Forest Place Group Limited

(ABN 75 061 421 565)

and its Controlled Entities

2010 Annual Report

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COMPANY PROFILE

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

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

Forest Place Group derives income from:

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

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

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

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

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

Aveo Live Well is the trademark of FKP Limited, a public listed property and investment group ranked in the ASX 200. FKP Limited currently operates 80 villages Australia wide and currently holds an 85.28% interest in Forest Place Group.

Forest Place Group has substantial investments in:

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

DIRECTORY

REGISTERED OFFICE	Level 5, WHK Horwath Centre 120 Edward Street, BRISBANE QLD 4000
PRINCIPAL PLACE OF BUSINESS	Level 5, WHK Horwath Centre 120 Edward Street, BRISBANE QLD 4000 Ph: +61 7 3319 3630 Fax: +61 7 3319 3695 Email: info@forestplace.com.au Website: www.forestplace.com.au
BOARD OF DIRECTORS	Ian Leslie Fraser (Chairman) Donald Charles Mackenzie Philip Parker Justin Michael Laboo Geoffrey Earl Grady
COMPANY SECRETARY	Peter Douglas McNamara
EXECUTIVE DIRECTORS	Justin Michael Laboo Geoffrey Earl Grady
AUDIT COMMITTEE	Donald Charles Mackenzie (Chairman) Ian Leslie Fraser
VILLAGES:	ALBANY CREEK 61 Explorer Drive ALBANY CREEK QLD 4035 Ph: + 61 7 3264 5444 Fax: + 61 7 3264 4922 Manager: Leanne Todkill RN CLAYFIELD 469 Sandgate Road ALBION QLD 4010 Ph: + 61 7 3262 0107 Fax: + 61 7 3862 3248 Manager: Scott Noble CLEVELAND 148 Smith Street CLEVELAND QLD 4163 Ph: + 61 7 3286 7600 Fax: + 61 7 3286 5906 Manager: David Sim DURACK 356 Blunder Road DURACK QLD 4077 Ph: + 61 7 3372 7777 Fax: + 61 7 3372 7537 Manager: Muriel Biner TARINGA 1 Moore Street TARINGA QLD 4068 Ph: + 61 7 3870 3077 Fax: + 61 7 3870 7190 Manager: Jenny Sweeney

NURSING HOME:	DURACK 276 Blunder Road DURACK QLD 4077 Ph: + 61 7 3372 8800 Fax: + 61 7 3372 8417 Care Manager: Susan Crouch RN
AUDITORS	PKF Level 6, 10 Eagle Street BRISBANE QLD 4000
SOLICITORS	Minter Ellison Waterfront Place 1 Eagle Street BRISBANE QLD 4000
SHARE REGISTRY	Link Market Services Limited Locked Bag A14 SYDNEY SOUTH NSW 1235 Ph: + 61 2 8280 7454 Fax: + 61 2 9287 0303 Email: registrars@linkmarketservices.com.au Website: www.linkmarketservices.com.au
SECURITIES EXCHANGE	The ordinary shares of Forest Place Group Limited are listed on the Australian Securities Exchange (ASX code: FPG).
OTHER INFORMATION	Forest Place Group Limited, incorporated and domiciled in Australia, is a publicly listed company.

CHAIRMAN AND EXECUTIVE DIRECTOR'S REPORT

The 2010 financial year saw a strong rebound by the group in operating results with net profit before tax of $25.7 million up significantly on last year's result of $8.1 million. This improvement was achieved through strong sales volumes that resulted in deferred management fee income improving to $13.5 million ($6.6 million last year).

As in previous years the main improvement was the rise in the fair value of the Villages - $21.8 million this year versus $7.8 million in the corresponding period last year. Basic earnings per share improved from 6.8 cents to 21.8 cents.

This stronger operating result was a positive turnaround from the prior year, which was severely impacted by difficult economic conditions. We remain cautiously optimistic about the outlook for the Company, however with continuing volatility in market conditions, future trading will require close attention to maintain the positive sales momentum achieved this year.

A significant milestone this year was the successful refinancing of the group's external debt. With the prior lender exiting the corporate debt market, the group was able to use this event to renegotiate both the structure and term of its borrowings.

The new banking facilities provide more flexibility for management to pursue growth opportunities. The Company is presently reviewing development plans for the villages of Albany Creek, Durack and Clayfield. It is anticipated that the first development will take place at Albany Creek in early 2011.

The retirement village sector continues to go through a period of consolidation, with much speculation around the future structure and ownership within the industry. We are committed to looking for opportunities to ensure that shareholder value is maximized and the company continues to grow, and we look forward to keeping shareholders informed about opportunities as they arise.

As in previous years the payment of dividends continues to be a question that we consider very carefully given matters such as future cash needs for operations and investment in development activity, as well as the ongoing requirement to redeem syndicate put options in the Clayfield village in particular.

We would like to thank the staff for their continued support and a job well done in 2010.

Ian Fraser
Chairman

Justin Laboo
Executive Director

CORPORATE GOVERNANCE

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 throughout the year, including the Council's revised Corporate Governance Principles and Recommendations (2nd edition) published in August 2007 ('Guidelines').

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 staff (including senior executive staff) but has entered into an Operating Agreement with FKP Limited for the supply of operational and administrative support services including Human Resources, Finance, Treasury, Legal, Premises and IT. The support services have been provided by FKP Limited since April 2004 and are reimbursed on an arms length basis pursuant to the terms of the Operating Agreement which was last renewed in July 2009. Mr Laboo is responsible for the effective operation of services under the agreement and is assisted by senior managers of FKP Limited who report to Mr Laboo.

Principle 2: Structure the Board to Add value

During the financial year the Chairman was at all times an independent, Non-Executive, Director. The Board comprised three Non-Executive Directors, two of whom are independent (including the Chairman) and two Executive Directors.

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.

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

It is acknowledged that a majority of the Board are not independent directors. However, 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 the shareholders.

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

The Committee applies a high standard of scrutiny and rigor to all of the matters it considers and decides and is acutely aware that is 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 Board is consistent with the governance demands of all shareholders.

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.

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'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 Insider Trading and Dealing in the Company's Security Policy is available on the Forest Place Group website.

Principle 4: Safeguard Integrity in Financial Reporting

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

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

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

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

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

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

The auditor, PKF 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 through out the Company and policies and procedures are in place to ensure timely, open and accurate information to all stakeholders, including shareholders, regulators and investors.

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

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

Principle 6: Respect the Right of Shareholders

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

> the annual report which is distributed to all shareholders (unless specifically requested otherwise);

> other correspondence regarding matters impacting on shareholders as required.

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

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

The engagement partner of the Consolidated Entity's external auditor, PKF, 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 polices and practices which ensure that the material business risks facing the Consolidated Entity are adequately identified, assessed, monitored and managed throughout the whole organisation.

These include:

> preparation of annual budgets and the Consolidated Entity's strategic plan for approval by Directors;

> presentation of actual trading results for the Consolidated Entity to the Board at each Board Meeting, compared against budget and forecast, with revised forecasts if required;

> preparation of comprehensive Board papers containing relevant operational, strategic, financial and legal information by each senior manager and circulated to directors before each meeting;

> the establishment and implementation of financial authority limits by the Board to delegate the Board's approval process of such matters. Where the cost is above those delegated authorities' approval of the full Board is required;

> maintenance of insurance cover appropriate to the size and nature of the Consolidated Entity's operations to reduce the financial impact of any significant insurable losses; and

➢ establishment of a risk register which identifies the material risks facing the Consolidated Entity and which is regularly reviewed and updated.

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

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

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

> the statements made with regard to the integrity of the Consolidated Entity's financial reports are founded on a sound system of risk management and internal controls which, in all material respects, implements the policies adopted by the Board; and

> the Consolidated Entity's risk management and internal compliance and control systems to the extent they relate to financial reporting are operating efficiently and effectively in all material respects and nothing has occurred since the end of the reporting period that would materially change the position.

Principle 8: Remunerate Fairly and Responsibly

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

The independent Non–Executive Directors have determined that as the Consolidated Entity does not directly employ any 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.

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.

DIRECTORS' REPORT

The Directors present their Report together with the Financial Report of Forest Place Group Limited ('Company') and of the Consolidated Entity ('Consolidated Entity'), being the Company and its Controlled Entities, for the year ended 30 June 2010 and the Auditor's Report thereon.

DIRECTORS

The Directors of the Company during the year and until the date of this Report are:

I L Fraser: FCPA FAICD - Independent Non-Executive Chairman (Age 65).
Mr Fraser was appointed a Director on 27 November 2001 and Chairman on 19 December 2001. Mr Fraser was appointed Chairman of the Contract Review Committee and a member of the Audit Committee in December 2001. Mr Fraser's business experience spans some 38 years during which he 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), Legend Corporation Limited (since January 2008), and Wattyl Limited (since June 2009). Previous Directorships held during the last three years include Non-Executive Director of Nylex Limited (December 2006 to November 2008), and Lighting Corporation Limited (June 2006 to January 2008).

D C Mackenzie: FCA - Independent Non-Executive Director (Age 65).
Mr Mackenzie was appointed a Director on 29 March 2004 and Chairman of the Audit and Risk Management 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 an alternate Director of Silver Chef Limited (since March 2005) and was previously a Director of OMI Holdings Limited (November 2004 to 29 March 2010).

J M Laboo: LLB BSc MBA - Executive Director (Age 37).
Mr Laboo was appointed a Director on 27 August 2007. He joined FKP Property Group ('FKP') in August 2005, as head of Corporate Finance, leading FKP's treasury, mergers and acquisitions activities and was appointed as FKP's Executive General Manager Retirement in November 2006. As Executive General Manager Retirement, Mr Laboo leads all aspects of FKP's retirement division. Mr Laboo has more than 10 years experience in finance and strategy areas, across the banking, construction and energy industries and holds a Bachelor of Science Mathematics, Bachelor of Laws, both from Queensland University of Technology and an executive MBA from the Australian Graduate School of Management**.**

P Parker: Non-Executive Director (Age 64).
Mr Parker was appointed a Director on 21 April 2004. Mr Parker is a founding Director of the ultimate holding Company, FKP Limited (July 1987 to date), with over 35 years experience as a real estate agent and property developer. Mr Parker is a registered real estate agent having operated real estate businesses in Darwin, Northern Territory, and on the Sunshine Coast, and spending 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.

G E Grady: BCom LLB ACA - Executive Director (Age 51).
Mr Grady was appointed a Director on 27 May 2009. He is a Chartered Accountant and a solicitor of the Supreme Court of Queensland. Mr Grady is currently the Chief Operating Officer of FKP Property Group 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).

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

COMPANY SECRETARY

D C Mackenzie: FCA
Mr Mackenzie was appointed to the position of Company Secretary on 19 October 2008 and resigned on 27 May 2010.

P D McNamara: BCom
Mr McNamara was appointed to the position of Company Secretary on 27 May 2010. Mr McNamara holds a Bachelor of Commerce and is currently the Assistant Company Secretary of FKP Property Group.

MEETINGS OF DIRECTORS AND COMMITTEES OF BOARD

The number of meetings held (including Meetings of Directors) and the number of meetings attended during the financial year are:

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

[1] Reflects the number of meetings held during the time the Director held office during the year.
[2] Members of the Audit Committee are D C Mackenzie (Chairman) and I L Fraser.
[3] Members of the Contract Review Committee are I L Fraser (Chairman) and D C Mackenzie.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the course of the financial year were the development, ownership and operation of retirement villages and an aged care facility (nursing home). There was no significant change in the nature of the activities of the Consolidated Entity during the year.

REVIEW AND RESULTS OF OPERATIONS

Consolidated Result

The consolidated profit after income tax for the year attributable to the Members of the Company was $18.014m (2009: $5.655m).

Income

Income for the year was $40.696m comprising:

	2010 $'000	2009 $'000	Change $'000	Change %
Deferred management fee	13,517	6,640	6,877	104%
Syndicate fees	1,796	1,274	522	41%
Services provided	1,402	1,232	170	14%
Nursing home funding	1,687	1,547	140	9%
Interest	209	193	16	8%
Other	223	231	(8)	(3%)
Total revenue	18,834	11,117	7,717	69%
Increase in fair value of investment properties	21,862	7,833	14,029	179%
Total	**40,696**	**18,950**	**21,746**	**115%**

Retirement Villages

Total revenue for the retirement villages (excluding fair value changes) was $18.834m for the year (2009: $11.117m). In addition, the fair value of the retirement villages increased to $21.862m compared to $7.833m in the prior year. A discount rate of 12.5% has been used to determine the fair value of the investment properties (2009:12.5%). In assessing the appropriate rate, the Board has taken into account pricing of transactions within the sector in the last twelve months, the published views of valuers and professional firms and the size, location and quality of the Consolidated Entity's villages.

During the year, the Consolidated Entity leased or re-leased 117 (2009: 71) accommodation units in its owned retirement villages. There were 10 leases of new units and 107 re-leases of existing units. This compares with leases and re-leases in the corresponding prior year of 4 and 67 respectively.

Syndicate Revenue

Syndicate fees represent work performed by the Consolidated Entity in managing the overall construction and development activities, marketing and administration of the syndicated villages. The increase in revenue was primarily due to the increase in new leases and re-leases achieved comparative to the prior year. (The marketing and administration fee is linked to the number of new leases and re-leases and the value of those contracts).

Services Provided

Revenue from services provided mainly comprises fees from respite accommodation and the hostel care option. Revenue from such services remained materially consistent with that earned in the prior year.

Nursing Home

The nursing home 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.

REVIEW AND RESULTS OF OPERATIONS (continued)

Operations

The Consolidated Entity has 1,017 units under lease at its three owned villages.

The Consolidated Entity also has investments in two syndicates which own 224 units. The syndicates have ongoing development plans involving a further 184 units. Currently, there are no units under construction.

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

Current Assets and Current Liabilities

The Balance Sheet of the Consolidated Entity discloses total current assets of $20.422m and current liabilities of $201.078m. This partially arises because of the requirement under Australian Accounting Standards to classify Resident Loans, as a current liability, whereas the asset, to which this relates, Investment Properties, is required to be classified as a non-current asset. In practice, the rate at which the Consolidated Entity's Retirements' residents vacate their units, and hence the rate at which the Resident Loans will fall due for repayment, can be estimated on the basis of statistical tables which is not reflected by classifying all Resident Loans as current liabilities.

The Consolidated Entity's best estimate is that of the total Resident Loans of $184.730m, only $23.696m is expected to be paid within the next twelve months. Further, if these amounts were repayable, it is estimated that incoming contributions of more than $44.519m would be received by the Consolidated Entity.

After excluding resident loans, current assets exceed current liabilities in the Consolidated Entity by $4.074m.

Outlook

The Consolidated Entity has an excellent base of leased accommodation units and significant development activities are still to be undertaken at Durack, Albany Creek, and the syndicated villages, at Cleveland and Clayfield.

DIVIDENDS

There were no dividends paid or declared by the Company (2009: nil).

STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year under review other than disclosed elsewhere in the Directors' Report.

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.

SUBSEQUENT EVENTS

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

LIKELY DEVELOPMENTS

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 disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

REMUNERATION REPORT

The Independent Non-Executive Directors have determined that as the Consolidated Entity does not directly employ any staff (provisions relating to employment costs relate to the indirect employment of staff by the Retirement Village Finance Committees), 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 on an arms length basis.

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 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 Independent Non-Executive Director on a periodic basis by reference to the overall objective of ensuring maximum share holder benefit.

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

Details of the nature and amount of each element of the remuneration of Key Management Personnel of the Company during the financial year are:

		Short-Term Employee Benefits			Post-Employment	
Key Management Personnel	**Year**	**Salary & Fees $**	**Bonus $**	**Non-Monetary Benefits $**	**Superannuation Benefits $**	**Total $**
I L Fraser	2010	65,000	-	-	5,850	70,850
	2009	65,000	-	-	5,850	70,850
D C Mackenzie	2010	40,000	-	-	3,600	43,600
	2009	40,000	-	-	3,600	43,600
J M Laboo [1]	2010	-	-	-	-	-
	2009	-	-	-	-	-
P Parker [1]	2010	-	-	-	-	-
	2009	-	-	-	-	-
G E Grady [1]	2010	-	-	-	-	-
	2009	-	-	-	-	-
Total	**2010**	**105,000**	**-**	**-**	**9,450**	**114,450**
	2009	**105,000**	**-**	**-**	**9,450**	**114,450**

[1] Director / employee of the ultimate holding company, FKP Limited.

Transactions with Director Related Entities are described in Note 24 to the Financial Report.

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 Report is as follows:

	Ordinary Shares
I L Fraser[1]	1,000
D C Mackenzie [1]	1,000
J M Laboo	Nil
P Parker	Nil
G E Grady	Nil

[1] The shares are held by entities and or by associates in which Non Executive directors have a beneficial interest.

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

We confirm that we have obtained the Auditor's Independence Declaration which is set out on Page 16.

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 as such 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 Contract.

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:

D C Mackenzie
Director

Dated at Brisbane, 26 August 2010

Chartered Accountants
& Business Advisers

Auditor's Independence Declaration

As lead auditor for the audit of Forest Place Group Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

PKF

PKF

K L Colyer

K L Colyer
Partner

Dated at Brisbane this 26th day of August 2010

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Statement of Comprehensive Income for the Year Ended 30 June 2010

	Note	Consolidated Entity 2010 $'000	2009 $'000
Rendering of services		3,089	2,779
Deferred management fee	29	13,517	6,640
Syndicate fees		1,796	1,274
Change in fair value of investment properties	9	21,862	7,833
Other income	2	432	424
Change in fair value of resident loans	29	(9,389)	(3,886)
Corporate and unallocated overheads		(1,887)	(1,382)
Sales and marketing expenses		(1,669)	(889)
Nursing home operating costs		(1,665)	(1,660)
Other expenses		(1,146)	(1,097)
Finance costs	3	(914)	(800)
Share of net profits / (losses) of associates accounted for using the equity method	10(b)	1,637	(1,156)
Profit before Income Tax Expense		**25,663**	**8,080**
Income tax expense relating to ordinary activities	4	(7,649)	(2,425)
Net Profit from Continuing Operations Attributable to Owners of the Company		**18,014**	**5,655**
Other Comprehensive Income		-	-
Total Comprehensive Income Attributable to Owners of the Company		18,014	5,655
Earnings per Share:			
Basic earnings per share	6(a)	21.8c	6.8c
Diluted earnings per share	6(a)	21.8c	6.8c

The Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on Pages 21 to 43.

Balance Sheet as at 30 June 2010

	Note	Consolidated Entity 2010 $'000	2009 $'000
Current Assets:			
Cash and cash equivalents	7	3,862	2,982
Trade and other receivables	8	14,710	13,717
Other financial assets	12	1,586	1,347
Other	13	264	185
Total Current Assets		**20,422**	**18,231**
Non-Current Assets:			
Investment properties	9	466,755	438,746
Equity-accounted investments	10	27,705	24,001
Property, plant and equipment	11	636	3,790
Intangible assets	14	253	253
Other financial assets	12	3,861	581
Total Non-Current Assets		**499,210**	**467,371**
Total Assets		**519,632**	**485,602**
Current Liabilities:			
Trade and other payables	15	2,494	4,020
Interest bearing loans and borrowings	16	43	11,774
Resident loans	1(s)	184,730	175,824
Unearned income	1(c)	12,123	7,499
Provisions	17	102	148
Other financial liabilities	18	1,586	1,347
Total Current Liabilities		**201,078**	**200,612**
Non-Current Liabilities:			
Interest bearing loans and borrowings	16	4,707	86
Deferred tax liabilities	4(d)	90,333	82,684
Provisions	17	41	41
Other financial liabilities	18	3,861	581
Total Non-Current Liabilities		**98,942**	**83,392**
Total Liabilities		**300,020**	**284,004**
Net Assets		**219,612**	**201,598**
Equity:			
Contributed equity	19	56,605	56,605
Retained profits		163,007	144,993
Total Equity		**219,612**	**201,598**

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on Pages 21 to 43.

Statement of Changes in Equity for the Year Ended 30 June 2010

Consolidated Entity	Share Capital $m	Retained Earnings $m	Total Equity $m
Balance at 1 July 2008	56,605	139,338	195,943
Total comprehensive income:			
Profit for the year	-	5,655	5,655
Total comprehensive income for the year	**-**	**144,993**	**201,598**
Transactions with owners in their capacity as owners:			
Shares issued net of transaction costs	-	-	-
Total Transactions with owners	-	-	-
Balance at 30 June 2009	**56,605**	**144,993**	**201,598**
Balance at 1 July 2009	56,605	144,993	201,598
Total comprehensive income:			
Profit for the year	-	18,014	18,014
Total comprehensive income for the year	**-**	**18,014**	**18,014**
Transactions with owners in their capacity as owners:			
Shares issued net of transaction costs	-	-	-
Total Transactions with owners	-	-	-
Balance at 30 June 2010	**56,605**	**163,007**	**219,612**

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on Pages 21 to 43.

Cash Flow Statement for the Year Ended 30 June 2010

	Note	Consolidated Entity 2010 $'000	2009 $'000
Cash Flows from Operating Activities:			
Cash receipts in the course of operations		22,013	10,102
Cash payments in the course of operations		(8,347)	(4,970)
Interest received		209	193
GST recovered		196	279
Borrowing costs paid		(914)	(800)
Net Cash Provided By Operating Activities	22(c)	**13,157**	**4,804**
Cash Flows from Investing Activities:			
Payments for property plant and equipment and investment properties		(3,099)	(5,133)
Payments for investment in syndicates		(2,068)	(1,638)
Net Cash Used In Investing Activities		**(5,167)**	**(6,771)**
Cash Flows from Financing Activities:			
Finance lease payments		(32)	(33)
Repayment of interest bearing loans and borrowings		(7,078)	(363)
Net Cash Used In Financing Activities		**(7,110)**	**(396)**
Net increase / (decrease) in cash and cash equivalents		880	(2,363)
Cash and cash equivalents at beginning of financial year		2,982	5,345
Cash and Cash Equivalents at End of Financial Year	22(a)	**3,862**	**2,982**

The Cash Flow Statement is to be read in conjunction with the Notes to the Financial Statements set out on Pages 21 to 43.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICES

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 aggregated Financial Statements of the Forest Place Group Limited ('Company') and its Controlled Entities ('Consolidated Entity'). The Financial Report is presented in Australian dollars.

The Financial Report of the Consolidated Entity was authorised for issue by the Directors on 26 August 2010.

Current Assets and Current Liabilities

The Balance Sheet of the Consolidated Entity discloses total current assets of $20.422m and current liabilities of $201.078m. This partially arises because of the requirement under Australian Accounting Standards to classify Resident Loans, as a current liability, whereas the asset, to which this relates, Investment Properties, is required to be classified as a non-current asset. In practice, the rate at which the Consolidated Entity's Retirements' residents vacate their units, and hence the rate at which the Resident Loans will fall due for repayment, can be estimated on the basis of statistical tables which is not reflected by classifying all Resident Loans as current liabilities.

The Consolidated Entity's best estimate is that of the total Resident Loans of $184.730m, only $23.696m is expected to be paid within the next twelve months. Further, if these amounts were repayable, it is estimated that incoming contributions of more than $44.519m would be received by the Consolidated Entity.

After excluding resident loans, current assets exceed current liabilities by $4.074m in the Consolidated Entity.

(a) Basis of Preparation of Financial Report

The Financial Report is a general purpose Financial Report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards including Accounting Interpretations. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the Financial Statements comply with International Financial Reporting Standards ('IFRS').

New Accounting Standards and Interpretations
When the adoption of the Standard or Interpretation is deemed to have a material impact on the financial statements or performance of the group, its impact is described below:

Amendments to the Corporations Act 2001
Under the revised Corporations Act 2001, in accordance with the Corporations Amendment Regulations 2010 (No. 6), an entity preparing consolidated financial statements is no longer required to prepare parent entity financial statements however, requires key parent entity disclosures to be made in a separate note. As a result, the consolidated entity has not prepared parent entity financial statements however, makes required parent entity disclosures by way of a separate note under Note 30.

AASB 3 'Business Combinations'
AASB 3 introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interests (previously "minority interests"), the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results.

AASB 127 '*Consolidated and Separate Financial Statements'*
AASB 127 changes the accounting for investments in subsidiaries. It requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary. The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests.

AASB 101 'Presentation of Financial Statements'
The revised standard separates owner and non-owner changes in equity and introduces a statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Consolidated Entity has elected to present one statement.

AASB 123 'Borrowing Costs'
The revised AASB 123 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The adoption of this amendment did not have any impact on the financial position or performance of the Consolidated Entity.

AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
The amendments delete the reference to the "cost method" making the distinction between pre and post acquisition profits no longer relevant. All dividends received are now recognised in profit or loss rather than having to be split between a reduction in the investment and profit and loss. However the receipt of such dividends requires an entity to consider whether there is an indicator of impairment of the investment in that subsidiary.

The amendments further clarify cases or reorganisations where a new parent is inserted above an existing parent of the Consolidated Entity. It states that the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. The adoption of these amendments did not have any impact on the financial position or the performance of the Consolidated Entity.

AASB 140 'Investment Property'
AASB 140 amends the standard to include investment properties under construction within the scope of the standard, and also allows investment properties to be measured at cost if fair value cannot be measured reliably until such time as the fair value becomes reliably measureable or construction is complete (whichever comes earlier). The Consolidated Entity now classifies investment properties under construction as Investment Properties in the Balance Sheet. Previously these amounts were classified as Property, Plant and Equipment. Investment properties under construction that relate to the retirement segment of the Consolidated Group have been measured at cost, as the fair value of these assets cannot be reliably measured at this time.

The adoption of the other amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Consolidated Entity.

AASB 7 'Financial Instruments: Disclosures'
AASB 7 requires disclosures of financial instruments measured at fair value to be classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The impact of the amendment resulted in the Consolidated Entity's fair value financial instruments to be disclosed in each of the three levels. Refer to Note 27(d).

Historical Cost Convention
The Financial Report has been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through the profit or loss, certain classes of property, plant and equipment and investment property.

(b) Principle of Consolidation

The Consolidated Financial Statements includes the Financial Statements of the Company, being the parent entity and its Controlled Entities ('Consolidated Entity'). The balances and effects of transactions between Controlled Entities included in the Consolidated Financial Statements have been eliminated.

Controlled Entities
Subsidiaries are entities controlled by the Consolidated Entity. Control exists when the Consolidated Entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Syndicates
A syndicate is an associated entity over which the Consolidated Entity exercises significant influence and where the investment in that entity has not been acquired with a view to disposal in the near future. In the Consolidated Financial Statements investments in syndicates are accounted for using equity accounting principles. Investments in syndicates are carried at the lower of the equity-accounted amount and recoverable amount. The Consolidated Entity's share of the syndicates' net profit or loss is recognised in the Consolidated Statement of Comprehensive Income after adjustments for dissimilar accounting policies and the elimination of unrealised profits and losses for both upstream and downstream transactions between the syndicates and any entities in the Consolidated Entity. The syndicates are treated as partnerships for income tax purposes.

(c) Revenue Recognition

Revenues are recognised at the fair value of the consideration received or receivable, net of the amount of Goods and Services Tax ('GST').

Deferred Management Fees ('DMF') Revenue
DMF on retirement village assets are earned whilst 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 income is not discounted to present value, as the income is earned by reducing the existing resident loan. Refer to Note 29.

DMF is calculated as follows:
- 'entry' based contracts - calculated as the anticipated final DMF receivable based on the entry market value amortised over the expected average period of tenure of the resident; and
- 'exit' based contracts - calculated as the expected DMF receivable based on the current market value amortised over the expected average period of tenure of the resident.

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

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 nursing home, the level of fees is set by the Federal Government.

Interest Revenue
Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Syndicate Fees
Syndicate fees, representing work performed in managing the overall construction and development activities, marketing and administration of the syndicate owned retirement villages, are recognised as revenue as they accrue.

Other Revenue
All other classes of revenue are recognised as they accrue.

(d) Government Grants

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

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

(e) GST

Revenues, expenses and assets (other than receivables) are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office ('ATO'). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash Flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating Cash Flows from Operating Activities.

(f) Taxation

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the Australian company income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rate expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary timing differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and the tax bases of investments in Controlled Entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the Entity has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

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 tax receivable and deferred 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.

(g) Receivables

Trade debtors are usually settled within 30 days and are carried at amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(h) Investment Property Under Construction

Investment Property Under Construction represent properties that are under construction for future use as investment properties. These are carried at fair value unless the fair value can not yet be reliably determined. Where that is the case, the property will be carried at cost until either the fair value becomes reliably measurable or construction is complete. Cost includes the cost of acquisition and / or development. Net realisable value is determined on the basis of indicative market values of lease rollovers. Expenses of marketing are estimated and are deducted to establish net realisable value. Investment Property Under Construction are classified within Investment Properties in the Balance Sheet.

(i) Investment Properties

Retirement Villages

Retirement villages are investment properties held to earn revenues and capital appreciation, comprising land and buildings intended to be held for the long-term relating to independent living units, serviced apartments, common facilities and integral plant and equipment.

Investment properties are carried at fair value with any changes recorded in the Statement of Comprehensive Income. The fair value is determined using discounted cash flow valuation methodology. 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.

(j) Property, Plant and Equipment

Plant and Equipment Depreciation

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 of acquisition.

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

Nursing home buildings	2.5%
Nursing home plant and equipment	13% to 20%

(k) Non-Current Assets

All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts, the relevant cash flows have been discounted to their present value. A write-down is expensed in the financial period in which it occurs.

(l) Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognised on the Balance Sheet when the Consolidated Entity becomes party to the contractual provisions of the financial instrument. A financial asset is recognised when the contractual rights to the cash flows from the financial asset expire or are transferred and no longer controlled by the Entity. A financial liability is removed from the Balance Sheet when the obligation specified in the contract is discharged or expires.

Financial assets or liabilities classified as held for trading are measured at fair value through the Statement of Comprehensive Income. Upon initial recognition a financial asset or financial liability is designated as at fair value through profit or loss except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as Loans and Receivables. Loans and Receivables are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.

Held to Maturity Investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other 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, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(m) Intangibles - Nursing Home Licenses

Licenses exist for the 25 beds at Forest Place Nursing Home at Durack. No new licenses were purchased during the year. These licenses entitle the nursing home to Government funding. Licenses to operate nursing homes and hostels acquired are carried at cost 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 entity. Directors review the carrying value of licenses for impairment by comparing this value to the recoverable value of the licenses within the current active market. Any reduction of recoverable amount below cost is written off as an expense.

(n) Impairment of Assets

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 profit or loss. Any cumulative loss in respect of an available-for-sale financial asset previously recognised in equity is transferred to profit or loss. 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 profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(o) Employee Benefits

Wages, Salaries, Annual Leave and Non-Monetary Benefits

Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the year end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at the reporting date including related on-costs.

Long Service Leave

The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attached to national Government bonds at reporting date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

(p) Accounts Payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Consolidated Entity. Trade accounts payable are normally settled within 30 days, unless otherwise arranged.

(q) Interest Bearing Loans and Borrowings

Interest bearing loans and borrowings are initially recognised on the Balance Sheet at their fair value, net of transaction costs incurred and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest rate method.

(r) Finance Costs

Finance costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings including trade creditors and lease finance charges.

Finance costs are expensed using the effective interest rate method unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amounts of borrowing costs capitalised are those incurred in relation to that borrowing, net of any interest earned on those borrowings. For non-specific borrowings, borrowing costs are capitalised using a weighted average capitalisation rate.

(s) Resident Loans

Resident loans are measured at the principal amount less unearned income, plus the resident's share of capital gains based on the market value of the underlying property at balance date. Resident loans are valued at fair value through the Statement of Comprehensive Income.

Resident loans are non-interest bearing and are payable at the end of the resident contract. Average tenure periods for residents are for an extended period of time greater than one year, however, they are classified as current liabilities because the Consolidated Entity does not have an unconditional right to defer settlement greater than 12 months. Although resident loans are classified as current, it is estimated that $23.700m will rollover in the next 12 months.

(t) Syndicate Put Options

The Consolidated Entity has entered into put and call options 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 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.

(u) Equity

Ordinary Securities
Ordinary securities are classified as equity. Incremental costs directly attributable to the issue of ordinary securities and security options are recognised as a deduction from equity, net of any tax effects.

(v) Estimates and Judgements

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

The Consolidated Entity makes estimates and assumptions concerning the future. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are included throughout Note 1.

(w) Key Sources of Uncertainty

The market for real estate assets has been significantly impacted by the volatility of global financial markets. The fair value of assets reported by the Consolidated Entity has been adjusted to reflect current market conditions. Continued uncertainty in financial markets may impact on the carrying value of the Consolidated Entity's assets in the future.

(x) New Standards and Interpretations Not Yet Adopted

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 are available for early adoption at 30 June 2010 but have not been applied in preparing these Financial Statements:

- AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. Amendments are made to AASB 5, 8, 101, 107, 117, 118, 136 & 139.' These standards are applicable to annual reporting periods beginning on or after 1 January 2010. The Consolidated Entity has yet to determine the potential effect of these standards.
- AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions'. This standard is applicable to annual reporting periods beginning on or after 1 January 2010. The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by the amendments. The Consolidated Entity has yet to determine the potential effect of this standard.
- AASB 9 'Financial Instruments'. This standard is applicable to annual reporting periods beginning on or after 1 January 2013. Simplifies the classifications into two categories; those carried at amortised cost, and those carried at fair value. This standard simplifies requirements related to embedded derivatives that exist in financial assets that are carried at amortised cost, such that there is no longer a requirement to account for the embedded derivative separately. The standard also removes the tainting rules associated with held-to-maturity asset. Investments in equity instruments that are not held for trade can be designated at fair value through other comprehensive income, with only dividends being recognised in profit and loss. Investments in unquoted equity instruments (and contracts on those investments that must be settled by delivery of the unquoted equity instrument) must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. The Consolidated Entity has yet to determine the potential effect of this standard.
- AASB 2009-10 'Amendments to Australian Accounting Standards - Classification of Rights Issues'. This standard is applicable to annual reporting periods beginning on or after 1 February 2010. Clarifies that rights options or warrants to acquire a fixed number of an entities own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its own non-derivative equity instruments. The Consolidated Entity has yet to determine the potential effect of this standard.
- AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]'. This standard is applicable to annual reporting periods beginning on or after 1 January 2013. This standard gives effect to the consequential changes arising from the issuance of AASB 9: Financial Instruments. The Consolidated Entity has yet to determine the potential effect of these standards.
- Revised AASB 124: Related Party Disclosures (December 2009): Related Party Disclosures (December 2009). This standard is applicable to annual reporting periods beginning on or after 1 January 2011. Simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition of a related party. The Consolidated Entity has yet to determine the potential effect of this standard.
- *AASB 2009-12:* Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]. *AASB 2009-12* makes amendments to a number of Standards and Interpretations. These standards are applicable to annual reporting periods beginning on or after 1 January 2011. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Consolidated Entity has yet to determine the potential effect of these standards.
- Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments. This standard is applicable to annual reporting periods beginning on or after 1 July 2010. Requires the extinguishment of a financial liability by the issue of equity instruments to be measured at fair value (preferably using the fair value of the equity instrument issued) with the difference between the fair value of the instrument and the carrying value of the liability extinguished being recognised in profit or loss. The Interpretation does not apply where the conversion terms were included in the original contract (such as in the case of a convertible debt) or to common control transactions. The Consolidated Entity has yet to determine the potential effect of this standard.

The Consolidated Entity has no plans to adopt accounting policy options with effect from 1 July 2009. Application of the amending standards will not affect any of the amounts recognised in the Financial Statements and is expected to only impact disclosures contained within the Financial Report.

(y) 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.

(z) Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(aa) 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.

Syndicates
In the Company's Financial Statements investments in syndicates are carried at the lower of cost and recoverable amount.

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.

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 tax receivable and deferred 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.

	Consolidated Entity	
	2010	**2009**
	$'000	**$'000**

2. OTHER INCOME

Interest - other parties	209	193
Other revenue	223	231
	432	**424**

3. ITEMS INCLUDED IN PROFIT AND LOSS

Additional Information Relating to Revenue:		
Governments grants [1]	2,625	2,353
Additional Information on the Nature of Expenses:		
Depreciation and Amortisation – buildings and leasehold improvements	46	35
Amortisation - plant and equipment under finance lease	38	42
Net expense from movement in provision for employee benefits	(46)	-
Finance costs - other parties:		
Bank loans and overdraft	910	794
Finance charges on capitalised leases	4	6

[1] Government grants were recognised by the Consolidated Entity during the financial year relating to age care services. 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.

4. INCOME TAX

(a) Income Tax Expense

Current tax:		
Current tax year movement	-	-
(Over) / under provisions	-	(3,876)
Deferred tax expense from temporary difference:		
Current tax year movement	7,674	2,424
(Over) / under provisions	(25)	3,877
Income Tax Expense	**7,649**	**2,425**

(b) Reconciliation of Income Tax Expense to Prima Facie

Profit before income tax expense	25,663	8,080
Tax at the Australian tax rate of 30%	7,699	2,424
Tax effect on non-deductible amounts:		
Non-deductible expenses	(38)	-
Assessable amounts	13	-
(Over) / under provisions	(25)	1
Income Tax Expense	**7,649**	**2,425**

(c) Deferred Tax Assets

The Balance Comprises Temporary Differences Attributable to:		
Amounts recognised in Statement of Comprehensive Income:		
Accrued expenses	-	14
Provisions for employee benefits	43	57
Tax losses	8,345	8,055
Unearned revenue	3,648	2,248
Net Deferred Tax Assets	**12,036**	**10,374**
Less: set-off against deferred tax liabilities	(12,036)	(10,374)
	-	**-**
Movements:		
Opening balance at 1 July	10,374	1,706
(Over) / under provisions	(79)	3,281
Accrued expenses	(2)	(7)
Provisions for employee benefits	(14)	25
Tax losses	369	4,774
Unearned revenue	1,388	595
	12,036	**10,374**
Less: set-off against deferred tax liabilities	(12,036)	(10,374)
Closing Balance at 30 June	**-**	**-**

4. INCOME TAX (continued)

(d) Deferred Tax Liabilities

	Consolidated Entity 2010 $'000	Consolidated Entity 2009 $'000
The Balances Comprises Temporary Differences Attributable to:		
Amounts recognised in Statement of Comprehensive Income:		
Fair value of investment properties	138,238	130,336
Resident loans	(37,467)	(40,279)
Equity-accounted profits	2,079	2,256
Other expenditure currently deductible for tax but deferred and amortised for accounting	(481)	745
Net Deferred Tax Liabilities	**102,369**	**93,058**
Less: deferred tax assets set off from above	(12,036)	(10,374)
	90,333	**82,684**
Movements:		
Opening balances at 1 July	93,058	78,074
(Under) / over provision	(105)	7,173
Fair value of investment properties	7,902	2,762
Resident loans	2,949	4,232
Syndicate results	(209)	(199)
Other expenditure currently deductible for tax but deferred and amortised for accounting	(1,226)	1,016
	102,369	**93,058**
Less: deferred tax assets set off from above	(12,036)	(10,374)
Closing Balance at 30 June	**90,333**	**82,684**

(e) Tax Consolidation Legislation

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

5. DIVIDENDS AND DISTRIBUTIONS

	2010	2009
Dividend Franking Account		
Balance of the 30% franking credits at the end of the year	1,350	1,350

No dividends were proposed or paid during the financial year.

6. EARNINGS PER SHARE

(a) Basic and Diluted Earnings per Share

	2010	2009
Basic and diluted earnings per share	21.8 cents	6.8 cents

(b) Weighted Average Number of Shares used as the Denominator

	Consolidated Entity Number of Shares 2010	Consolidated Entity Number of Shares 2009
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted earnings per share	82,578,509	82,578,509

7. CASH AND CASH EQUIVALENTS

	Consolidated Entity 2010 $'000	Consolidated Entity 2009 $'000
Cash at Bank	3,700	2,982
Capital replacement funds	162	-
Total Cash and Cash Equivalents	**3,862**	**2,982**

A statutory change, imposed under the Retirement Villages Act 1999, exists over all amounts held in Capital Replacement Funds which restricts the use for which these funds can be applied. Such funds have been recognised as part of Cash at Bank in the year ended 30 June 2010. These were recognised under 'Other assets' in the prior year. Refer to Note 13.

8. TRADE AND OTHER RECEIVABLES

	Consolidated Entity 2010 $'000	Consolidated Entity 2009 $'000
Current:		
Trade receivables	2,199	538
Other receivables	1,386	2,002
Due from syndicates	11,125	11,177
Total Current Receivables	**14,710**	**13,717**

(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. For the fair values of trade and other receivables refer to Note 27(d).

(b) Ageing and Impairment Loss

Other receivables, which represent amounts owed by wholly-owned villages, and amounts due from syndicates as disclosed above are not bound by any contractual terms in relation to the timing of repayment. The Consolidated Entity expects to recover these amounts in full. Neither are other receivables nor amounts due from syndicates past due or considered impaired.

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.

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

	2010	2009
Trade Receivables Ageing		
0-30 days	2,176	538
31-60 PDNI*	-	-
31-60 CI*	-	-
61-90 PDNI*	-	-
61-90 CI*	-	-
+ 91 days PDNI *	23	-
+ 91 days CI *	-	-
Total	**2,199**	**538**

* Past Due Not Impaired ('PDNI')
* Considered Impaired ('CI')

Trade receivables past due but not considered to be impaired at 30 June 2010 are $23,000 for the Consolidated Entity (2009: $nil).

There was no impairment or movement in the provision for 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.

9. INVESTMENT PROPERTIES

	2010	2009
Retirement Villages at Fair Value:		
Balance at beginning of year	438,746	424,937
Transfers from property, plant and equipment	-	1,945
Capitalised subsequent expenditure	3,042	4,031
Net gain from fair value adjustment	21,862	7,833
Balance at End of Year – Retirements Villages at Fair Value	**463,650**	**438,746**
Retirement Villages under Construction		
Balance at beginning of year	-	-
Transfers from property, plant and equipment	3,064	-
Capitalised subsequent expenditure	41	-
Transfers to Retirement Villages at Fair Value	-	-
Balance at End of Year Retirement Villages under Construction	**3,105**	**-**
Balance at End of Year	**466,755**	**438,746**

(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. 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. Key assumptions used in the Directors' valuation are the discount rate of 12.5% (2009: 12.5%), long-term property growth rate of 5% (2009: 5%) and average tenure period of 9 years for Independent Living Units (ILU) and 4 years for Serviced Apartments (SA) (2009: ILU: 9 years, SA: 4 years).

10. EQUITY-ACCOUNTED INVESTMENTS

(a) Carrying Amounts

	Consolidated Entity	
Details of equity-accounted investments:	**2010 %**	**2009 %**
Ownership interest:		
Forest Place Cleveland Syndicate [1]	75.00	70.00
Forest Place Clayfield Syndicate [1]	57.20	52.40
	$'000	**$'000**
Investment carrying amounts:		
Forest Place Cleveland Syndicate	13,556	12,340
Forest Place Clayfield Syndicate	14,149	11,661
	27,705	**24,001**

The principal activities include the development and operations of two retirement villages in Brisbane. The balance date for each syndicate is 30 June.

[1] The investments in Forest Place Cleveland and Clayfield Syndicates have been treated as investments in an associate as the Consolidated Entity does not have the ability to make all key financial and operating decisions in isolation of other syndicate members and precludes the Consolidated Entity from voting on matters benefiting the Consolidated Entity. In addition, the properties underlying the syndicates are held as 'tenants in common' with one title assigned to each property in question. This effectively precludes any single investor from making a key financial and/or operating decision without seeking the support of other syndicate members.

(b) Movement in Carrying Amounts of Investments

	Consolidated Entity	
	2010 $'000	**2009 $'000**
Carrying amount of investment in syndicates at beginning of year	24,001	22,931
Purchase of investment in syndicates	2,067	2,226
Share of syndicates' net profit/ (loss)	1,637	(1,156)
Carrying Amount of Investment in Syndicates at End of Year	**27,705**	**24,001**

(c) Summary Financial Information of equity-accounted investments

Assets	88,725	76,875
Liabilities	60,174	52,874
Revenue	5,076	105
Profit	1,637	(1,156)

(d) Contingent Liabilities of equity-accounted investments

There are no known contingent liabilities.

(e) Commitments of equity-accounted investments

There is no expenditure commitments contracted for at the balance date payable but not provided for and payable by either syndicate.

11. PROPERTY, PLANT AND EQUIPMENT

	Consolidated Entity 2010 $'000	2009 $'000
Investment Property Under Construction – at cost	**-**	**3,064**
Land and buildings - nursing homes:		
At cost	1,454	1,456
Accumulated depreciation	(864)	(814)
Total Land and Buildings	**590**	**642**
Plant and equipment - under finance lease:		
At cost	211	211
Accumulated depreciation	(165)	(127)
Total Plant and Equipment	**46**	**84**
Total Property, Plant and Equipment	**636**	**3,790**
Movements During the Year		
Investment Properties Under Construction at cost:		
Balance at beginning of year	3,064	3,941
Additions	-	1,068
Transfer to investment property	(3,064)	(1,945)
Balance at End of Year	**-**	**3,064**
Land and Buildings – Nursing Homes:		
Balance at beginning of year	642	642
Additions	16	35
Transfers	(14)	-
Impairment	(8)	-
Depreciation	(46)	(35)
Balance at End of Year	**590**	**642**
Plant and Equipment - Under Finance Lease:		
Balance at beginning of year	84	126
Depreciation	(38)	(42)
Balance at End of Year	**46**	**84**

12. OTHER FINANCIAL ASSETS

	2010 $'000	2009 $'000
Current:		
Right to acquire share in syndicate	1,586	1,347
Total Current Other Financial Assets	**1,586**	**1,347**
Non-Current:		
Right to acquire share in syndicate	3,861	581
Total Non-Current Other Financial Assets	**3,861**	**581**

13. OTHER ASSETS

	2010 $'000	2009 $'000
Current:		
Prepayments and sundry assets	264	65
Capital replacement funds	-	120
Total Current Other Assets	**264**	**185**

A statutory charge, imposed under the Retirement Villages Act 1999, exists over all amounts held in Capital Replacement Funds which restricts the use for which these funds can be applied. In the current year the Capital replacement funds have been transferred to Cash and Cash Equivalents. Refer Note 7.

14. INTANGIBLE ASSETS

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

	2010 $'000	2009 $'000
Nursing Home Licenses	**253**	**253**

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

15. TRADE AND OTHER PAYABLES

	Note	Consolidated Entity 2010 $'000	2009 $'000
Current:			
Other creditors and accruals		1,289	2,446
Payables to related parties	24(a)(iv)	1,205	1,574
Total Current Trade and Other Payables		**2,494**	**4,020**

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

(a) Fair Value

The carrying amounts of payables approximate fair values.

(b) Secured Amounts Payable

None of the payables are secured.

16. INTEREST BEARING LOANS AND BORROWINGS

	Note	2010 $'000	2009 $'000
Current:			
Bank loans – secured		-	11,741
Finance lease liabilities – secured		43	33
Total Current Interest Bearing Loans and Borrowings		**43**	**11,774**
Non-Current:			
Bank loans – secured		4,664	-
Finance lease liabilities – secured		43	86
Total Non-Current Interest Bearing Loans and Borrowings		**4,707**	**86**
Facilities utilised at balance date:			
Bank loans		4,664	11,741
Performance guarantee facilities	21(a)	20	20
Finance lease facility		86	119
		4,770	**11,860**
Facilities not utilised at balance date:			
Bank loans		9,336	-
Performance guarantee facilities		-	130
		9,356	**130**

(a) Restrictions as to Use or Withdrawal

There are no restrictions on 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.

(b) Bank Loans (Wholly-Secured)

The interest rate on all loans at 30 June 2010 was 7.45% (2009: 5.8%). Loan terms are of a 10 year period. 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.

(c) Other Loans - Related Parties (Wholly-Secured)

There were no loans extended from FKP Limited to the Consolidated Entity during the year.

(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 2010 and October 2012. The respective effective interest rates at 30 June 2010 are 7.9% and 8.7%. (2009: 7.9% and 8.7%).

16. INTEREST BEARING LOANS AND BORROWINGS (continued)

	Consolidated Entity 2010 $'000	Consolidated Entity 2009 $'000
(e) Assets Pledged as Security		
Current:		
Floating charge		
Cash and cash equivalents	3,803	2,982
Trade and other receivables	3,585	2,540
Capital replacement funds	162	120
Right to acquire share in syndicate	1,586	1,928
Total Current Assets Pledged as Security	**9,136**	**7,570**
Non-Current:		
First mortgage		
Freehold land and buildings	590	642
Investment properties	263,945	251,134
Investment properties under construction	3,105	3,064
Right to acquire share in syndicate	3,861	-
Floating charge		
Investment properties	196,883	187,612
Finance lease		
Leased plant and equipment	46	84
Total Non-Current Assets Pledged as Security	**468,430**	**442,536**
Total Assets Pledged as Security	**477,566**	**450,106**

(f) Defaults and Breaches

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

17. PROVISIONS

	2010	2009
Current:		
Employee Benefits	**102**	**148**
Non-Current:		
Employee Benefits	**41**	**41**

18. OTHER FINANCIAL LIABILITIES

	2010	2009
Current:		
Put Option Liabilities for Syndicate Shares	**1,586**	**1,347**
Non-Current:		
Put Option Liabilities for Syndicate Shares	**3,861**	**581**

19. CONTRIBUTED EQUITY

	Company Number of Shares	
Issued Capital (No Par Value)	82,578,509	82,578,509
Value of Issued Capital	$56,605,000	$56,605,000

There was no movement in contributed equity during the year (2009: nil).

(a) Terms and Conditions

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

(b) Capital Management

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

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

20. COMMITMENTS

(a) Capital Expenditure Commitments

There are no capital expenditure commitments outstanding as at 30 June 2010.

(b) Finance Lease Payment Commitments

	Consolidated Entity 2010 $'000	Consolidated Entity 2009 $'000
Future minimum lease payments:		
Within one year	45	37
Later than one year and no later than five years	45	91
	90	**128**
Less: Future lease finance charges not provided for in the Financial Statements	(4)	(9)
	86	**119**
Present value of minimum lease payments:		
Current (Note 16)	43	33
Non-current (Note 16)	43	86
Total Lease Liability	**86**	**119**

21. CONTINGENT LIABILITIES

(a) Guarantees

The Consolidated Entity's Financial Institution, has provided guarantees of $20,000 to local authorities to secure obligations pursuant to development approvals for villages still being developed. The guarantees are secured by a registered mortgage over the retirement villages.

(b) Put Options - Syndicates

As part of the syndicate arrangements for the Cleveland and Clayfield retirement villages, members of the syndicates have the right to put their shares in the syndicate to the Consolidated Entity based upon a formula set out in the Syndicate Deed. A number of these options have been exercised by syndicate investors and have been recognised in the Balance Sheet. The net present value of the amounts which would be payable under the put options for the remaining shares if they were exercised by the investors of the Cleveland and Clayfield Syndicates at reporting date is as follows:

	2010 $'000	2009 $'000
Cleveland Syndicate	3,177	4,830
Clayfield Syndicate	7,273	12,397

(c) Call Options - Syndicates

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

	2010 $'000	2009 $'000
Cleveland Syndicate	1,846	3,032
Clayfield Syndicate	5,334	6,588

22. 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:

	2010 $'000	2009 $'000
Cash on Hand and at Bank	**3,862**	**2,982**

(b) Financing Facilities Available

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

22. NOTES TO THE CASH FLOW STATEMENT (continued)

(c) Reconciliation of Net Cash Provided By Operating Activities to Operating Profit after Income Tax

	Consolidated Entity 2010 $'000	Consolidated Entity 2009 $'000
Net profit from continuing operations after income tax	18,014	5,655
Add / (less) non-cash items:		
Depreciation / amortisation	84	77
Change in fair value of investment properties	(21,862)	(7,833)
Change in fair value of resident loans	4,761	1,901
Share of syndicates net (profit) / loss	(1,637)	1,156
Bad debts	-	12
Change in assets and liabilities		
(Increase) / decrease in trade receivables	(990)	1,352
(Increase) / decrease in other assets	(78)	(43)
(Increase) / decrease in GST clearing accounts	64	62
Increase / (decrease) in accounts payable	-	1
Increase / (decrease) in unearned income	8,791	3,658
Increase / (decrease) in other payables and accruals	(1,593)	(3,338)
Increase / (decrease) in current tax liabilities	-	(3,891)
Increase / (decrease) in provisions	(46)	(281)
Increase / (decrease) in deferred tax liabilities	7,649	6,316
Net Cash Provided By Operating Activities	**13,157**	**4,804**

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were Directors and key management personnel of the Company during the year:

- I L Fraser (Chairman, Non-Executive);
- D C Mackenzie (Non-Executive);
- J M Laboo (Executive Director);
- P Parker (Non-Executive); and
- G E Grady (Executive Director),

(b) Key Management Personnel Compensation

The following table provides the details of all the key management personnel (including Directors) and the nature and amount of the elements of their remuneration for the year ended 30 June 2010:

Specified Key Management Personnel	Years	Short-Term Benefits: Salary & Fees $	Short-Term Benefits: Bonus $	Short-Term Benefits: Non-Monetary Benefits $	Post-Employment: Superannuation Benefits $	Total $
I L Fraser	2010	65,000	-	-	5,850	70,850
	2009	65,000	-	-	5,850	70,850
D C Mackenzie	2010	40,000	-	-	3,600	43,600
	2009	40,000	-	-	3,600	43,600
J M Laboo [1, 2]	2010	-	-	-	-	-
	2009	-	-	-	-	-
P Parker [1]	2010	-	-	-	-	-
	2009	-	-	-	-	-
G E Grady [1,3]	2010	-	-	-	-	-
	2009	-	-	-	-	-
M A Miller [1,4]	2010	-	-	-	-	-
	2009	-	-	-	-	-
M P Pearson [1,5]	2010	-	-	-	-	-
	2009	-	-	-	-	-
Total	**2010**	**105,000**	**-**	**-**	**9,450**	**114,450**
	2009	**105,000**	**-**	**-**	**9,450**	**114,450**

[1] Director / employee of the ultimate holding company, FKP Limited.
[2] J M Laboo appointed as Executive General Manager on 27 November 2006 and Director on 27 August 2007.
[3] G E Grady was appointed Director on 27 May 2009.
[4] M A Miller resigned as Director on 28 November 2008
[5] M Pearson resigned as Company Secretary on 6 February 2009.

23. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(c) Loans to Key Management Personnel

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

(d) Share Holdings of Key Management Personnel

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

	Ordinary Shares
I L Fraser[1]	1,000
D C Mackenzie [1]	1,000
J M Laboo	Nil
P Parker	Nil
G E Grady [2]	Nil
M P Pearson [3]	Nil
M A Miller [4]	Nil

[1] The shares are held by entities and or by associates in which Non Executive directors have a beneficial interest.
[2] G E Grady was appointed Director on 27 May 2009.
[3] M P Pearson resigned as Company Secretary on 6 February 2009.
[4] M A Miller resigned as Director on 28 November 2008.

24. RELATED PARTIES

(a) Transactions with Related Entities

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

On 2 March 2007 the Consolidated Entity extended an existing arm's length contract dated 15 July 2004 (which 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	
	2010 $'000	2009 $'000
Claims made, either paid or provided for, regarding reimbursement of construction expenditure incurred by Evo-Con Pty Ltd:	-	3,355

(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 and the Cleveland and Clayfield Syndicates to FKP Real Estate Pty Ltd during the year, in accordance with the current Marketing Agreement:

	2010	2009
Commission on leases for new and re-lease accommodation units:		
On behalf of the Consolidated Entity (2.5% plus GST of the gross transfer price and $1,500 plus GST for unit transfers under the guaranteed transfer option)	852	542
Marketing charges per unit on leases for new and re-lease accommodation units:		
On behalf of the Consolidated Entity (1% - 2.05% plus GST based on development stage)	452	263
On behalf of the syndicates (0.05% - 4.85% plus GST based on development stage)	364	116
Total	**1,668**	**921**

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. During the financial 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.

	2010	2009
Operational support recharges by FKP Limited	1,617	429

24. RELATED PARTIES (continued)

(a) Transactions with Related Entities (continued)

(iv) Balances with Related Parties

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

	Note	Consolidated Entity 2010 $'000	Consolidated Entity 2009 $'000
Trade and Other Payables:			
FKP Real Estate Pty Ltd	24(a)(ii)	263	118
FKP Limited		1,205	1,456
		1,468	1,574

(b) Transactions with Syndicates

(i) Fees

In accordance with the Syndicate Deeds, the Consolidated Entity is entitled to receive fees for services in respect of approval and feasibility, development management, promotions and administration. During the year $588,204 (2009: $558,032) was received from the Cleveland Syndicate and $1,207,875 (2009: $715,597) was received from the Clayfield Syndicate. The fee represents work performed by the Consolidated Entity in managing the overall construction and development activities, marketing, and administration of the retirement villages.

(ii) Put and Call Options

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

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

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

(iii) Transactions

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

25. AUDITOR'S REMUNERATION

	2010 $	2009 $
Audit and review of Financial Reports	**85,100**	**74,000**

26. CONTROLLED ENTITIES

(a) Company

Significant investment in subsidiaries:

Name	Formation / Incorporation	Class of Share	Interest Held % 2010	Interest Held % 2009
Forest Place Clayfield Pty Ltd	Australia	Ordinary	100	100
Forest Place Pty Ltd	Australia	Ordinary	100	100
Forest Place Management Limited	Australia	Ordinary / Preference	100	100
Forest Place Unit Trust	Australia	Ordinary	100	100
FP Asset Holdings Pty Ltd	Australia	Ordinary	100	100
FP Assets Holdings (No. 2) Pty Ltd	Australia	Ordinary	100	100

(b) Consolidated Entity

The parent entity within the Consolidated Entity is Forest Place Group Limited. The ultimate parent entity in Australia is FKP Limited.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Consolidated Entity's policy is to manage its finance costs using a mix of fixed and variable rate debt.

The Consolidated Entity's policy is to comply with covenants concerning such matters as minimum interest times cover, maximum loan to value ratio, current ratios and net tangible assets. Borrowings are carried at amortised cost and it is acknowledged that fair value exposure is a by-product of the Consolidated Entity's attempt to manage its cash flow volatility arising from interest rate changes.

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 assessments of market forecasts for interest rate prices. Ageing analyses 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, the Company. 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 changes in interest rates will affect the Consolidated Entity's income or the value of its obligations, and arises on floating debt rate. The Consolidated Entities' exposure to market interest rates relates primarily to long-term debt obligations. The level of debt is disclosed in Note 16.

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

	Consolidated Entity	
	2010 $'000	2009 $'000
Financial Assets:		
Cash assets	3,862	2,982
	3,862	**2,982**
Financial Liabilities:		
Bank loans	4,664	11,741
	4,664	**11,741**

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 2010, 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:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Consolidated Entity				
+0.75% (75 basis points)	(4)	(46)	(4)	(46)
-0.75% (75 basis points)	4	46	4	46

(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.

Credit risk arises from the financial assets of the Consolidated Entity, which comprise cash and cash equivalents, trade and other receivables and syndicate rights. The Consolidated Entity's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Consolidated Entity's external customers are subject to contract 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.

In addition, receivable balances are monitored on an ongoing basis with the result that the Consolidated Entity's exposure to bad debts is not significant.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The Consolidated Entity had no other concentrations of credit risk with any single counterparty or group of counterparties, with the exception of amounts receivable from the following:

	Consolidated Entity	
	2010 $'000	**2009 $'000**
Associates		
Forest Place Cleveland Syndicate	4,089	4,075
Forest Place Clayfield Syndicate	7,036	7,102

These receivables are syndicate fees, representing work performed by the Consolidated Entity in managing the overall construction and development activities, marketing and administration of the syndicate owned retirement villages, recognised as revenue as they accrue.

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

(c) Liquidity Risk

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

The table below reflects the contractual maturity of fixed and floating rate financial liabilities. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2010. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:		
6 months or less	15,425	24,426
6-12 months	173,779	168,544
1-2 years	1,850	626
2-5 years	3,444	45
Over 5 years	6,126	-
	200,624	**193,641**

Contractual maturity analysis of financial liabilities:

	Consolidated Entity					2010 Total
	≤ 6 months $'000	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**5+ years $'000**	**$'000**
Financial Liabilities:						
Payables	2,494	-	-	-	-	2,494
Resident loans [1]	11,850	172,880	-	-	-	184,730
Bank loans	174	174	347	1,042	6,126	7,863
Finance leases	37	8	16	29	-	90
Syndicate put options	870	717	1,487	2,373	-	5,447
	15,425	**173,779**	**1,850**	**3,444**	**6,126**	**200,624**

	Consolidated Entity					2009 Total
	≤ 6 months $'000	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**5+ years $'000**	**$'000**
Financial Liabilities:						
Payables	4,020	-	-	-	-	4,020
Resident loans [1]	7,981	167,843	-	-	-	175,824
Bank loans	11,741	-	-	-	-	11,741
Finance leases	19	19	45	45	-	128
Syndicate put options	665	682	581	-	-	1,928
	24,426	**168,544**	**626**	**45**	**-**	**193,641**

[1] Resident Loans have been disclosed as current due to a requirement under Australian accounting standards to classify Resident Loans, in full, as a Current Liability. In practice, the rate at which the Consolidated entity's retirements' residents vacate their units, and hence the rate at which the Resident Loans will fall due for repayment, can be estimated on the basis of statistical tables. The Consolidated entity's best estimate is that of the total Resident Loans of 2010 $184.730m (2009:$175.824m,) $23.700m (2009:$15.963m) is expected to be paid within the next twelve months.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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 reporting 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).
- 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.

Consolidated Entity	Quoted Market Price (Level1)	Valuation Techniques- Market Observable Inputs (Level 2)	Valuation Techniques Non- Market Observable Inputs (Level 3)	Total 2010
Financial Liabilities:				
Resident Loan Obligations at Fair Value through Profit and Loss	-	184,730	-	184,730
	-	184,730	-	184,730

Consolidated Entity	Quoted Market Price (Level1)	Valuation Techniques- Market Observable Inputs (Level 2)	Valuation Techniques Non- Market Observable Inputs (Level 3)	Total 2009
Financial Liabilities:				
Resident Loan Obligations at Fair Value through Profit and Loss	-	175,824	-	175,824
	-	175,824	-	175,824

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 Group considers that any inputs which are not observable market inputs used are not significant to the overall valuation of these items, and as such classifies these as Level two financial instruments.

28. SEGMENT INFORMATION

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

Retirements — Management of retirement villages.
Nursing Homes — Management of nursing homes.

The Consolidated Entity operates solely in Australia.

	Nursing Home 2010 $'000	Retirements 2010 $'000	Consolidated 2010 $'000
Revenue:			
Revenue from outside the Consolidated Entity	1,687	38,800	40,487
Total Segment Revenue	**1,687**	**38,800**	**40,487**
Other unallocated revenue			209
Revenue from Ordinary Activities			**40,696**
Segment profit (loss):			
Segment profit including changes in fair value	672	23,354	24,026
Share of net profit of equity-accounted investments			1,637
Profit from ordinary activities before income tax expense			25,663
Income tax expense			(7,649)
Net Profit			**18,014**
Depreciation, amortisation and impairment	46	38	84
Assets:			
Segment assets	2,202	489,725	491,927
Equity-accounted investments	-	-	27,705
Consolidated Total Assets			**519,632**
Liabilities:			
Segment liabilities	2,403	207,196	209,599
Unallocated corporate liabilities			90,421
Consolidated Total Liabilities			**300,020**
Acquisition of property, plant and equipment	16	3,083	3,099

	Nursing Home 2009 $'000	Retirements 2009 $'000	Consolidated 2009 $'000
Revenue:			
Revenue from outside the Consolidated Entity	1,547	17,210	18,757
Total Segment Revenue	**1,547**	**17,210**	**18,757**
Other unallocated revenue			193
Revenue from Ordinary Activities			**18,950**
Segment profit (loss):			
Segment profitincluding changes in fair value	113	9,123	9,236
Share of net profit of equity-accounted investments			(1,156)
Profit from ordinary activities before income tax expense			8,080
Income tax expense			(2,425)
Net Profit			**5,655**
Depreciation, amortisation and impairment	35	42	77
Assets:			
Segment assets	1,367	460,234	461,601
Equity-accounted investments			24,001
Consolidated Total Assets			**485,602**
Liabilities:			
Segment liabilities	1,256	190,747	192,003
Unallocated corporate liabilities			92,001
Consolidated Total Liabilities			**284,004**
Acquisition of non-current assets	35	1,068	1,103

29. DISCLOSURE OF DEFERRED INCOME AND ACCRUED DEFERRED MANAGEMENT FEES

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

	Consolidated Entity 2010 \$'000	**Consolidated Entity 2009 \$'000**
Change in value of resident obligations[1]	4,761	1,901
Change in value of accrued deferred management fees[2]	4,628	1,986
Total Change in fair value of resident loans	**9,389**	**3,886**

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

[2] Previously disclosed as 'Revenue from rendering of services' in the Statement of Comprehensive Income.

The Consolidated Entity continues to recognise deferred management fees on a straight line basis in the Statement of Comprehensive Income and the above changes do not give rise to any gains or losses in the current or prior reporting periods.

30. PARENT ENTITY INFORMATION

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

(a) Summary financial Information

	Parent Entity	
	2010 \$'000	**2009 \$'000**
Current assets	39,776	37,924
Total assets	327,430	311,499
Current Liabilities	119,245	123,305
Total Liabilities	180,132	172,225
Issued Capital	56,605	56,605
Retained Earnings	90,693	82,669
Total Shareholders equity	147,298	139,274
Profit or loss of the parent entity	8,025	6,446
Total comprehensive income of the parent entity	8,025	6,446

(b) Guarantees

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

(c) Put Options - Syndicates

As part of the syndicate arrangements for the Cleveland and Clayfield retirement villages, members of the syndicates have the right to put their shares in the syndicate to the Parent Entity based upon a formula set out in the Syndicate Deed. A number of these options have been exercised by syndicate investors and have been recognised in the Balance Sheet. The net present value of the amounts which would be payable under the put options for the remaining shares if they were exercised by the investors of the Cleveland and Clayfield Syndicates by the parent entity are the same as those amounts disclosed for the Consolidated Entity in note 21(b).

(d) Call Options - Syndicates

As part of the syndicate arrangements for the Cleveland and Clayfield retirement villages, the Parent Entity has a call option over the other shares in the syndicates, exercisable on completion of the villages. The net present value of the payments for the remaining shares under each call option if exercised by the Parent Entity at reporting date using a new Master Plan Development, are the same as those amounts estimated for the Consolidated Entity in note 21(c).

(e) Bank Loans (Wholly-Secured)

The interest rate on all loans at 30 June 2010 was 7.45% (2009: 5.8%). 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. SUBSEQUENT EVENTS

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

The Directors of Forest Place Group Limited declare that:

(a) in the Directors' opinion the financial statements and notes on pages 17 to 43, and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on page 14, 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 2010 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 *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; and

(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 2010, required by Section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors.

D C Mackenzie
Director

Dated at Brisbane, 26th August 2010

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

To the owners 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 2010, and the statement of comprehensive income, statement of changes in equity, and cash flow statement for the year ended on that date; selected explanatory notes and the directors' declaration of Forest Place Group Limited (the consolidated entity). The consolidated entity comprises the entity 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 control. 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*.

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Chartered Accountants
& Business Advisers

Auditor's 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 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1(a)

Report on the Remuneration Report

We have audited the Remuneration Report included on page 14 of the directors' report for the year ended 30 June 2010. The directors of Forest Place Group Limited 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.

Auditor's Opinion

In our opinion the Remuneration Report of Forest Place Group Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Acts 2001*.

PKF

PKF

K L Colyer
Partner

Dated at Brisbane this 26th day of August 2010

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SHAREHOLDER INFORMATION

The information set out below was prepared as 7 September 2010.

(a) Class of Shares and Voting Rights

There are currently 155 holders of Ordinary shares of the Company. The voting rights attaching to the Ordinary shares set out in article 13.2 of the Company's Constitution are:

(i) on a show of hands, each natural person present at a General Meeting who is a voting member or a proxy (other than a person who is present only as one of two proxies appointed by the same member), representative or attorney appointed by a voting member has one vote; and

(ii) on a poll, each natural person present at a General Meeting has the number of votes calculated as the aggregate of the following;

(a) the number of fully paid shares held by the person;

(b) the number of fully paid shares in respect of which voting members holding those shares have appointed the person as proxy, representative or attorney.

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

(b) Distribution of Shareholders

Category	Number of Shareholders	Number of Shares	Percentage of Total Shares
1 - 1,000	36	10,994	0.01
1,001 - 5,000	51	144,347	0.18
5,001 - 10,000	30	210,237	0.25
10,001 - 100,000	27	640,799	0.78
100,001 and over	11	81,572,132	98.78
	155	82,578,509	100.0

There were 30 shareholders holding less than a marketable parcel of securities as at 7 September 2010. They hold a total of 5,585 ordinary shares.

(c) Substantial Shareholders

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

Shareholder	Ordinary Shares
FKP Limited	70,420,676
Stockland Retirement Pty Ltd[1]	16,433,123
Mr John Patrick O'Shea and Mr Peter Joseph O'Shea	9,712,053

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

(d) Largest Twenty Shareholders

NAME	Number of Shares Held	Percentage of Total Shares
1. FKP Limited	70,420,676	85.28
2. Mr John Patrick O'Shea & Mr Peter Joseph O'Shea	4,449,460	5.39
3. Mr Peter Joseph O'Shea	2,406,213	2.91
4. Margonna Pty Ltd	802,784	0.97
5. Mr John Patrick O'Shea & Mr Peter Joseph O'Shea	652,271	0.79
6. Movius Pty Ltd	650,000	0.79
7. Amaka Pty Limited	620,000	0.75
8. Ribbet Pty Ltd	600,000	0.73
9. White Booyong Pty Ltd	500,000	0.61
10. Mr Brian Maurice Kearney & Mrs Mirella Ughetta Dorica Kearney	320,728	0.39
11. White Booyong Pty Ltd <Black Booyong Superfund A/C>	150,000	0.18
12. Grant & Lindner Pty Limited	50,000	0.06
13. Honan Business Services Pty Limited	50,000	0.06
14. Mr Kenneth Edward White & Mrs Mary Patricia White	48,894	0.06
15. Mr Phillip Dickinson	40,000	0.05
16. Milton Yannis	37,028	0.04
17. Mrs Susan May Ashton	34,903	0.04
18. Investment and Money Management Pty Ltd	33,068	0.04
19. Mr Paul Vincent Hannay & Mr David George Hannay	30,000	0.04
20. Thirty Fifth Valdera Pty Ltd	28,132	0.03
	81,924,157	99.21

The total number of shares on issue as at 7 September 2010 was 82,578,509.

(e) On-market Buy Back

There is no current on-market buy back.

(f) Securities Exchange

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

(g) Shareholder Enquiries

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

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

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

(h) Annual Report

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