon performance against defined conditions typically over a three year performance period.
NED	Non-Executive Director
STI	Short-Term Incentive: A 12 month incentive plan which provides cash awards for performance against key financial and non-financial targets during any one financial year.
TFR	Total Fixed Remuneration: The fixed component of remuneration which includes base pay, superannuation and salary packaged benefits.
TSR	Total Shareholder Return: Security price growth plus dividends notionally reinvested in securities, over the assessment period.
UPT	Underlying Profit after Tax: reflects statutory profit after tax, as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of FKP Limited (the ultimate parent entity of the Consolidated Entity) and its controlled entities and FKP Property Trust and its controlled entities ('FKP Consolidated Group'), in accordance with AICD/Finsia principles of recording underlying profit.

1.2 KMP Defined

The table below shows the name, position and period of employment for each KMP whose remuneration is disclosed in this report.

Non-Executive Directors	Position	Period of employment
D C Mackenzie	Non-Executive Director	Full Year
P Parker	Non-Executive Director	Full Year
M Palavidis	Non-Executive Director	Partial Year – appointed 1 November 2011
I L Fraser	Non-Executive Director	Partial Year – resigned 22 August 2011
Other KMP		
G E Grady	Executive Chairman	Full Year
J M Laboo	Executive Director	Full Year

The KMP (excluding Mr Mackenzie, Mr Palavidis, Mr Parker (effective 21 February 2012) and Mr Fraser) are not employed or remunerated by the Consolidated Entity. They are employed and remunerated by FKP Limited, the ultimate parent of the Consolidated Entity. Mr Parker was a Director of FKP Limited until his resignation from the FKP Board of Directors on 21 February 2012. Effective 21 February 2012, the Consolidated Entity remunerated Mr Parker directly for the position of Director of Forest Place Group Limited. 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 include consideration for services provided by the KMP to the Consolidated Entity. The combined remuneration of the KMP compensated by FKP Limited amounts to \$1,229,989 (2011: \$1,313,297).

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. For KMP remunerated by FKP Limited, 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' personnel and the overall performance of the Consolidated Entity, but rather the link is to the overall performance of FKP Limited.

1. REMUNERATION FRAMEWORK (CONTINUED)

1.3 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 remuneration levels being paid by competitors for similar positions; and
- the need to ensure continuity of executive talent and smooth succession planning.

1.4 Termination provisions

The following table provides details of the termination provisions for the KMP (excluding Non-Executive Directors) as identified in this report.

Name/role	Notice period	Payment in lieu of notice	Treatment of short term incentives (STI) on termination	Treatment of long term incentives (LTI) on termination
G E Grady, Executive Chairman	6 months	6 months	Pro-rated for time and performance, subject to Board discretion	Board discretion ¹
J M Laboo, Executive Director	3 months	3 months	Pro-rated for time and performance, subject to Board discretion	Board discretion ¹

1. In determining how an LTI is treated on cessation of employment the FKP Limited Board considers such factors as the duration of the performance period that has elapsed, performance up to the date of cessation, tenure in KMP role and the total number of years of employment at FKP Limited.

2. LINK BETWEEN REMUNERATION AND PERFORMANCE

The remuneration of the KMP (excluding Non-Executive Directors) is linked to the overall performance of the FKP Consolidated Group. 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.

Profit, EPS and other key financial performance measures over the last five years for the FKP Consolidated Group are set out below.

	2012	2011	2010	2009	2008
Net profit/(loss) (\$m)	(350.3)	82.3	50.8	(319.4)	145.3
Underlying profit after tax (\$m) ^{1,2}	94.7	121.0	108.6	76.8	150.2
EPS (cents) ³	(29.2)	7.01	4.5	(70.3)	38.7
Dividends/distributions (\$m)	33.7	35.4	17.5	12.3	83.7
DPS - ordinary (cents)	2.8	3.0	1.5	3.5	31.7
Security price at year end (\$)	0.38	0.70	0.68	0.52	4.90
Market capitalisation (\$m)	460.6	829.6	792.8	183.2	1,300.3

1. Underlying profit after tax ('UPT') reflects statutory profit as adjusted to reflect Directors' assessment of the result for the on-going business activities of the FKP Consolidated Group, in accordance with AICD/Finsia principles of recording underlying profit.
2. Underlying profit for the FKP Consolidated Group was adopted for the years ended 30 June 2010, 30 June 2011 and 30 June 2012. Underlying profit for the years ended 30 June 2008 to 30 June 2009 was not in accordance with AICD/Finsia principles of recording underlying profit.
3. Reported earnings per security for the year ended 30 June 2008 has been modified for adjustments made to securities for increases as a result of the renounceable Entitlement Offer announced on 25 June 2009.

2. LINK BETWEEN REMUNERATION AND PERFORMANCE (CONTINUED)

Remuneration component	Link to FKP Consolidated Group performance
Fixed remuneration	Fixed remuneration is not linked to the FKP Consolidated Group performance. It is set with reference to the individual's role, responsibilities and performance and remuneration levels for similar positions in the market.
STI	STIs are awarded to individuals based on achievement of group and divisional financial targets in individual balanced scorecards, subject to the FKP Consolidated Group's profitability and ability to pay STI awards. The Board maintains the right to adjust downwards the aggregate pool available to fund STIs if the FKP Consolidated Group's actual UPT is below target. UPT is deemed an appropriate performance for the granting of STIs to senior executives given that it is the key target hurdle referenced by the Board in preparing its annual budgets and measuring Consolidated Group performance. UPT presents a figure which reflects the Directors' assessment of the result for the ongoing business activities of the company by excluding non-cash, one-off market related items which are usually out of management's control.
LTI	<p>The FKP Consolidated Group provides LTIs in the form of equity-based remuneration to executives through the operation of the following plans:</p> <ul style="list-style-type: none"> • ESP: In compliance with taxation legislation, there are no performance hurdles underpinning the ESP. • EOPS: Participants in the EOPS must remain employed with FKP Limited for three years from grant in order for the options to vest. The exercise price, which functions as an intrinsic performance hurdle, is set by the Board and is typically equal to or greater than the FKP Consolidated Group's stapled security price at the date of grant. There will be no further issues of options under the EOPS. • EOP: The vesting of options granted under the EOP is subject to performance hurdles including TSR and UPT targets, set by the Board. All future grants of options will be subject to performance conditions including UPT and TSR targets. UPT is deemed an appropriate measure for granting 50% of LTIs as it provides a consistent performance measure with that used for awarding STIs. This ensures that senior executives are both short term and long term focused by providing a comparable basis for reporting Consolidated Group results for a period of up to three years. TSR is applied by the Consolidated Group as the performance measure for awarding the remaining 50% of LTIs as it is the most prevalent LTI performance measure among companies with an executive LTI plan, with 69% of the top 100 companies with an executive LTI plan using this benchmark.

3. REMUNERATION OF NON-EXECUTIVE DIRECTORS

3.1 P Parker

Mr Parker was a Director of the ultimate parent entity, FKP Limited until his resignation on 21 February 2012 and as such was remunerated by FKP Limited. Mr Parker received a base fee of \$65,385 per annum inclusive of superannuation (with an entitlement to retirement benefits). Mr Parker received an additional \$181,155 in accrued retirement benefits upon his resignation on 21 February 2012.

Following his resignation from the FKP Limited Board of Directors effective 21 February 2012, Mr Parker became an employee of the Consolidated Entity, remunerated for the position of Director of Forest Place Group Limited, in accordance with the remuneration terms outlined in section 3.2 below.

3.2 Other Non-Executive Directors – Remunerated by the Consolidated Entity

Mr Mackenzie, Mr Palavidis, Mr Parker (effective 21 February 2012) and Mr Fraser (until the date of his resignation), were remunerated by Forest Place Group Limited. The level of remuneration is set to attract and retain appropriately qualified and experienced Directors and 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. Refer to section 5 of this report for further details.

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

4. REMUNERATION OF KMP (EXCLUDING NON-EXECUTIVE DIRECTORS)

4.1 Target and FY12 Achieved mix of remuneration components

All KMP, excluding Non-Executive Directors are employed and remunerated by FKP Limited, the ultimate parent entity.

Executive remuneration packages include a mix of fixed remuneration, bonuses and equity-based remuneration. The target remuneration mix for executives, expressed as a percentage of total remuneration, is detailed in the table below.

Target mix	At risk remuneration (%)					Total remuneration (%)
	TFR (%)	STI (%)	Deferred STI ¹ (%)	LTI ² (%)	Total at risk (%)	
Executive Chairman – G E Grady	50.0	17.5	7.5	25.0	50.0	100.0
Executive Director – J M Laboo	50.0	17.5	7.5	25.0	50.0	100.0

FY12 Achieved	At risk remuneration (%)					Total remuneration (%)
	TFR (%)	STI (%)	Deferred STI ¹ (%)	LTI ² (%)	Total at risk (%)	
<i>Executive Chairman</i>						
G E Grady	80.5	-	-	19.5	19.5	100.0
<i>Executive Director</i>						
J M Laboo	84.5	-	-	15.5	15.5	100.0

1. KMP remuneration is structured such that the payment of 30% of STIs is deferred to 1 July of the following year. The STI deferral arrangements were first introduced in 2010 for bonuses relating to the year ended 2010 ('FY10'). For bonuses relating to the year ended 30 June 2011 ('FY11') and beyond, the deferral applies only to annual bonuses greater than \$100,000. Thus the STIs disclosed in this table represent 70% of FY11 STIs greater than \$100,000 and 30% of all STIs granted for FY10.
2. LTI target percentage is calculated based on the annual amortised expense as required under Accounting Standard AASB 2: 'Share-Based Payment'.

The FKP Remuneration Committee considers the weighting of total remuneration between fixed, performance based and equity based, including the allocation of STIs between immediate payments and deferred payments for executives, to be appropriate.

4.2 Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes salary packaged benefits grossed up for FBT payable including motor vehicles, car parking and other specified benefits), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed periodically by the FKP Remuneration Committee.

Executive Chairman

The TFR of the Executive Chairman is set annually, as agreed with the Managing Director and Chief Executive Officer (CEO) of FKP Limited, based on role specifications, responsibilities and performance.

Other KMP

The TFR of other executives included in KMP are set annually, as agreed with the Managing Director and CEO and/or Chief Operating Officer (COO) of FKP Limited, as appropriate, based on role specifications, responsibilities and performance.

4.3 Short-term incentives

STIs are performance based remuneration, awarded largely in the form of cash bonuses. With the exception of Non-Executive Directors, KMP may receive cash bonuses determined at the discretion of the FKP Remuneration Committee.

STIs for executives are paid in cash and expensed to the respective year's underlying profit. The cash payment of bonuses is subject to a 30% deferral component, which is paid on 1 July of the following year. For FY11 bonuses and beyond, the deferral applies only to annual bonuses greater than \$100,000. STIs depend on an individual's performance using a range of quantitative and qualitative measures with a long-term focus, and represent a significant part of executives' remuneration and are capped at appropriate levels.

Refer to Section 2 "Link between remuneration and performance" above for further details on the correlation between the FKP Consolidated Group performance and performance based payments for KMP (excluding Non-Executive Directors).

4. REMUNERATION OF KMP (EXCLUDING NON-EXECUTIVE DIRECTORS) (CONTINUED)

4.3 Short-term incentives (continued)

Executive Chairman

The Executive Chairman is entitled to receive an annual bonus of up to 50% of TFR, 30% of which is deferred to 1 July of the following year, subject to achieving performance hurdles based on the financial and operational performance of the FKP Consolidated Group, and other priorities specified each year by the Managing Director and CEO of FKP Limited.

The annual cash bonus is weighted as follows:

- 50% is awarded if the UPT for the year for the FKP Consolidated Group increased on prior year, in line with FKP communications to the market in August 2011 (target percentage increases are set by the FKP Limited Board annually), and
- The balance of the bonus is subject to the achievement of various quantitative and qualitative performance hurdles agreed with the Managing Director and CEO of FKP Limited, where applicable, consistent with those hurdles prescribed for the Managing Director and CEO.

The FKP Limited Board may exercise its discretion to award the Executive Chairman a maximum annual bonus of up to 100% of TFR (a twofold increase in the Chairman's target annual bonus), in any given year as appropriate, should performance at an FKP Consolidated Group level and/or at an individual level significantly exceed pre-determined targets. The maximum annual bonus is also subject to the 30% deferral arrangement, whereby payment of 30% of the maximum annual bonus is deferred to 1 July of the following year (for bonuses greater than \$100,000).

Performance hurdles are revised annually by the FKP Remuneration Committee.

Other KMP

Other executives included in KMP, are entitled to receive an annual cash bonus of up to 50% of TFR, 30% of which is deferred to 1 July of the following year, subject to achieving performance hurdles based on the financial and operational performance of the FKP Consolidated Group, and other priorities specified each year by the Managing Director and CEO and/or COO of FKP Limited, as appropriate.

The annual cash bonus is weighted as follows:

- 50% is awarded if specific Group and Divisional financial targets are met; and
- The balance of the bonus is subject to the achievement of various quantitative and qualitative performance hurdles agreed with the Managing Director and CEO and/or COO of FKP Limited, as appropriate. These hurdles are aligned with the overall corporate strategic plan and are set to optimise financial and business outcomes.

The FKP Board may exercise its discretion to award the other executives included in KMP a maximum annual bonus of up to 100% of TFR (a twofold increase in the executives' target annual bonus), in any given year as appropriate, should performance at a group level and/or at an individual level significantly exceed pre-determined targets. The maximum annual bonus is also subject to the 30% deferral arrangement, whereby payment of 30% of the maximum annual bonus is deferred to 1 July of the following year (for bonuses greater than \$100,000).

Performance hurdles are revised annually by the FKP Remuneration Committee.

4.4 Long-term incentives

The FKP Consolidated Group provides LTIs in the form of equity-based remuneration to executives through the operation of the following plans:

- Employee Security Plan ('ESP');
- Employee Option Plan – subject to Service Period Conditions ('EOPS')¹; and
- Employee Option Plan – subject to Performance Conditions ('EOP').

1. EOPS are no longer issued to executives and staff.

During the financial year, there were no security options (2011: nil) and 2,000 (2011: 2,000) equity securities granted to executives (excluding Non-Executive Directors) as part of their remuneration.

The FKP Consolidated Group's Security Trading Policy and the FKP Remuneration Committee's policy in relation to the hedging of equity-based remuneration, prohibit the use of derivative or hedging arrangements by KMP in relation to unvested FKP securities or vested FKP securities which are still subject to a FKP imposed holding lock. Adherence to this policy is monitored on an annual basis and involves each KMP signing an annual declaration of compliance with the hedging policy.

ESP

The ESP provides all full time or part time employees (with the exception of Non-Executive Directors), upon completion of one year's service, the opportunity to be rewarded for their service to the FKP Consolidated Group by offering them \$1,000 worth of FKP Property Group securities at no cost to the employee. Securities are restricted for a minimum of three years or until cessation of employment. In compliance with taxation legislation, there are no performance hurdles underpinning the ESP.

4. REMUNERATION OF KMP (EXCLUDING NON-EXECUTIVE DIRECTORS) (CONTINUED)

4.4 Long-term incentives (continued)

EOPS

The EOPS is an LTI, with the purpose being to retain key employees and align remuneration with the long term performance of the FKP Consolidated Group. Under the EOPS, executives may be issued with options over stapled securities of the FKP Consolidated Group, which are exercisable on a one-for-one basis. There is no amount paid or payable to the FKP Consolidated Group by the executives on receipt of a grant of options under the EOPS. Between vesting and expiry, participants have one year during which they may exercise their options by paying the exercise price for their options to the FKP Consolidated Group.

Participants in the EOPS must remain employed with FKP Limited for three years from grant in order for the options to vest. The exercise price, which functions as an intrinsic performance hurdle, is set by the FKP Board and is typically equal to or greater than the FKP Consolidated Group's stapled security price at the date of grant.

There will be no further issues of options under the EOPS subject to Service Period Conditions only.

EOP

The EOP is an LTI, with the purpose being to retain key employees and align remuneration with the long term performance of the FKP Consolidated Group. Under the EOP, executives may be issued with options over stapled securities of the FKP Consolidated Group, which are exercisable on a one-for-one basis. There is no amount paid or payable to the FKP Consolidated Group by the executives on receipt of a grant of options under the EOP. Between vesting and expiry, participants have one year during which they may exercise their options by paying the exercise price for their options to the FKP Consolidated Group.

The vesting of options granted under the EOP is subject to performance hurdles including TSR and UPT targets, set by the Board.

All future grants of options under the EOP will be subject to performance conditions.

EOPS Grants affecting remuneration for the year ended 30 June 2012

There were no EOPS granted as remuneration to KMPs during the year ended 30 June 2012 and no existing tranches were exercised and/or vested.

No options have been granted or vested since the end of the financial year.

EOP Grants affecting remuneration for the year ended 30 June 2012

There are no existing EOP tranches and no options have been granted since the end of the financial year.

EOPS Grants affecting remuneration in future reporting periods

Grant date	Financial year ¹	Estimate of maximum value of grant (\$) ²
10/11/09	FY13	487,500

The minimum value of EOPS grants affecting compensation in this and future reporting periods is zero.

1. Financial years beyond FY12, in which the options granted are due to vest.
2. Calculated as the number of options granted to executives multiplied by the fair value of those options at grant.

EOP Grants affecting remuneration in future reporting periods

There are no EOP grants affecting future reporting periods.

5. REMUNERATION TABLES

	Year	Short-term employee benefits			Post-employment benefits		Other compensation	Aggregate excluding AASB 2 expense relating to security options/ securities \$	Share-based payments		Aggregate including AASB 2 expense relating to security options/ securities \$	Proportion of remuneration performance related %	Proportion of remuneration non-performance related %	Proportion of remuneration consisting of security options/ securities %
		Salary and fees \$	Bonus \$ ¹	Non-monetary benefits \$	Super benefits \$	Other post-employment benefits ² \$	Termination benefits \$		AASB 2 expense relating to securities \$	AASB 2 expense relating to security options \$				
Non-Executive Directors														
D C Mackenzie	2012	42,500	-	-	-	-	-	42,500	-	-	42,500	-	100.0	-
	2011	42,372	-	-	900	-	-	43,272	-	-	43,272	-	100.0	-
P Parker	2012	54,164	-	-	4,875	-	181,155	240,194	-	-	240,194	-	100.0	-
	2011	29,993	-	-	2,699	(29,992)	-	2,700	-	-	2,700	-	100.0	-
M Palavidis ³	2012	24,771	-	-	2,229	-	-	27,000	-	-	27,000	-	100.0	-
	2011	-	-	-	-	-	-	-	-	-	-	-	-	-
I L Fraser ⁴	2012	6,193	-	-	557	-	-	6,750	-	-	6,750	-	100.0	-
	2011	58,039	-	-	5,224	-	-	63,263	-	-	63,263	-	100.0	-
Other KMP														
G E Grady	2012	412,012	-	-	26,927	-	-	438,939	1,000	105,506	545,445	19.5	80.5	19.5
	2011	380,356	190,000	-	46,747	-	-	617,103	1,000	105,218	723,321	41.0	59.0	14.7
J M Laboo	2012	363,462	-	-	25,000	-	-	388,462	1,000	70,337	459,799	15.5	84.5	15.5
	2011	332,851	130,000	-	39,407	-	-	502,258	1,000	84,018	587,276	36.6	63.4	14.5
Director Totals	2012	903,102	-	-	59,588	-	181,155	1,143,845	2,000	175,843	1,321,688	13.5	86.5	13.5
	2011	843,611	320,000	-	94,977	(29,992)	-	1,228,596	2,000	189,236	1,419,832	36.0	64.0	13.5

1. KMP remuneration (excluding Non-Executive Directors) is structured such that the actual payment of 30% of STIs is deferred to 1 July of the following year. Refer to section 4.3 of this report for further details.

2. Other post-employment benefits include movements in accrued retirement benefits during the year. Refer to section 3.1 of this report for further details.

3. M Palavidis was appointed as a Non-Executive Director on 1 November 2011.

4. I L Fraser resigned as a Director on 22 August 2011.

CORPORATE GOVERNANCE STATEMENT

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 as amended in 2010 ('Guidelines').

Areas where the corporate governance practices do not follow the Council's Guidelines arise due to FKP Limited's 85.45 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.

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.

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.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

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 the following Non-Executive Directors are independent: Ian Fraser, Michael Palavidis and Don Mackenzie. 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 85.45 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.

During the financial year the Board, with the exception of the period from 22 August to 1 November 2011, comprised three Non-Executive Directors (two of whom were independent) and two Executive Directors. During this period, the Company only had one independent Non-Executive Director, an exception which was rectified on 1 November 2011.

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.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

Role of Chairman

Geoff Grady was appointed as Chairman of the Consolidated Entity on 24 May 2011. Mr Grady is not an independent director for the purposes of the Guidelines as he 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.

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.

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 Board has established written guidelines, detailed in its *Securities Trading Policy*, that restrict dealings by Directors and employees in the Consolidated Entity's securities and in securities of customers and other entities with which Directors or employees may deal in the course of their duties.

The *Securities Trading Policy* complies with Listing Rules 12.9 and 12.12. It identifies certain periods when, in the absence of knowledge of unpublished price-sensitive information, Directors and all employees may not buy or sell securities. These periods are 1 January and 1 July each year and expiring one day following the release of half year and full year results respectively.

A copy of the *Securities Trading Policy* is available on Forest Place Group's website.

Diversity

The Consolidated Entity is committed to diversity and equality in the workplace as it adds value to the organisation by actively creating opportunities for all employees to use their knowledge, skills and abilities. The Board has adopted a *Diversity Policy* which is available on Forest Place Group's website. The Board has adopted measurable objectives for achieving gender diversity and which are disclosed in the *Diversity Policy*. Reporting in respect of the *Diversity Policy* will be a periodic item on the Board agenda.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING (CONTINUED)

Diversity (continued)

As of 30 June 2012 the proportion of women employees in the whole Consolidated Entity, women in senior executive positions and women on the Board is as follows:

Position	% Female Employees	No. of Female Employees
Board	Nil	Nil
Senior Executive	Nil*	Nil
Management	87.5	7
Consolidated Entity	89.5	162

* Senior Executives would be supplied by FKP under the Operating Agreement.

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 RIGHTS 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.

PRINCIPLE 6: RESPECT THE RIGHT OF SHAREHOLDERS (CONTINUED)

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 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.

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.

	Note	Consolidated Entity	
		2012	2011
		\$'000	\$'000
Continuing operations			
Rendering of services	2	3,281	3,201
Deferred management fee		17,170	15,770
Other income	2	445	1,320
Revenue		20,896	20,291
Change in fair value of investment properties	9	(87,097)	41,067
Change in fair value of resident loans		11,017	293
Corporate and unallocated overheads		(2,539)	(2,320)
Sales and marketing expenses		(1,341)	(1,184)
Residential aged care facility operating costs		(2,645)	(2,453)
Other expenses		(724)	(298)
Finance costs	3	(1,259)	(471)
(Loss)/profit before income tax expense		(63,692)	54,925
Income tax benefit/(expense)	4	18,491	(14,314)
(Loss)/profit after income tax expense		(45,201)	40,611
Other comprehensive income		-	-
Total comprehensive income for the year		(45,201)	40,611
(Loss)/profit for the period is attributable to:			
Owners of Forest Place Group Limited		(43,096)	35,690
Non-controlling interests		(2,105)	4,921
		(45,201)	40,611
Total comprehensive income for the year is attributable to:			
Owners of Forest Place Group Limited		(43,096)	35,690
Non-controlling interests	20	(2,105)	4,921
		(45,201)	40,611
Earnings per share (cents per share)			
Basic earnings per share	6	(52.2)	43.2
Diluted earnings per share	6	(52.2)	43.2

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

	Note	Consolidated Entity	
		2012	2011
		\$'000	\$'000
Current assets			
Cash and cash equivalents	7	1,457	2,143
Trade and other receivables	8	14,547	4,910
Other financial assets	11	1,563	1,487
Other assets	12	707	19
Total current assets		18,274	8,559
Non-current assets			
Trade and other receivables	8	458	-
Investment properties	9	607,215	663,713
Property, plant and equipment	10	699	584
Intangible assets	13	254	307
Other financial assets	11	948	2,511
Total non-current assets		609,574	667,115
TOTAL ASSETS		627,848	675,674
Current liabilities			
Trade and other payables	14	4,625	5,689
Interest bearing loans and borrowings	15	29	1,814
Provision for income tax	4	61	-
Resident loans	1(s)	260,807	257,102
Unearned income		24,780	20,671
Provisions	16	68	3,248
Other financial liabilities	17	1,751	2,573
Total current liabilities		292,121	291,097
Non-current liabilities			
Interest bearing loans and borrowings	15	29,224	9,399
Deferred tax liabilities	4(d)	86,124	104,725
Provisions	16	49	37
Other financial liabilities	17	5,852	7,084
Total non-current liabilities		121,249	121,245
TOTAL LIABILITIES		413,370	412,342
NET ASSETS		214,478	263,332
EQUITY			
Contributed equity	18	56,605	56,605
Reserves	19	(4,738)	(5,994)
Retained earnings		148,834	193,747
Total equity attributable to owners of Forest Place Group Limited		200,701	244,358
Non-controlling interests	20	13,777	18,974
TOTAL EQUITY		214,478	263,332

The above balance sheet should be read in conjunction with the accompanying notes.

	Note	Attributable to the owners of Forest Place Group Limited				Non-controlling interests \$'000	Total equity \$'000
		Contributed equity \$'000	Retained earnings \$'000	Reserves \$'000	Sub-total \$'000		
Balance at 1 July 2010		56,605	163,007	-	219,612	-	219,612
<i>Comprehensive income</i>							
Profit for the period		-	35,690	-	35,690	4,921	40,611
Total comprehensive income for the period		-	35,690	-	35,690	4,921	40,611
<i>Transactions with owners in their capacity as owners</i>							
Dividends provided for or paid	5	-	(4,950)	-	(4,950)	-	(4,950)
Non-controlling interests on consolidation of subsidiaries		-	-	(5,994)	(5,994)	14,053	8,059
Transactions with owners in their capacity as owners		-	(4,950)	(5,994)	(10,944)	14,053	3,109
Balance at 30 June 2011		56,605	193,747	(5,994)	244,358	18,974	263,332
Balance at 1 July 2011		56,605	193,747	(5,994)	244,358	18,974	263,332
<i>Comprehensive income</i>							
Loss for the period		-	(43,096)	-	(43,096)	(2,105)	(45,201)
Total comprehensive income for the period		-	(43,096)	-	(43,096)	(2,105)	(45,201)
<i>Transactions with owners in their capacity as owners</i>							
Dividends provided for or paid	5	-	(1,817)	-	(1,817)	-	(1,817)
Transactions with non-controlling interests		-	-	1,256	1,256	(3,092)	(1,836)
Transactions with owners in their capacity as owners		-	(1,817)	1,256	(561)	(3,092)	(3,653)
Balance at 30 June 2012		56,605	148,834	(4,738)	200,701	13,777	214,478

The above statement of changes in equity should be read in conjunction with the accompanying notes.

	Note	Consolidated Entity	
		2012 \$'000	2011 \$'000
Cash flows from operating activities			
Cash receipts in the course of operations		30,101	25,650
Cash payments in the course of operations		(9,510)	(3,731)
Interest received		75	125
GST recovered		106	153
Borrowing costs paid		(1,619)	(445)
Net cash flows from operating activities	23(b)	19,153	21,752
Cash flows from investing activities			
Payments for investment properties		(30,237)	(20,710)
Payments for property plant and equipment		(194)	(25)
Proceeds from the sale of property, plant and equipment		-	5
Payments for intangible assets		(46)	(54)
Payments for investment in syndicates		(2,451)	(1,586)
Cash acquired on consolidation of syndicates		-	928
Net cash flows used in investing activities		(32,928)	(21,442)
Cash flows from financing activities			
Finance lease payments		(16)	(45)
Proceeds from borrowings		41,297	5,600
Repayment of borrowings		(23,242)	(5,665)
Dividends paid		(4,950)	(1,817)
Net cash flows from/(used in) financing activities		13,089	(1,927)
Net decrease in cash and cash equivalents		(686)	(1,617)
Cash and cash equivalents at the beginning of the year		2,143	3,760
Cash and cash equivalents at the end of the year	23(a)	1,457	2,143

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 'financial assets and liabilities at fair value through profit or loss' and investment property which have been measured at fair value.

The financial report also complies with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

(b) New accounting standards and interpretations

There were no new standards and interpretations adopted since the financial report for the year ended 30 June 2012, deemed to have a material impact on the financial statements or performance of the Consolidated Entity.

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 these financial statements:

AASB 9: 'Financial Instruments: Classification and Measurement'

This standard specifies new recognition and measurement requirements for financial assets and liabilities within the scope of AASB 139. It requires financial assets to be measured at fair value through the profit and loss unless the criteria for amortised cost measurement are met or the entity qualifies and elects to recognise gains and losses on equity securities that are not held for trading directly in other comprehensive income. The standard is applicable for annual reporting periods beginning on or after 1 January 2015. The Consolidated Entity has assessed the impact of this standard and deemed there to be no material impact on the financial statements of the Consolidated Entity in the period of initial application.

AASB 10: 'Consolidated Financial Statements'

This standard replaces the part of AASB 127: '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 has assessed the impact of this standard and deemed there to be no material impact on the financial statements of the Consolidated Entity in the period of initial application.

AASB 11: 'Joint Arrangements'

This standard replaces AASB 131: 'Interest in Joint Ventures' and is applicable for annual periods beginning on or after 1 January 2013. This new standard introduces new rules which classify joint arrangements as either a joint operation or a joint venture. Under the new standard, proportionate consolidation is not allowed and all joint ventures must be equity accounted. All joint arrangements held by the Consolidated Entity will need to be reassessed to determine whether the joint operation or joint venture classification is appropriate, and therefore the potential impacts of a change on the presentation of the financial statements. The Consolidated Entity has assessed the impact of this standard and deemed there to be no material impact on the financial statements of the Consolidated Entity in the period of initial implication.

AASB 12: 'Disclosure of Interests in Other Entities'

This standard is applicable for annual reporting periods beginning on or after 1 January 2013. This standard sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Consolidated Entity will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Consolidated Entity's investments.

AASB 13: 'Fair Value Measurement'

This standard establishes a single source of guidance for determining the fair value of assets and liabilities. The Consolidated Entity has assessed the impact of this new standard and deemed there to be no material impact on the Consolidated Entity in future reporting periods.

Revised AASB 119: 'Employee Benefits'

The revisions to this standard result in significant changes in accounting for defined benefit pension plans. There are also a number of other changes including modifications to the timing of recognition for termination benefits, the classification of short-term benefits and disclosures of deferred benefit plans. The Consolidated Entity does not have defined benefit pension plans and management do not expect there to be material impact on the Consolidated Entity in future reporting periods.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 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.

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.

(d) 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(s) 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 Consolidated 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.

There have been no significant changes in estimates on prior year.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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) *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.

(iii) *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.

(iv) *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

(f) 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.

(g) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Income tax (continued)

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.

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 2012 (2011: \$nil).

(h) 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.

(i) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

(k) 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.

(l) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Other financial assets (continued)

(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.

(m) 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(o)). 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.

(n) 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.

(o) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

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) *Intangible assets 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.

(p) 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.

(q) 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.

(r) 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.

(s) 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 life tables.

(t) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) 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.

(v) Leased assets

Leases under which the Consolidated Entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases. The determination of lease classifications depends on the substance of the arrangement.

All items of property, plant and equipment other than freehold and leasehold land, are depreciated using the straight-line method.

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. A lease liability equal to the value of the leased asset recognised is recorded at the inception of the lease. 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.

(w) 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.

(x) 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.

(y) Parent Entity financial information

The financial information for the Parent Entity, Forest Place Group Limited disclosed in Note 30 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.

(z) 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.

(aa) 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 recognised 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. REVENUE

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
From continuing operations		
<i>Rendering of services</i>		
Government grants	2,229	2,113
Other	1,052	1,088
	3,281	3,201
<i>Other income</i>		
Interest received	75	125
Other revenue	370	1,195
	445	1,320

Government grants

Government grants of \$2.229m (2011: \$2.113m) 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

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
Profit/(loss) before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Land and buildings – residential aged care facilities	56	53
Freehold buildings	3	-
Plant and equipment – under finance lease	20	19
	79	72
<i>Finance costs</i>		
Interest and amortisation of borrowing costs from bank loans and overdraft	1,621	611
Capitalised interest	(362)	(140)
	1,259	471

4. INCOME TAX

(a) Income tax expense

<i>Current income tax</i>		
Current income tax charge	-	-
Adjustments in respect of current income tax of previous years	-	(2,134)
	-	(2,134)
<i>Deferred income tax</i>		
Current year movement	(18,491)	14,296
Under/(over) provisions	-	2,152
Income tax expense/(benefit) reported in the statement of comprehensive income	(18,491)	14,314

4. INCOME TAX (CONTINUED)

(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate

	Consolidated Entity	
	2012 \$'000	2011 \$'000
Accounting (loss)/profit before income tax	(63,692)	54,925
Tax at the Australian rate of 30% (2011: 30%)	(19,108)	16,478
<i>Tax effects of amounts which are not deductible/taxable in calculating taxable income</i>		
Non-assessable income	-	(2,255)
Assessable income not booked	-	79
Non-deductible expenses	617	-
Other deductible expenses	-	(6)
	(18,491)	14,296
Under/(over) provisions	-	18
Income tax (benefit)/expense	(18,491)	14,314

(c) Deferred tax assets

The balance comprises temporary differences attributable to:

Amounts recognised in the statement of comprehensive income

Provisions	35	46
Accrued expenditure	25	30
Tax losses	18,873	12,890
Unearned revenue	6,739	5,514
Deferred tax assets	25,672	18,480
Less: amounts set off against deferred tax liabilities	(25,672)	(18,480)
Net deferred tax assets	-	-

Movements

Balance at the beginning of the year	18,480	12,036
Provisions	(11)	3
Accrued expenditure	(5)	19
Tax losses	5,983	2,496
Unearned revenue	1,225	1,878
(Over)/under provisions	-	2,048
Balance at the end of the year	25,672	18,480
Less: amounts set off against deferred tax liabilities	(25,672)	(18,480)
Net deferred tax assets	-	-

4. INCOME TAX (CONTINUED)

(d) Deferred tax liabilities

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in the statement of comprehensive income</i>		
Fair value of investment properties	156,440	173,498
Fair value of resident loans	(50,255)	(54,316)
Syndicate fair value adjustment	282	331
Other expenditure currently deductible for tax but deferred and amortised for accounting	5,329	3,692
Deferred tax liabilities	111,796	123,205
Less: amounts set off from deferred tax assets	(25,672)	(18,480)
Net deferred tax liabilities	86,124	104,725
Movements		
Balance at the beginning of the year	123,205	102,369
(Under)/over provisions	-	2,066
Fair value of investment properties	(17,058)	35,259
Fair value of resident loans	4,061	(18,853)
Syndicate results	-	(1,811)
Other expenditure currently deductible for tax but deferred and amortised for accounting	1,637	4,175
	111,845	123,205
Amounts charged directly to equity	(49)	-
Balance at the end of the year	111,796	123,205
Less: amounts set off from deferred tax assets	(25,672)	(18,480)
Net deferred tax liabilities	86,124	104,725

(e) Tax consolidation legislation

The Consolidated Entity has implemented tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in Note 1(g).

5. DIVIDENDS

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

	Cents per security	Total amount \$'000	Date of payment	Franked tax rate %	Percentage franked %
2012					
Dividends recognised during the year:					
Interim 2012 dividend	2.2	1,817	30 March 2012	30	0

A final dividend of 3.8 cents was declared post 30 June 2012, attributable to the year ended 30 June 2012. The dividend is unfranked and is expected to be paid to shareholders on 26 September 2012. The record date for determining entitlement to the dividend is 12 September 2012.

2011

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
	6.0	4,950			

Consolidated Entity

2012	2011
\$'000	\$'000

Dividend franking account

Balance of the 30% franking credits at the end of the year

- -

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

- franking credits that will arise from the payment of the amount of the provision for income tax;
- franking debits that will arise from the payment of dividends recognised as a liability at the year end;
- franking credits that will arise from the receipt of dividends recognised at the year end; and
- 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

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
Net (loss)/profit after income tax attributable to equity holders of Forest Place Group Limited	(43,096)	35,690

(b) Weighted average number of shares used as the denominator

	Consolidated Entity	
	2012	2011
	Shares	Shares
Weighted average number of ordinary shares outstanding used in the calculation of basic and diluted earnings per share	82,578,509	82,578,509

7. CASH AND CASH EQUIVALENTS

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
Cash at bank	1,392	2,025
Capital replacement funds ¹	65	118
Total cash and cash equivalents	1,457	2,143

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

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
Current		
Trade receivables	12,192	3,054
Other receivables	2,351	1,855
Receivable from other related parties	4	1
Total current receivables	14,547	4,910
Non-current		
Trade receivables	458	-
Total non-current trade receivables	458	-

(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.

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Ageing of trade receivables (continued)

The ageing of trade receivables for the Consolidated Entity at the reporting date was:

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
Trade receivables ageing		
0-30 days	8,089	1,798
31-60 PDNI ¹	1,396	379
31-60 CI ²	-	-
61-90 PDNI ¹	872	80
61-90 CI ²	-	-
+ 91 days PDNI ¹	1,835	797
+ 91 days CI ²	-	-
Total	12,192	3,054

1. Past Due Not Impaired ('PDNI')
2. Considered Impaired ('CI')

Trade receivables past due but not considered to be impaired at 30 June 2012 total \$4.103m (2011: \$1.256m). 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	
	2012	2011
	\$'000	\$'000
<i>Retirement villages at fair value</i>		
Balance at the beginning of the year	636,367	463,650
Capitalised subsequent expenditure	21,287	16,231
Additions resulting from the consolidation of the syndicates ¹	-	132,438
Net (loss)/gain from fair value adjustment	(87,448)	26,580
Transfers from/(to) investment properties under construction	10,460	(2,532)
Balance at the end of the year	580,666	636,367
<i>Retirement villages under construction</i>		
Balance at the beginning of the year	27,346	3,105
Capitalised subsequent expenditure	9,312	4,479
Additions resulting from the consolidation of the syndicates ¹	-	2,743
Net gain from fair value adjustment	351	14,487
Transfers from/(to) retirement villages at fair value	(10,460)	2,532
Balance at the end of the year	26,549	27,346
Total investment properties	607,215	663,713

1. Effective 1 July 2010, the Cleveland Syndicate and Clayfield Syndicate accounts were consolidated into the Consolidated Entity.

(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 key assumptions used in the Directors' 30 June 2012 valuations are: discount rate of 12.5% (2011: 12.5%); long-term property growth rate of 3.0% in year one, followed by 3.25% in year two, 3.50% in year three, 3.75% in year four, 4.0% in year five, and 4.5% from year six onwards (2011: 5%); and average subsequent tenure period of 10 years for independent living units (ILU) and 4 years for serviced apartments (SA) (2011: ILU: 9 years, SA: 4 years).

10. PROPERTY, PLANT AND EQUIPMENT

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
<i>Land and buildings – residential aged care facilities</i>		
At cost	1,490	1,474
Accumulated depreciation	(973)	(917)
	<u>517</u>	<u>557</u>
<i>Freehold buildings</i>		
At cost	178	-
Accumulated depreciation	(3)	-
	<u>175</u>	<u>-</u>
<i>Plant and equipment under finance lease</i>		
At cost	99	99
Accumulated depreciation	(92)	(72)
	<u>7</u>	<u>27</u>
Total property, plant and equipment	<u>699</u>	<u>584</u>

Movements during the year

<i>Land and buildings – residential aged care facilities</i>		
Balance at the beginning of the year	557	590
Additions	16	25
Disposals	-	(5)
Depreciation	(56)	(53)
Balance at the end of the year	<u>517</u>	<u>557</u>
<i>Freehold buildings</i>		
Balance at the beginning of the year	-	-
Additions	178	-
Depreciation	(3)	-
Balance at the end of the year	<u>175</u>	<u>-</u>
<i>Plant and equipment under finance lease</i>		
Balance at the beginning of the year	27	46
Additions	-	-
Depreciation	(20)	(19)
Balance at the end of the year	<u>7</u>	<u>27</u>

11. OTHER FINANCIAL ASSETS

Current

Rights to acquire shares in syndicates	1,563	1,487
Total current other financial assets	<u>1,563</u>	<u>1,487</u>

Non-current

Rights to acquire shares in syndicates	948	2,511
Total non-current other financial assets	<u>948</u>	<u>2,511</u>

(a) Financial assets recognised at fair value through profit and 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.

12. OTHER ASSETS

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
Current		
Prepayments and sundry assets	707	19
Total current other assets	707	19

13. 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:

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
Licences – residential aged care facilities	253	253
Development costs	1	54
Total intangible assets	254	307

Movements during the year

<i>Development costs</i>		
Balance at the beginning of the year	54	-
Additions	46	54
Impairment	(99)	-
Balance at the end of the year	1	54

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.

14. TRADE AND OTHER PAYABLES

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
Current		
Other creditors and accruals	2,430	3,651
Payables to related parties	25(a)(iv) 2,195	2,038
Total current trade and other payables	4,625	5,689

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.

15. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
Current		
<i>Secured</i>		
Bank loans	-	1,800
Finance lease liabilities	29	14
Total current interest bearing loans and borrowings	29	1,814
Non-current		
<i>Secured</i>		
Bank loans	29,224	9,370
Finance lease liabilities	-	29
Total non-current interest bearing loans and borrowings	29,224	9,399

15. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

(a) Financing arrangements

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
<i>Total facilities available</i>		
Bank loans	80,000	22,001
Performance guarantee facilities	42	102
Finance lease facility	29	43
	80,071	22,146
<i>Facilities utilised at balance date</i>		
Bank loans	29,224	11,170
Performance guarantee facilities	42	72
Finance lease facility	29	43
	29,295	11,285
<i>Facilities not utilised at balance date</i>		
Bank loans	50,776	10,831
Performance guarantee facilities	-	30
Finance lease facility	-	-
	50,776	10,861

(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 \$20.8m (2011: \$10.831m).

(c) Bank loans (wholly-secured)

The weighted average interest rate on all loans at 30 June 2012 was 6.88% (2011: 7.64%). Collateral pledged comprises first mortgages over certain properties and a floating charge over assets of the Consolidated Entity. Refer to Note 15(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 2012 was 8.8% (2011: 8.8%).

(e) Assets pledged as security

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
Current		
<i>Floating charge</i>		
Cash and cash equivalents	1,457	2,143
Trade and other receivables	14,547	4,910
Other financial assets	1,563	1,487
Other assets	707	19
Total current assets pledged as security	18,274	8,559
Non-current		
<i>First mortgage</i>		
Freehold land and buildings	-	557
Investment properties	607,215	663,713
<i>Floating charge</i>		
Trade and other receivables	458	-
Property, plant and equipment	692	-
Intangible assets	254	307
Other financial assets	948	2,511
<i>Finance lease</i>		
Leased plant and equipment	7	27
Total non-current assets pledged as security	609,574	667,115
Total assets pledged as security	627,848	675,674

15. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

(f) Defaults and breaches

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

16. PROVISIONS

	Consolidated Entity	
	2012 \$'000	2011 \$'000
Current		
Employee benefits	68	115
Dividends payable	-	3,133
Total current provisions	68	3,248
Non-current		
Employee benefits	49	37
Total non-current provisions	49	37

Reconciliations

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

Dividends payable

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

17. OTHER FINANCIAL LIABILITIES

Current

Put option liabilities for syndicate shares ¹	1,751	2,573
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Non-current

Put option liabilities for syndicate shares ¹	5,852	7,084
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1. Refer to Note 25(b) for further details.

18. CONTRIBUTED EQUITY

	Consolidated and Parent Entity		Consolidated and Parent Entity	
	2012 Shares	2011 Shares	2012 \$'000	2011 \$'000
Issued capital (no par value)				
Balance at the beginning and end of the period	82,578,509	82,578,509	56,605	56,605

(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 the lowest weighted average cost of capital available.

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

19. RESERVES AND RETAINED PROFITS/(LOSSES)

	Consolidated Entity	
	2012 \$'000	2011 \$'000
Reserves		
Syndicate options reserve	5,091	5,659
Fair value reserve	(353)	335
Total reserves	4,738	5,994
<i>Syndicate options reserve</i>		
Balance at the beginning of the year	5,659	-
Fair value gain/(loss) on unexercised syndicate put options	(568)	5,659
Balance at the end of the year	5,091	5,659
<i>Fair value reserve</i>		
Balance at the beginning of the year	335	-
Fair value gain/(loss) on transactions with owners	(688)	335
Balance at the end of the year	(353)	335
Retained profits/(losses)		
Balance at the beginning of the year	193,747	163,007
Net profit/(loss) attributable to owners	(43,096)	35,690
Dividends recognised during the year	(1,817)	(4,950)
Retained earnings at the end of the year	148,834	193,747

Nature and purpose of reserves

(i) Syndicate options reserve

The syndicate option reserve includes a fair value reserve which represents the fair value adjustments on additional Clayfield and Cleveland syndicate units acquired during the year.

(ii) Fair value reserve

Transactions with non-controlling interests that do not result in a loss of control result in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within the fair value reserve.

20. NON-CONTROLLING INTERESTS

	Consolidated Entity	
	2012 \$'000	2011 \$'000
Non-controlling interests in controlled entities comprise:		
Interests in retained profits at the beginning of the year	10,614	-
Non-controlling interests acquired during the year	(1,776)	5,693
Interests in profit/(loss) from ordinary activities after income tax	(2,105)	4,921
Interests in the retained profits at the end of the year	6,733	10,614
Interest in share capital at the beginning of the year	8,360	-
Non-controlling interests acquired during the year	(1,316)	8,360
Interests in share capital at the end of the year	7,044	8,360
Total non-controlling interests	13,777	18,974

21. COMMITMENTS

(a) Capital expenditure commitments

There are no capital expenditure commitments outstanding as at 30 June 2012 (2011: nil).

(b) Finance lease payment commitments: Consolidated Entity as lessee

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
<i>Future minimum lease payments</i>		
Within one year	29	14
Later than one year and no later than five years	-	29
	29	43
Less: future lease finance charges not provided for in the financial statements	-	-
	29	43

These lease liabilities have been provided for in the financial statements (refer to finance lease liabilities in Note 15).

The Consolidated Entity leases motor vehicles under finance leases expiring within the next year. At the end of the lease or agreement the Consolidated 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 2012 is 8.8% (2011: 8.8%).

22. CONTINGENT LIABILITIES

(a) Guarantees

The Consolidated Entity's financial institution, has provided guarantees of \$42,000 (2011: \$72,000) 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.

23. 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:

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
Cash on hand and at bank	1,457	2,143
Cash balance per the statement of cash flows	1,457	2,143

(b) Reconciliation of net cash provided by operating activities to operating (loss)/profit after income tax

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
Net (loss)/profit from continuing operations after income tax	(45,201)	40,611
Depreciation and amortisation	79	72
Impairment of non-current assets	99	-
Change in fair value of investment properties	87,097	(41,067)
Interest on finance leases and amortisation of borrowings	-	24
Interest capitalised to investment properties	(362)	-
Fair value adjustment on consolidation of the syndicates	-	(845)
<i>Change in operating assets and liabilities net of effects of purchases and disposals of subsidiaries during the year</i>		
Decrease/(increase) in receivables	(10,095)	(119)
Decrease/(increase) in other assets	(688)	631
Increase/(decrease) in payables	(1,064)	2,550
Increase/(decrease) in unearned income and resident loans	7,814	5,571
Increase/(decrease) in deferred tax liabilities	(18,552)	14,314
Increase/(decrease) in provision for income tax	61	-
Increase/(decrease) in provisions	(35)	10
Net cash (used in)/provided by operating activities	19,153	21,752

24. 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 2011 and 2012 financial years were:

G E Grady	Executive Chairman
J M Laboo	Executive Director
D C Mackenzie	Non-Executive Director
P Parker	Non-Executive Director
M Palavidis ¹	Non-Executive Director
I L Fraser ²	Non-Executive Director

1. M Palavidis was appointed Non-Executive Director on 1 November 2011.
2. I L Fraser resigned as Non-Executive Director 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) Aggregate of remuneration for Key Management Personnel

	Consolidated Entity	
	2012	2011
	\$	\$
Short-term employee benefits	909,181	1,163,611
Post-employment benefits	53,509	64,985
Equity compensation	177,843	191,236
Other compensation ¹	181,155	-
Key management personnel compensation	1,321,688	1,419,832

1. Other compensation includes termination benefits.

Detailed remuneration disclosures are provided in the remuneration report.

(d) Equity holdings and transactions

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

The movement during the reporting period of securities of the Consolidated Entity held directly, indirectly or beneficially by key management personnel, including their personally-related entities and close family members, is as follows:

	Balance at the beginning of the year	Sales	Balance at the end of the year
2012			
G E Grady	-	-	-
J M Laboo	-	-	-
D C Mackenzie	1,000	-	1,000
P Parker	-	-	-
M Palavidis	-	-	-
I L Fraser	1,000	(1,000)	-
2011			
G E Grady	-	-	-
J M Laboo	-	-	-
D C Mackenzie	1,000	-	1,000
P Parker	-	-	-
M Palavidis	-	-	-
I L Fraser	1,000	-	1,000

25. RELATED PARTY TRANSACTIONS

(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	
	2012	2011
	\$	\$
Claims made, either paid or provided for, regarding reimbursement of construction expenditure incurred by Evo-Con Pty Ltd	8,653,502	4,283,695

(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:

	Consolidated Entity	
	2012	2011
	\$	\$
<i>Commission on leases for new and re-leased accommodation units</i>		
On behalf of the Consolidated Entity (2.50% plus GST of the gross transfer price and \$1,500 plus GST for unit transfers under the guaranteed transfer option)	1,013,610	809,447
<i>Marketing charges per unit on leases for new and re-lease accommodation units</i>		
On behalf of the Consolidated Entity (1.00%-2.05% plus GST based on development stage)	280,296	226,294
On behalf of the syndicates (0.05%-4.85% plus GST based on development stage)	34,159	62,551
	1,328,065	1,098,292

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. No notice was given.

	Consolidated Entity	
	2012	2011
	\$	\$
Operational support recharges by FKP Limited	1,548,000	1,548,000

(iv) Balances with related parties

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

	Consolidated Entity	
	2012	2011
	\$	\$
Trade and other receivables		
FKP Real Estate Pty Ltd	4,159	1,128
	4,159	1,128
Trade and other payables		
FKP Limited	2,194,709	2,037,765
	2,194,709	2,037,765

25. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with syndicates

(i) Put and call options

The Syndicate Deed 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). 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.

26. AUDITOR'S REMUNERATION

	Consolidated Entity	
	2012	2011
	\$	\$
<i>Ernst & Young:</i>		
Audit and assurance services		
Audit and review of the financial reports of the Consolidated Entity	80,000	80,000
Other assurance services	-	25,000
Total auditor's remuneration	80,000	105,000

27. 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:

Entity	Class of share	Interest held	
		2012	2011
		%	%
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 Asset Holdings (No. 2) Pty Ltd	Ordinary	100.0	100.0
Forest Place Cleveland Syndicate	Ordinary	82.5	76.3
Forest Place Clayfield Syndicate	Ordinary	66.8	62.0
FPG China Holdings No. 1 Pty Ltd	Ordinary	100.0	-

28. 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 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 15.

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:

	Consolidated Entity	
	2012 \$'000	2011 \$'000
<i>Financial assets</i>		
Cash assets	1,457	2,143
	1,457	2,143
<i>Financial liabilities</i>		
Bank loans	29,224	11,170
	29,224	11,170

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 2012, 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:

	Post tax profit Higher/(lower)		Equity Higher/(lower)	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Consolidated Entity				
+0.75% (75 basis points)	(146)	(47)	(146)	(47)
-0.75% (75 basis points)	146	47	146	47

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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.

(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 2012, \$nil of the Consolidated Entity's debt facilities will mature in less than one year (2011: \$1.800m). 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 4.75 years (2011: 8.1years).

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 2012 and are presented on an undiscounted cash flow basis.

The remaining contractual maturities of the financial liabilities are:

	Consolidated Entity	
	2012	2011
	\$'000	\$'000
6 months or less	267,581	265,061
6-12 months	1,951	2,964
1-2 years	3,963	2,345
2-5 years	40,724	6,811
Over 5 years	-	14,995
	314,219	292,176

Contractual maturity analysis of financial liabilities:

	Consolidated Entity					Total
	≤ 6 months	6-12 months	1-2 years	2-5 years	5+ years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2012						
<i>Financial liabilities</i>						
Payables	4,625	-	-	-	-	4,625
Resident loans ¹	260,807	-	-	-	-	260,807
Bank loans ²	1,160	1,160	2,321	35,606	-	40,247
Finance leases	29	-	-	-	-	29
Syndicate put options	960	791	1,642	5,118	-	8,511
	267,581	1,951	3,963	40,724	-	314,219

1. 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.
2. Includes interest payable in future periods inclusive of line fees where applicable.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

	Consolidated Entity					
	≤ 6 months	6-12 months	1-2 years	2-5 years	5+ years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2011						
<i>Financial liabilities</i>						
Payables	5,689	-	-	-	-	5,689
Resident loans ¹	257,102	-	-	-	-	257,102
Bank loans ²	443	2,204	753	2,258	12,162	17,820
Finance leases	7	7	29	-	-	43
Syndicate put options	1,820	753	1,563	4,553	2,833	11,522
	265,061	2,964	2,345	6,811	14,995	292,176

1. 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.
2. Includes interest payable in future periods inclusive of line fees where applicable.

(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
2012				
<i>Financial liabilities</i>				
Resident loans ¹	-	260,807	-	260,807
Syndicate put options ²	-	5,091	-	5,091
	-	265,898	-	265,898
2011				
<i>Financial liabilities</i>				
Resident loans ¹	-	257,102	-	257,102
Syndicate put options ²	-	5,659	-	5,659
	-	262,761	-	262,761

1. 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.
2. The balance includes \$5.091m (2011: \$5.659m) of unexercised put options to acquire units in the Cleveland Syndicate and Clayfield Syndicate that have been brought to account, in line with the consolidation of Syndicates effective 1 July 2010. A corresponding balance is sitting in equity reserves.

29. 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 Entity 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:

	Retirements \$'000	Residential aged care facilities \$'000	Consolidated \$'000
2012			
Revenue			
Revenue from outside the Consolidated Entity	19,110	1,786	20,896
Total segment revenue	19,110	1,786	20,896
Segment net loss from operating activities before income tax	(63,607)	(85)	(63,692)
Income tax benefit			18,491
Net loss from ordinary activities after income tax			(45,201)
Depreciation and amortisation	23	56	79
Change in fair value of resident loans	11,017	-	11,017
Change in fair value of investment properties	(87,097)	-	(87,097)
2011			
Revenue			
Revenue from outside the Consolidated Entity	18,458	1,833	20,291
Total segment revenue	18,458	1,833	20,291
Segment net profit from operating activities before income tax	54,849	76	54,925
Income tax expense			(14,314)
Net profit from ordinary activities after income tax			40,611
Depreciation and amortisation	19	53	72
Change in fair value of resident loans	293	-	293
Change in fair value of investment properties	41,067	-	41,067

29. SEGMENT INFORMATION (CONTINUED)

(c) Segment assets and liabilities

	Retirements \$'000	Residential aged care facilities \$'000	Consolidated \$'000
2012			
Assets			
Total segment assets	626,913	935	627,848
Liabilities			
Total segment liabilities	411,831	1,539	413,370
Other items			
Acquisitions of non-current assets	30,461	16	30,477
2011			
Assets			
Total segment assets	674,573	1,101	675,674
Liabilities			
Total segment liabilities	411,419	923	412,342
Other items			
Acquisitions of non-current assets	20,710	25	20,735

30. PARENT ENTITY INFORMATION

Information relating to Forest Place Group Limited, the Parent Entity, is as follows:

(a) Summary financial information

	Parent Entity	
	2012 \$'000	2011 \$'000
Current assets	23,576	37,802
Total assets	329,342	345,607
Current liabilities	123,492	127,612
Total liabilities	205,450	196,111
Issued capital	56,605	56,605
Reserves	(5,091)	(5,659)
Retained earnings	72,378	98,550
Total shareholders' equity	123,892	149,496
Profit or loss	(24,355)	12,807
Other comprehensive income	-	-
Total comprehensive income	(24,355)	12,807

(b) Guarantees

The Consolidated Entity's financial institution, has provided guarantees of \$42,000 (2011: \$72,000) 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 2012 was 6.88% (2011: 7.64%). 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.

31. EVENTS AFTER BALANCE DATE

A final dividend of 3.8 cents was declared post 30 June 2012, attributable to the year ended 30 June 2012. The dividend is unfranked and is expected to be paid to shareholders on 26 September 2012. The record date for determining entitlement to the dividend is 12 September 2012.

There has not arisen between the end of the financial year and the date of this report any other 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 20 to 51, and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on pages 9 to 15, 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 2012 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 2012, required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors.



G E Grady
Director

Dated at Brisbane, 28 August 2012



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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, which comprises the balance sheet as at 30 June 2012, 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 Forest Place Group Limited 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 judgment, 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.

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 2012 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

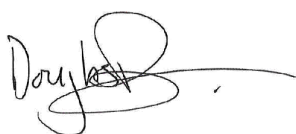
We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our 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 2012, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Douglas Bain
Partner

Sydney
28 August 2012