ANNUAL REPORT 2009

What's most important for us...

Brought to you by...

FKP

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CORPORATE CALENDAR

Release of full year results: 27 August 2009

Taxation statements dispatched to security holders: 4 September 2009

Full year distribution payment: 30 September 2009

Annual General Meeting: 27 November 2009

ANNUAL GENERAL MEETING

FKP invites security holders to the Annual General Meeting to be held at the Brisbane Convention and Exhibition Centre, Cnr Merivale and Glenelg Streets, South Bank, Brisbane, 10.00am, Friday 27 November 2009.

Cover and opening pages: FKP House, 17-19 Bridge Street, Sydney, NSW


...is you

Here with you for the long term

Just as a building needs solid foundations, so too a business needs a solid model. It must provide the struts and stays to support the business in its day-to-day operations. It must be flexible enough to weather economic winds. And it must be visionary enough to recognise and take up opportunities when and where they occur. At FKP we’ve built diversity and flexibility into our business to ensure we are here with you for the long term.

Circa, Norwest Business Park, Sydney, NSW
Artist Impression

To provide you with exposure to growth markets

Asset class, location and timing are the three essentials to property. These have been the drivers of our success. Our mature retirement portfolio in prime locations provides income stability and growth. Our diverse development portfolio and geographic spread means we can offset different markets and cycles. And our longer term assets are carefully positioned and planned to make sure we are in the market sectors geared for growth.

Aveo Durack, Brisbane, QLD

To help you thrive where you live, work and play

Turning the ordinary into something extraordinary. That's our vision. Whether it's a workplace that values people and boasts the latest environmental solutions, or a masterplanned development that reminds its residents what belonging to a community is all about. Whether it's a mixed use precinct that celebrates the way people work and live around each other or a retirement home that puts as much emphasis on social interaction as it does on care. Understanding people and spaces to create special places – that's what we do for you.

Lifestyle Working, Brookvale, Sydney, NSW

About us

FKP is a leading Australian property and investment group. Our strategy of diversification and integration has enabled us to build a comprehensive property portfolio that capitalises on our proven expertise in development, construction, land subdivision, retirement village ownership and management, property investment and asset management. Over more than thirty years our portfolio has grown to include mixed-use, land, retail, residential, retirement, industrial and commercial assets that define how hundreds of thousands of people live, work, play and invest.

Some key facts about us

80 villages
managed in prime locations

12,500 residents
in our retirement communities

$2b
funds under management

$500m
asset sales since June 2008

1,500
employees nationwide

30+ years
operating history

Our business

Our national operating platform leverages functional expertise and efficiencies across the country.

Retirements

We are a leading owner and operator of Australian retirement villages with eighty villages in prime locations under FKP management.

Our scale enables us to offer senior Australians unrivalled access to a full scope of lifestyle choices.

Residential Communities

We have a well positioned portfolio of apartments and masterplanned communities providing a pipeline for future growth.

The key to developing our successful residential communities is our ability to instil a shared sense of identity and belonging.

Commercial and Industrial

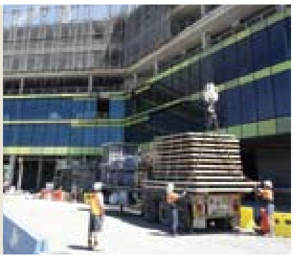
We have specialist expertise in creating integrated work, retail, storage and utility spaces and facilities.

We are committed to keeping pace with the country's changing working styles; creating working environments and communities that encourage sociability and redefine what it means to come to work.

Construction

Our experienced, integrated construction team delivers for FKP, private external clients and government agencies.

Our diversified trade record spans residential, commercial, retail, industrial and retirement developments, including environmentally friendly and energy efficient buildings.



Funds Management

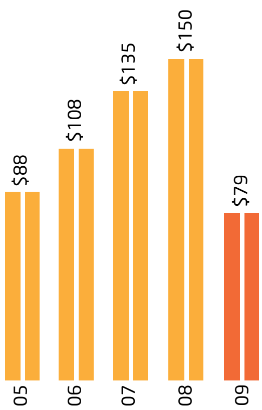
We are a manager of listed and unlisted property funds specialising in core and value add property assets.

Our size enables us to provide specialist services to the investor.

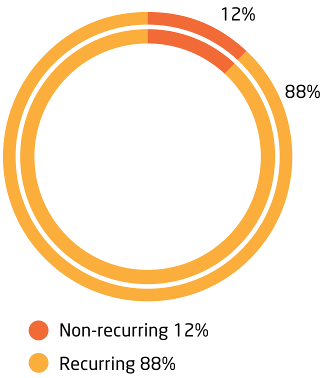
Performing under pressure

- Net operating profit after tax of $78.6 million, down 48 per cent on last year, reflecting the impact of the global financial crisis and difficult market conditions
- Operating earnings before interest and tax down 40 per cent from $232.3 million to $139.5 million
- Second half distribution of 1.45 cents per security, bringing total annual distribution to 3.45 cents per security, unfranked
- Recurring earnings from mature retirement portfolio of over 6,200 units and passive income from FKP Property Trust investments that provide stability and growth
- Retirement portfolio achieved average price growth of six per cent over year, reflecting strong underlying value
- Capital recycled, debt facilities restructured, balance sheet strengthened through placement and rights issue

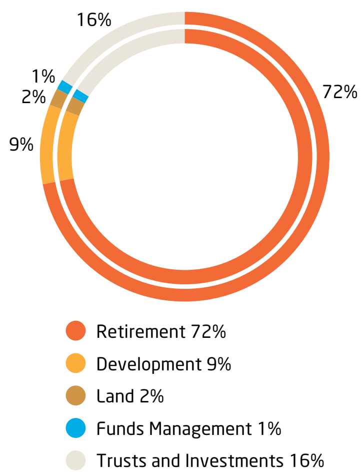
NET OPERATING PROFIT AFTER TAX
$m



RECURRING INCOME



DIVISIONAL OPERATING PROFIT



Adapting to market conditions

The business environment this year proved to be more challenging than any other in our thirty-year plus history. Unlike the cyclical declines of the 1980s and 1990s, the current downturn in the property sector was brought about by disruptions in capital markets, not the real economy.

The subsequent credit squeeze has led to critical imbalances in property markets. While vendors have sought to strengthen balance sheets through disposals, willing buyers have been starved of finance. The inevitable result, aggravated by a general loss of confidence, has been a decline in discretionary property investment.

In this environment, we delivered a net operating profit after tax of $78.6 million, down 48 per cent on last year. While conditions rebounded somewhat in the second half, the impact on our business nevertheless speaks volumes about the severity of the global financial crisis on the market and the property sector in particular.

The result translates to operating earnings per security of 7 cents. The imperative to preserve capital led to the Board's decision to maintain the dividend policy announced at the Annual General Meeting last year of only paying distributions out of the FKP Property Trust. The final distribution, confirmed at 1.45 cents per security, brings the total distribution to 3.45 cents per security, unfranked.

The "headline" result for the twelve months to June 2009 was a loss of $319.4 million. This is again consistent with the earnings guidance and followed impairment charges taken against certain asset classes, and one-off charges such as redundancy costs.

Robust value proposition

Our value proposition remains as robust as ever, thanks largely to our market leading position in retirement and the quality of our long-term development and land assets. Our point of difference has always been our ability to adapt to market conditions. This is demonstrated, inter alia, by the way in which we have proactively managed our capital, cut debt and restructured facilities and are more than able to meet our future commitments. FKP is now in a strong financial position with significant headroom to unlock profit in the future.

Importantly, we have only minor commitments to major development expenditures. Our continued focus on recycling inventory should lead to a further increase in cash flow from operations, while our land assets, now part of our Residential Communities portfolio, are set to re-emerge as a strong contributor to the bottom line. Moreover, we will continue to explore avenues to reduce debt and gearing further.

Board changes

Board changes during the year also reflect our future focus. Retirements and resignations included Chairman Ben Macdonald, Tze Hien Chung, Geoff Grady and Denis Hickey. On behalf of my fellow directors, I thank them for their contributions. Greg Dyer was appointed as a Director. Greg is the Chief Financial Officer of Mulpha Australia and brings a wealth of experience in property management and finance to our organisation.

The AGM

Thank you to my fellow Directors, Chief Executive Officer Peter Brown and the management team for their commitment in a year that produced extraordinary challenges and required a great deal of hard work to address the numerous issues that emerged.

The full impact of the financial crisis on the broader market and on the property sector in particular may well be felt for some time. So while some caution is required in predicting the outlook for the coming year, we are expecting a lift in operating profit.

Overall, we have met the challenges head on and with significant leverage to the residential sector through our retirement assets, masterplanned communities and apartment development sites we are well positioned to capitalise on the opportunities that arise as the economy recovers.

On behalf of FKP, I would like to thank you for your continued understanding and support of a business that we have every confidence will have a strong presence in Australia for many years to come.

Seng Huang Lee
CHAIRMAN

Hunting future growth opportunities

This has been a year which can most accurately be described as a tale of contrasting halves. Having successfully navigated our company through the challenging first half, our prime focus in the second half of the year has been to clear inventory, recycle capital, strengthen our balance sheet, hunt future growth opportunities and reweight our portfolio towards the residential market which we anticipate will recover strongly in the coming year.

Operating and capital initiatives

On the operating side, we deferred the start of new projects unless we could obtain funding. We streamlined our management team, appointed a chief operating officer and established a national operating platform. Rigorous cost control reduced cash operating overheads by nearly 25 per cent.

We have taken the opportunity to provide our annual commentary against our new national platform in this year's report.

Capital management has been a priority. We placed a strong focus on recycling capital: through our portfolio and managed vehicles we have sold or pre-sold more than $500 million of property assets since mid-2008. Despite tough market conditions, we continue to successfully recycle a significant amount of capital through sales of product or pre-sales with fund through arrangements. We also extended and restructured our debt facilities. Our operating cash flow and non-core asset disposals have significantly increased available headroom.

Finally, we undertook a placement and rights issue in October 2008 to strengthen our balance sheet and in July 2009 raised $324 million to repay debt. The recent rights issue saw a strong take up by both institutional and retail security holders, a pleasing result considering its renounceable structure. Mulpha, our largest security holder with a 25 per cent stake in FKP, showed strong support for the offer, taking up its full entitlement of $73 million and undertaking to sub underwrite $75 million of the offer.

As at July 2009, bank debt gearing had reduced to 28 per cent.

Operational overview

Turning to individual team performances, Retirement generated operating earnings of $119.5 million, down five per cent on last year's $125.9 million. However, the difficult conditions experienced in the first two quarters eased in the third and the year finished on a high note with a strong final quarter. This positive momentum continued into the first quarter of the 2009-10 year. It is pleasing to report that despite difficult conditions, the units in our portfolio achieved an average price growth of six per cent over the year, reflecting their strong underlying value.

FKP is the market leader in Australia's retirement village market. The underlying value of properties in our Retirement portfolio is $1.8 billion, diversified across Brisbane, Sydney, Adelaide, Melbourne, Hobart, the Gold Coast and the Sunshine Coast, complemented by a regional presence. With this portfolio of what are essentially residential assets we are well placed to take advantage of the residential market's recovery.

We are well positioned for the future. We have a strong balance sheet, outstanding assets, well-considered strategies and a team of highly competent and motivated people.

Development earnings fell by 62 per cent from $37.2 million to $14.3 million, reflecting the lower volume of work. However, two major commercial projects achieved significant milestones. The Transport Accident Commission's (TAC) headquarters in Geelong was completed and sold and the Energex Building in Brisbane was sold ahead of completed construction, which is due in 2010. Also completed was the SL8 residential development in Brisbane. Proceeds from the sale of both TAC and SL8 contributed significantly to the year's operating cash flow. The Energex Building was sold subsequent to year end and the impact will be reflected in next year's earnings.

Earnings from our land portfolio fell by 92 per cent, from $41 million to $3.2 million. The first stages of Saltwater Coast at Point Cook are under construction with contracts exchanged on over 90 per cent of lots. Peregian Springs and Ridges were impacted by the slowdown but, as was the case with Retirement, the June 2009 quarter has shown solid improvement.

Funds Management's earnings fell 67 per cent, from $5.7 million to $1.9 million. Income streams remained satisfactory, but the slowdown ruled out performance fees. Operating earnings from our Trusts and Investments fell 43 per cent from $46.6 million to $26.5 million.

Geared for growth

I would like to take this opportunity to extend my thanks to my management team and employees who have risen admirably to this year's challenges. Thanks, too, to our investors who have continued to support and believe in us. We are well positioned for the future. We have a strong balance sheet, outstanding assets, well-considered strategies and a team of highly competent and motivated people. With one of the most diversified residential asset bases in the country, we are well positioned to capitalise on the opportunities that will arise in a recovering market in the year ahead.

Peter Brown
MANAGING DIRECTOR AND CEO

Choosing the right assets

The underlying quality and value of the Retirement portfolio is reflected in the average six per cent price growth of units over the year – despite the tough market conditions. This is a satisfactory result and we expect this growth to continue over the coming years.

Sales performance was down on last year, with sales revenue falling from $29 million to $16.7 million. The decrease is partly attributable to the drop in the number of new developments and partly to the slow residential market. Since many residents need to sell their primary place of residence to fund the purchase of a property for their retirement, a slow or illiquid residential market impacts on their ability to do so.

On the upside, slower sales results failed to dampen the level of enquiry. This reflects the strong underlying demand for our units which should translate to increased sales when the residential market improves. Indeed there are signs that this is already happening. We saw an increase in deposit rates, and in settlements in the fourth quarter of the year. As a result the year finished stronger, with 80 per cent more deposits held in July 2009 than at the same time last year. June 2009 settlements were strong and we expect this momentum to continue.

The same pattern was evident in resales, which were up 17 per cent in volume terms and 37 per cent in dollar terms over the first half.

Internally the focus for the year has been to further integrate the Zig Inge villages acquired by the Retirement Village Group in 2007 into the business and to review the way we operate. During the year, we achieved significant cost savings and improved our efficiency. Collectively, this has given us a stronger basis to manage our business in the coming year.

In addition to the quality of our portfolio, the opportunity to increase our market share is strong. Current estimates are that only five per cent of older Australians live in retirement villages. Our imperative is to better understand the needs of the remaining 95 per cent who represent an untapped potential for the business. As well, the 75 year-plus segment of the population is projected to double from six per cent to 12 per cent in the next fifty years. This means that the volume of retirement villages serving this age group would have to rise from approximately 50,000 to 180,000, again providing growth potential for established retirement operators.

Looking forward, upward trending signals, such as deposit levels, and settlements, plus the process and systemic reforms we have implemented, augur well for an improved result in the coming year.

The portfolio's underlying quality and value is reflected in the average six per cent price growth of units over the year.

Aveo Bayview Gardens, Sydney, NSW

Establishing a more streamlined business

During the year, the creation of our national platform included the formation of a Residential Communities portfolio across New South Wales, Victoria and Queensland. The portfolio includes apartments as well as our masterplanned communities and land developments. With intellectual property now shared across the States, this has resulted in a more streamlined and efficient business.

The operating result of our Residential Communities portfolio was impacted by reduced demand from investors and second and third home buyers. Buyers impacted by limited access to finance also had little appetite for larger land purchases and our key developments on the Sunshine Coast, Peregian Springs and Ridges, are above the first home buyer market price range. Our full year result reflected significant falls in both revenues and, to a lesser degree, margins. We do however, expect an improved performance from Peregian Springs and Ridges in the coming year as the market recovers.

During the year, further stages of Peregian Springs continued to settle and the commencement of settlements in the Ridges estate represents a milestone in the great Peregian journey. This masterplanned community was launched ten years ago and since then has grown to more than 750 homes. Growth is expected to continue until 2018, by which time the community should contain another 1,500 homes. FKP has a demonstrated track record of success at this estate over the past decade with over 1,000 lots sold and a pipeline of approximately 1,500 lots over the next decade.

Our geographic diversity will be enhanced by Saltwater Coast at Point Cook in Melbourne. This masterplanned community has been well received by builders and retail customers, with people camping out to ensure they secure the opportunity to buy into this unique estate fronting Port Phillip Bay. Civil construction work began at Point Cook in June 2009. As at the end of the financial year, there were 174 contracts signed, worth more than $30 million. Since that time, more sales have been made with over 75 per cent of our fourth release, Promenade, accounted for. First settlements at Point Cook are expected in the first half of 2010.

We completed the first two stages of Shearwater on the Island, a residential development at Phillip Island in Victoria, enabling over fifty settlements durng the year.

Our residential development SL8, in West End, Brisbane, was completed, with nearly 100 settlements to date.

Leveraging the capabilities across the business, work recommenced at the Sydney apartment development Rosebery Stage 2. Known as A2, construction is expected to be completed in mid 2010.

The development approval of our large masterplanned community in Brisbane's south, Rochedale, was advanced during the year. Together with our Currumbin development on the Gold Coast, these land holdings provide further long term opportunities for value creation in a recovering market.

Our major urban renewal developments have been or are being reconfigured to maximise allowable site density and give greater weighting towards residential. The timing of these developments is set to capitalise on the expected recovery of the residential market, particularly in southeast Queensland.

At Gasworks, at Newstead in Brisbane, the revised masterplan recently received preliminary approval for an 85 per cent increase in the overall density to 185,000 square metres. We are now in discussions with the Brisbane City Council regarding approvals for the next stage – a proposed high-rise residential community of some 180 apartments. We anticipate development approval in the second quarter of 2010.

At Milton in Brisbane we reconfigured our development into a single tower to capitalise on its location immediately adjacent to the Milton railway station. The revised development application for some 300 apartments has been submitted to the Brisbane City Council following favourable re-engineering outcomes and perceived marketability. The development responds directly to the Queensland Government's Southeast Queensland Regional Plan and its desire to create vibrant, mixed-use communities around existing transport infrastructure.

For Aerial in Melbourne's exclusive Camberwell Junction we received approval of our amended application for a 144 unit residential development in July. We intend to launch this to the market in late 2009 with construction to commence in mid 2010.

Finally, in Albion in Brisbane, our development has likewise been redesigned to increase the residential component. We are currently reviewing timing of this development across a number of stages.

Our focus for the coming year will be to continue to meet individual and community needs across a range of spaces, from large estates and spacious environments to high density living and urban renewal developments.

Our geographic diversity will be enhanced by Saltwater Coast at Point Cook in Melbourne.

Saltwater Coast, Point Cook, Melbourne, VIC
Artist Impression

Creating quality environments

Our new national platform was driven by a change to an asset class/sector approach to leverage our capabilities in the commercial and industrial sector. These capabilities were truly tested by the market conditions.

In a tough year generally for property, the commercial and industrial sector has been among the hardest hit, with both leasing and selling affected and margins considerably down on last year.

As in other parts of the business, our primary focus during the year has been on recycling capital, moving inventory levels and on sales and leasing.

Two major commercial projects achieved significant milestones. The Transport Accident Commission (TAC) headquarters in Geelong was completed and sold and the Energex Building in Brisbane was sold ahead of completed construction, which is due in 2010.

Development activity was concentrated largely within the New South Wales retail sector. The completion of CircaRetail and Mount Annan Central and their subsequent openings, the former in June and the latter in May, were undoubtedly the year's highlights. Mount Annan Central is anchored by Coles and we continue to lease the associated speciality stores.

CircaRetail, which is anchored by Woolworths, opened in June 2009, with only four of the twenty eight specialty stores still available for lease. The Circa precinct comprises around 165,000 square metres of commercial and retail space which will be delivered over an eight to ten year program. The launch of the first component to the public graphically demonstrates the benefits this development will bring to the Hills District in Sydney's northwest. This centre represents an important milestone as it is the first building to be completed within the Circa precinct, one of the major masterplanned communities in our portfolio.

Despite the general uncertainty in the property sector and a difficult first half, Commercial and Industrial saw a strong rebound in the second half. When the market began to improve in the third quarter the discipline the team had demonstrated during the downturn paid off, and we were well positioned to take advantage of the recovering market.

As a result, we saw strong sales at the second stage of Lexington Corporate in Sydney's Norwest Business Park with over 40 per cent of stock sold. Lifestyle Working at Brookvale and J6 Warriewood also experienced strong sales in the second half.

In Victoria our Eastlink Business Park commenced civil works for the final stage of this development. We have also secured sale contracts for a bulk land purchase of seven lots adjacent to the Eastlink Freeway.

At Industroplex an industrial precinct in Mackay, Queensland we completed stage four and six land sales were completed. We completed work on stage three of our Metrolink Business Park in March 2009, leaving only one more stage to complete this 102 lot, four stage, industrial precinct in Melbourne's northern logistics hub.

We expect continued pressure on valuations across the Commercial and Industrial portfolio over the next twelve months. However, there are encouraging signs at home and abroad that the worst of the downturn is behind us.

Our priority now is to get the business into a position which will be ready to move rapidly as opportunities arise. We are recycling capital, selling down inventory and driving leasing of existing properties. This will provide us with the capital and the platform we need to hunt the opportunities we believe exist in the commercial and industrial markets and capitalise on the upcoming growth cycle.

The discipline the team had demonstrated during the downturn paid off, and we were well positioned to take advantage of the recovering market.

Lexington Corporate II, Norwest Business Park, Sydney, NSW

Building on our construction expertise

The construction capability of FKP is the founding cornerstone of the business. Though it is now one of Australia's leading diversified property and investment companies, our legacy and expertise in construction remains strong. We have built and project managed some of the most innovative and efficient buildings in Australia – from the country's first multi award winning 4.5 Star NABERS green office tower in 2001, the WHK Horwath building in Brisbane, to our current landmark project and Australia's largest 6 Star Green Star building by design, the Energex Building in Newstead, Brisbane.

Major achievements for the Construction team during the year were the project management of the Transport Accident Commission's headquarters in Geelong and the significant milestones reached on the Energex building site.

The Energex building is the first building to be developed within Gasworks, a masterplanned mixed-use precinct that forms part of Newstead Riverpark, a 17-hectare urban community on the Brisbane River. The 30,904 square-metre A-grade commercial and retail building received separate development approval to the broader masterplan and is scheduled to be completed in mid 2010.

Other major highlights in Queensland were the completion of the SL8 residential development in West End, Brisbane and the Browns Plain Bulky Goods and Town Centre. We also commenced the residential and mixed use development Focus at Chermside, and the Sanctuary Cove Golf Club House for Mulpha Australia.

In New South Wales, we completed the $22 million Mount Annan shopping centre in Sydney's Macarthur region and the CircaRetail shopping centre. We also commenced stage two of Rosebery, A2.

With health and safety a continual focus, we incorporated our occupational health and safety compliance and environmental management system into one integrated management system, enabling us to gain ISO 1400 accreditation for our quality assurance. This in turn allowed us to pre-qualify for Queensland Government work, assisting in our successful quest to secure a number of school projects under the national building schools stimulus package.

The economic and market conditions will continue to challenge the construction industry in the short to medium term. However, we are actively pursuing new opportunities through government and external parties that will complement projects that are due to commence, including a transport oriented development at Milton, projects under the schools stimulus package, a residential development at Macarthur Ridge, Bella Vista and A2 at Rosebery.

Major achievements were the project management of the Transport Accident Commission's headquarters in Geelong and significant construction milestones on the Energex Building, Australia's largest 6 Star Green Star building by design.

Energex Building, Newstead, Brisbane, QLD

Actively managing our assets

The focus for Funds Management over the year was to manage our existing portfolio of assets, execute repositioning strategies on a number of properties within the Core Plus Funds and stabilise their capital position.

Notwithstanding the difficulty of delivering strong investor returns, the Core Plus Funds delivered strong leasing results, securing good quality tenants in a softening market. This is particularly important given these are essentially value add funds that seek to reposition properties. In addition, one of our funds is in exclusive negotiations to head lease one of our major properties to a well known national tenant under a long-term arrangement.

Redevelopment approvals for a number of assets in the Core Plus Funds are currently in progress.

Neither Fund has found itself in a position in which it has been forced to sell assets over the past twelve to fifteen months. Following re-evaluations in June 2009, both are still at loan-to-value ratios below the required limits and have unsecured properties available to support debt.

The successful sale of 57 Coronation Drive, Milton in Brisbane by the Core Plus Fund in May 2009 at a good price demonstrated the team's persistence and focus. In a market that suffered significant deterioration, this sale was achieved through determinedly marketing the asset to obtain the best possible result.

During the year we wound up the FKP Commercial Property Trust No.1, a closed end fund that had acquired 120 Edward Street, Brisbane, in 2002. Having identified that Brisbane market conditions were changing and that investor returns would be diluted if we maintained our ownership position, we managed to dispose of the asset in 2008, delivering to its investors an annualised total return of approximately 25 per cent. The fund paid a final distribution in March 2009.

Our immediate focus is to continue to manage the current portfolio of assets actively. However, we intend to grow and diversify the funds management business as market conditions improve. The FKP Core Plus Two Fund has around $135 million in uncalled equity capacity available to secure counter cyclical opportunities for security holders.

The bottom of the market for assets with significant value add opportunities does not occur at the same time as that for good quality, well leased assets. Over the next two to three years a variety of counter cyclical opportunities are likely to present themselves. With the ability to raise equity, our funds are well placed to leverage them.

FKP Core Plus Fund Two has around $135 million in uncalled equity capacity available to secure counter cyclical opportunities for security holders.

31 Queen Street, Melbourne, VIC

CircaWork, Norwest Business Park, Sydney, NSW
Artist Impression

Complementing our expertise

Our strong strategic partnerships complement our own expertise and add value to FKP through footprint, expertise and market access. Our partners include Mulpha and Macquarie Capital Funds. With Mulpha, we are working on two major developments in Sydney. The first is the $650 million Circa commercial development in the last precinct of Norwest Business Park. The second is Beaumont Rise, a $56 million land development in a strategic infill position close to the Rouse Hill regional shopping centre in Sydney's northwest growth corridor.

A number of acquisitions over the years have also led to joint ventures in the retirement part of the business. In November 2007, we purchased a portfolio of US senior living facilities in southeastern United States with Macquarie Group. That portfolio consists of eight villages, predominantly assisted living, with a mix of care and independent living. The villages operate under a rental model.

Despite the difficult US economic climate, the US senior living portfolio continued to perform at a satisfactory level. Occupancy has remained steady and rentals have suffered no impairment.

Our investment income is derived from direct ownership of commercial and retail property assets in FKP Property Trust, an ownership stake in FKP managed fund products, our fifty per cent ownership of the US senior living facilities and a seventeen per cent interest in Retirement Villages Group (RVG), the largest retirement fund in the combined Australia and New Zealand market.

RVG strengthened its financial position with a recapitalisation in December 2008, raising $235 million of additional equity from existing investors and renegotiating key terms and covenants of debt facilities. In common with the FKP retirement portfolio, the fund is seeing a rising trend in performance.

Highlights for the FKP Property Trust during the year included the sale of Ferny Grove Shopping Village and Colmslie Plaza. The sale of these neighbourhood retail centres in metropolitan Brisbane followed a decision made earlier in the year to divest non-core assets to reduce debt levels.

During the year we completed the $80 million Browns Plains Town Centre as well as its bulky goods precinct and repositioned the Illawong Village Shopping Centre, adding additional floor space and expanding the Coles supermarket. Our priority now is to get the leasing program finalised to ensure we achieve our targets for 2010.

Significant headway was made in the major refurbishments of our Sydney CBD office assets in Clarence and Bridge Streets, while our 399 Lonsdale Street asset in Melbourne was leased for another six years to the Taylor's Institute at a significantly increased rent. At Vero Tower in Sydney's north – arguably one of the best located assets in the Chatswood CBD – we have appointed consultants to review its repositioning to ensure we can take best advantage of the market when the building's lease expires in June 2011.

31 Queen Street, Melbourne, VIC

Improving our environmental performance

For FKP, a sustainable vision is about finding opportunity in our business for environmental improvement.

Over the course of the year we supported this vision by identifying areas of our business where potential for opportunity for improvement existed. At the same time, we implemented a range of environmental initiatives.

Improved efficiencies in water and energy usage remained a key focus. We are currently completing a national energy audit to identify those areas that could use resource improvement plans.

We are actively targeting several of our managed funds assets to reduce their operating costs and improve their green credentials, particularly in relation to electricity and water consumption.

At 31 Queen Street in Melbourne, Victoria, we undertook a major foyer upgrade. The design included the installation of fluorescent and LED light fittings, wired to operation timers, the re-use of existing materials and building structure and the construction of a new amenity block, providing the building with low flow taps, shower heads and dual flush toilets, as well as bicycle storage and lockers to encourage commuting by bicycle and the use of public transport. Earlier in the year the perimeter zone air conditioning system was upgraded to provide energy efficiencies.

At 56 Clarence Street in Sydney, New South Wales, a sustainable design philosophy underpins the entire building refurbishment. The building was designed to meet a 4 Star Green Star office V3.0 rating and a predicted 5 Star NABERS rating. Initiatives integrated into the project were aimed at reducing demand for both energy and water. These included upgrading the base building air conditioning from a constant volume direct expansion system with cooling towers to a markedly more energy efficient and technologically advanced Variable Refrigerant Volume system. The lighting was also upgraded from T8 to T5 lighting with a highly flexible DALI system installed to automatically control the lights.

Our innovation in design has not, however, been limited to retrofitting in refurbishments. We have also successfully delivered the TAC headquarters in Geelong, Victoria and started the construction on the market leading Energex building in Newstead, Queensland. Both of these developments have been awarded Green Star design ratings through the Green Building Council of Australia. TAC successfully achieved a 5 Star Green Star office design V2.0 rating in January 2009, with Energex achieving Queenslands first 6 Star Green Star office design V2.0 rating in 2008. Compared to the average Brisbane commercial office building, the design is expected to reduce electricity usage by 64 per cent, potable water usage by 55 per cent and greenhouse gas emissions by 64 per cent.

These buildings add to our existing sustainability portfolio. Others include Kingsway in Glen Waverley in Victoria which was awarded a 4 Star Green Star design rating V2.0 in May 2008 and is designed to achieve a 4.5 Star NABERS Energy rating, Lifestyle Working at Brookvale in Sydney which is designed to achieve a 4 Star Green Star design rating V2.0 and a 5 Star NABERS Energy rating.

Our sustainability initiatives have not been limited to our build product. Across the country many of our developments participated in Earth Hour, turning off their lights to show their support for climate change. This support will once again be shown in 2010.

We installed a web conferencing system, to reduce business travel and save on carbon emissions. The system has been enthusiastically taken up, with meetings taking place between FKP offices around the country every day. We have also been selected as one of the first businesses in the country to participate in an Australian Post pilot program called Eco Mail. Eco Mail uses green meters, which are franking machines that audit and record the carbon footprint of our mail distribution.

The business is preparing to perform a NABERS Energy rating on each of our managed assets in anticipation of the mandatory disclosure of commercial energy efficiency, which is expected to become law in late 2009. From the NABERS ratings we can continue the work of improving the performance of our building stock. Additionally, new policy, plans and systems are being discussed and implemented to help deliver a more strategic approach to our sustainable objectives.

Targeting resources for a recovering market

From an employee perspective, the past twelve months have been a period of transformational change. The business responded to challenging market conditions by strategically reducing head count, focusing on essential recruitment and driving a range of operational efficiencies.

Overall, employees were asked to do more with fewer resources. They rose to the challenge.

There are now signs that the worst market conditions are behind us. As we prepare for the growth phase that follows the downturn, we are targeting resources to take advantage of the opportunities that come our way.

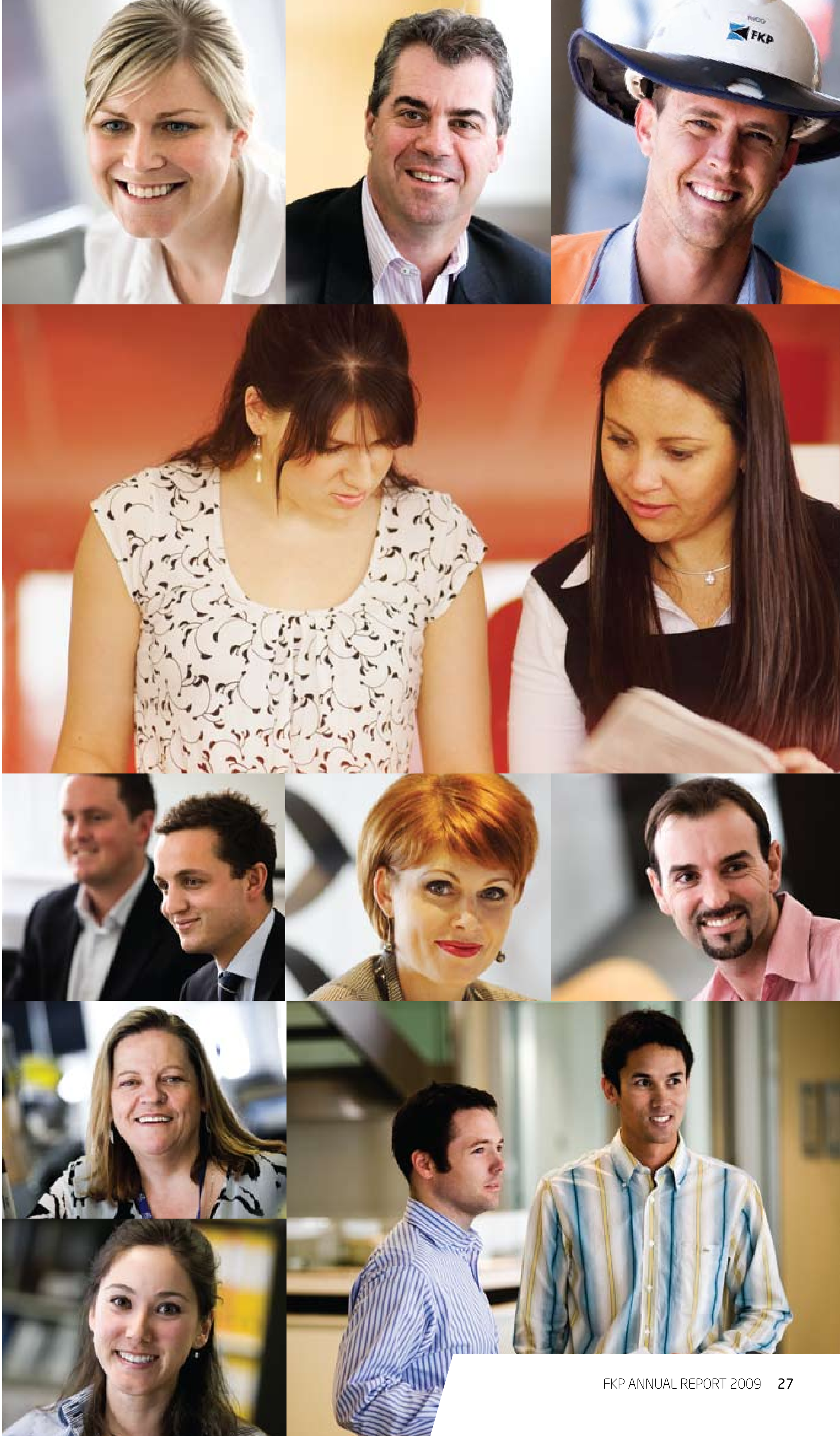
To this end, we are ensuring we have the right number – and the best – people to drive and create opportunities in the environment in which we now work. Our employee numbers now total 1,500. This includes fulltime, parttime and casual positions.

Two critical factors will underpin our success in a recovering market. One is to provide employees with clear communication on the future direction of the company after the challenges of the past year. The other is to develop our leadership capability to ensure we deliver. Both will be a major focus in the year ahead.

Operational business plans have been developed and communicated to each business team. The new national platform will allow employees to leverage their experience and expertise across geographical boundaries. It will provide a range of development and career opportunities that previously had not existed. Equally, our national focus will allow corporate services such as human resources and finance functions to operate with enhanced efficiency.

In the short term, we will ensure that our people have the right skills for their positions in the new environment and have a clear understanding of how they can contribute to the realisation of the FKP vision.

Longer term, we will be doing further work on our plans to ensure we retain talent and provide our people with the opportunity to share in the success of the business.


FKP

Youngcare, Brisbane, QLD

Nurturing a sense of belonging

Equally important as the development of financial and physical capital is the building of social capital. Harder to do, it is nevertheless the essential ingredient in any thriving community. Much of our development effort goes towards its creation, from the design of our buildings and respect paid to the ecology and history of locations, to the importance placed on open spaces and precincts that help nurture a sense of belonging.

Our efforts to create this capital include the Transport Accident Commission's (TAC) new headquarters in Geelong. From the outset, our aim was to work as closely as possible with the TAC to create a place where people could work, meet and engage with the Geelong community. The outcome is a work environment for TAC employees that is as environmentally sustainable as it is aesthetically pleasing.

Likewise at Brookvale on Sydney's northern beaches, Lifestyle Working is a unique open plan commercial space that mirrors the relaxed lifestyle of the local population and demonstrates what can be achieved by incorporating environmental principles with innovative design. Circa, the final release of the award winning Norwest Business Park, represents a new vision for business parks. When it is completed it will be a vibrant, professional precinct, where business and lifestyle converge.

In partnership with the Queensland University of Technology, we are in the second year of a three year research project, thanks to a grant awarded by the Australian Research Council. The project entitled "Remembering the past, imaging the future, and embedding narrative and new media in urban planning" is investigating how the history and former uses of our Gasworks site in Brisbane can be celebrated through narrative and public art as the development unfolds.

Our lifestyle based developments strive to facilitate the best ways for people to live around, and with each other.

Our Saltwater Coast development at Point Cook, twenty kilometres from the Melbourne CBD, includes 52 hectares of open space and parkland. We are also giving an additional twelve hectares to the local council as a gift to help address the shortage of regional active open space in the area. Surrounded by pristine coastal parkland and wetland and within walking distance of the beach, residents will enjoy amazing birdlife as they walk the development's many tracks that will link in with the existing trails through the parklands and historic homestead. The proposed Saltwater Lifestyle Centre will offer facilities to suit all ages, including indoor and outdoor pools, a gymnasium, tennis courts and a café.

At Shearwater on the Island at Phillip Island in Victoria, we have taken into account the specific environmental conditions, as well as the National Park. The man made wetland system will not only serve as an aesthetic feature for residents but will also divert storm water from the estate through a series of channels that cleanse and filter pollutants before the water enters Rhyll Swamp and Westernport Bay.

The community we have and continue to create at Peregian Springs, just ten minutes drive south of Noosa and ninety minutes drive north of Brisbane, provides a variety of residential opportunities, a privately owned 18-hole golf and country club, a shopping centre, private college, childcare facilities, and restaurants, all set against a backdrop of natural vegetation, with cycleways and footpaths linking the open spaces.

Finally, the apartments we constructed in collaboration with Youngcare at Sinnamon Park in Brisbane for young people with high care needs won a range of awards this year, including the Housing Industry Association's Special Purpose Housing of the Year award. The $6 million dollar development comprises fourteen state of the art, fully self contained apartments, complete with pay television, teleconferencing facilities, spa room and interior furnishings and provides a specialised environment for young people requiring 24 hour specialist attention. There are currently 6,300 young Australians who have to live in aged care facilities. Youngcare aims to develop apartments in each State and Territory. Planning for the next apartment project for the Gold Coast is well underway.

At FKP we pride ourselves that our developments are not just buildings. By understanding what people need and marrying this with the unique features of every location, we create special spaces and places that they – and we – can be proud of.

Our Executive Team

Peter Brown
Managing Director and Chief Executive Officer

Peter joined FKP as Managing Director in February 2003. Peter has in excess of twenty years' experience in property development having held senior executive positions in national ASX listed companies including Thakral Holdings Group, Walker Corporation Limited and Australand Property Group.

Peter holds Law and Commerce degrees from the Australian National University.

Darryl Guihot
Chief Financial Officer

Darryl was appointed as Chief Financial Officer in September 2004. Darryl offers more than twenty five years' experience in commerce and investment banking, both in Australia and overseas. He has been a public company chief financial officer since 1991, and his career includes exposure to diverse industries such as property, media, resources and retailing.

Darryl holds Economics and Law degrees from Sydney University.

Geoff Grady
Chief Operating Officer

Geoff joined FKP as Chief Operating Officer in 2009, having previously been the Chief Executive Officer of Mulpha Sanctuary Cove since 2002. He has also worked as a partner in the corporate recovery practice of KPMG and as a solicitor.

Geoff holds degrees in Commerce and Law with honours from the University of Queensland. He is a chartered accountant and a solicitor of the Supreme Court of Queensland.

Evian Delfabbro
Executive General Manager, Residential Communities

Evian was appointed as Executive General Manager, Residential Communities in May 2009, overseeing the national residential, land and masterplanned communities portfolio. Evian previously managed the New South Wales and Victorian development divisions of FKP. Evian began her career working in a variety of roles in both civil engineering and construction administration.

Evian holds a Bachelor of Engineering and a Bachelor of Commerce from the University of Sydney.

Justin Laboo
Executive General Manager, Retirement

Justin joined FKP in August 2005 as head of Corporate Finance, leading the Group's treasury and mergers and acquisitions activities. He was appointed as Executive General Manager, Retirement in November 2006. Justin has more than ten years' experience in finance and strategy areas across the banking, construction and energy industries.

Justin holds a Bachelor of Science Mathematics, a Bachelor of Laws and an Masters of Business Administration (Executive).

Michael Tucker
National Manager, Construction

Michael joined FKP in October 2004 and brings more than thirty years' experience in all facets of the construction industry. As National Manager, Construction, Michael is responsible for the successful delivery of FKP developments and the delivery of the design and construction services to external clients.

Michael has a strong trade background with a degree in Construction Management from the United Kingdom.

Andrew Hall
Executive General Manager, Commercial and Industrial

Andrew joined FKP in 2003 and was appointed Executive General Manager, Commercial and Industrial in May 2009. Andrew is also responsible for the management of assets in the FKP Funds Management portfolio. Andrew has considerable experience in property market analysis, having worked with Arthur Andersen and BT Office Trust prior to joining FKP.

Andrew holds a Bachelor of Commerce from the University of Western Sydney and is studying for a Graduate Diploma in Applied Finance at the Financial Services Institute of Australia.

Our Board

Seng Huang Lee
Non-Executive Chairman

Mr Lee joined the Board in February 2006 and was appointed as Chairman in February 2009 bringing approximately fifteen years' experience in property development and financial services. He is the Executive Chairman of Mulpha Australia Limited and Mulpha International Bhd. Mr Lee is also the Executive Chairman of Sun Hung Kai & Co. Limited, the leading non-bank financial institution listed in Hong Kong, and is a non-executive director of Ambrian Capital PLC, a company listed on the Alternative Investment Market of the London Stock Exchange.

David Crombie
Non-Executive Deputy Chairman

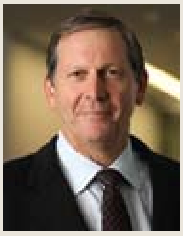
Mr Crombie joined the Board in August 2001. Mr Crombie has more than thirtyfive years' experience in company management and directorship, mainly in rural businesses, and has also been engaged in property development on the Sunshine Coast and in Brisbane. He is currently President of the National Farmers' Federation, serves on the Board of Export Finance Insurance Corporation, is a Commissioner of the Australian Centre for International Agricultural Research and is President of the Queensland Rugby Union.

Peter Brown
Managing Director and Chief Executive Officer

Mr Brown joined the Board as Managing Director in February 2003. Mr Brown has in excess of twenty years' experience in property development, having held senior executive positions in national ASX listed companies including Thakral Holdings Group, Walker Corporation Limited and Australand Property Group. Mr Brown is a director of Metlifecare Limited, a company listed on the New Zealand Stock Exchange.

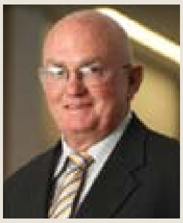
Phil Parker
Non-Executive Director

Mr Parker joined the Board in July 1987. He is a founding director of FKP Limited with over thirtyfive years' experience as a real estate agent and property developer. Mr Parker is a registered real estate agent having operated real estate businesses in Darwin and on the Sunshine Coast, and spent seven years in Brisbane and the Northern Territory in a marketing capacity for one of Queensland's largest land developers. In 1975, Mr Parker relocated 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. Mr Parker has been a director of Forest Place Group Limited since April 2004.



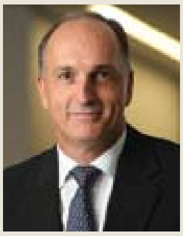
Leonard McKinnon
Non-Executive Director

Mr McKinnon joined the Board in May 2005. He has extensive experience in property and financing gained through more than twentyfive years in investment banking. Mr McKinnon was responsible for establishing the property finance business of Bankers Trust Australia Limited in 1993. In 1999, Mr McKinnon set up his own specialist financial group, Winchester Property Services Limited. Mr McKinnon is also a director of Gresham Property Funds Management Limited which manages mezzanine loan funds for property development and investment.



Jim Frayne
Non-Executive Director

Mr Frayne was appointed as a director on 1 July 2008. He has over forty years' experience in chartered accountancy in audit and corporate services fields. Mr Frayne was appointed as a partner of PKF Chartered Accountants and Business Advisers (PKF) in 1983 and from that time headed up the Audit and Assurance Division of PKF Brisbane until his retirement in June 2006.



Greg Dyer
Non-Executive Director and Alternate Director

Mr Dyer was appointed as a director in March 2009. Mr Dyer holds degrees in Economics and Law and qualified as a Chartered Accountant whilst working for KPMG. He has broad commercial experience in a range of industries, including media, advertising, defence, technology and property and has held management and corporate director positions in Australia, New Zealand and the United States of America. Mr Dyer is currently a director and Chief Financial Officer of Mulpha Australia Limited.

FKP 2009 Financial Report

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FKP Property Group

(Consisting of Combined Financial Reports of FKP Limited ABN 28 010 729 950 and its Controlled Entities and FKP Property Trust ARSN 099 648 754 and its Controlled Entities)

Notes to the Financial Statements

The Directors present their Report together with the Financial Statements of the FKP Property Group ('Combined Group') consisting of FKP Limited ('Parent Entity') and its Controlled Entities and FKP Property Trust ('Property Trust') and its Controlled Entities ('Consolidated Property Trust') for the year ended 30 June 2009 and the Auditor's Report thereon.

DIRECTORS

The Directors of FKP Limited and FKP Funds Management Limited as responsible entity of Property Trust ('Responsible Entity') during the year and until the date of this Report are:

SH Lee
Non-Executive Chairman (Age 35)

Mr Lee joined the Board in February 2006 and was appointed as Chairman on 12 February 2009 bringing approximately 15 years' experience in property development and financial services. He is the Executive Chairman of Mulpha Australia Limited and Mulpha International Bhd. Mr Lee is also the Executive Chairman of Sun Hung Kai & Co. Limited (1 January 2007 to date), the leading non-bank financial institution listed in Hong Kong, and is a non-executive director of Ambrian Capital PLC (22 May 2007 to date), a company listed on the Alternative Investment Market of the London Stock Exchange.

D C Crombie BEc
Non-Executive Deputy Chairman (Age 65)

Mr Crombie joined the Board in August 2001. Mr Crombie has more than 35 years' experience in company management and directorship, mainly in rural businesses, and has also been engaged in property development on the Sunshine Coast and in Brisbane. He is currently President of the National Farmers' Federation, serves on the Board of Export Finance Insurance Corporation, is a Commissioner of the Australian Centre for International Agricultural Research and is President of the Queensland Rugby Union.

P R Brown LLB (Hons) BCom
Managing Director and Chief Executive Officer (Age 43)

Mr Brown joined the Board as Managing Director in February 2003. Mr Brown has in excess of 20 years' experience in property development having held senior executive positions in national ASX listed companies including Thakral Holdings Group, Walker Corporation Limited and Australand Property Group. Mr Brown is a director of Metlifecare Limited (25 November 2005 to date), a company listed on the New Zealand Stock Exchange, and served as a director of Forest Place Group Limited from December 2003 to September 2007.

P Parker
Non-Executive Director (Age 63)

Mr Parker joined the Board in July 1987. He is a founding director of FKP Limited with over 35 years' experience as a real estate agent and property developer. Mr Parker is a registered real estate agent having operated real estate businesses in Darwin and on the Sunshine Coast, and spent seven years in Brisbane and the Northern Territory in a marketing capacity for one of Queensland's largest land developers. In 1975, Mr Parker relocated 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. Mr Parker has been a director of Forest Place Group Limited since April 2004.

L R McKinnon BA LLB MCom
Non-Executive Director (Age 56)

Mr McKinnon joined the Board in May 2005. He has extensive experience in property and financing gained through more than 25 years in investment banking. Mr McKinnon was responsible for establishing the property finance business of Bankers Trust Australia Limited in 1993. In 1999, Mr McKinnon set up his own specialist financial group, Winchester Property Services Limited. Mr McKinnon is also a director of Gresham Property Funds Management Limited which manages mezzanine loan funds for property development and investment.

J E F Frayne BCom FCA GAICD
Non-Executive Director (Age 62)

Mr Frayne was appointed as a director on 1 July 2008. He has over 40 years' experience in chartered accountancy in audit and corporate services fields. Mr Frayne was appointed as a partner of PKF Chartered Accountants and Business Advisers ('PKF') in 1983 and from that time headed up the Audit and Assurance Division of PKF Brisbane until his retirement in June 2006. Prior to his retirement in June 2006, Mr Frayne was a partner of PKF whilst the firm was auditor to the Combined Group. The Combined Group has satisfied itself that Mr Frayne and PKF meet the auditor independence requirements of the *Corporations Act 2001*.

G C Dyer BEc LLB ACA
Non-Executive Director and Alternate Director (Age 50)

Mr Dyer was appointed as a director on 4 March 2009. He was previously appointed as an alternate director for Mr SH Lee on 26 November 2008 and continues to act as Mr Lee's alternate. Mr Dyer holds degrees in Economics and Law and qualified as a Chartered Accountant whilst working for KPMG. He has broad commercial experience in a range of industries, including media, advertising, defence, technology and property and has held management and corporate director positions in Australia, New Zealand and the USA. Mr Dyer is currently a director and Chief Financial Officer of Mulpha Australia Limited.

D J Hickey BBus
Non-Executive Director (Age 44)

Mr Hickey was appointed as a director on 17 October 2008 and resigned on 17 June 2009. He was the Chief Executive Officer–Residential Property of Stockland Corporation Limited and was responsible for its Residential Communities, Apartments and Retirement living business up until his resignation in July 2009. Mr Hickey was previously a director of the Property Council of Australia and is a past President of its NSW Division.

B W Macdonald AM
Non-Executive Director (Age 76)

Mr Macdonald joined the Board in September 1993 and was Chairman from October 2004 until 12 February 2009. He resigned as a director on 26 March 2009. Mr Macdonald has served as a director of a number of Australian public companies including Queensland Cotton Holdings Limited and Brisbane Lions Football Club Limited. Mr Macdonald is currently a director of A.P. Eagers Limited (Chairman) (January 1992 to date), and Reef Corporate Services Limited (Chairman) (September 1995 to date). Mr Macdonald was appointed as a Member of the Order of Australia in January 2007 for services to business, commerce and the community.

TH Chung B Com ACIS ACA
Non-Executive Director (Age 58)

Mr Chung joined the Board in May 2008 and resigned on 4 March 2009. He is the Chief Executive Officer of Mulpha International Bhd, the holding company of Mulpha Australia Limited. Mr Chung has over 30 years' experience in a range of industries, more recently focussing his career on the financial services and property development industries. Mr Chung is currently a director of Mulpha International Bhd, Mulpha Land Bhd, Mudajaya Group Bhd (companies listed in Malaysia), Greenfield Chemical Holdings Limited (a company listed in Hong Kong) and Rotol Singapore Limited (a company listed in Singapore).

G E Grady LLB (Hons) B Com ACA
Alternate Director (Age 50)

Mr Grady was appointed as an alternate director for Mr TH Chung on 16 December 2008 and resigned on 4 March 2009. He is a Chartered Accountant and a Solicitor of the Supreme Court of Queensland. Mr Grady is currently the Chief Operating Officer of the Combined 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. Mr Grady has been a director of Forest Place Group Limited since 27 May 2009.

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

COMPANY SECRETARY

S E Stewart: LLB (Hons) LLM

Ms Stewart was appointed as Company Secretary to the Combined Group in May 2006. In addition to her role as Company Secretary, she is General Legal Counsel. Ms Stewart is responsible for the Legal, Company Secretarial, Corporate Governance and Compliance functions within the Combined Group. Prior to joining FKP, Ms Stewart practised for 18 years in corporate and property law.

DIRECTORS' MEETINGS

The number of Directors' Meetings held (including meetings of committees of Directors) and the number of Meetings attended by each of the Directors of the Combined Group during the financial year were:

	Directors' Meetings		Audit Committee Meetings	
	Held[1]	Attended	Held[1]	Attended
SH Lee	16	12	1	–
D C Crombie	16	13	4	4
P R Brown	16	16	–	–
P Parker	16	14	–	–
L R McKinnon	16	16	4	4
J E F Frayne	16	16	–	–
G C Dyer[2]	4	4	1	1
D J Hickey[3]	8	7	–	–
B W Macdonald[4]	12	8	3	3
TH Chung[5]	12	11	–	–
G E Grady[6]	1	1	–	–

1 Reflects the number of meetings held during the time the Director held office during the year.
2 Mr G C Dyer was appointed as an alternate director for Mr SH Lee on 26 November 2008 and appointed as a director on 4 March 2009.
3 Mr D J Hickey was appointed as a director on 17 October 2008 and resigned on 17 June 2009.
4 Mr B W Macdonald resigned as Chairman on 12 February 2009 and as a director on 26 March 2009.
5 Mr TH Chung resigned as a director on 4 March 2009.
6 Mr G E Grady was appointed as an alternate director for Mr TH Chung on 16 December 2008 and resigned on 4 March 2009.

The Remuneration Committee did not meet during the financial year.

PRINCIPAL ACTIVITIES

The principal activities of the Combined Group during the course of the financial year were:

- development, management and ownership of retirement villages;
- investment in, and management of, retail, commercial and industrial property and retirement villages;
- development for resale of land, residential, retail, commercial and industrial property;
- commercial, industrial and residential building and construction for the Combined Group and external parties;
- funds and asset management; and
- property and project marketing.

STATE OF AFFAIRS

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

REVIEW AND RESULTS OF OPERATIONS

The combined loss for the year ended 30 June 2009 attributable to security holders of the Combined Group was as follows:

	Combined Group	
	2009 $m	2008 $m
Profit/(loss) from continuing operations before income tax	**(425.8)**	195.6
Income tax benefit/(expense) relating to ordinary activities	**107.1**	(45.9)
Net Profit/(Loss) from Continuing Operations	**(318.7)**	149.7
Net profit/(loss) attributable to minority interests	**(0.7)**	(4.4)
Net Profit/(Loss) Attributable to Equity Holders of the Combined Group	**(319.4)**	145.3

The statutory loss after tax attributable to stapled security holders for the year was $318.7m (2008: profit of $149.7m). Earnings / (loss) per stapled security during the year was (70.3) cents per stapled security ('cps') compared with 38.7 cps in the previous corresponding year.

Divisional Operating Results

Division	2009 Divisional Operating Earnings $m	2008 Divisional Operating Earnings $m	Change
Retirement	119.5	125.9	-5%
Development[1]	14.3	37.2	-62%
Land	3.2	41.0	-92%
Funds Management	1.9	5.7	-67%
Trust and Investments[2]	26.5	46.6	-43%

1 Includes equity-accounted profits of development investments, such as Mulpha FKP Pty Ltd

2 Includes earnings from the FKP Property Trust and investments such as Retirement Villages Group, US Senior Living Property Trust , US Senior Living Tenant Trust and the FKP managed funds

Operating Highlights

The *Retirement* division, reflecting the wider residential market, saw reduced trading conditions for the first nine months of the year but turned around strongly in the final quarter. Second half resales were up 17% on the first half in volume terms, and 36% in dollar terms. The units within the Combined Group's portfolio achieved an average price growth of approximately 6% during the year.

The *Development* division achieved operating earnings of $14.3m in a difficult year. The Combined Group completed two of the largest commercial sales in Australia since the financial crisis started, selling the TAC headquarters building in Geelong in May 2009, and then pre-selling the new Energex building in Brisbane in July 2009: the latter will be accounted for in the 2010 financial year.

In addition to these two large transactions, the Combined Group remained focused on clearing completed inventory in order to maximise cash flow.

Gasworks at Newstead Riverpark received preliminary approval for an increase in the masterplan density to 185,000 square metres, and Milton and Albion are being repositioned in the light of market conditions with a greater residential emphasis.

The *Land* division made a modest contribution of $3.2m against $41.0m the year before. The 2010 financial year should see a return to higher levels of profitability with the first settlements at Saltwater Coast at Point Cook expected to occur in the second half of the 2010 financial year. The first stages are currently under construction, with more than 200 pre-sales already to hand.

Funds Management profitability decreased to $1.9m in a climate where it was difficult to launch new funds or to obtain performance fees from existing funds. The management team has concentrated upon repositioning selected fund properties.

Operating earnings from the *Trusts and Investments* division including the Property Trust, Retirement Villages Group ('RVG') and portfolio investments in managed funds fell to $26.5m from $46.6m. The Combined Group's investment in RVG was reduced to 16% during the course of the year.

Current Assets and Liabilities

The Balance Sheet of the Combined Group discloses total current assets of $313.4m and current liabilities of $1,486.6m. 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 Combined Group'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 Combined Group's best estimate is that of the total Resident Loans of $1,132.0m, only $84.3m is statistically likely to be paid within the next 12 months. Further, if this amount was repayable, it is estimated that incoming contributions of more than $130.2m would be received from new residents.

REVIEW AND RESULTS OF OPERATIONS CONTINUED

After excluding Resident Loans, current liabilities exceed current assets by $41.2m. Included in current liabilities is $184.8m of interest bearing debt maturing in the next 12 months. On 25 June 2009, the Combined Group announced a fully underwritten renounceable Entitlement Offer under which security holders were entitled to acquire 2.3 new securities for every one security held by them at a price of $0.40 per new security to raise approximately $324.0m. On 15 July 2009, FKP allotted 508,968,361 new securities under the Institutional Entitlement Offer and 8,568,915 new stapled securities pursuant to early applications received under the Retail Entitlement Offer. The Combined Group allotted a further 291,094,430 new securities under the final allotment of the Retail Entitlement Offer on 31 July 2009. The allotment of these 808,631,706 new stapled securities subsequent to year end raised $323.5m before transaction costs of $11.2m. Following the completion of the equity raising under the Entitlement Offer, the total number of stapled securities on issue was 1,161,035,473.

Prior to the end of the financial year, the Combined Group successfully renegotiated the majority of its banking facilities and formally documented these new arrangements in the 2010 financial year. As signed term sheets were executed prior to the end of the financial year and the Combined Group expected to refinance or roll these facilities for a period of greater than 12 months, these facilities have been classified as non-current in Interest Bearing Liabilities and Borrowings. As part of the renegotiation of its financing facilities, the Combined Group cancelled a $125.0m unsecured facility, reduced a development facility by $25.0m and reduced the general Property Trust facility by $15.0m. In order to eliminate or reduce these facilities, repayments were made subsequent to year end. All amounts due and payable within 12 months have been reflected as current liabilities in the Balance Sheet. In addition, a number of facilities have been extended and banking covenants have been renegotiated.

After considering all available current information, the Directors have concluded there are reasonable grounds to believe that the Combined Group will be able to pay its debts as and when they fall due and payable and the basis of preparation of the Financial Report on a going concern basis is appropriate.

The Directors have formed this view based on a number of factors including:

- The completion of a fully underwritten Entitlement Offer to raise approximately $324.0m prior to year end and subsequent receipt of $323.5m less transaction costs of $11.2m;
- The successful renegotiation of a majority of the banking facilities;
- The impact of current financial market conditions on liquidity, potential asset sales and asset values, and the ability to refinance debt;
- The Combined Group had net assets of $1,114.5m at 30 June 2009;
- The assumptions underlying the Combined Group's forecast results and cash flows;
- The Combined Group's committed funding sources; and
- The Combined Group's ongoing compliance with its debt covenant obligations.

DIVIDENDS AND DISTRIBUTIONS

Dividends and distributions paid or declared by the Combined Group to members since the end of the previous financial year were:

Dividends / Distributions	Cents per Security	Total Amount $m	Franked %[1]	Date of Payment
Final 2008	15.70	41.6	43	30/9/08
Interim 2009	2.00	7.2	–	14/4/09
Final 2009	1.45	5.1	–	30/9/09

1 The franked percentage is a weighted average percentage incorporating the Property Trust distribution, which is unfranked.

All the franked dividends paid or declared by the Combined Group since the end of the previous financial year were franked at a tax rate of 30%.

ENVIRONMENTAL REGULATION

The Combined Group undertakes property development in various States. It is subject to legislation regulating land development. Consents, approvals and licences are generally required for all developments and it is usual for them to be granted subject to conditions. The Combined Group complies with these requirements by ensuring that all necessary consents, approvals and licences are obtained prior to any project being commenced and consents, approvals and licences are implemented in order to ensure compliance with conditions. To the best of the Directors' knowledge, all projects are, and have been undertaken, in compliance with these requirements.

LIKELY DEVELOPMENTS

The Combined Group will continue to pursue its target of increasing the profitability of its major business segments during the next financial year. Further information about likely developments in the operations of the Combined Group 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 Combined Group.

OPTIONS

No options were issued by the Combined Group during the financial year. No options were exercised during the financial year.

REMUNERATION REPORT

The Remuneration Report set out on pages 39 to 46 provides details of the remuneration and equity holdings of the Directors and key management personnel and forms part of the Directors' Report.

SUBSEQUENT EVENTS

On 25 June 2009, the Combined Group announced a fully underwritten renounceable Entitlement Offer under which security holders were entitled to acquire 2.3 new securities for every one security at a price of $0.40 per new security to raise approximately $324.0m. On 15 July 2009, FKP allotted 508,968,361 new securities under the Institutional Entitlement Offer and 8,568,915 new stapled securities pursuant to early applications received under the Retail Entitlement Offer. The Combined Group allotted a further 291,094,430 new securities under the final Retail Entitlement Offer on 31 July 2009. Subsequent to year end, the Combined Group had allotted a total of 808,631,706 new stapled securities raising $323.5m before transaction costs of $11.2m. Following the completion of the equity raising under the Entitlement Offer, the total number of stapled securities on issue was 1,161,035,473.

Prior to the end of the financial year, the Combined Group successfully renegotiated the majority of its banking facilities and formally documented these new arrangements in the 2010 financial year. As signed term sheets were executed prior to the end of the financial year and the Combined Group expected to refinance or roll these facilities for a period of greater than 12 months, these facilities have been classified as non-current in Interest Bearing Liabilities and Borrowings. As part of the renegotiation of its financing facilities, the Combined Group cancelled a $125.0m unsecured facility, reduced a development facility by $25.0m and reduced the general Property Trust facility by $15.0m. In order to eliminate or reduce these facilities, repayments were made subsequent to year end. All amounts due and payable within 12 months have been reflected as current liabilities in the Balance Sheet. In addition, a number of facilities have been extended and banking covenants have been renegotiated (refer to Notes 17 and 34).

On 9 July 2009, the sale of a parcel of land and a building under construction in Newstead to Cromwell Riverpark Trust was settled. The Combined Group will continue to project manage and construct the building which is scheduled to be completed in mid 2010 with an end revenue value of $173.0m.

Apart from the events noted above, there has not arisen in the interval between the end of the financial year and the date of this Report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Parent Entity and the Responsible Entity, to affect significantly the operations of the Combined Group, the results of those operations or the state of affairs of the Combined Group in future years. Further developments by the time of the Annual General Meeting ('AGM') will, as appropriate, be reported in the Chairman's address to that meeting.

DIRECTORS' INTERESTS

The relevant interest of each Director in the issued capital of the Combined Group, at the date of this Report, is as follows:

	Ordinary Securities	
	2009	2008
SH Lee[1]	**291,217,655**	–
D C Crombie	**425,582**	120,191
P R Brown	**3,535,564**	488,822
P Parker	**44,097,684**	13,196,934
L R McKinnon	**-**	–
J E F Frayne	**54,788**	–
G C Dyer	**-**	–

1 Mr SH Lee acquired a controlling interest in Mulpha International Bhd ('MIB') on 16 July 2008. MIB is the 100% beneficial owner of Mulpha Australia Limited, Mulpha Investments Pty Ltd, Mulpha Strategic Limited, HDFI Nominees Pty Ltd and Rosetec Investments Limited (collectively the 'Mulpha Group'). The Mulpha Group is a substantial security holder in the Combined Group.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

Pursuant to the Constitutions of the Parent Entity and the Responsible Entity, all Directors and company secretaries ("Officers"), past and present, have been indemnified against all liabilities allowed under the law. The Parent Entity and the Responsible Entity have also entered into agreements with each of the Directors and Officers to indemnify them against all liabilities to another person which may arise from their position as officeholders of the Combined Group to the extent permitted by law. The agreements stipulate that the Parent Entity and the Responsible Entity will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

Since the end of the previous financial year, neither the Parent Entity nor the Responsible Entity has indemnified or agreed to indemnify any person who is or has been an auditor of the Parent Entity or the Responsible Entity against any liabilities.

Insurance Premiums

During the financial year, the Combined Group paid premiums in respect of Directors' and Officers' liability insurance contracts, for the current and former Directors and Officers, including executive officers and secretaries of the Combined Group.

Under the terms of the insurance contracts, disclosure of the extent of the cover and the amount of the premium is prohibited by a confidentiality clause.

AUDIT COMMITTEE

The Combined Group has a formally constituted Audit Committee of the Board of Directors. The members of the Audit Committee during the year were D C Crombie (Chairman), L R McKinnon, B W Macdonald (until 26 March 2009) and SH Lee (from 26 March 2009).

NON-AUDIT SERVICES

During the year PKF, the Combined Group's external auditor, and a related entity, PKF Corporate Advisory (East Coast) Pty Ltd, have performed certain other services in addition to statutory duties. The Board has considered the non-audit services provided during the year by the external auditor and its related entity and in accordance with advice provided by the Audit Committee, is satisfied that the provision of those services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

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

	2009 $
PKF Chartered Accountants:	
Other assurance services	**36,615**
PKF Corporate Advisory (East Coast) Pty Ltd:	
Due diligence and Investigating Accountant's Reports	**395,000**
	431,615

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

We confirm that we have obtained the Auditor's Independence Declaration which is set out on Page 38.

ROUNDING

The Combined Group is an entity 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 to the nearest hundred thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

P.R. Brown
Managing Director and Chief Executive Officer

Dated at Sydney, 29 September 2009.

Auditor's Independence Declaration

PKF

Chartered Accountants
& Business Advisers

To: The Directors of FKP Limited and FKP Funds Management Limited as Responsible Entity of FKP Property Trust

As lead auditor for the audit of FKP Property Group for the year ended 30 June 2009, 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 the FKP Property Group which comprises both FKP Limited and the entities it controlled at the year's end or from time to time during the financial year and the FKP Property Trust and the entities that it controlled at the year's end or from time to time during the financial year.

PKF

PKF

Grant Saxon
Partner

Dated at Sydney, 29 September 2009.

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The Board has established a Remuneration Committee which is responsible for determining and reviewing remuneration arrangements for Directors, the Managing Director and Chief Executive Officer and other key management personnel. The members of the Remuneration Committee during the year were P Parker (Chairman), B W Macdonald (until 26 March 2009), SH Lee (from 26 March 2009) and P R Brown. The Combined Group's remuneration policy is to ensure that remuneration packages properly reflect the person's duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality.

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

- the capability and experience of the key management personnel;
- the requirement to utilise those skills in the furtherance of the Combined Group's strategic objectives;
- the performance of the key management personnel in their particular role;
- the Combined Group's overall performance;
- the remuneration levels being paid by competitors for similar positions; and
- the need to ensure continuity of executive talent and smooth succession planning.

In assessing the performance of a particular executive, regard is had to more than the immediate profit and loss performance. The nature of property development and investment is such that decisions are constantly being taken that will not have profit repercussions for several years. Examples include the acquisition of land for future development, the process of development itself, and the upgrading of systems and procedures. Moreover, the evaluation of executive performance also has regard to the executive's effectiveness in developing a capable support team and in showing leadership qualities and instilling positive cultural values within his or her division.

Remuneration packages include a mix of fixed remuneration, performance-based remuneration and equity-based remuneration.

Fixed Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles, car parking and other specified benefits), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed periodically by the Remuneration Committee through a process that considers the factors outlined above.

Performance-Based Remuneration

With the exception of the Non-Executive Directors, all employees may receive bonuses based on the achievement of goals relating to the performance of the Combined Group (including annual performance relative to budget and a range of quantitative and qualitative factors in the case of the Managing Director and Chief Executive Officer and other key management personnel).

Equity-Based Remuneration

Securities may be issued to qualifying employees, including key management personnel under the Employee Security Plan ('ESP'). This scheme provides all employees (upon completion of one year's service) the opportunity to be rewarded for their service to the Combined Group by offering them $1,000 worth of FKP Property Group securities, at no cost to the employee. No securities were issued under the ESP during the financial year (2008: 135,512 securities).

Options may be issued to qualifying employees under the Employee Option Plan ('EOP'). The exercise price and other commercial terms and conditions of the options including performance hurdles are determined at the discretion of the Board. No options were issued during the financial year (2008: 9,989,853 options).

A Security Appreciation Rights Plan ('SARP') was at one time in operation to provide an incentive to eligible employees to drive the performance of the Combined Group. Each Security Appreciation Right ('SAR') entitled the holder to a cash payment equal to the increase in the market value of a stapled security over a period subject to the Combined Group meeting performance criteria specified by the Board. During the year, no SARs were issued and it is not anticipated that further issues will be made in the foreseeable future.

Discussion of the Relationship Between the Remuneration Policy and the Combined Group's Performance

In considering the Combined Group's performance and the benefits for security holders' wealth the Remuneration Committee have had regard to the following in respect of the current financial year and the previous four financial years:

	2009	2008	2007	2006	2005
Net profit / (loss) ($m)	**(319.4)**	145.3	194.8	140.8	88.3
EPS (cents)[1]	**(70.3)**	38.7	62.1	53.6	38.9
Dividends / distributions ($m)	**12.3**	83.7	76.1	54.8	77.3
DPS – special (cents)	**-**	–	–	–	25.0
DPS – ordinary (cents)	**3.5**	31.7	31.7	28.8	25.0
Security price at year end ($)	**0.52**	4.90	7.30	5.25	2.83
Market capitalisation ($m)	**183.2**	1,300.3	1,904.1	1,003.6	498.1
Return of capital ($m)	**-**	–	–	–	99.8

1 Reported earnings per security for the years ended 30 June 2005 to 2008 have been modified for adjustments made to securities for increases as a result of the renounceable Entitlement Offer announced on 25 June 2009.

The Remuneration Committee considers that the Combined Group's remuneration policy, including the mix of performance-based and equity-based remuneration components, is appropriate. The Remuneration Committee chose not to award performance-based remuneration to the executive key management personnel during the financial year. During the financial year equity-based remuneration was not granted to any key management personnel and, with the exception of the Managing Director and Chief Executive Officer, the fixed remuneration of executive key management personnel was not increased. During the financial year, the Directors resolved to reduce their directors' fees by 50%.

KEY MANAGEMENT PERSONNEL'S REMUNERATION

Details of the nature and amount of each major element of the remuneration of each of the key management personnel, including each of the five named officers of the Combined Group receiving the highest emoluments, are detailed in the remuneration tables on pages 43 to 46.

Directors

The names and position held by each person holding the office of Director of the Combined Group during the financial year were:

SH Lee[1]	Chairman (Non-Executive)
D C Crombie	Deputy Chairman (Non-Executive)
P R Brown	Managing Director and Chief Executive Officer
P Parker	Non-Executive Director
L R McKinnon	Non-Executive Director
J E F Frayne	Non-Executive Director
G C Dyer[2]	Non-Executive Director
D J Hickey[3]	Non-Executive Director
B W Macdonald[4]	Non-Executive Director
TH Chung[5]	Non-Executive Director
G E Grady[6]	Alternate Director

1 Mr SH Lee was appointed Chairman on 12 February 2009.
2 Mr G C Dyer was appointed as an alternate director for Mr SH Lee on 26 November 2008 and appointed as a director on 4 March 2009.
3 Mr D J Hickey was appointed as a director on 17 October 2008 and resigned on 17 June 2009.
4 Mr B W Macdonald resigned as Chairman on 12 February 2009 and as a director on 26 March 2009.
5 Mr TH Chung resigned as a director on 4 March 2009.
6 Mr G E Grady was appointed as an alternate director for Mr TH Chung on 16 December 2008 and resigned on 4 March 2009.

Key Management Personnel

The names and position held by each person being key management personnel of the Combined Group during the financial year were:

D L Guihot	Chief Financial Officer
S E Stewart	General Legal Counsel and Group Company Secretary
E L Delfabbro	Executive General Manager – New South Wales and Victoria
J M Laboo	Executive General Manager – Retirement
G E Grady	Chief Operating Officer[1]
M A Miller	Executive General Manager – Queensland[2]
J A Smith	Executive General Manager – Victoria[3]

1 Mr G E Grady was appointed Chief Operating Officer on 3 March 2009.

2 Mr M A Miller resigned on 28 November 2008.

3 Mr J A Smith resigned on 17 October 2008.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

Directors' Fees

In 2006 security holders resolved that the maximum amount of Directors' fees payable to Non-Executive Directors be increased to $650,000 per year.

With effect from 1 April 2009, the Directors resolved to reduce their directors' fees for the following 12 month period by 50%. From 1 July 2008 to 12 February 2009, the Chairman received a base fee of $176,000 per annum and was entitled to retirement benefits. Messrs Crombie and Parker each received a base fee of $65,385 per annum inclusive of superannuation (with an entitlement to retirement benefits) until 31 March 2009. With the exception of the Alternate Directors and Mr Hickey, all other Directors received a base fee of $85,000 per annum inclusive of superannuation until 31 March 2009. From 1 April 2009, all directors' fees were reduced by 50%. During the financial year, no fees were payable to Alternate Directors or Mr Hickey.

These fees cover all main Board activities. Additionally, the Chairman of the Audit Committee received $5,000 per annum (reduced to $2,500 per annum on 1 April 2009) and the other members of the Audit Committee received $1,000 per annum (reduced to $500 per annum on 1 April 2009). No additional fees were paid to members of the Remuneration Committee.

Retirement Benefits

The Combined Group Directors' Retirement Benefits Scheme applies only to Directors appointed before 30 June 2004 and who have served as directors for more than five years. The benefit payable is the amount equal to the fees paid to the Director for the three year period immediately prior to the Director's retirement, less any payment made in respect of superannuation. This Scheme has not been approved by security holders as the Scheme complies with that allowed under the *Corporations Act 2001*.

Performance-Based Remuneration

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

Equity-Based Remuneration

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

Pursuant to the Combined Group's Directors' Securities Plan ('DSP'), which was approved at the 2002 AGM and amended at the 2003 and 2004 AGMs, eligible Non-Executive Directors can elect to receive their directors' fees by way of securities in the Combined Group, in lieu of cash, after taking into account any FBT payable by the Combined Group. Securities allocated under the DSP can either be issued by the Combined Group or purchased on market.

REMUNERATION OF THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

The Managing Director and Chief Executive Officer entered into a four year executive employment agreement ('Employment Agreement') with the Parent Entity effective from 1 July 2007. The Agreement provides for a base salary inclusive of superannuation of $1,500,000 per annum, increasing on 1 July each year by 3%.

Mr Brown may terminate the Employment Agreement by giving six months' prior written notice. Mr Brown may also terminate the Employment Agreement by giving one month's prior written notice if, at the instigation of the Board, he ceases to be the most senior executive officer of the Parent Entity and in such circumstances he will be entitled to receive a severance payment equal to 24 months' base salary.

The Parent Entity may terminate Mr Brown's employment by giving 24 months' written notice or by paying an amount equal to 24 months' base salary at the rate payable at the date of giving notice of termination.

Mr Brown is entitled to 10 days' sick leave and 20 days' annual leave per annum. Accruals and payments in respect of these entitlements are disclosed as 'Salary and Fees'. Accrued and paid entitlements to long service leave are disclosed as 'Other Post Employment Benefits' remuneration.

Performance-Based Remuneration

Under the Employment Agreement the Managing Director and Chief Executive Officer is entitled to receive an annual cash bonus of up to 100% of his base salary, subject to achieving relevant performance hurdles. The performance hurdles relate to the financial and operational performance of the Combined Group and other priorities specified each year by the Remuneration Committee. The performance hurdles and priorities are measured annually by the Remuneration Committee. Mr Brown elected to waive his right to be considered for an annual cash bonus in respect of the financial year.

Equity-Based Remuneration

The Employment Agreement provides for a long-term incentive bonus consisting of the issue of five million options over stapled securities of the Combined Group. At the 2007 AGM security holders approved the issue of the options to Mr Brown under the EOP (refer Note 29 'Share-Based Payments').

The options were issued on the following terms:

– The options were exercisable on 1 January 2011 provided that Mr Brown held the position of Managing Director and Chief Executive Officer at that date or if the Parent Entity had terminated Mr Brown's employment, or given written notice to Mr Brown in circumstances where 24 months' notice was required, such termination or notice was given after 1 January 2009; and

– The options were exercisable at any time up to and including 30 June 2012 at an exercise price of $7.05.

In August 2009, Mr Brown elected to waive his right to exercise the options and the options were cancelled. No consideration was paid or is payable for the cancellation of the options.

OTHER KEY MANAGEMENT PERSONNEL

Remuneration packages include a mix of fixed remuneration, performance-based remuneration and equity-based remuneration.

Fixed Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles, car parking and other specified benefits), as well as employer contributions to superannuation funds.

The key management personnel are entitled to 10 days' sick leave and 20 days' annual leave per annum. Accruals and payments in respect of these entitlements are disclosed as 'Salary and Fees' remuneration. Accrued and paid entitlements to long service leave are disclosed as 'Other Post Employment Benefits' remuneration.

Performance-Based Remuneration

Employees may receive bonuses determined at the discretion of the Remuneration Committee depending on the Combined Group's overall performance and the contribution of the employee to that performance and the achievements of the employee in positioning the Combined Group for future profitability.

No bonuses were awarded to key management personnel for the financial year. The bonus payments made in respect of the financial year ended 30 June 2008 are detailed in the tables on pages 43 and 44.

Equity-Based Remuneration

The Combined Group provides equity-based remuneration to key management personnel and all eligible employees through the operation of the following plans:

– Employee Security Plan ('ESP');

– Employee Option Plan ('EOP'); and

– Security Appreciation Rights Plan ('SARP').

During the financial year, there were no issues of securities under the ESP or the EOP and no SARs were issued under the SARP.

Further details of the plans are provided in Note 29 'Share-Based Payments'.

Termination Benefits

The Combined Group may terminate the contracts of the key management personnel, and the key management personnel may terminate their contracts, by:

– in the case of the Chief Financial Officer and the Chief Operating Officer, six months' notice;

– in the case of the Executive General Manager – Retirement, four weeks' notice; and

– in all other cases, 13 weeks' notice.

		Short-Term Employee Benefits			Post-Employment		Equity Compensation		Equity Compensation		
Non-Executive Directors	Year	Salary and Fees $	Bonus $	Non-Monetary Benefits $	Super Benefits $	Other Post Employment Benefits[1] $	Value of Securities $	Total excluding AASB 2 Expense Relating to Security Options $	AASB 2 Expense Relating to Security Options $	Aggregate including AASB 2 Expense Relating to Security Options $	Proportion of Remuneration Performance Related %
SH Lee[2]	**2009**	**68,349**	**–**	**–**	**6,151**	**–**	**–**	**74,500**	**–**	**74,500**	**–**
	2008	77,982	–	–	7,018	–	–	85,000	–	85,000	–
D C Crombie	**2009**	**56,811**	**–**	**–**	**5,113**	**826**	**–**	**62,750**	**–**	**62,750**	**–**
	2008	64,986	–	–	5,399	14,114	–	84,499	–	84,499	–
P Parker	**2009**	**52,488**	**–**	**–**	**4,724**	**1,892**	**–**	**59,104**	**–**	**59,104**	**–**
	2008	59,986	–	–	5,399	14,114	–	79,499	–	79,499	–
L R McKinnon	**2009**	**69,099**	**–**	**–**	**6,219**	**–**	**–**	**75,318**	**–**	**75,318**	**–**
	2008	78,982	–	–	7,018	–	–	86,000	–	86,000	–
J E F Frayne	**2009**	**68,234**	**–**	**–**	**6,141**	**–**	**–**	**74,375**	**–**	**74,375**	**–**
	2008	–	–	–	–	–	–	–	–	–	–
G C Dyer[3]	**2009**	**9,748**	**–**	**–**	**877**	**–**	**–**	**10,625**	**–**	**10,625**	**–**
	2008	–	–	–	–	–	–	–	–	–	–
D J Hickey[4]	**2009**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2008	–	–	–	–	–	–	–	–	–	–
B W Macdonald[5]	**2009**	**117,247**	**–**	**–**	**–**	**6,464**	**–**	**123,711**	**–**	**123,711**	**–**
	2008	177,000	–	–	–	66,695	–	243,695	–	243,695	–
TH Chung[6]	**2009**	**57,716**	**–**	**–**	**–**	**–**	**–**	**57,716**	**–**	**57,716**	**–**
	2008	7,685	–	–	–	–	–	7,685	–	7,685	–
G E Grady[7]	**2009**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2008	–	–	–	–	–	–	–	–	–	–
R T Forrester[8]	**2009**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2008	59,986	–	–	5,399	14,114	–	79,499	–	79,499	–
Managing Director											
P R Brown	**2009**	**1,495,000**	**–[9]**	**12,009**	**50,000**	**–**	**–**	**1,557,009**	**2,061,033[10]**	**3,618,042**	**57.0**
	2008	1,462,123[11]	1,312,500[12]	966,724[13]	50,000	–	395,150[14]	4,186,497	1,192,271[10]	5,378,768	46.6
Director Totals	**2009**	**1,994,692**	**–**	**12,009**	**79,225**	**9,182**	**–**	**2,095,108**	**2,061,033**	**4,156,141**	**49.6**
	2008	1,988,730	1,312,500	966,724	80,233	109,037	395,150	4,852,374	1,192,271	6,044,645	41.4

* The security options are required to be expensed by Accounting Standard AASB 2 'Share-Based Payment'. In August 2009, Mr P R Brown elected to waive his right to exercise the options and the options were cancelled. No consideration was paid or is payable for the cancellation of the options. Despite the cancellation of the options for nil consideration, the accounting expense is required to be recognised and a further charge of approximately $4.4m will be expensed during the 2010 financial year.

1 Other post-employment benefits include movement in accrued retirement benefits during the year.

2 Mr SH Lee was appointed as Chairman on 12 February 2009. Salary and fees calculated on the basis of holding the position of Chairman for 138 days out of 365 days and of director for 227 days out of 365 days.

3 Mr G C Dyer was appointed to the Board on 4 March 2009. Salary and fees calculated on the basis of holding the position of director for 118 days out of 365 days. Mr G C Dyer's remuneration is paid to a company within the Mulpha Group.

4 Mr D J Hickey was appointed to the Board on 17 October 2008 and resigned on 17 June 2009. No remuneration was paid to Mr D J Hickey.

5 Mr B W Macdonald resigned as Chairman on 12 February 2009 and resigned from the Board on 26 March 2009. Salary and fees calculated on the basis of holding the position of Chairman for 227 days out of 365 days and of director for 42 days out of 365 days. Mr Macdonald was paid a retirement benefit of $498,464 on his resignation of which $6,464 relates to expense in the current year.

6 Mr TH Chung was appointed to the Board on 29 May 2008 and resigned on 4 March 2009. Salary and fees calculated on the basis of holding the position of director for 247 days out of 365 days. As he is a resident of Malaysia, the Combined Group does not make a superannuation contribution on behalf of Mr TH Chung.

7 Mr G E Grady was appointed to the Board as an alternate director on 16 December 2008 and resigned on 4 March 2009. No remuneration was paid to Mr G E Grady.

8 Mr R T Forrester resigned as a director on 30 June 2008.

9 Mr P R Brown elected to waive his right to be considered for an annual bonus in respect of the financial year.

10 Mr P R Brown was granted five million options under the Combined Group's EOP being the long-term incentive part of his total remuneration package. This amount represents the proportion of the equity-based compensation attributable to the relevant period. In August 2009, at Mr P R Brown's request, the options were cancelled for no consideration.

11 Includes base salary of $1,450,000 and an amount of $12,123 accommodation allowance paid to Mr P R Brown during the period.

12 This amount represented an achievement of 87.5% of the maximum annual cash bonus payable to Mr P R Brown for the period.

13 The Total Reportable FBT relating to the loan forgiveness in respect of the 387,912 securities issued to Mr P R Brown pursuant to the Managing Director's Security Plan following the receipt of security holder approval at the 2005 AGM (Retention Bonus Securities) was $2,240,447. This amount is recognised during the 2008 financial year as it was contractually due in this period less any amount previously expensed in through the Value of Securities column. Previously, expenses relating to the Retention Bonus Securities totalling $878,573 plus $395,150 expensed during the prior year were included in the Equity Compensation column. Therefore the Combined Group has disclosed the net amount of $966,724 being $2,240,447 less $878,573 and $395,150.

14 Loan amount forgiven under the Managing Director's Security Plan.

		Short-Term Employee Benefits			Post-Employment	Other Compensation	Equity Compensation		Equity Compensation		
Executives including Key Management Personnel	Year	Salary and Fees $	Bonus $	Non-Monetary Benefits $	Super Benefits $	Termination Benefits $	Value of Securities[6] $	Total excluding AASB 2 Expense Relating to Security Options $	AASB 2 Expense Relating to Security Options* $	Aggregate including AASB 2 Expense Relating to Security Options $	Proportion of Remuneration Performance Related %
D L Guihot	**2009**	**642,202**	**-**	**-**	**57,798**	**-**	**-**	**700,000**	**183,822**	**883,822**	**20.8**
	2008	550,459	612,500	–	49,541	–	(40,236)	1,172,264	161,156	1,333,420	55.0
S E Stewart	**2009**	**324,771**	**-**	**1,710**	**29,229**	**-**	**-**	**355,710**	**116,357**	**472,067**	**24.6**
	2008	300,000	212,400	–	27,000	–	–	539,400	103,034	642,434	49.1
E L Delfabbro	**2009**	**351,376**	**-**	**-**	**31,624**	**-**	**-**	**383,000**	**124,996**	**507,996**	**24.6**
	2008	331,651	229,800	3,549	29,849	–	(34,489)	560,360	109,727	670,087	45.5
J M Laboo	**2009**	**324,771**	**-**	**2,826**	**29,229**	**-**	**-**	**356,826**	**116,357**	**473,183**	**24.6**
	2008	300,000	212,400	–	27,000	–	(11,496)	527,904	103,034	630,938	48.2
G E Grady[1]	**2009**	**107,269**	**-**	**-**	**9,654**	**-**	**-**	**116,923**	**-**	**116,923**	**-**
	2008	–	–	–	–	–	–	–	–	–	–
M A Miller[2]	**2009**	**153,310**	**-**	**-**	**20,886**	**77,982**	**-**	**252,178**	**-**	**252,178**	**-**
	2008	311,927	–	–	28,073	–	(34,489)	305,511	109,727	415,238	18.1
J A Smith[3]	**2009**	**149,932**	**-**	**1,505**	**48,784**	**87,844**	**-**	**288,065**	**-**	**288,065**	**-**
	2008	331,651	–	53,626	29,849	–	(34,489)	380,637	109,727	490,364	15.3
B Jackson[4]	**2009**	**366,972**	**-**	**-**	**33,028**	**-**	**-**	**400,000**	**133,503**	**533,503**	**25.0**
	2008	353,085	300,000	–	31,778	–	(34,489)	650,374	116,318	766,692	49.8
A R W Learmonth[5]	**2009**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2008	229,358	375,000	–	20,642	–	(14,370)	610,630	109,737	720,367	65.3
Total	**2009**	**2,420,603**	**-**	**6,041**	**260,232**	**165,826**	**-**	**2,852,703**	**675,035**	**3,527,738**	**19.1**
	2008	2,708,131	1,942,100	57,175	243,732	–	(204,058)	4,747,080	922,460	5,669,540	46.9

* The security options are required to be expensed by Accounting Standard AASB 2 'Share-Based Payment'. The Combined Group's security price at 30 June 2009 was $0.52 (2008: $4.90) compared to an exercise price of $5.09 for tranche 1, $7.08 for tranche 2, and $6.73 for tranche 3 meaning the options were "out of the money" by $4.57 (2008: $0.19), $6.56 (2008: $2.18) and $6.21 (2008: $1.83), respectively. Tranche 1 expires in August 2010, tranche 2 expires in April 2011 and tranche 3 expires in August 2011.

1 Mr G E Grady was appointed Chief Operating Officer on 3 March 2009.

2 Mr M A Miller resigned from his position as Executive General Manager – Queensland on 28 November 2008.

3 Mr J A Smith resigned from his position as Executive General Manager – Victoria on 17 October 2008.

4 Mr B Jackson is included as one of the five officers receiving the highest emoluments in the prior and current year. Mr Jackson was not considered a member of the key management personnel in either year.

5 Mr A R W Learmonth is included as one of the five officers receiving the highest emoluments in the previous year. Mr Learmonth was not considered a member of the key management personnel in the previous year.

6 The fall in the Combined Group's security price over the 2008 financial year led to an overall decrease in the value of the Security Appreciation Rights.

CASH-BASED SHARE APPRECIATION RIGHTS PLAN

In the prior year, 270,000 SARs relating to the key management personnel vested on 30 June 2008. The vesting market price for each SAR was $4.90. Each SAR holder received a cash payment of $2.08 per SAR. This was paid to all qualifying employees in September 2008. The amounts paid in the current year in relation to the key management personnel were:

2008 Key Management Personnel	Vested and Exercised on 30 June 2008	Expense per SAR	Amount Accrued at 30 June 2008 and Paid in September 2008
D L Guihot	70,000	$2.08	$145,600
S E Stewart	–	–	–
E L Delfabbro	60,000	$2.08	$124,800
J M Laboo	20,000	$2.08	$41,600
M A Miller	60,000	$2.08	$124,800
J A Smith	60,000	$2.08	$124,800

EQUITY INSTRUMENTS

All options refer to options over stapled securities of the Combined Group, which are exercisable on a one-for-one basis under the Combined Group's EOP.

Options and Rights over Equity Instruments Granted as Remuneration

During and since the end of the financial year no security options were granted to executive key management personnel or key employees as part of their remuneration (2008: 9,959,853). In the previous financial year two tranches of options were granted.

Details of unissued securities or interests under option as at the date of this Report are:

Tranche[2]	Grant Date	Expiry Date	Number under Option	Exercise Price	Exercise Date	Fair Value at Grant Date
1	1/9/06[1]	31/08/10	2,170,000	$4.82	1/09/09	$1.25
2	1/5/07[3]	30/04/11	20,000	$6.81	1/05/10	$1.35
3	26/09/07[1]	31/08/11	3,589,378	$6.46	1/09/10	$1.19

1 Options granted as part of the employee's total remuneration package. There are no market conditions relating to these options as these tranches were designed to act as a retention mechanism for employees, taking into account the performance of the employee and the need for the Combined Group to retain key talent.

2 The options granted to the Managing Director and Chief Executive Officer on 30 November 2007 (referred to as tranche 4 previously) were cancelled in August 2009 for nil consideration.

3 Options granted are subject to a performance condition relating to the total security holder return ('TSR') over the performance period. At the end of the performance period, all options will vest if the Combined Group's TSR is in the top 75th percentile of comparator group competitors. No options will vest if the TSR is less than the 50th percentile of comparator group companies. Fifty percent of the options will vest if the Combined Group's TSR is equal to or greater than the TSR of the comparator company ranked at the 50.1 percentile and the percentage of options that vest will increase on a straight-line basis for the Combined Group's TSR performance between that of the comparator group companies at the 50.1 percentile and the 75th percentile.

The weighted average fair value of the security options granted during the previous year was $1.37. Options were priced using a binomial options pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option) and behavioural considerations. To allow for the effects of early exercise, it was assumed that executives would exercise the options midway through the vesting period. The valuation of the options was determined by using the following assumptions:

Inputs into Pricing Model	Tranche 1	Tranche 2	Tranche 3	Tranche 4[1]
Expected volatility	30.0%	30.0%	27.0%	27.0%
Dividend yield	5.6%	5.6%	5.1%	4.7%
Risk-free interest rate	5.6%	5.6%	6.33%	6.27%

Details of options over stapled securities in the Combined Group provided as remuneration to each key management personnel are set out below:

Key Management Personnel	Number of Options Granted During the Year		Number of Options Vested During the Year	
	2009	2008	2009	2008
P R Brown	–	5,000,000[1]	–	–
D L Guihot	–	330,927	–	–
S E Stewart	–	198,178	–	–
E L Delfabbro	–	224,602	–	–
J M Laboo	–	198,178	–	–
G E Grady	–	–	–	–
M A Miller	–	224,602[2]	–	–
J A Smith	–	224,602[2]	–	–

1 These options were cancelled by Mr P R Brown in August 2009 for no consideration.
2 These options were forfeited during the year on the cessation of employment.

No options have been granted or vested since the end of the financial year. Further information on the options is set out in Note 29 'Share-Based Payments'. During the reporting period, no securities were issued on the exercise of options previously granted as remuneration.

The movement of security options for key management personnel during the year is as follows:

Key Management Personnel	Held at 1 July 2008	Granted During the Year	Forfeited During the Year	Held at 30 June 2009
P R Brown	5,000,000	–	–	5,000,000[1]
D L Guihot	550,927	–	–	550,927
S E Stewart	348,178	–	–	348,178
E L Delfabbro	374,602	–	–	374,602
J M Laboo	348,178	–	–	348,178
G E Grady	–	–	–	–
M A Miller	374,602	–	(374,602)[2]	–
J A Smith	374,602	–	(374,602)[2]	–

1 These options were cancelled by Mr P R Brown in August 2009 for no consideration.
2 These options were forfeited during the year on the cessation of employment.

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

This Statement is available on the Combined Group's website at www.fkp.com.au under the Corporate Governance section.

PRINCIPLE 1: BOARD AND MANAGEMENT

The Board's primary role is the creation of long-term security holder value through the development of the strategic direction of the Combined Group, the implementation of efficient internal delegations and controls, the effective oversight of senior management, the promotion of high ethical standards of behaviour, the offering of high quality products to the market and commitment to the constant improvement of the Combined Group's corporate governance practices.

The Board's responsibilities include:

- strategic planning;
- capital management and financial reporting;
- approving and monitoring major capital expenditure, acquisitions and disposals;
- appointing, or ratifying the appointment of, senior management;
- approving and monitoring the risk management framework; and
- overseeing the Combined Group's accountability systems and code of conduct.

Further details of the specific philosophy, values and responsibilities of the Board are contained in the Board Charter available on the Combined Group's website under the Corporate Governance section.

The Board has delegated to the Managing Director and Chief Executive Officer responsibility for the day to day management of the Combined Group and the implementation and delivery of the Board's strategic direction. The Board delegates authority to the Managing Director and Chief Executive Officer and senior management in accordance with a formal delegation document.

The Managing Director and Chief Executive Officer is responsible for the induction of senior management. Each year the Managing Director and Chief Executive Officer and the Remuneration Committee undertake a formal process of reviewing the performance of senior management by reference to key performance indicators identified annually for each executive. The measures generally relate to the performance of the Combined Group, the performance of the executive's division and the performance of the executive individually. Performance evaluations for senior management have taken place during the financial year in accordance with the approved processes of the Combined Group. Further details relating to the assessment criteria for the Managing Director and Chief Executive Officer and senior management remuneration are disclosed in the Remuneration Report.

PRINCIPLE 2: BOARD STRUCTURE

During the financial year the Board comprised one Executive Director (the Managing Director and Chief Executive Officer) and up to eight Non-Executive Directors. As at the date of this Report, there are six Non-Executive Directors. The names, skills and experience of the Directors who held office during the financial year and the period of office of each Director are set out in the Directors' Report.

Independence of Directors

The Board assesses the independence of Directors each year having regard to each Director's specific circumstances and the disclosures made by the Director. The Board makes more frequent assessments if a Director discloses a new interest or relationship relevant to their independence.

The Board considers that of the Non-Executive Directors who held office during the year, the following are independent:

- B W Macdonald;
- D C Crombie;
- L R McKinnon; and
- P Parker.

Mr Parker was a founding director of the Parent Entity and was previously a substantial security holder in the Combined Group. However, Mr Parker has not served in an executive capacity for many years and has no material contractual relationship with the Combined Group. The Board considers that Mr Parker meets the independence test set out in the Guidelines and does not consider that Mr Parker's length of service on the Board affects his ability to act independently and in the best interests of the Combined Group.

Mr Lee and Mr Dyer, and previously Mr Chung and Mr Hickey, do not meet the independence test set out in the Guidelines as they are, or were, associated directly with substantial security holders of the Combined Group.

While the Board believes that all of the Non-Executive Directors of the Combined Group bring independent judgement to bear in the decision making process, the Board acknowledges that during the year the majority of Directors did not meet the independence test. However, following changes to the Board structure during the financial year and as Mr Frayne ceased to be a partner of PKF Chartered Accountants, a material consultant to the Combined Group, in June 2006, the majority of the Board are considered to be independent as at the date of this Report.

To facilitate independent judgement in decision making, each Director has the right to seek independent professional advice in relation to the execution of Board responsibilities. Such advice may be obtained at the Combined Group's expense with prior approval of the Chairman, which will not be unreasonably withheld. Directors may share advice obtained with the other Directors where appropriate.

Role of Chairman

Mr Lee was appointed as Chairman of the Combined Group on 12 February 2009 following the retirement of Mr Macdonald. Mr Lee is not an independent director for the purposes of the Guidelines as Mr Lee is directly associated with Mulpha Australia Limited, a substantial security holder of the Combined Group.

The Board has not appointed a lead independent director as the Board does not believe that any such appointment could increase the exercise of independent judgement by the Board. The Board considers that the Chairman facilitates the effective contribution of all directors and promotes constructive and respectful relations between directors and between the Board and senior management.

Wherever a director has an actual or potential conflict of interest or material personal interest, the Board's policies and protocols ensure:

- that the interest is fully disclosed to the Board and the disclosure is recorded in the Board minutes;
- unless the Directors resolve to the contrary in accordance with the Corporations Act, the relevant director is excluded from all considerations of the matter by the Board; and
- unless the Directors decide to the contrary, the relevant director does not receive any segment of the Board papers or other documents containing any reference to the matter.

A copy of the Board's *Conflict of Interest Policy* is available on the Combined Group's website under the Corporate Governance section.

The roles of Chairman and Managing Director and Chief Executive Officer are exercised by separate individuals. The Board recognises the importance of ensuring that the Chairman and the Managing Director and Chief Executive Officer have defined roles within the organisation and function with clear functional lines. Further information in relation to the role of the Chairman has been published on the Combined Group's website, under the Corporate Governance section.

Nomination Committee

The full Board undertook the responsibilities of a Nomination Committee during the financial year. This included assessing the necessary and desirable competencies of the Board, reviewing the Board succession plans and ensuring that there is an appropriate mix of expertise, skill and experience on the Board.

When a Board vacancy occurs or where it is considered that there is a gap in necessary expertise, the Board reviews potential candidates, with advice from external consultants if necessary. The Board invites the most suitable candidate to join the Board in a casual vacancy until their proposed election by the Combined Group's security holders at its next AGM.

In addition, in accordance with the Constitution of the Parent Entity, one-third of directors, excluding the Managing Director, retire from office at each AGM but may stand for re-election. The Board confirms to security holders whether it supports the re-election of each retiring director in a statement that accompanies the Notice of Meeting.

The Remuneration Committee of the Board of Directors is responsible for reviewing and recommending to the Board for approval, procedures to assess the performance of directors. The Board undertakes an informal review of its performance annually, which includes an assessment of future requirements in relation to Board composition and overall Board performance, and when the appointment of a new Director is required.

All new Directors are provided with detailed information in relation to the Combined Group, its financial, strategic, operational and risk management position and its policies and procedures upon their appointment.

PRINCIPLE 3: ETHICAL STANDARDS

Code of Conduct

The Combined Group has well-established policies, procedures and codes of conduct which seek to promote ethical standards of behaviour by all employees and a culture of compliance that is risk-aware and embraces good governance practices underpinned by knowledge of the law and relevant corporate and community expectations.

The Board supports the need for Directors, senior management and all other employees to observe the highest standards of behaviour and business ethics. All Directors and employees are expected to act with integrity, striving at all times to enhance the reputation and performance of the Combined Group. The Board's policies reflect its requirements in relation to the promotion of ethical and responsible decision making. Appropriate training programs on the Combined Group's internal policies support the policies.

A formal *Code of Conduct* which requires employees to act honestly and in good faith, not disclose confidential information, avoid conflicts of interest, observe all relevant laws and maintain a culture of lawful and ethical behaviour is published on the Combined Group's website under the Corporate Governance section. The *Code of Conduct* is supported by various internal policies, including those dealing with avoiding conflicts of interest and ensuring privacy is respected.

In addition, the *Board Charter* sets out the Board's philosophy for driving the creation of long-term security holder value by high ethical standards of behaviour, respect for employees' aspirations and acting as a good corporate citizen in the community in which the Combined Group operates. The Board Charter also articulates the Board's values which include a commitment to a climate of trust and candour, fostering a culture of open constructive dissent and ensuring individual accountability.

Trading in Securities by Directors and Employees

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

The Insider Trading and Dealing in the Group's Securities Policy complies with the Guidelines. It identifies certain periods when, in the absence of knowledge of unpublished price-sensitive information, Directors and relevant employees may buy or sell securities. These periods are the 30 days immediately following two trading days after the announcement of half year and full year results, following the AGM and following the issue of a prospectus.

A copy of the Insider Trading and Dealing in the Group's Securities Policy is available on the Combined Group's website under the Corporate Governance section.

PRINCIPLE 4: FINANCIAL REPORTING

The Combined Group has an established Audit Committee ('Committee') which operates under written terms of reference approved by the Board and embodied in the *Audit Committee Charter*. The Committee assists the Board to verify and safeguard the integrity of the Combined Group's financial reporting, internal control structures and risk management systems and oversees the independence of the external auditor.

The Committee comprises three Non-Executive Directors with a majority of Directors being independent. The Committee is chaired by an independent chairman who is not the Chairman of the Board. The structure of the Committee complies with the recommendations in the Guidelines and therefore Listing Rule 12.7. The functions and responsibilities of the Committee under its Charter comply with the recommendations in the Guidelines.

The names and qualifications of members of the Committee are set out in the Directors' Report. Meetings of the Committee are attended, by invitation, by the Chief Financial Officer, the Company Secretary, the engagement partner from the Combined Group's external auditor and such other senior staff or professional advisers 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 provided to the Board and the Chairman of the Committee also reports to the Board after each Committee meeting.

The *Audit Committee Charter* is available on the Combined Group's website under the Corporate Governance section.

The Combined Group's external auditor has declared its independence to the Committee. 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 have been complied with.

PRINCIPLE 5: MATERIAL DISCLOSURE

The Combined Group has established a *Continuous Disclosure Policy* and also *External Communications and Continuous Disclosure Protocols* which are intended to enhance the Combined Group's compliance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules. These documents set out procedures to identify relevant material information, report material information to the Company Secretary for review and ensure compliance with the continuous disclosure requirements. A copy of the *Continuous Disclosure Policy* is available on the Combined Group's website under the Corporate Governance section.

The Company Secretary has primary responsibility for communications with the ASX including responsibility for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules and overseeing information sent to the ASX and security holders.

The Directors have obligations under a Disclosure of Interests and Transactions in Securities Agreement entered into by each of them with the Combined Group to inform the Combined Group of any trading by them in the Combined Group's securities and of any other interests in contracts the Director may have with a Combined Group entity.

All significant announcements made by the Combined Group to the ASX are published on the Combined Group's website.

PRINCIPLE 6: SECURITY HOLDER COMMUNICATION

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

- the publication of all media releases made by the Combined Group on the Combined Group's website under the News Room section;
- announcements made to the ASX during the course of the year which are also published on the Combined Group's website under the Corporate Governance section;
- the Annual Report, which is available for distribution to all security holders (unless specifically requested otherwise);
- the Half Year Financial Report which contains summarised financial information and a review of the operations during the period since the Annual Report; and
- other correspondence to security holders as required.

Security holders are also encouraged to participate in the AGM to ensure a high level of accountability and identification with the Combined Group's strategies and goals. The Senior Engagement Partner of the Combined Group's external auditor attends the Combined Group's AGM and is available to answer questions from security holders about the conduct of the audit and the preparation and content of the auditor's report. The Chairman advises the security holders of this at the commencement of each AGM.

In addition, the AGM and the half year and full year results presentations are webcast and a summary of the transcript of the results presentation is available on the Combined Group's website.

Security holders can also register with the Combined Group's share registry, Computershare Investor Services, to receive email notification when relevant information, including ASX announcements, is posted onto the Combined Group's website. To further promote the use of electronic communications to security holders the Combined Group has joined the eTree initiative which is an incentive to encourage security holders to receive communications from the Combined Group, such as Notices of Meetings and Annual Reports, by way of email. Not only does this initiative reduce costs, it also promotes environmental responsibility.

PRINCIPLE 7: RISK MANAGEMENT

Oversight of the Risk Management Function

The Combined Group recognises the importance of managing risk and controlling its business activities in a manner which enables it to maximise profitable opportunities, avoid or reduce risks which may cause injury or loss, ensure compliance with applicable laws and regulations, and enhance resilience to external events.

The Board is responsible for approving and reviewing the Combined Group's risk management strategy and policy. The Board is assisted in its oversight function by the Audit Committee. The active identification of risks and the design and implementation of the risk management framework is the responsibility of management while business units are responsible for integrating the risk management framework within their business processes and systems.

Over many years the Board has developed and implemented procedures to ensure that the material risks facing the Combined Group are adequately and regularly identified, assessed, monitored and managed throughout the whole organisation. Through the measures referred to below, management reports to the Board as to the effectiveness of the Combined Group's management of its material business risks:

- annual budgets, divisional business plans and the Combined Group's strategic plan prepared for approval by Directors;
- actual trading results for the Combined Group and each division are presented to the Board at each Board Meeting and compared against budget and forecasts;
- comprehensive Board papers containing relevant operational, strategic, financial and legal information are prepared by each Divisional Executive General Manager and circulated to Directors before each Board meeting;
- monthly project reviews attended by senior management to monitor the progress of each individual project and the risk environment applicable. Material developments or changes are reported to the Board at the next Board meeting;
- financial authority limits have been set by the Board to delegate the Board's approval process for various matters including site acquisitions and developments. Where the cost is above those delegated authorities, the approval of the full Board is required; and
- insurance cover appropriate to the size and nature of the Combined Group's operations is carried to reduce the financial impact of any significant insurable losses.

Within the framework, and in addition to the daily management of business activities, each business unit is required to formally profile its risk environment which is reviewed and updated on a regular basis through a detailed risk register. This includes the identification and review of material risks, providing a risk rating, assessment of the key controls in place to manage the risk and the person/s responsible for implementing and reviewing controls. The outcome of each risk review is reported on a periodic basis to the Audit Committee. Minutes of the Audit Committee are circulated to the full Board.

It is the responsibility of the Executive Managers of the Combined Group to ensure that the risk register is regularly reviewed and updated and to bring any extreme risks promptly to the attention of the Managing Director and Chief Executive Officer and Chairman for consideration. If it is considered necessary, the Chairman will convene a meeting of the Board to consider and provide direction on how the risk should be managed.

The Board also receives regular updates from the Managing Director and Chief Executive Officer, the Chief Financial Officer, other senior managers and where relevant, external parties, on material risks faced by the Combined Group and the ongoing assessment and management of those risks. The Chief Financial Officer reports in writing to, and attends, all Board meetings. The Chief Financial Officer also attends all meetings of the Audit Committee and provides written reports to that Committee, as required.

In addition, the Audit Committee reviews and reports to the Board in relation to the integrity of the Combined Group's financial reporting, internal control structures and risk management systems in relation to financial risks and the external audit function.

The Combined Group has established a Risk Management Policy which is available on the Combined Group's website under the Corporate Governance section. The Risk Management Policy and underlying procedures are reviewed annually by the Board to ensure their continued application and relevance.

The Combined Group's Compliance Committees oversee the operation of the Managed Investment Schemes (Schemes). The Compliance Committees meet on a quarterly basis in order to monitor compliance and risk management systems with the Schemes' compliance plans and to report on their findings to the Board of FKP Funds Management Limited as Responsible Entity of the Schemes. The Responsible Entity also has a *Risk Management Policy* in place which sets out the procedures required to be followed to ensure compliance with its risk management obligations under the *Corporations Act 2001* and its Australian Financial Services Licence.

Certification of Risk Management Controls

The Managing Director and Chief Executive Officer and the Chief Financial Officer state in writing to the Board each financial year that the declarations made by them in accordance with section 295A of the *Corporations Act 2001* in relation to the integrity of the Combined Group's financial report are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Statements from the Managing Director and Chief Executive Officer and Chief Financial Officer are based on a formal sign-off framework established throughout the Combined Group and reviewed by the Audit Committee as part of the financial reporting process.

PRINCIPLE 8: REMUNERATION

The Board has established a Remuneration Committee, comprising two Non-Executive Directors and the Managing Director and Chief Executive Officer. The current members of the Committee are Mr Parker (Chairman), Mr Lee and Mr Brown. The Committee did not formally meet during the financial year.

The Committee's responsibilities are detailed in a Charter, which has been approved by the Board. A copy of the Charter is available on the Combined Group's website under the Corporate Governance section.

The structure of Non-Executive Directors' remuneration and that of senior management is set out in the Remuneration Report within the Directors' Report. Remuneration packages for senior management involve a balance between fixed and incentive-based remuneration, reflecting short and long-term performance objectives appropriate to the Combined Group's circumstances and goals.

Non-Executive Directors' remuneration is clearly distinguished from that of senior management, with remuneration solely by way of directors fees, statutory superannuation entitlements and in the case of certain directors, participation in the Directors' Retirement Scheme. That Scheme entitles retiring Non-Executive Directors who were appointed prior to 30 June 2004 and who have held office for at least five years to receive a benefit equal to the amount of remuneration paid to them in the three years preceding retirement. Included in this amount is superannuation accumulated under the Superannuation Guarantee provisions. This scheme has not been approved by security holders as the scheme complies with that allowed under the *Corporations Act 2001*. The Board has suspended this scheme for any Non-Executive Directors appointed after 30 June 2004.

Details of the nature and amount of each element of the remuneration of each Director and the key management personnel for the financial year are also disclosed in the Remuneration Report.

Income Statement

For the year ended 30 June 2009

		Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	Note	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Sale of goods and construction contract revenue	2	**284.7**	222.9	**-**	–	**-**	–	**-**	–
Cost of sales		**(255.8)**	(153.8)	**-**	–	**-**	–	**-**	–
Gross Profit		**28.9**	69.1	**-**	–	**-**	–	**-**	–
Revenue from rendering of services	2	**78.5**	70.5	**-**	–	**26.5**	23.2	**12.4**	14.4
Change in fair value of investment properties		**(47.9)**	244.4	**-**	–	**(69.1)**	(13.6)	**(26.1)**	(11.1)
Change in fair value of resident loans		**(51.2)**	(75.0)	**-**	–	**-**	–	**-**	–
Change in fair value of financial assets		**(48.3)**	4.3	**(25.4)**	3.4	**(0.6)**	–	**(0.4)**	–
Other revenues from ordinary activities	2	**18.3**	40.2	**56.4**	65.8	**16.8**	21.3	**26.5**	27.2
Employee expenses		**(57.9)**	(63.1)	**(40.5)**	(34.5)	**-**	–	**-**	–
Marketing expenses		**(6.5)**	(4.8)	**(2.0)**	(0.1)	**-**	–	**-**	–
Occupancy expenses		**(4.0)**	(4.3)	**(4.4)**	(2.8)	**-**	–	**-**	–
Administration expenses		**(33.9)**	(31.3)	**(14.1)**	(5.9)	**(1.3)**	(0.8)	**(1.0)**	(0.7)
Inventory write-down to net realisable value		**(130.5)**	(10.4)	**-**	–	**-**	–	**-**	–
Other expenses		**(46.1)**	(8.4)	**(12.7)**	(2.7)	**(7.6)**	(4.2)	**(53.0)**	(3.4)
Finance costs	3	**(38.9)**	(47.2)	**(61.5)**	(70.4)	**(9.4)**	(14.0)	**(5.8)**	(10.6)
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	11(b)	**(86.3)**	11.6	**-**	–	**(6.7)**	2.7	**-**	–
Profit/(Loss) from Continuing Operations before Income Tax Benefit/(Expense)		**(425.8)**	195.6	**(104.2)**	(47.2)	**(51.4)**	14.6	**(47.4)**	15.8
Income tax benefit/(expense) relating to ordinary activities	4(a)	**107.1**	(45.9)	**32.2**	12.2	**-**	–	**-**	–
Profit/(Loss) from Continuing Operations after Income Tax Benefit/(Expense)		**(318.7)**	149.7	**(72.0)**	(35.0)	**(51.4)**	14.6	**(47.4)**	15.8
Net (profit)/loss attributable to minority interests	23	**(0.7)**	(4.4)	**-**	–	**-**	–	**-**	–
Net Profit/(Loss) after Income Tax Attributable to Equity Holders of the Combined Group	21	**(319.4)**	145.3	**(72.0)**	(35.0)	**(51.4)**	14.6	**(47.4)**	15.8
Less: net (profit)/loss attributable to members of the Property Trust		**51.4**	(14.6)	**-**	–	**51.4**	(14.6)	**47.4**	(15.8)
Net Profit/(Loss) Attributable to Members of FKP Limited		**(268.0)**	130.7	**(72.0)**	(35.0)	**-**	–	**-**	–
Earnings/(Loss) per Security (cents per security):									
Basic earnings/(loss) per security – Combined Group	5	**(70.3)**	38.7						
Diluted earnings/(loss) per security – Combined Group	5	**(70.3)**	38.7						
Basic earnings/(loss) per share – FKP Limited		**(59.0)**	34.8						
Diluted earnings/(loss) per share – FKP Limited		**(59.0)**	34.8						

The Income Statement is to be read in conjunction with the Notes to the Financial Statements set out on pages 56 to 112.

Balance Sheet

As at 30 June 2009

	Note	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
		2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Current Assets:									
Cash and cash equivalents	6	**13.5**	18.9	**-**	–	**3.4**	4.1	**1.0**	3.5
Trade and other receivables	7	**97.1**	167.3	**403.3**	501.2	**16.8**	18.2	**143.6**	118.4
Inventories	9	**168.5**	279.3	**-**	–	**-**	–	**-**	–
Other financial assets	8	**-**	6.8	**-**	6.8	**-**	–	**-**	–
Non-current assets held for sale	13	**19.4**	–	**-**	–	**19.4**	–	**19.4**	–
Other	12	**14.9**	18.3	**5.1**	9.4	**1.0**	1.3	**0.6**	0.8
Total Current Assets		**313.4**	490.6	**408.4**	517.4	**40.6**	23.6	**164.6**	122.7
Non-Current Assets:									
Trade and other receivables	7	**13.9**	16.9	**0.9**	3.5	**122.7**	167.6	**122.1**	167.1
Other financial assets	8	**-**	23.1	**53.3**	53.3	**-**	–	**4.4**	–
Inventories	9	**464.6**	491.6	**-**	–	**-**	–	**-**	–
Investment properties	10	**2,582.2**	2,525.3	**-**	–	**344.6**	329.7	**139.5**	159.2
Equity-accounted investments	11	**327.3**	405.6	**249.0**	235.8	**48.6**	55.1	**46.1**	48.7
Property, plant and equipment	14	**65.2**	139.2	**7.0**	8.6	**1.3**	48.8	**-**	26.0
Deferred tax assets	4(c)	**-**	–	**82.9**	20.3	**-**	–	**-**	–
Intangible assets	15	**3.4**	3.7	**-**	–	**-**	–	**-**	–
Tax receivables		**-**	0.3	**-**	4.3	**-**	–	**-**	–
Other	12	**2.8**	1.8	**-**	–	**0.9**	1.1	**0.7**	1.1
Total Non-Current Assets		**3,459.4**	3,607.5	**393.1**	325.8	**518.1**	602.3	**312.8**	402.1
Total Assets		**3,772.8**	4,098.1	**801.5**	843.2	**558.7**	625.9	**477.4**	524.8
Current Liabilities:									
Trade and other payables	16	**151.3**	141.3	**27.0**	21.3	**5.0**	25.2	**1.9**	2.1
Interest bearing loans and borrowings	17	**184.8**	85.0	**121.7**	82.3	**15.0**	14.7	**15.0**	–
Provisions	18	**10.6**	17.1	**3.2**	2.3	**5.1**	11.7	**5.1**	11.7
Other financial liabilities	19	**7.9**	–	**7.3**	–	**0.6**	–	**0.4**	–
Total Current Liabilities (excluding Resident Loans)		**354.6**	243.4	**159.2**	105.9	**25.7**	51.6	**22.4**	13.8
Resident loans	1(x)	**1,132.0**	1,064.2	**-**	–	**-**	–	**-**	–
Total Current Liabilities		**1,486.6**	1,307.6	**159.2**	105.9	**25.7**	51.6	**22.4**	13.8
Non-Current Liabilities:									
Trade and other payables	16	**33.6**	44.7	**7.2**	1.7	**-**	–	**-**	–
Interest bearing loans and borrowings	17	**968.4**	1,144.2	**401.7**	513.7	**186.5**	207.2	**109.0**	143.5
Deferred tax liabilities	4(d)	**153.2**	260.4	**-**	–	**-**	–	**-**	–
Provisions	18	**1.8**	0.9	**1.4**	0.2	**-**	–	**-**	–
Other financial liabilities	19	**14.7**	–	**14.7**	–	**-**	–	**-**	–
Total Non-Current Liabilities		**1,171.7**	1,450.2	**425.0**	515.6	**186.5**	207.2	**109.0**	143.5
Total Liabilities		**2,658.3**	2,757.8	**584.2**	621.5	**212.2**	258.8	**131.4**	157.3
Net Assets		**1,114.5**	1,340.3	**217.3**	221.7	**346.5**	367.1	**346.0**	367.5
Equity:									
Contributed equity	20	**549.4**	449.8	**549.4**	449.8	**416.0**	378.0	**416.0**	378.0
Retained profits	21	**204.5**	502.4	**(334.1)**	(232.2)	**(73.1)**	(9.5)	**(70.0)**	(10.3)
Reserves	21	**(20.2)**	(12.6)	**2.0**	4.1	**3.6**	(1.4)	**-**	(0.2)
Total Combined Group		**733.7**	939.6	**217.3**	221.7	**346.5**	367.1	**346.0**	367.5
Minority Interests:									
Property Trust		**346.5**	367.1	**-**	–	**-**	–	**-**	–
Minority interests	23	**34.3**	33.6	**-**	–	**-**	–	**-**	–
Total Minority Interests		**380.8**	400.7	**-**	–	**-**	–	**-**	–
Total Equity		**1,114.5**	1,340.3	**217.3**	221.7	**346.5**	367.1	**346.0**	367.5

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 56 to 112.

Statement of Changes in Equity

For the year ended 30 June 2009

		Attributable to Equity Holders of FKP Limited						
	Note	Share Capital $m	Retained Earnings $m	Reserves $m	Sub-Total $m	Consolidated Property Trust $m	Minority Interest $m	Total Equity $m
Balance at 1 July 2007		**429.9**	429.1	**(3.8)**	855.2	**372.2**	28.9	**1,256.3**
Changes in equity:								
Profit/(loss) for the year		**-**	130.7	**-**	130.7	**14.6**	4.4	**149.7**
Increases in minority interest		**-**	–	**-**	–	**-**	0.3	**0.3**
		429.9	559.8	**(3.8)**	985.9	**386.8**	33.6	**1,406.3**
Dividend and distributions provided for	22	**-**	(57.4)	**-**	(57.4)	**(27.0)**	–	**(84.4)**
Issues of securities	20	**19.9**	–	**-**	19.9	**8.7**	–	**28.6**
Transfer to reserves	21	**-**	–	**(8.8)**	(8.8)	**(1.4)**	–	**(10.2)**
Balance at 30 June 2008		**449.8**	502.4	**(12.6)**	939.6	**367.1**	33.6	**1,340.3**
Balance at 1 July 2008		**449.8**	502.4	**(12.6)**	939.6	**367.1**	33.6	**1,340.3**
Changes in equity:								
Profit/(loss) for the year		**-**	(268.0)	**-**	(268.0)	**(51.4)**	0.7	**(318.7)**
		449.8	234.4	**(12.6)**	671.6	**315.7**	34.3	**1,021.6**
Dividend and distributions provided for	22	**-**	(29.9)	**-**	(29.9)	**(12.3)**	–	**(42.2)**
Issues of securities	20	**99.6**	–	**-**	99.6	**38.0**	–	**137.6**
Transfer to reserves	21	**-**	–	**(7.6)**	(7.6)	**5.1**	–	**(2.5)**
Balance at 30 June 2009		**549.4**	204.5	**(20.2)**	733.7	**346.5**	34.3	**1,114.5**

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 56 to 112.

Cash Flow Statement

For the year ended 30 June 2009

	Note	Combined Group 2009 $m	Combined Group 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m	Consolidated Property Trust 2009 $m	Consolidated Property Trust 2008 $m	Property Trust 2009 $m	Property Trust 2008 $m
Cash Flows from Operating Activities:									
Receipts from customers		**458.4**	382.7	**1.4**	268.6	**30.5**	23.1	**15.4**	14.5
Payments to suppliers and employees		**(357.3)**	(395.3)	**(52.3)**	(39.7)	**(31.1)**	(5.9)	**(7.8)**	(6.1)
Interest received		**1.4**	2.2	**0.9**	42.5	**0.1**	21.1	**-**	22.3
Income tax received/(paid)		**3.8**	5.3	**3.4**	2.7	**-**	–	**-**	–
Dividends and distributions received		**1.2**	9.3	**-**	4.3	**1.1**	1.9	**1.0**	1.9
GST recovered/(paid)		**7.1**	2.0	**3.7**	2.4	**2.3**	(0.4)	**1.9**	(0.5)
Net Cash Provided By/(Used In) Operating Activities	33(c)	**114.6**	6.2	**(42.9)**	280.8	**2.9**	39.8	**10.5**	32.1
Cash Flows from Investing Activities:									
Payments for property, plant and equipment		**(46.4)**	(69.5)	**(1.5)**	(6.1)	**(58.1)**	(3.9)	**(1.2)**	(1.5)
Proceeds from sale of property, plant and equipment		**7.6**	–	**0.1**	–	**7.5**	–	**-**	–
Payments for interest in syndicates		**(1.3)**	(0.8)	**-**	–	**-**	–	**-**	–
Payments for investment properties		**(31.4)**	(122.3)	**-**	–	**(21.6)**	(123.1)	**(18.6)**	(2.2)
Proceeds from the sale of investment properties		**22.1**	–	**-**	–	**22.1**	–	**22.1**	–
Payments for other investments		**(15.0)**	(53.5)	**(15.0)**	(8.2)	**-**	(45.2)	**-**	(40.7)
Payments for financial assets		**-**	(4.7)	**-**	–	**-**	–	**-**	–
Proceeds from sale of shares in subsidiary		**-**	0.4	**-**	0.4	**-**	–	**-**	–
Proceeds from sale of other investments		**17.8**	58.2	**4.4**	57.9	**2.6**	0.6	**2.6**	0.6
Net Cash Provided By/(Used In) Investing Activities		**(46.6)**	(192.2)	**(12.0)**	44.0	**(47.5)**	(171.6)	**4.9**	(43.8)
Cash Flows from Financing Activities:									
Dividends and distributions paid		**(38.0)**	(57.1)	**(22.2)**	(37.8)	**(15.8)**	(19.3)	**(15.7)**	(19.3)
Proceeds from issue of securities		**132.7**	–	**95.5**	–	**37.2**	–	**37.2**	–
Costs associated with issue of securities		**(7.4)**	–	**(5.4)**	–	**(2.1)**	–	**(2.1)**	–
Proceeds of interest bearing loans and borrowings		**169.4**	811.0	**92.0**	111.7	**15.8**	162.6	**1.9**	40.1
Repayment of interest bearing loans and borrowings		**(261.2)**	(509.4)	**(123.4)**	(337.2)	**(36.1)**	–	**(21.4)**	–
Finance costs including interest and other costs of finance paid		**(90.4)**	(83.7)	**(41.1)**	(71.6)	**(16.8)**	(15.3)	**(7.4)**	(10.6)
Repayments/(extensions) of interest bearing loans and borrowings		**21.0**	20.2	**58.9**	–	**61.7**	–	**(10.4)**	–
Net Cash Provided By/(Used In) Financing Activities		**(73.9)**	181.0	**54.3**	(334.9)	**43.9**	128.0	**(17.9)**	10.2
Net increase/(decrease) in cash and cash equivalents		**(5.9)**	(5.0)	**(0.6)**	(10.1)	**(0.7)**	(3.8)	**(2.5)**	(1.5)
Cash and cash equivalents at beginning of financial year		**13.3**	18.3	**(5.5)**	4.6	**4.1**	7.9	**3.5**	5.0
Cash and Cash Equivalents at End of Financial Year	33(a)	**7.4**	13.3	**(6.1)**	(5.5)	**3.4**	4.1	**1.0**	3.5

The Cash Flow Statement is to be read in conjunction with the Notes to the Financial Statements set out on pages 56 to 112.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

FKP Property Group ('Combined Group') is a group domiciled and incorporated in Australia. FKP Property Group's registered office and its principal place of business is Level 5, 120 Edward Street, Brisbane, Queensland, 4000. The Financial Report of FKP Property Group consists of the aggregated Financial Statements of the Combined Group comprising FKP Limited ('Parent Entity') and its Controlled Entities and FKP Property Trust ('Property Trust') and its Controlled Entities ('Consolidated Property Trust'). None of the entities whose securities are stapled is a parent of the other entity and the entities do not have a common parent. The Financial Report has been drawn up in accordance with ASIC Class Order 05/642 relating to combining accounts under stapling and for the purpose of fulfilling the requirements of the ASX. The Financial Report is presented in Australian dollars.

The Financial Report of the Combined Group was authorised for issue by the Directors on 29 September 2009.

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

(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 Australian Accounting Interpretations. Australian 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').

Stapling

The Combined Group is a Stapled Entity which comprises FKP Limited ('Parent Entity') and its Controlled Entities and FKP Property Trust ('Property Trust') and its Controlled Entities. The Combined Group was established for the purpose of facilitating a joint quotation of the Property Trust and the Parent Entity on the ASX. The stapled securities cannot be traded or dealt with separately.

The constitutions of the Parent Entity and the Property Trust ensure that, for as long as the two entities remain jointly quoted, the number of units in the Property Trust and the number of shares in the Parent Entity shall be equal and that unit holders and share holders will be identical, except for 10 units in the Property Trust owned by the Parent Entity.

On 12 November 2004, FKP Limited ceased to control the Property Trust as a result of the implementation of the stapling arrangement approved by the courts and FKP Limited share holders. These same share holders reinvested in and capitalised the Property Trust upon deconsolidation from FKP Limited.

FKP Limited has been identified as the acquirer and the parent for the purposes of preparing the Combined Group's Financial Statements. The Property Trust has been combined under the stapling arrangement and is identified as the acquiree.

Consolidated Property Trust capital is shown as a minority interest in this Financial Report in accordance with Interpretation 1002: 'Post-Date-of-Transition Stapling Arrangements'. Although the interests of the equity holders of the acquiree are treated as minority interests, the equity holders of the acquiree are also the equity holders in the acquirer by virtue of the stapling arrangement.

New Accounting Standards and Interpretations Summary Application

The Combined Group has early adopted Interpretation 16 'Hedges of a Net Investment in a Foreign Operation'. This interpretation clarifies that the Combined Group can hedge its foreign exchange currency risk arising from its net investments in foreign operations in accordance with AASB 139 'Financial Instruments: Recognition and Measurement'. From 1 July 2008 any hedged foreign exchange differences in relation to net investments in foreign operations have been recognised directly in equity.

Historical Cost Convention

The Financial Report has been prepared under the historical cost convention, as modified by the revaluation of Available-for-Sale financial assets, Financial Assets at Fair Value Through Profit or Loss, certain classes of property, plant and equipment, investment property and non-current assets held for sale.

(b) Principles of Consolidation

The Financial Report combines the Financial Report of the Parent Entity and its Controlled Entities and the Financial Report of the Property Trust and its Controlled Entities. The effects of all transactions between entities in the Combined Group have been eliminated.

Apart from the Property Trust, the minority interest comprises the aggregate of the equity of Controlled Entities, other than that held directly or indirectly by the Parent Entity, after making adjustments for unrealised profits and losses of Controlled Entities and other adjustments necessary to comply with Australian Accounting Standards.

Subsidiaries

Subsidiaries are entities controlled by the Combined Group. Control exists when the Combined Group 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.

Minority Interests

Minority interests in the net assets of consolidated entities are allocated their share of net profit after tax in the income statement, and are identified separately from the Combined Group's equity in those entities. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

Closed Group

In accordance with ASIC Class Order (CO 98/1418), the Closed Group consists of FKP Limited and the wholly-owned entities which are controlled by FKP Limited and are parties to the Deed of Cross Guarantee. Consolidated financial information in respect of the entities which are members of the Closed Group (after eliminating all transactions between members of the Closed Group) is set out in Note 38.

Associates

Associates are those entities in which the Combined Group (or Consolidated Property Trust) has significant influence, but not control, over the financial and operating policies. In the Parent Entity's (Property Trust's) Financial Statements investments in associates are carried at the lower of cost and recoverable amount. The equity method of accounting recognises the Combined Group's and / or Consolidated Property Trust's share of post-acquisition reserves of its associates.

In the Combined Group's and Consolidated Property Trust's Financial Statements investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity-accounted amount and recoverable amount. The Combined Group's and Consolidated Property Trust's share of the associates' net profit or loss is recognised in the Combined Group's and Consolidated Property Trust's Income Statement after adjustments for dissimilar accounting policies and the elimination of unrealised profits and losses for both upstream and downstream transactions between the associate and any entities in the Combined Group and Consolidated Property Trust.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(b) Principles of Consolidation continued

Jointly Controlled Operations

A subsidiary of the Parent Entity has interests in joint ventures that are jointly controlled operations. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves the use of assets and other resources of the venturers rather than the establishment of a separate entity. The Combined Group recognises its interests in the jointly controlled operations by recognising the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operations. Details of the jointly controlled operations are set out in Note 27.

Jointly Controlled Entities

Interests in jointly controlled entities in which the Combined Group is a venturer (and so has joint control) are accounted for under the equity method in the Consolidated Financial Statements and the cost method in the Parent Entity's Financial Statements (as noted above).

(c) Current Assets and Liabilities

The Balance Sheet of the Combined Group discloses total current assets of $313.4m and current liabilities of $1,486.6m. 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 Combined Group'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 Combined Group's best estimate is that of the total Resident Loans of $1,132.0m, only $84.3m is statistically likely to be paid within the next 12 months. Further, if this amount was repayable, it is estimated that incoming contributions of more than $130.2m would be received from new residents.

After excluding Resident Loans, current liabilities exceed current assets by $41.2m. Included in current liabilities is $184.8m of interest bearing debt maturing in the next 12 months. On 25 June 2009, the Combined Group announced a fully underwritten renounceable Entitlement Offer under which security holders were entitled to acquire 2.3 new securities for every 1 security held by them at a price of $0.40 per new security to raise approximately $324.0m. On 15 July 2009, FKP allotted 508,968,361 new securities under the Institutional Entitlement Offer and 8,568,915 new stapled securities pursuant to early applications received under the Retail Entitlement Offer. The Combined Group allotted a further 291,094,430 new securities under the final allotment of the Retail Entitlement Offer on 31 July 2009. The allotment of these 808,631,706 new stapled securities subsequent to year end raised $323.5m before transaction costs of $11.2m. Following the completion of the equity raising under the Entitlement Offer, the total number of stapled securities on issue was 1,161,035,473.

Prior to the end of the financial year, the Combined Group successfully renegotiated the majority of its banking facilities and formally documented these new arrangements in the 2010 financial year. As signed term sheets were executed prior to the end of the financial year and the Combined Group expected to refinance or roll these facilities for a period of greater than 12 months, these facilities have been classified as non-current in Interest Bearing Liabilities and Borrowings. As part of the renegotiation of its financing facilities, the Combined Group cancelled a $125.0m unsecured facility, reduced a development facility by $25.0m and reduced the general Property Trust facility by $15.0m. In order to eliminate or reduce these facilities, repayments were made subsequent to year end. All amounts due and payable within 12 months have been reflected as current liabilities in the Balance Sheet. In addition, a number of facilities have been extended and banking covenants have been renegotiated.

After considering all available current information, the Directors have concluded there are reasonable grounds to believe that the Combined Group will be able to pay its debts as and when they fall due and payable and the basis of preparation of the Financial Report on a going concern basis is appropriate.

The Directors have formed this view based on a number of factors including:

- The completion of a fully underwritten Entitlement Offer to raise approximately $324.0m prior to year end and subsequent receipt of $323.5m less transaction costs of $11.2m;
- The successful renegotiation of a majority of the banking facilities;
- The impact of current financial market conditions on liquidity, potential asset sales and asset values, and the ability to refinance debt;
- The Combined Group had net assets of $1,114.5m at 30 June 2009;
- The assumptions underlying the Combined Group's forecast results and cash flows;
- The Combined Group's committed funding sources; and
- The Combined Group's ongoing compliance with its debt covenant obligations.

(d) Recoverable Amounts

The carrying amounts of non-current assets do not exceed the net amounts that are expected to be recovered through the cash inflows and outflows arising from the continued use and subsequent disposal of the assets. The expected net cash flows included in determining the recoverable amounts have been discounted to their present values.

Where a group of assets work together to generate net cash flows the recoverable amount test is applied to that group of assets.

(e) Revenue Recognition

Sale of Goods

(i) Land Subdivision

Revenues from land subdivisions are recognised upon settlement of the contract of sale.

(ii) Residential Development Properties

Revenues for the sale of residential development property are recognised when the developments are completed and sales are settled.

(iii) Commercial Development Projects

Revenues from commercial development projects, being the development of commercial property, are recognised upon 100% completion of the project and on the exchange of unconditional sales contracts.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(e) Revenue Recognition continued

(iv) Construction Contracts

Construction revenue received under fixed price contracts is recognised in accordance with the percentage of completion method. Stage of completion is measured by reference to actual costs incurred as a percentage of estimated total costs for each contract. Where it is probable that a loss will arise from a construction contract, the excess of total costs over revenue is recognised as an expense immediately.

Rendering of Services

When the outcome of a contract to provide services can be estimated reliably, revenue is recognised by reference to the percentage of the services performed, specifically:

(i) Deferred Management Fees ('DMF')

DMF on retirement village assets are earned whilst the resident occupies the independent living unit or serviced apartment and are recognised as income on a straight-line basis over the residents' expected tenure. The expected tenure is calculated with reference to Australian Bureau of Statistics data for life expectancy and historical trends of roll-overs within the Combined Group. DMF income is not discounted to present value, as the income is earned by reducing the existing resident loan obligation. More specifically:

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

(ii) Gross Rental Income

Rental income from operating leases is recognised on a straight-line basis over the lease term.

(iii) Interest Revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(iv) Management Fee Revenue

Management fees are recognised when the relevant entity has performed the associated services to which the management fees relate.

No revenue is recognised if there is significant uncertainty regarding recoverability of the consideration due, if the costs incurred or to be incurred cannot be measured reliably or there is continual management involvement to the degree usually associated with ownership.

(f) Goods and Services Tax ('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 the expense. Receivables and payables are stated with the amount of GST included, where applicable.

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.

(g) Income Tax

The income tax expense or revenue 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 Parent Entity 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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax Consolidation Legislation

FKP Property Group and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

The Head Entity, FKP Limited, 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, FKP Limited 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 a tax sharing agreement to limit the joint and several liability 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 are recognised as intercompany receivables or payables.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(g) Income Tax continued

Trust Taxation

Under current tax legislation the Property Trust is not liable for income tax, provided the taxable income and taxable capital gains are fully distributed to unit holders each year. The Property Trust fully distributes its taxable income in accordance with the Trust Deed. Tax allowances for building and plant equipment are distributed to unit holders in the form of a tax deferred component of distributions.

Tax losses and realised capital losses are not distributed to unit holders but are carried forward in the Property Trust to be offset against taxable income and future capital gains of the Property Trust.

(h) Financial Assets

Financial assets in the scope of AASB 139 'Financial Instruments: Recognition and Measurement' are classified as either Financial Assets at Fair Value Through Profit or Loss or Available-for-Sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Combined Group determines the classification of its financial assets after initial recognition and, where appropriate, re-evaluates this designation at each financial year end.

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial Assets at Fair Value Through Profit or Loss

Financial assets classified as Held for Trading are included in the category, Financial Assets at Fair Value Through Profit or Loss. Financial assets are classified as Held for Trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Gains or losses on investments Held for Trading are recognised in the profit or loss.

Available-For-Sale Investments

Available-for-Sale Investments are those non-derivative financial assets that are designated as Available-for-Sale or are not classified as Financial Assets at Fair Value Through Profit or Loss, Held-to-Maturity Investments or Loans and Receivables. After initial recognition Available-For-Sale Investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date.

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.

(i) Receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any allowances for impairments of receivables.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value. Estimates of net realisable value are based on future estimated selling prices less costs of completion and costs to sell discounted to present values.

Costs have been assigned to inventory quantities on hand at balance date using the first in first out basis. Cost comprises all costs of purchase and conversion including material, labour, sub-contract charges and direct contract expenses and an appropriate proportion of fixed and variable overheads.

The amount of any write-down of inventories to net realisable value and all losses of inventories is recognised as an expense in the income statement. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Property Held for Resale

Freehold and leasehold property held for resale is valued at the lower of cost and net realisable value.

(i) Land Subdivision

Cost includes the cost of acquisition and development. All holding costs such as borrowing costs, rates and taxes are expensed as incurred except where the subdivision is regarded as a qualifying asset.

(ii) Residential and Commercial Development Projects

Costs include the costs of acquisition, development and holding costs (until the projects are brought to a marketable condition). Borrowing costs are expensed as incurred except where the development is regarded as a qualifying asset.

(iii) Construction Contract Work in Progress

Construction contract work in progress consists of direct labour and materials, depreciation of plant and equipment used on contracts, project overheads, less provision for foreseeable losses.

(k) Property, Plant and Equipment and Depreciation

Items of Property, Plant and Equipment are measured at cost less accumulated depreciation and amortisation and impairment losses.

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

Depreciation rates used are as follows:

	Depreciation Rate
Nursing homes	2.5%
Freehold buildings	2.5%
Leasehold improvements	2.5% – 20%
Plant and equipment	6% – 40%
Plant and equipment (leased asset)	7.5% – 20%

(l) Investment Properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment held for the purpose of letting to produce rental income).

Properties that are intended to be used as Investment Properties are carried at fair value, representing open-market value determined annually by external values. Changes in fair value are recorded in the Income Statement. When a property is being constructed or is undergoing redevelopment and not classified as an investment property, it is treated as property, plant and equipment and carried at cost until completion. Once the unit is completed it is then transferred to investment property at fair value.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(l) Investment Properties continued

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 initially recorded at cost whilst being constructed or developed and are included in property, plant and equipment. On completion of a construction or development project, individual units and serviced apartments are leased at which time they are included in investment properties at fair value. Investment properties are carried at fair value with any changes recorded in the Income Statement. The fair value is determined using the discounted cash flow valuation methodology. These valuations are based on projected cashflows using the current market value of individual retirement units and individual resident contracts. In determining these market values, a rolling program of external valuations is undertaken so that each unit is independently valued every three years. During the intervening period, Management separately assesses the value of individual units on a six-monthly basis to reaffirm valuations and reflect the most current pricing and market conditions. Key assumptions used in Directors' valuation are the discount rate of 12.5% (2008: 11.5%), long-term property growth rates and average tenure rates based on the age and gender of future residents.

Commercial and Retail Properties

The carrying amount of investment property is the fair value of the property as determined by a registered independent appraiser having a recognised professional qualification and recent experience in the location and category of property being valued. Fair values were determined having regard to recent market transactions of similar properties in similar locations to the Combined Group's investment properties. Where external valuations are not obtained within the financial year, an internal Directors' valuation is performed.

(m) Business Combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired.

Cost is measured as the fair value of the assets given, securities issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Combined Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Combined Group's share of the fair value of the identifiable assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

(n) Non-Current Assets Classified as Held for Sale

Non-Current Assets Classified as Held for Sale are stated at fair value less costs to sell if the carrying amount will be recovered principally through the sale transaction rather than the continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for such a sale and the sale is highly probable. The sale must be expected to be completed within a year from the date of classification, except in the circumstances out of the Combined Group's control and the Combined Group remains committed to a sale.

Investment Properties which are classified as Non-Current Assets Classified as Held for Sale are carried at fair value as the measurement provisions of AASB 5 'Non-Current Assets Held for Sale and Discontinued Operations' do not apply to investment properties.

(o) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(o) Impairment of Assets continued

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.

(p) Lease Incentives

Initial indirect costs incurred by the lessor which relate to an operating lease and lease incentives are deferred by the lessor and amortised over the lease term in proportion to the rental recognised in each financial year.

(q) Leased Assets

Leases under which the Combined Group assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance Leases

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Operating Leases

Payments made under operating leases are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(r) Intangible Assets

Licences to operate nursing homes and hostels acquired are carried at cost as there is no active market and they have an indefinite useful life. The licences are issued for an unlimited period and there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Combined Group. Directors review the carrying value of licences for impairment and write off as an expense any reduction of recoverable amount below cost.

The exclusive right to construct and market retirement villages for Forest Place Retirement Village Syndicates, acquired from third parties, is carried at cost and amortised against revenues arising from the completion of contracts for construction and sale of retirement village assets.

Directors review the carrying value of intangible assets regularly to determine whether the carrying amount exceeds recoverable amount and write off as an expense any reduction of recoverable amount below cost.

(s) Payables

Payables represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest. Long-term payables are measured at amortised cost.

(t) 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 Income Statement over the period of the borrowings using the effective interest rate method.

(u) Derivative Financial Instruments and Hedging

The Combined Group uses derivative financial instruments to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Fair value of derivatives is determined using a generally accepted pricing model based on discounted cash flow analysis using assumptions supported by observable market rates.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss for the year. The Combined Group does not adopt hedge accounting and as such the offsetting gain or loss from the interest rate swaps are taken directly to the Income Statement.

Hedge of a Net Investment in a Foreign Operation

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in the foreign currency translation reserve. The ineffective portion is recognised immediately in the Income Statement. On disposal of the foreign operation, the cumulative value of any such gain or loss recognised directly in equity is transferred to the Income Statement.

(v) Finance Costs

Finance costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with the arrangement of borrowing.

Interest is expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take a substantial period of time 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.

(w) 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 Combined Group will comply with all attached conditions.

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

(x) Resident Loans

Resident Loans are measured at the principal amount less unearned income, plus the residents' share of any increase in the market value of the underlying property at balance date.

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

In practice, the rate at which the Combined Group'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 Combined Group's best estimate is that of the total resident loans of $1,132.0m, only $84.3m is statistically likely to be paid within the next 12 months. Further, if this amount was repayable, it is estimated that incoming contributions of more than $130.2m would be received from new residents.

(y) Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(y) Employee Benefits continued

Long Service Leave

Long service leave is recognised in the employee benefits provision and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to future wage and salary levels, experience of employee departures and periods of service.

Employee Security and Option Plans

The Combined Group grants securities to certain employees. The fair value of securities issued to employees is charged as an expense when the issue occurs. Other than the costs incurred in administering the schemes, which are expensed as incurred, the scheme does not result in any expense to the Combined Group.

Staff Incentive

In 2003 the Parent Entity introduced a staff incentive scheme. The scheme provides for the payment of bonus payments to employees who deserve recognition for exceptional performance.

The Combined Group recognises a liability and an expense for the incentive scheme based on the calculations determined by the scheme.

Security Appreciation Rights Plan ('SARP')

Security Appreciation Rights ('SAR') were issued to a number of employees under the SARP. Each SAR entitles the holder to a cash payment equal to the increase in the market value of a stapled security over a period subject to the Combined Group meeting performance criteria specified by the Board.

The Combined Group recognises a liability and an expense being the difference in the estimated liability arising in the reporting period. The liability is estimated at the fair value of the SAR by applying an option-pricing model, taking into account the terms and conditions on which the SAR was granted, and the extent to which the employees have rendered service.

(z) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

Warranty Maintenance

Provisions for warranty claims are made for claims received and claims expected to be received in relation to construction work performed prior to reporting date, based on historical claim rates, adjusted for specific information arising from internal quality assurance processes.

Significant uncertainties relate to estimates for construction provisions as these depend on circumstances particular to each site.

(aa) 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.

(bb) Financial Guarantee Contracts

Financial guarantee contracts are recognised as a financial liability at the time a guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 'Provision, Contingent Liabilities and Contingent Assets' and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of the financial guarantee is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

(cc) Syndicate Put Options

The Combined Group has entered into put and call options as part of the syndicate arrangements for the Cleveland and Clayfield Villages. The estimated value of the put options exercised, but for which payment is not yet due, is recognised in the Financial Report 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.

(dd) Estimates and Judgements

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

The Combined Group 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.

(ee) 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 Combined Group has been adjusted to reflect current market conditions. Continued uncertainty in financial markets may impact on the carrying value of the Combined Group's assets in the future.

(ff) Rounding of Amounts

The Combined Group is 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 hundred thousand dollars, or in certain circumstances, the nearest dollar.

(gg) Comparatives

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

(hh) New Standards and Interpretations Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Combined Group in the period of initial application. They are available for early adoption at 30 June 2009 but have not been applied in preparing these Financial Statements:

– AASB 123 'Borrowing Costs' (Revised) and amending standard AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123' [AASB 1, 101, 107, 111, 116, 138, Interpretations 1 & 12]'. These standards are applicable to annual reporting periods beginning on or after 1 January 2009. These standards eliminate the option of expensing borrowing costs relating to qualifying assets, instead requiring capitalisation. This will not affect the Combined Group as all borrowing costs are capitalised with regard to qualifying assets.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(hh) New Standards and Interpretations Not Yet Adopted (continued)

- AASB 101 'Presentation of Financial Statements' and amending standard AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'. These standards are applicable to annual reporting periods beginning on or after 1 January 2009. AASB 101 introduces the notion of the 'complete set of Financial Statements' and prescribes several changes to the presentation of the Financial Statements, including the requirement to disclose owner changes in equity separately from non-owner changes in equity. Presentation requirements for restatements or reclassifications of items in the financial statements have been introduced, along with changes to the presentation requirements for dividends and changes to the titles of the Financial Statements. Also introduced is a Statement of Comprehensive Income.
- AASB 3 'Business Combinations' (Revised) and amending standard AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASB 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]'. These standards are applicable to annual reporting periods beginning on or after 1 July 2009. The revised standard introduces a number of changes in accounting for business combinations that will impact the amount of goodwill recognised, the results in the period that the acquisition occurs, and the future revenues reported.
- AASB 127 'Consolidated and Separated Financial Statement' (Revised) and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127' [AASB 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]'. These standards are applicable to annual reporting periods beginning on or after 1 July 2009. This standard allows a change in the ownership interest of a subsidiary (that does not result in a loss of control) to be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss.
- AASB 2008-1 'Amendments to Australian Accounting Standard – Share-Based Payments: Vesting Conditions and Cancellations' clarifies that vesting conditions comprise service conditions and performance conditions only and that other features of a share-based payment transaction are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Adoption of the revised AASB 2008-1 will not result in a change in accounting policy for the entity as AASB 2008-1 only clarifies an existing treatment the entity had already complied with.
- AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038]' results from the International Accounting Standards Board's annual improvements project. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IFRSs. The amendments to some accounting standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The likely effect of these changes is in relation to the IAS40 amendment which includes investment property under construction within the scope of the standard, and will also allow investment property under construction 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 completed (whichever comes earlier). The Combined Group has yet to determine the potential effect of this standard.
- AASB 2008-7 'Amendments to accounting for the cost of an investment in subsidiary, jointly controlled entity or associate' [AASB 1, 118, 121, 127 & 136] no longer requires entities to deduct dividends out of pre-acquisition profits from the cost of an investment in a subsidiary, jointly controlled entity, or associate. The investor entity must recognise these dividends as income. AASB 136 'Impairment of Assets' now includes recognising a dividend from a subsidiary, jointly controlled entity or associate as an impairment indicator is some circumstances. These standards are applicable to annual reporting periods beginning on or after 1 July 2009. Adoption of the revised AASB 2008-7 is not expected to impact the Combined Group.
- AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments' [AASB 4, 7, 1023 & 1038]. The amendments to AASB 7 require enhanced disclosures about fair value measurements and liquidity risk. This standard is applicable to annual reporting periods beginning on or after 1 January 2009.
- AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process' [AASB 5, 8, 101, 107, 117, 118, 136 & 139] are from the International Accounting Standards Board's annual improvement project. These provide a vehicle for making non-urgent but necessary amendments to accounting standards. The combined Group has yet to determine the potential effect of this standard.
- Interpretation 15 'Agreements for the construction of real estate' clarifies that where the buyer can only influence minor changes to the design of the property, the developer should recognise the revenue once the significant risks and rewards of the real estate have passed to the buyer. The revised standard also clarifies that where the buyer can influence significant changes to the design of the property, the developer should recognise the revenue as construction progresses based on the percentage of work completed. The revised standard is applicable to annual reporting periods beginning on or after 1 July 2009. The Combined Group has yet to determine the potential effect of this standard.

The Combined Group has no plans to adopt accounting policy options with effect from 1 July 2008. 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.

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
2. REVENUE								
From Continuing Operations:								
Sale of goods	**236.7**	200.0	**-**	–	**-**	–	**-**	–
Construction contract revenue	**48.0**	22.9	**-**	–	**-**	–	**-**	–
	284.7	222.9	**-**	–	**-**	–	**-**	–
Rendering of Services:								
Rent received	**28.3**	24.7	**-**	–	**26.5**	23.2	**12.4**	14.4
Deferred management fees	**31.7**	27.8	**-**	–	**-**	–	**-**	–
Government grants	**6.0**	5.1	**-**	–	**-**	–	**-**	–
Other	**12.5**	12.9	**-**	–	**-**	–	**-**	–
	78.5	70.5	**-**	–	**26.5**	23.2	**12.4**	14.4
Other Revenues:								
From outside operating activities:								
Dividend received:								
Associates	**-**	–	**-**	4.3	**-**	–	**0.1**	–
Other	**0.4**	–	**-**	–	**-**	–	**-**	–
Interest received:								
Entities in wholly-owned group	**-**	–	**51.7**	40.6	**16.5**	20.8	**17.9**	22.1
Other parties								
Cash	**1.2**	1.7	**0.4**	0.4	**-**	0.4	**-**	0.2
Trade and other receivables	**0.1**	6.7	**0.5**	2.4	**-**	–	**-**	–
Other	**0.2**	0.3	**2.2**	0.4	**-**	–	**-**	–
Management fee received:								
Other parties	**15.6**	18.5	**1.1**	7.1	**-**	–	**-**	–
Trust distribution received	**-**	5.1	**0.1**	5.0	**-**	0.1	**8.3**	4.9
Net gain or loss on disposal of assets other than goods:								
Property, plant and equipment	**0.1**	(0.1)	**-**	–	**-**	–	**-**	–
Investments in associates / subsidiaries	**-**	1.6	**-**	1.6	**-**	–	**-**	–
Gain on foreign currency translation	**-**	2.4	**-**	2.6	**-**	–	**-**	–
Other	**0.7**	4.0	**0.4**	1.4	**0.3**	–	**0.2**	–
	18.3	40.2	**56.4**	65.8	**16.8**	21.3	**26.5**	27.2

Government Grants

Aged care grants of $6.0m (2008: $5.1m) were recognised as Revenue from Rendering of Services by the Combined Group during the financial year. There are no unfulfilled conditions or other contingencies attached to these grants. The Combined Group did not benefit directly from any other forms of government assistance.

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m

3. EXPENSES

Additional information on the nature of expenses:

Depreciation:								
Plant and equipment	**3.0**	1.8	**2.1**	1.0	**-**	–	**-**	–
Nursing homes	**0.2**	0.2	**-**	–	**-**	–	**-**	–
Freehold buildings	**0.1**	–	**-**	–	**-**	–	**-**	–
	3.3	2.0	**2.1**	1.0	**-**	–	**-**	–
Amortisation:								
Leasehold improvements	**1.1**	1.2	**0.9**	1.0	**-**	–	**-**	–
Other intangibles	**0.3**	0.4	**-**	–	**-**	–	**-**	–
	1.4	1.6	**0.9**	1.0	**-**	–	**-**	–
Finance costs at amortised cost:								
Entities in the Combined Group	**-**	–	**16.5**	20.8	**-**	–	**-**	–
Other parties:								
Interest and amortisation of borrowing costs from bank loans and overdraft	**99.2**	86.8	**45.0**	49.6	**13.8**	15.3	**8.9**	10.6
Less: capitalised finance costs	**(60.3)**	(39.6)	**-**	–	**(4.4)**	(1.3)	**(3.1)**	–
	38.9	47.2	**61.5**	70.4	**9.4**	14.0	**5.8**	10.6
Impairment of trade and other receivables	**32.2**	–	**6.9**	–	**1.5**	–	**49.0**	–
Impairment of plant and equipment	**1.1**	0.8	**-**	–	**-**	–	**-**	–
Inventory write-down to net realisable value	**130.5**	10.4	**-**	–	**-**	–	**-**	–

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
4. TAXATION								
(a) Income Tax Expense/(Benefit)								
Current tax:								
Current year movement	**6.8**	3.9	**-**	(8.1)	**-**	–	**-**	–
(Over)/under provisions	**(4.2)**	(2.0)	**0.8**	9.8	**-**	–	**-**	–
	2.6	1.9	**0.8**	1.7	**-**	–	**-**	–
Deferred tax expense from temporary differences:								
Current year movement	**(112.7)**	46.6	**(31.8)**	(6.7)	**-**	–	**-**	–
(Over)/under provisions	**3.0**	(2.6)	**(1.2)**	(7.2)	**-**	–	**-**	–
Income Tax Expense/(Benefit) Attributable to Profit/(Loss) from Ordinary Activities	**(107.1)**	45.9	**(32.2)**	(12.2)	**-**	–	**-**	–
(b) Reconciliation of Income Tax Expense/(Benefit) to Prima Facie Profit								
Profit/(loss) from continuing operations before income tax expense/(benefit)	**(425.8)**	195.6	**(104.2)**	(47.2)	**(51.4)**	14.6	**(47.4)**	15.8
Tax at the Australian tax rate of 30%	**(127.8)**	58.6	**(31.2)**	(14.2)	**(15.4)**	4.4	**(14.2)**	4.8
Tax effect of non-deductible amounts:								
Non-assessable income	**14.3**	(12.9)	**-**	(2.7)	**15.4**	(4.4)	**14.2**	(4.8)
Assessable income not booked	**0.7**	1.2	**-**	–	**-**	–	**-**	–
Non-deductible expenses	**8.4**	3.5	**0.9**	2.2	**-**	–	**-**	–
Other deductible expenses	**(1.5)**	–	**(1.5)**	–	**-**	–	**-**	–
	(105.9)	50.4	**(31.8)**	(14.7)	**-**	–	**-**	–
(Over)/under provisions	**(1.3)**	(4.6)	**(0.4)**	2.5	**-**	–	**-**	–
Income tax losses and timing differences not carried forward as a future tax benefit	**0.1**	0.1	**-**	–	**-**	–	**-**	–
Income Tax Expense/(Benefit)	**(107.1)**	45.9	**(32.2)**	(12.2)	**-**	–	**-**	–
(c) Deferred Tax Assets								
The Balance Comprises Temporary Differences Attributable to:								
Amounts recognised in the Income Statement:								
Provisions	**11.4**	3.4	**4.5**	2.1	**-**	–	**-**	–
Accrued expenditure	**1.6**	3.2	**1.5**	2.9	**-**	–	**-**	–
Tax losses	**70.1**	10.3	**55.2**	3.4	**-**	–	**-**	–
Unearned revenue	**16.6**	15.3	**0.5**	0.7	**-**	–	**-**	–
Other	**-**	0.1	**-**	0.1	**-**	–	**-**	–
Net Deferred Tax Assets	**99.7**	32.3	**61.7**	9.2	**-**	–	**-**	–
Less: amounts set-off from/(against) deferred tax liabilities	**(99.7)**	(32.3)	**21.2**	11.1	**-**	–	**-**	–
	-	–	**82.9**	20.3	**-**	–	**-**	–

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m

4. TAXATION CONTINUED

(c) Deferred Tax Assets continued

	Combined Group 2009 $m	Combined Group 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m	Consolidated Property Trust 2009 $m	Consolidated Property Trust 2008 $m	Property Trust 2009 $m	Property Trust 2008 $m
Movements:								
Opening balance at 1 July	**32.3**	27.5	**9.2**	5.4	**-**	–	**-**	–
Accrued expenditure	**(1.6)**	(1.5)	**(1.5)**	(0.8)	**-**	–	**-**	–
Provisions	**7.9**	(1.1)	**2.4**	0.6	**-**	–	**-**	–
Tax losses	**55.3**	(3.1)	**50.5**	(3.1)	**-**	–	**-**	–
Unearned revenue	**1.3**	2.7	**(0.1)**	0.3	**-**	–	**-**	–
Other	**-**	0.2	**-**	–	**-**	–	**-**	–
(Over)/under provisions	**4.5**	7.6	**1.2**	6.8	**-**	–	**-**	–
	99.7	32.3	**61.7**	9.2	**-**	–	**-**	–
Less: amounts set-off from/(against) deferred tax liabilities	**(99.7)**	(32.3)	**21.2**	11.1	**-**	–	**-**	–
Closing Balance at 30 June	**-**	–	**82.9**	20.3	**-**	–	**-**	–

(d) Deferred Tax Liabilities

	Combined Group 2009 $m	Combined Group 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m	Consolidated Property Trust 2009 $m	Consolidated Property Trust 2008 $m	Property Trust 2009 $m	Property Trust 2008 $m
The Balance Comprises Temporary Differences Attributable to:								
Amounts recognised in the Income Statement:								
Accrued income	**4.1**	8.9	**1.0**	1.3	**-**	–	**-**	–
Fair value of investment properties	**511.2**	498.5	**-**	–	**-**	–	**-**	–
Fair value of resident loans	**(201.9)**	(194.6)	**-**	–	**-**	–	**-**	–
Differences in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	**(22.2)**	(12.4)	**-**	–	**-**	–	**-**	–
Intangibles	**0.4**	0.5	**-**	–	**-**	–	**-**	–
Equity-accounted profits	**4.2**	12.3	**(13.6)**	(13.3)	**-**	–	**-**	–
Other expenditure currently deductible for tax but deferred and amortised for accounting	**(32.5)**	(27.7)	**(6.8)**	0.9	**-**	–	**-**	–
Amounts charged directly to equity	**(10.4)**	7.2	**(1.8)**	–	**-**	–	**-**	–
Net Deferred Tax Liabilities	**252.9**	292.7	**(21.2)**	(11.1)	**-**	–	**-**	–
Less: amounts set-off (from)/against deferred tax assets	**(99.7)**	(32.3)	**21.2**	11.1	**-**	–	**-**	–
	153.2	260.4	**-**	–	**-**	–	**-**	–
Movements:								
Opening balance at 1 July	**292.7**	247.8	**(11.1)**	(1.1)	**-**	–	**-**	–
(Over)/under provisions	**7.2**	6.1	**-**	0.5	**-**	–	**-**	–
Accrued income	**(4.9)**	(3.9)	**(0.3)**	1.3	**-**	–	**-**	–
Equity-accounted profits	**(16.6)**	(23.2)	**(0.3)**	(13.6)	**-**	–	**-**	–
Differences in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	**(9.8)**	7.6	**-**	0.2	**-**	–	**-**	–
Prepaid expenses	**0.8**	0.2	**(0.3)**	–	**-**	–	**-**	–
Fair value of investment properties	**12.2**	86.7	**-**	–	**-**	–	**-**	–
Fair value of resident loans	**(15.0)**	(31.2)	**-**	–	**-**	–	**-**	–
Other expenditure currently deductible for tax but deferred and amortised for accounting	**(9.7)**	(0.1)	**(7.6)**	2.8	**-**	–	**-**	–
Amounts charged directly to equity	**(4.0)**	2.7	**(1.6)**	(1.2)	**-**	–	**-**	–
	252.9	292.7	**(21.2)**	(11.1)	**-**	–	**-**	–
Less: amounts set-off (from)/against deferred tax assets	**(99.7)**	(32.3)	**21.2**	11.1	**-**	–	**-**	–
Closing Balance at 30 June	**153.2**	260.4	**-**	–	**-**	–	**-**	–

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
4. TAXATION CONTINUED								
(e) Tax Losses								
Unused tax losses for which no deferred tax asset has been recognised	**24.4**	24.4	**-**	–	**-**	–	**-**	–
Potential Tax Benefit at 30%	**7.3**	7.3	**-**	–	**-**	–	**-**	–

All unused tax losses were incurred by Australian entities.

(f) Tax Consolidation Legislation

The Combined Group 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(g).

	Combined Group	
	2009 $m	2008 $m
5. EARNINGS PER SECURITY		
(a) Basic and Diluted Earnings per Security		
Net profit/(loss) attributable to equity holders of the Combined Group	**(319.4)**	145.3
(b) Weighted Average Number of Securities used as the Denominator	Number	Number
Weighted average number of ordinary securities used in calculating diluted earnings per security	**318,314,139**	262,973,364
Adjustments made to securities for increases as a result of renounceable entitlement offer announced 25 June 2009	**136,236,379**	112,550,888
Adjusted weighted average number of ordinary securities used in calculating diluted earnings per security	**454,550,518**	375,524,252
(c) Other Information		
The weighted average number of options converted or lapsed during the year included in the calculation of diluted earnings per security	**-**	–
(d) Anti-dilutive		
The following security options could potentially dilute basic earnings per security in the future but were not included in the calculation of diluted earnings per security because they are anti-dilutive.		
Number of options outstanding	**10,779,378**	13,099,853

Reported earnings per security for the year ended 30 June 2008 has been modified for adjustments made to securities for increases as a result of the renounceable Entitlement Offer announced on 25 June 2009. The previously reported earnings of 55.2 cents per security has been amended to 38.7 cents per security for the Combined Group. The previously reported earnings of 49.7 cents per share has been amended to 34.8 cents per share for FKP Limited.

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m

6. CASH AND CASH EQUIVALENTS

	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Cash at Bank	**13.5**	18.9	**-**	–	**3.4**	4.1	**1.0**	3.5

7. TRADE AND OTHER RECEIVABLES

	Combined Group 2009 $m	Combined Group 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m	Consolidated Property Trust 2009 $m	Consolidated Property Trust 2008 $m	Property Trust 2009 $m	Property Trust 2008 $m
Current:								
Trade receivables	**40.5**	75.7	**1.3**	10.0	**2.4**	3.2	**2.2**	3.2
Other receivables	**5.8**	6.7	**5.8**	–	**-**	–	**-**	–
Trade receivables (extended terms)	**21.1**	40.3	**-**	–	**-**	–	**-**	–
Allowance for impairment	**(16.6)**	(4.7)	**(5.8)**	(4.6)	**(1.5)**	–	**(1.5)**	–
	50.8	118.0	**1.3**	5.4	**0.9**	3.2	**0.7**	3.2
Due from associates (interest bearing)	**-**	18.4	**0.5**	0.3	**-**	–	**-**	–
Due from associates (non-interest bearing)	**32.1**	12.6	**15.8**	1.4	**0.9**	–	**0.9**	–
Due from other related parties (interest bearing)	**7.7**	7.7	**-**	–	**-**	–	**-**	–
Due from other related parties (non-interest bearing)	**6.5**	10.6	**-**	–	**-**	–	**-**	–
Due from Parent Entity (interest bearing)	**-**	–	**-**	–	**15.0**	15.0	**15.0**	15.0
Due from wholly-owned subsidiaries of the Parent Entity	**-**	–	**385.7**	494.1	**-**	–	**174.5**	100.2
Allowance for impairment (sub-trusts)	**-**	–	**-**	–	**-**	–	**(47.5)**	–
Total Current Receivables	**97.1**	167.3	**403.3**	501.2	**16.8**	18.2	**143.6**	118.4
Non-Current:								
Trade receivables	**-**	3.8	**-**	3.5	**-**	–	**-**	–
Other receivables	**1.5**	1.1	**2.6**	–	**1.2**	1.2	**0.6**	0.7
Trade receivables (extended terms)	**0.3**	12.0	**-**	–	**-**	–	**-**	–
Allowance for impairment (sub-trusts)	**(0.1)**	–	**(1.7)**	–	**-**	–	**-**	–
	1.7	16.9	**0.9**	3.5	**1.2**	1.2	**0.6**	0.7
Due from Parent Entity (interest bearing)	**-**	–	**-**	–	**121.5**	166.4	**121.5**	166.4
Due from associates (interest bearing)	**20.7**	–	**-**	–	**-**	–	**-**	–
Due from other related parties (non-interest bearing)	**3.5**	–	**2.2**	–	**-**	–	**-**	–
Allowance for impairment	**(12.0)**	–	**(2.2)**	–	**-**	–	**-**	–
Total Non-Current Receivables	**13.9**	16.9	**0.9**	3.5	**122.7**	167.6	**122.1**	167.1
Total Trade and Other Receivables	**111.0**	184.2	**404.2**	504.7	**139.5**	185.8	**265.7**	285.5

(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 34.

The maximum exposure to credit risk is the fair value of receivables, except for trade receivables with extended trading terms where the receivable is secured by first registered mortgage.

(b) Ageing of Trade Receivables

Trade receivables as disclosed below are generally aged on 30 day terms. Included in the current category of ageing of trade receivables is $1.8m (2008: $17.7m) of trade receivables on deferred payment terms from 30 to 90 days, depending on the terms of the contract. These deferred payment terms predominately relate to roll-overs within the Retirement Division and hence become due to the Combined Group on the turnover of an individual resident's unit. For trade debtors with extended settlement terms refer to part (f) of this Note. An allowance for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. Indicators of impairment include where there is objective evidence of significant financial difficulties, debtor bankruptcy, financial reorganisation or default in payment. All impairment losses have been provided for and all other and inter-related receivables are neither past due nor impaired and therefore are considered to be credit quality.

7. TRADE AND OTHER RECEIVABLES CONTINUED

The ageing of trade receivables including those on deferred payment terms for the Combined Group at the reporting date was:

	Total $m	Current $m	31-60 days PDNI* $m	31-60 days CI* $m	61-90 days PDNI* $m	61-90 days CI* $m	+91 days PDNI* $m	+91 days CI* $m
2009								
Combined Group	**40.5**	**31.6**	**1.0**	**-**	**-**	**0.2**	**5.9**	**1.8**
Parent Entity	**1.3**	**1.1**	**0.1**	**-**	**-**	**-**	**0.1**	**-**
Consolidated Property Trust	**2.4**	**0.4**	**0.1**	**-**	**0.1**	**-**	**0.3**	**1.5**
Property Trust	**2.2**	**0.2**	**0.1**	**-**	**0.1**	**-**	**0.3**	**1.5**
2008								
Combined Group	79.5	60.5	1.8	–	2.8	–	9.7	4.7
Parent Entity	13.5	8.4	–	–	–	–	0.5	4.6
Consolidated Property Trust	3.2	1.1	0.2	–	0.1	–	1.8	–
Property Trust	3.2	1.1	0.2	–	0.1	–	1.8	–

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

Trade receivables past due but not considered to be impaired at 30 June 2009 are: Combined Group $6.9m (2008: $14.3m); Parent Entity $0.2m (2008: $0.5m); Consolidated Property Trust $0.5m (2008: $2.1m); and Property Trust $0.5m (2008: $2.1m). These trade receivables comprise customers who have good credit history and hence the balances are considered recoverable. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(c) Total Trade and Other Receivables Impairment Loss

The movement in the allowance for impairment during the year is as follows:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
At 1 July	**4.7**	4.7	**4.6**	4.6	**-**	–	**-**	–
Charge for the year	**32.2**	–	**6.9**	–	**1.5**	–	**1.5**	–
Charge for the year – related parties	**-**	–	**-**	–	**-**	–	**47.5**	–
Balances written off	**(8.2)**	–	**(1.8)**	–	**-**	–	**-**	–
At 30 June	**28.7**	4.7	**9.7**	4.6	**1.5**	–	**49.0**	–

(d) Interest – Trade Receivables

Represents amounts to be settled on due dates nominated in written contracts. If settlement does not occur on the date or within normal trading terms the contracts provide for interest to accrue at commercial rates until settlement.

(e) Security – Trade Receivables

Trade and other receivables totalling $6.4m (2008: $35.3m) are secured by first registered mortgage over real property assets of the debtor, $6.1m (2008: $6.0m) is secured by second mortgage, whilst $8.6m (2008: $11.1m) is secured by financial guarantee. Limited security has also been granted from RVG over amounts included in Due from Associates (non-interest bearing) in relation to Property Services Agreement with RVG.

(f) Trade Receivables with Extended Terms

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Debtors with extended settlement terms are expected to settle as follows:								
Within one year	**21.1**	40.3	**-**	–	**-**	–	**-**	–
One year or later and no later than five years	**0.3**	12.0	**-**	–	**-**	–	**-**	–
Later than five years	**-**	–	**-**	–	**-**	–	**-**	–
	21.4	52.3	**-**	–	**-**	–	**-**	–

7. TRADE AND OTHER RECEIVABLES CONTINUED

The majority of debtors with extended terms relate to land sales with a small proportion relating to property developments within Queensland. These debtors are under contractual vendor financing arrangements, with extended terms ranging from 1 month to 19 months. All other 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. Other receivables that are non-current are contractual obligations due after the reporting date.

Extended term debtors with a carrying value of $7.5m are considered impaired and an allowance for impairment totalling $7.5m has been raised against these amounts. These amounts are secured under first and second mortgages.

(g) Related Party Receivables

For terms and conditions of related party receivables refer to Note 28 and 30.

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
8. OTHER FINANCIAL ASSETS								
Current:								
Fair Value through Profit or Loss Investments								
Interest rate swap derivative	**-**	3.4	**-**	3.4	**-**	–	**-**	–
Available-For-Sale Investments								
Investment in unlisted property trust – at fair value	**-**	3.4	**-**	3.4	**-**	–	**-**	–
Total Current Other Financial Assets	**-**	6.8	**-**	6.8	**-**	–	**-**	–
Non-Current:								
Held for Trading: Marketable Securities - Securities in Listed Companies								
Balance at beginning of year	**23.1**	20.4	**-**	–	**-**	–	**-**	–
Acquisitions	**-**	4.7	**-**	–	**-**	–	**-**	–
Disposals	**(10.9)**	–	**-**	–	**-**	–	**-**	–
Change in fair value charged to profit and loss	**(22.3)**	0.9	**-**	–	**-**	–	**-**	–
Effect of foreign currency translation	**10.1**	(2.9)	**-**	–	**-**	–	**-**	–
Balance at End of Year	**-**	23.1	**-**	–	**-**	–	**-**	–
Financial Assets Carried at Cost:								
Investment in controlled entities – at cost	**-**	–	**53.3**	53.3	**-**	–	**4.4**	–
	-	–	**53.3**	53.3	**-**	–	**4.4**	–
Total Non-Current Other Financial Assets	**-**	23.1	**53.3**	53.3	**-**	–	**4.4**	–

(a) Fair Value through Profit or Loss

Changes in fair value of Fair Value through Profit or Loss assets are recorded in the Income Statement.

(b) Held for Trading

Changes in fair value of other Held for Trading financial assets are recorded in the Income Statement.

(c) Available-For Sale Investments

Changes in fair value of Available-for-Sale Investments are recorded through equity.

(d) Amounts Invested in Foreign Currency

Included in Held for Trading financial assets are amounts invested in Hong Kong dollars	**-**	23.1	**-**	–	**-**	–	**-**	–

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m

9. INVENTORIES

	Combined Group 2009 $m	Combined Group 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m	Consolidated Property Trust 2009 $m	Consolidated Property Trust 2008 $m	Property Trust 2009 $m	Property Trust 2008 $m
Current:								
Land and development properties held for resale:								
Cost of land acquisition	**77.6**	118.6	**-**	–	**-**	–	**-**	–
Capitalised development costs	**76.3**	139.4	**-**	–	**-**	–	**-**	–
Other capitalised costs	**50.7**	30.7	**-**	–	**-**	–	**-**	–
Less: diminution in value	**(37.4)**	(10.4)	**-**	–	**-**	–	**-**	–
	167.2	278.3	**-**	–	**-**	–	**-**	–
Construction work in progress:								
Construction costs incurred and attributable net profit	**21.8**	20.4	**-**	–	**-**	–	**-**	–
Less: progress billings (including retention allowances)	**(20.5)**	(19.4)	**-**	–	**-**	–	**-**	–
	1.3	1.0	**-**	–	**-**	–	**-**	–
Total Current Inventories	**168.5**	279.3	**-**	–	**-**	–	**-**	–
Non-Current:								
Land and development properties held for resale:								
Cost of land acquisition	**383.5**	383.5	**-**	–	**-**	–	**-**	–
Capitalised development costs	**82.3**	64.8	**-**	–	**-**	–	**-**	–
Other capitalised costs	**66.0**	43.3	**-**	–	**-**	–	**-**	–
Less: diminution in value	**(67.2)**	–	**-**	–	**-**	–	**-**	–
Total Non-Current Inventories	**464.6**	491.6	**-**	–	**-**	–	**-**	–
Aggregate consideration received and receivable as progress billings (including retentions) and advances received on amount of construction work in progress	**21.8**	20.4	**-**	–	**-**	–	**-**	–

(a) Inventory Pledged as Security

Inventory of $609.3m (2008: $668.1m) is pledged as first mortgage security for bank overdraft and bank loans. Bank loans are secured by floating charge over assets of the Combined Group. (Refer Note 17 for further details).

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m

10. INVESTMENT PROPERTIES

At Fair Value:								
Balance at beginning of year	**2,525.3**	2,113.3	**-**	–	**329.7**	197.5	**159.2**	168.1
Acquisitions	**-**	143.4	**-**	–	**-**	143.4	**-**	–
Capitalised subsequent expenditure	**32.9**	8.3	**-**	–	**23.0**	2.4	**20.7**	2.2
Change in fair value of investment properties	**(47.9)**	244.4	**-**	–	**(69.1)**	(13.6)	**(26.1)**	(11.1)
Disposals	**(22.1)**	–	**-**	–	**(22.1)**	–	**(22.1)**	–
Transfer to non-current assets held for resale	**(16.0)**	–	**-**	–	**(16.0)**	–	**(16.0)**	–
Transfer (to)/from property, plant and equipment	**110.0**	15.9	**-**	–	**99.1**	–	**23.8**	–
Balance at End of Year	**2,582.2**	2,525.3	**-**	–	**344.6**	329.7	**139.5**	159.2
Amounts Recognised in Profit and Loss for Investment Property:								
Rental income	**26.5**	23.2	**-**	–	**26.5**	23.2	**12.4**	14.4
Change in fair values of investment properties	**(47.9)**	244.4	**-**	–	**(69.1)**	(13.6)	**(26.1)**	(11.1)
Change in fair value of resident loans	**(51.2)**	(75.0)	**-**	–	**-**	–	**-**	–
Direct operating expenses from properties that generated rental income	**(5.3)**	(4.1)	**-**	–	**(5.3)**	(4.1)	**(3.1)**	(3.1)
	(77.9)	188.5	**-**	–	**(47.9)**	5.5	**(16.8)**	0.2
Leasing Arrangements:								
Minimum lease payments under non-cancellable operating leases of investment property not recognised in the Financial Statements are receivable as follows:								
Within one year	**22.9**	18.4	**-**	–	**22.9**	18.4	**12.7**	9.5
Later than one year but not later than five years	**59.9**	29.9	**-**	–	**59.9**	29.9	**22.2**	14.8
Later than five years	**44.3**	1.1	**-**	–	**44.3**	1.1	**8.3**	1.1
	127.1	49.4	**-**	–	**127.1**	49.4	**43.2**	25.4

(a) Valuation Basis - Commercial and Retail Properties

The carrying amount of investment property is the fair value of the property as determined by directors' valuations. The directors' valuations were based on external valuations performed during the financial year by an independent appraiser having a recognised professional qualification and recent experience in the location and category of property being valued, updated for market conditions as at 30 June 2009. Fair values were determined having regard to recent market transactions of similar properties in similar locations to the Combined Group's investment properties, capitalised rental returns and discounted cash flows. The capitalisation rates used in the directors' valuations ranged from 7.25% – 8.0% (2008: 7.0% – 7.25%) for the office sector and 7.75% – 8.75% (2008: 6.75%– 8.75%) for the retail sector.

(b) Valuation Basis - Retirement Villages

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 Income Statement. The fair value has been determined by Directors' valuation using the discounted cash flow valuation methodology. These valuations are based on projected cashflows using the current market value of individual retirement units and individual resident contracts. In determining these market values, a rolling program of external valuations is undertaken so that each unit is independently valued every three years. During the intervening period, Management separately assesses the value of individual units on a six-monthly basis to reaffirm valuations and reflect the most current pricing and market conditions. Key assumptions used in Directors' valuation are the discount rate of 12.5% (2008: 11.5%), long-term property growth rates and average tenure rates based on the age and gender of future residents.

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m

10. INVESTMENT PROPERTIES CONTINUED

(d) Valuation Reconciliation

	Combined Group 2009 $m	Combined Group 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m	Consolidated Property Trust 2009 $m	Consolidated Property Trust 2008 $m	Property Trust 2009 $m	Property Trust 2008 $m
Valuations are reconciled to the investment property value as follows:								
Valuation	**2,584.3**	2,527.4	**-**	–	**346.7**	331.8	**140.8**	161.2
Less: Operating lease receivables and incentives	**(2.1)**	(2.1)	**-**	–	**(2.1)**	(2.1)	**(1.3)**	(2.0)
Adjusted Fair Value	**2,582.2**	2,525.3	**-**	–	**344.6**	329.7	**139.5**	159.2

11. EQUITY-ACCOUNTED INVESTMENTS

(a) Carrying Amounts

Details of equity-accounted investments are as follows:

	Country of Incorporation/ Formation	Activity	Combined Group 2009 %	Combined Group 2008 %	Parent Entity 2009 %	Parent Entity 2008 %	Consolidated Property Trust 2009 %	Consolidated Property Trust 2008 %	Property Trust 2009 %	Property Trust 2008 %
Ownership interest:										
Associates										
Forest Place Cleveland Syndicate[1]	Australia	Retirement Villages	**86.3**	86.3	**16.3**	16.3	**-**	–	**-**	–
Forest Place Clayfield Syndicate[1]	Australia	Retirement Villages	**62.4**	56.4	**10.0**	10.0	**-**	–	**-**	–
Retirement Villages Group[2]	Australia	Retirement Villages	**16.4**	20.1	**16.4**	20.1	**-**	–	**-**	–
FKP Core Plus Fund[3]	Australia	Property Investment	**14.7**	14.7	**14.7**	14.7	**14.7**	14.7	**14.7**	14.7
Mulpha FKP Pty Ltd	Australia	Property Developer	**49.9**	49.9	**49.9**	49.9	**-**	–	**-**	–
FKP Core Plus Fund Two	Australia	Property Investment	**27.9**	32.0	**20.0**	24.6	**27.9**	32.0	**20.0**	24.1
Joint Ventures										
Carrum Downs JV Pty Ltd	Australia	Property Developer	**50.0**	50.0	**-**	–	**-**	–	**-**	–
Formica Pty Ltd[4]	Australia	Property Developer	**50.1**	50.1	**-**	–	**-**	–	**-**	–
Big Hepher JV Pty Ltd	Australia	Property Developer	**50.0**	50.0	**-**	–	**-**	–	**-**	–
US Senior Living Property Trust	Australia	Retirement Villages	**50.0**	50.0	**-**	–	**50.0**	50.0	**50.0**	50.0
US Senior Living Tenant Trust	Australia	Retirement Villages	**50.0**	50.0	**50.0**	50.0	**-**	–	**-**	–

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

2 The investment in RVG has been treated as an investment in associate as the Combined Group has the power to participate in operating policy decisions. The Combined Group participates in the policy-making process through a 50% voting right in the fund manager. In addition, there exist material transactions between the Combined Group and RVG.

3 The investment in FKP Core Plus Fund has been treated as an investment in associate as the Combined Group has the power to participate in operating policy decisions. The Combined Group participates in the policy-making process through one-fourth representation on the Investment Committee.

4 The Formica Pty Ltd Constitution provides that the Combined Group has a 50% voting right, key decision-making requires a majority vote on key constitutional changes and decision making.

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m

11. EQUITY-ACCOUNTED INVESTMENTS CONTINUED

(a) Carrying Amounts continued

	Combined Group 2009 $m	Combined Group 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m	Consolidated Property Trust 2009 $m	Consolidated Property Trust 2008 $m	Property Trust 2009 $m	Property Trust 2008 $m
Investment carrying amounts:								
Forest Place Cleveland Syndicate	**15.7**	16.4	**1.6**	2.5	**-**	–	**-**	–
Forest Place Clayfield Syndicate	**13.9**	13.2	**2.0**	2.0	**-**	–	**-**	–
Retirement Villages Group	**114.4**	160.8	**94.9**	79.9	**-**	–	**-**	–
FKP Core Plus Fund	**15.7**	21.1	**4.9**	4.9	**12.6**	16.1	**13.6**	13.6
Mulpha FKP Pty Ltd	**127.6**	149.0	**141.4**	141.4	**-**	–	**-**	–
FKP Core Plus Fund Two	**9.1**	19.0	**2.8**	3.7	**7.1**	15.2	**8.3**	10.9
Carrum Downs JV Pty Ltd	**-**	0.2	**-**	–	**-**	–	**-**	–
Formica Pty Ltd	**0.4**	0.6	**-**	–	**-**	–	**-**	–
Big Hepher JV Pty Ltd	**-**	–	**-**	–	**-**	–	**-**	–
US Senior Living Property Trust	**28.9**	23.8	**-**	–	**28.9**	23.8	**24.2**	24.2
US Senior Living Tenant Trust	**1.6**	1.5	**1.4**	1.4	**-**	–	**-**	–
	327.3	405.6	**249.0**	235.8	**48.6**	55.1	**46.1**	48.7

(b) Movement in the Carrying Amount of Investments

	Combined Group 2009 $m	Combined Group 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m	Consolidated Property Trust 2009 $m	Consolidated Property Trust 2008 $m	Property Trust 2009 $m	Property Trust 2008 $m
Carrying amount of equity-accounted investments at beginning of year	**405.6**	374.9	**235.8**	235.8	**55.1**	10.7	**48.7**	8.7
Purchase of equity-accounted investments	**16.4**	104.7	**15.0**	58.9	**-**	45.1	**-**	40.6
Share of net profit	**(86.6)**	11.6	**-**	–	**(6.8)**	2.7	**-**	–
Share of prior year profit	**0.3**	–	**-**	–	**0.1**	–	**-**	–
Dividends received – associates	**(1.8)**	(6.1)	**-**	–	**(1.7)**	(1.8)	**-**	–
Dividends received – joint ventures	**-**	(5.8)	**-**	–	**-**	–	**-**	–
Share of increase/(decrement) in foreign currency translation reserve	**(3.1)**	(14.2)	**-**	–	**4.6**	(1.0)	**-**	–
Sale of equity-accounted investments	**-**	(104.4)	**(0.9)**	(104.4)	**-**	–	**-**	–
Return of capital	**(3.5)**	(0.6)	**(0.9)**	–	**(2.7)**	(0.6)	**(2.6)**	(0.6)
Conversion of loan	**-**	45.5	**-**	45.5	**-**	–	**-**	–
Carrying Amount of Equity-Accounted Investments at End of Year	**327.3**	405.6	**249.0**	235.8	**48.6**	55.1	**46.1**	48.7

11. EQUITY-ACCOUNTED INVESTMENTS CONTINUED

(c) Summarised Financial Information of Equity-Accounted Investments

	Combined Group's Share of:			
	Assets $m	Liabilities $m	Revenue $m	Profit $m
2009				
Forest Place Cleveland Syndicate	**46.4**	**30.7**	**0.4**	**(0.7)**
Forest Place Clayfield Syndicate	**47.1**	**33.2**	**0.4**	**(0.7)**
Retirement Villages Group	**508.3**	**393.9**	**21.4**	**(53.5)**
FKP Core Plus Fund	**25.2**	**9.5**	**2.7**	**(4.2)**
Mulpha FKP Pty Ltd	**220.5**	**62.1**	**30.1**	**(21.3)**
FKP Core Plus Fund Two	**18.5**	**9.4**	**1.7**	**(5.8)**
Carrum Downs JV Pty Ltd	**9.5**	**9.5**	**0.5**	**(0.2)**
Formica Pty Ltd	**7.7**	**7.3**	**1.5**	**(0.2)**
Big Hepher JV Pty Ltd	**6.6**	**6.6**	**-**	**-**
US Senior Living Property Trust	**74.6**	**45.7**	**5.1**	**0.7**
US Senior Living Tenant Trust	**5.1**	**3.5**	**12.9**	**(0.4)**
2008				
Forest Place Cleveland Syndicate	46.9	30.5	3.2	2.0
Forest Place Clayfield Syndicate	42.1	28.9	2.4	1.0
Retirement Villages Group	795.2	617.1	26.2	(10.2)
FKP Core Plus Fund	34.6	13.5	3.8	2.2
Mulpha FKP Pty Ltd	247.5	69.8	62.5	12.1
FKP Core Plus Fund Two	29.9	10.9	1.1	0.1
Carrum Downs JV Pty Ltd	10.6	10.4	8.5	0.8
Formica Pty Ltd	6.5	5.9	7.4	2.9
Big Hepher JV Pty Ltd	6.2	6.2	–	–
US Senior Living Property Trust	62.2	38.4	2.6	0.5
US Senior Living Tenant Trust	2.7	1.2	4.8	0.2

(d) Share of Equity-Accounted Investment's Expenditure Commitments

There are no expenditure commitments contracted for at balance date payable but not provided for and payable by the associates.

(e) Contingent Liabilities of Associates

There are no known contingent liabilities.

(f) Summarised Financial Information of Joint Ventures

	Combined Group's Share of:					
	Current Assets $m	Long-Term Assets $m	Current Liabilities $m	Long-Term Liabilities $m	Income $m	Expenses $m
2009	**20.3**	**82.9**	**28.3**	**44.3**	**19.9**	**20.0**
2008	16.2	72.0	17.8	44.3	23.3	18.9

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m

12. OTHER ASSETS

	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Current:								
Deposits	**0.6**	0.6	**-**	–	**-**	–	**-**	–
Prepayments	**14.3**	17.7	**5.1**	9.4	**1.0**	1.3	**0.6**	0.8
Total Current Other Assets	**14.9**	18.3	**5.1**	9.4	**1.0**	1.3	**0.6**	0.8
Non-Current:								
Lease incentives	**0.9**	1.2	**-**	–	**0.9**	1.1	**0.7**	1.1
Rights to acquire syndicate shares	**1.9**	0.6	**-**	–	**-**	–	**-**	–
Total Non-Current Other Assets	**2.8**	1.8	**-**	–	**0.9**	1.1	**0.7**	1.1

13. NON-CURRENT ASSETS HELD FOR SALE

	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
At Fair Value:								
Investment property	**16.0**	–	**-**	–	**16.0**	–	**16.0**	–
Investment property under construction	**3.4**	–	**-**	–	**3.4**	–	**3.4**	–
Total Non-Current Assets Held for Sale	**19.4**	–	**-**	–	**19.4**	–	**19.4**	–

A retail centre and adjoining land have been classified as non-current assets held for sale. At 30 June 2009, it was the Combined Group's intention to sell these assets in the 2010 financial year. Contracts for these assets have subsequently been entered into with settlement expected in the first half of the 2010 financial year. These assets relate to the Investments and Funds Management segment of the Combined Group.

14. PROPERTY, PLANT AND EQUIPMENT

	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Freehold land at Cost:	**7.2**	7.2	**-**	–	**-**	–	**-**	–
Investment Properties under Construction at Cost:	**30.2**	104.4	**-**	–	**1.3**	48.8	**-**	26.0
Nursing Homes:								
At cost	**13.7**	13.6	**-**	–	**-**	–	**-**	–
Accumulated depreciation	**(1.1)**	(0.9)	**-**	–	**-**	–	**-**	–
	12.6	12.7	**-**	–	**-**	–	**-**	–
Freehold Buildings:								
At cost	**5.5**	3.0	**-**	–	**-**	–	**-**	–
Accumulated depreciation	**(0.4)**	(0.3)	**-**	–	**-**	–	**-**	–
	5.1	2.7	**-**	–	**-**	–	**-**	–
Leasehold Improvements:								
At cost	**7.6**	7.4	**5.9**	5.9	**-**	–	**-**	–
Accumulated amortisation	**(3.6)**	(2.5)	**(3.0)**	(2.0)	**-**	–	**-**	–
Accumulated impairment losses/reversal of impairment losses charged to profit	**(0.6)**	(0.6)	**(0.6)**	(0.6)	**-**	–	**-**	–
	3.4	4.3	**2.3**	3.3	**-**	–	**-**	–
Plant and Equipment:								
At cost	**12.6**	11.1	**8.4**	6.9	**-**	–	**-**	–
Accumulated depreciation	**(6.3)**	(3.6)	**(3.8)**	(1.7)	**-**	–	**-**	–
	6.3	7.5	**4.6**	5.2	**-**	–	**-**	–
Plant and Equipment - Under Finance Lease:								
At cost	**0.7**	0.6	**0.1**	0.1	**-**	–	**-**	–
Accumulated amortisation	**(0.3)**	(0.2)	**-**	–	**-**	–	**-**	–
	0.4	0.4	**0.1**	0.1	**-**	–	**-**	–
Total Property, Plant and Equipment	**65.2**	139.2	**7.0**	8.6	**1.3**	48.8	**-**	26.0

14. PROPERTY, PLANT AND EQUIPMENT CONTINUED

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Movements During the Year								
Freehold Land:								
Balance at Beginning and End of Year	**7.2**	7.2	**-**	–	**-**	–	**-**	–
Investment Properties under Construction at Cost:								
Balance at beginning of year	**104.4**	78.1	**-**	–	**48.8**	45.0	**26.0**	24.5
Transfers (to)/from investment property	**(110.0)**	(15.9)	**-**	–	**(99.1)**	–	**(23.8)**	–
Transfers (to)/from inventory	**-**	1.9	**-**	–	**-**	–	**-**	–
Transfers to non-current assets held for sale	**(3.4)**	–	**-**	–	**(3.4)**		**(3.4)**	
Impairment (losses)/reversal of impairment losses	**(1.1)**	(0.8)	**-**	–	**-**	–	**-**	–
Disposals at written down value	**(7.5)**	–	**-**	–	**(7.5)**	–	**-**	–
Additions – capitalised costs	**47.8**	41.1	**-**	–	**62.5**	3.8	**1.2**	1.5
Balance at End of Year	**30.2**	104.4	**-**	–	**1.3**	48.8	**-**	26.0
Nursing Homes:								
Balance at beginning of year	**12.7**	12.9	**-**	–	**-**	–	**-**	–
Additions – capitalised costs	**0.1**	–	**-**	–	**-**	–	**-**	–
Depreciation	**(0.2)**	(0.2)	**-**	–	**-**	–	**-**	–
Balance at End of Year	**12.6**	12.7	**-**	–	**-**	–	**-**	–
Freehold Buildings:								
Balance at beginning of year	**2.7**	2.3	**-**	–	**-**	–	**-**	–
Additions	**-**	0.4	**-**	–	**-**	–	**-**	–
Transfers (to)/from inventory	**2.5**	–	**-**	–	**-**	–	**-**	–
Depreciation	**(0.1)**	–	**-**	–	**-**	–	**-**	–
Balance at End of Year	**5.1**	2.7	**-**	–	**-**	–	**-**	–
Leasehold Improvements:								
Balance at beginning of year	**4.3**	2.3	**3.3**	2.2	**-**	–	**-**	–
Additions	**0.2**	3.1	**-**	2.0	**-**	–	**-**	–
Impairment (losses)/reversal of impairment losses	**-**	0.1	**-**	0.1	**-**	–	**-**	–
Disposals at written down value	**-**	–	**(0.1)**	–	**-**	–	**-**	–
Amortisation expense	**(1.1)**	(1.2)	**(0.9)**	(1.0)	**-**	–	**-**	–
Balance at End of Year	**3.4**	4.3	**2.3**	3.3	**-**	–	**-**	–
Plant and Equipment:								
Balance at beginning of year	**7.9**	4.9	**5.3**	2.3	**-**	–	**-**	–
Additions	**1.9**	5.0	**1.5**	4.0	**-**	–	**-**	–
Disposals at written down value	**(0.1)**	(0.2)	**-**	–	**-**	–	**-**	–
Depreciation expense	**(3.0)**	(1.8)	**(2.1)**	(1.0)	**-**	–	**-**	–
Balance at End of Year	**6.7**	7.9	**4.7**	5.3	**-**	–	**-**	–

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m

15. INTANGIBLE ASSETS

Goodwill:								
At carrying value	**0.6**	0.6	**-**	–	**-**	–	**-**	–
Licence:								
At cost	**0.5**	0.5	**-**	–	**-**	–	**-**	–
Rights:								
At cost	**3.1**	3.1	**-**	–	**-**	–	**-**	–
Accumulated amortisation and impairment	**(0.8)**	(0.5)	**-**	–	**-**	–	**-**	–
	2.3	2.6	**-**	–	**-**	–	**-**	–
Total Intangible Assets	**3.4**	3.7	**-**	–	**-**	–	**-**	–
Movements During the Year								
Goodwill:								
Balance at Beginning and End of Year	**0.6**	0.6	**-**	–	**-**	–	**-**	–
Licence:								
Balance at Beginning and End of Year	**0.5**	0.5	**-**	–	**-**	–	**-**	–
Rights:								
Balance at beginning of year	**2.6**	3.1	**-**	–	**-**	–	**-**	–
Amortisation charge	**(0.3)**	(0.5)	**-**	–	**-**	–	**-**	–
Balance at End of Year	**2.3**	2.6	**-**	–	**-**	–	**-**	–

(a) Impairment Tests for Goodwill

Goodwill is allocated to the Combined Group's Cash Generating Units ('CGU's') identified according to business segment. A segment level summary of goodwill is presented below:

Goodwill - Developments Segment	**0.6**	0.6	**-**	–	**-**	–	**-**	–

(b) Impairment Tests for Licences

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

Licences - Retirements Segment	**0.5**	0.5	**-**	–	**-**	–	**-**	–

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

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m

16. TRADE AND OTHER PAYABLES

	Combined Group 2009 $m	Combined Group 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m	Consolidated Property Trust 2009 $m	Consolidated Property Trust 2008 $m	Property Trust 2009 $m	Property Trust 2008 $m
Current:								
Trade accounts payable	**67.1**	41.1	**22.0**	20.8	**4.0**	4.1	**1.8**	2.1
Deferred revenue	**58.7**	77.6	**0.5**	0.5	**1.0**	–	**0.1**	–
Put option liability to acquire syndicate shares	**1.9**	0.8	**-**	–	**-**	–	**-**	–
Payable to subsidiary of parent	**-**	–	**-**	–	**-**	21.1	**-**	–
Non-trade accounts payable	**13.0**	12.4	**-**	–	**-**	–	**-**	–
Interest payable	**10.6**	9.4	**4.5**	–	**-**	–	**-**	–
Total Current Payables	**151.3**	141.3	**27.0**	21.3	**5.0**	25.2	**1.9**	2.1
Non-Current:								
Deferred revenue	**1.3**	1.7	**1.3**	1.7	**-**	–	**-**	–
Payable to subsidiary of parent	**-**	–	**5.9**	–	**-**	–	**-**	–
Other payables	**32.3**	43.0	**-**	–	**-**	–	**-**	–
Total Non-Current Payables	**33.6**	**44.7**	**7.2**	**1.7**	**-**	**-**	**-**	**-**
Total Trade and Other Payables	**184.9**	186.0	**34.2**	23.0	**5.0**	25.2	**1.9**	2.1

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

(a) Fair Values

The carrying amounts of payables approximate fair values. Refer to Note 34.

(b) Secured Amounts Payable

None of the payables are secured.

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m

17. INTEREST BEARING LOANS AND BORROWINGS

	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Current - Secured:								
Bank loans	**172.0**	14.7	**100.6**	–	**15.0**	14.7	**15.0**	–
Bank overdraft	**6.1**	5.6	**6.1**	5.5	**-**	–	**-**	–
Loan from the Property Trust	**-**	–	**15.0**	15.0	**-**	–	**-**	–
Loan from associate	**-**	60.0	**-**	60.0	**-**	–	**-**	–
Other loans	**6.4**	2.7	**-**	–	**-**	–	**-**	–
Finance lease liabilities (Note 24)	**0.3**	2.0	**-**	1.8	**-**	–	**-**	–
Total Secured Current Borrowings	**184.8**	85.0	**121.7**	82.3	**15.0**	14.7	**15.0**	–
Non-Current - Secured:								
Bank loans	**938.3**	1,138.0	**250.1**	347.3	**186.5**	207.2	**109.0**	143.5
Loan from the Property Trust	**-**	–	**121.5**	166.4	**-**	–	**-**	–
Loan from associate	**30.0**	–	**30.0**	–	**-**	–	**-**	–
Other loans	**-**	6.1	**-**	–	**-**	–	**-**	–
Finance lease liabilities (Note 24)	**0.1**	0.1	**0.1**	–	**-**	–	**-**	–
Total Secured Non-Current Borrowings	**968.4**	1,144.2	**401.7**	513.7	**186.5**	207.2	**109.0**	143.5

(a) Amounts Payable in Foreign Currencies

	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Included in bank loans are amounts payable in:								
Hong Kong dollars	**-**	22.2	**-**	–	**-**	–	**-**	–
US dollars	**-**	24.5	**-**	24.5	**-**	–	**-**	–

(b) Financing Arrangements

	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
The Combined Group has access to the following lines of credit								
Total facilities available:								
Bank loans (including bank overdraft)	**1,246.7**	1,312.2	**470.5**	490.0	**201.5**	224.0	**124.0**	145.6
Loan from the Property Trust	**-**	–	**500.0**	500.0	**-**	–	**-**	–
Loan from associate	**30.0**	60.0	**30.0**	60.0	**-**	–	**-**	–
Other loans	**6.4**	8.8	**-**	–	**-**	–	**-**	–
Performance guarantee facilities	**41.8**	55.0	**41.7**	54.7	**0.2**	–	**0.2**	–
Finance lease facility	**0.4**	2.1	**0.1**	1.8	**-**	–	**-**	–
	1,325.3	1,438.1	**1,042.3**	1,106.5	**201.7**	224.0	**124.2**	145.6
Facilities utilised at balance date:								
Bank loans (including bank overdraft)	**1,120.2**	1,158.3	**356.8**	352.8	**201.5**	221.9	**124.0**	143.5
Loan from the Property Trust	**-**	–	**136.5**	181.4	**-**	–	**-**	–
Loan from associate	**30.0**	60.0	**30.0**	60.0	**-**	–	**-**	–
Other loans	**6.4**	8.8	**-**	–	**-**	–	**-**	–
Performance guarantee facilities	**28.5**	33.2	**28.4**	32.9	**-**	–	**-**	–
Finance lease facility	**0.4**	2.1	**0.1**	1.8	**-**	–	**-**	–
	1,185.5	1,262.4	**551.8**	628.9	**201.5**	221.9	**124.0**	143.5
Facilities not utilised at balance date:								
Bank loans (including bank overdraft)	**126.5**	153.9	**113.7**	137.2	**-**	2.1	**-**	2.1
Loan from the Property Trust	**-**	–	**363.5**	318.6	**-**	–	**-**	–
Loan from associate	**-**	–	**-**	–	**-**	–	**-**	–
Other loans	**-**	–	**-**	–	**-**	–	**-**	–
Performance guarantee facilities	**13.3**	21.8	**13.3**	21.8	**0.2**	–	**0.2**	–
Finance lease facility	**-**	–	**-**	–	**-**	–	**-**	–
	139.8	175.7	**490.5**	477.6	**0.2**	2.1	**0.2**	2.1

17. INTEREST BEARING LOANS AND BORROWINGS CONTINUED

(c) Restrictions as to Use or Withdrawal

There are no restrictions on use or withdrawal of any facilities, however the facilities are subject to the Combined Group complying with covenants concerning such matters as minimum interest times cover, maximum loan to value ratio, current ratios and net tangible assets.

(d) Bank Overdraft

Interest on bank overdrafts is charged at prevailing market rates. The weighted average interest rate for all overdrafts as at 30 June 2009 is 10.8% (2008: 10.8%). The bank overdrafts are payable on demand and are subject to annual review.

(e) Loan from the Property Trust

FKP Funds Management Limited as Responsible Entity for the Property Trust has entered in to a loan agreement with the Parent Entity to make available a $500m loan facility. Interest is payable quarterly at the rate of the prevailing 90 day bank bill swap reference rate plus a margin of 3.5%.

(f) Performance Guarantee Facilities

These facilities are used to provide performance guarantees related to projects. Fees applicable to the facilities provided by financial institutions range from 1.0% to 4.0%.

(g) Assets Pledged as Security

In accordance with the security arrangements of liabilities, all current and non-current assets of the Combined Group are secured by floating charge. Those assets that are also secured by mortgage or finance lease are as follows:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Current :								
First mortgage:								
Inventories	**156.5**	183.0	**-**	–	**-**	–	**-**	–
Total Current Assets Pledged as Security	**156.5**	183.0	**-**	–	**-**	–	**-**	–
Non-Current:								
First mortgage:								
Freehold land and buildings	**-**	9.8	**-**	–	**-**	–	**-**	–
Investment properties	**1,335.2**	1,393.8	**-**	–	**360.6**	329.7	**155.5**	159.2
Inventories	**452.8**	485.1	**-**	–	**-**	–	**-**	–
Plant and equipment	**4.7**	104.3	**-**	–	**4.7**	48.9	**3.4**	26.0
Finance lease:								
Leased plant and equipment	**0.4**	0.4	**0.1**	0.1	**-**	–	**-**	–
Total Non-Current Assets Pledged as Security	**1,793.1**	1,993.4	**0.1**	0.1	**365.3**	378.6	**158.9**	185.2
Total Assets Pledged as Security	**1,949.6**	2,176.4	**0.1**	0.1	**365.3**	378.6	**158.9**	185.2

The terms and conditions relating to the financial assets are as follows:

Cash and cash equivalents are pledged against the bank overdraft on an ongoing floating basis for the term of the bank overdrafts maturity.

Receivables and available-for-sale financial assets are pledged against secured bank loans to the extent they are not already covered by valuations on land and buildings, investment properties and plant and equipment on a floating basis for the terms of the various secured loans.

(h) Defaults and Breaches

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

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m

18. PROVISIONS

Current:								
Employee benefits	**4.6**	4.5	**3.2**	2.3	**-**	–	**-**	–
Warranty maintenance	**0.9**	0.9	**-**	–	**-**	–	**-**	–
Dividends and distributions payable	**5.1**	11.7	**-**	–	**5.1**	11.7	**5.1**	11.7
Total Current Provisions	**10.6**	17.1	**3.2**	2.3	**5.1**	11.7	**5.1**	11.7
Non-Current:								
Employee benefits	**1.8**	0.9	**1.4**	0.2	**-**	–	**-**	–
Total Non-Current Provisions	**1.8**	0.9	**1.4**	0.2	**-**	–	**-**	–
Reconciliations								
Reconciliation of the carrying amounts of each class of provision, except for employee benefits, is set out below:								
Warranty Maintenance:								
Carrying Amount at Beginning and End of Year	**0.9**	0.9	**-**	–	**-**	–	**-**	–
Distributions Payable:								
Carrying amount at beginning of year	**11.7**	12.4	**-**	–	**11.7**	12.4	**11.7**	12.4
Provisions made during the year	**12.2**	11.7	**-**	–	**12.2**	11.7	**12.2**	11.7
Payments made during the year	**(18.8)**	(12.4)	**-**	–	**(18.8)**	(12.4)	**(18.8)**	(12.4)
Carrying Amount at End of Year	**5.1**	11.7	**-**	–	**5.1**	11.7	**5.1**	11.7

19. OTHER FINANCIAL LIABILITIES

Current:								
Interest rate swap derivative	**7.9**	–	**7.3**	–	**0.6**	–	**0.4**	–
Non-Current:								
Interest rate swap derivative	**14.7**	–	**14.7**	–	**-**	–	**-**	–

20. CONTRIBUTED EQUITY

	Combined Group Number of Stapled Securities 2009	Combined Group Number of Stapled Securities 2008	Parent Entity Number of Shares 2009	Parent Entity Number of Shares 2008	Consolidated Property Trust Number of Units 2009	Consolidated Property Trust Number of Units 2008	Property Trust Number of Units 2009	Property Trust Number of Units 2008
Issued Capital:								
Ordinary Securities Fully Paid	**352,403,767**	265,362,320	**352,403,767**	265,362,320	**352,403,777**	265,362,330	**352,403,777**	265,362,330
Movement in Securities on Issue:								
Balance at beginning of year	**265,362,320**	260,837,761	**265,362,320**	260,837,761	**265,362,330**	260,837,771	**265,362,330**	260,837,771
Securities issued as a result of:								
Employee Security Plan issue[1]	**-**	135,512	**-**	135,512	**-**	135,512	**-**	135,512
Distribution Reinvestment Plan	**3,273,557**	4,389,047	**3,273,557**	4,389,047	**3,273,557**	4,389,047	**3,273,557**	4,389,047
Subscription agreement[2]	**14,085,190**	–	**14,085,190**	–	**14,085,190**	–	**14,085,190**	–
Capital raising[3]	**69,682,700**	–	**69,682,700**	–	**69,682,700**	–	**69,682,700**	–
Balance at End of Year	**352,403,767**	265,362,320	**352,403,767**	265,362,320	**352,403,777**	265,362,330	**352,403,777**	265,362,330

	Combined Group 2009 $m	Combined Group 2008 $m	Parent Entity 2009 $m	Parent Entity 2008 $m	Consolidated Property Trust 2009 $m	Consolidated Property Trust 2008 $m	Property Trust 2009 $m	Property Trust 2008 $m
Movement in Securities on Issue:								
Balance at beginning of year	**827.8**	799.2	**449.8**	429.9	**378.0**	369.3	**378.0**	369.3
Securities issued as a result of:								
Employee Security Plan issue[1]	**-**	0.5	**-**	0.3	**-**	0.2	**-**	0.2
Distribution Reinvestment Plan	**10.7**	28.1	**7.7**	19.6	**3.0**	8.5	**3.0**	8.5
Subscription agreement[2]	**28.2**	–	**20.3**	–	**7.9**	–	**7.9**	–
Capital raising[3]	**104.5**	–	**75.3**	–	**29.2**	–	**29.2**	–
Costs of capital raising[3]	**(5.8)**	–	**(3.7)**	–	**(2.1)**	–	**(2.1)**	–
Balance at End of Year	**965.4**	827.8	**549.4**	449.8	**416.0**	378.0	**416.0**	378.0

1 During the year no ordinary securities (2008: 135,512) were issued to employees under the Employee Security Plan which was approved by security holders at the AGM held on 30 November 2007.

2 During the period the Combined Group signed a subscription agreement for the issue of stapled securities to Stockland Retirement Pty Ltd. On 15 October 2008 14,085,190 stapled securities were issued at $2.00 a security, raising $28.2m.

3 During the period the Combined Group issued new stapled securities under a non-renounceable entitlement offer. On 28 November 2008 69,682,700 stapled securities were issued at $1.50 a security, raising $104.5m. The after tax cost of the capital raising was $5.8m.

(a) Terms and Conditions

Holders of ordinary securities are entitled to receive dividends and distributions as declared from time to time and are entitled to one vote per security at security holders' meetings. In the event of winding up of the Parent Entity, ordinary security holders rank equally with all other security holders and unsecured creditors and are fully entitled to any proceeds of liquidation.

Refer to Note 29 for further details about the Employee Option Plan and Employee Security Plan and options granted and securities issued under these plans and participation arrangements.

20. CONTRIBUTED EQUITY CONTINUED

(b) Capital Management

When managing capital, being fully paid ordinary securities, retained profits and reserves, management's objective is to ensure that the Combined Group uses a mix of funding options, whilst remaining focused on the objective of optimising returns to its equity holders. Management aims to maintain a capital structure that ensures the lowest weighted average cost of capital available.

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

During the year ended 30 June 2009, the Combined Group raised capital through the public market and some capital was retained through the Distribution Reinvestment Plan.

Under the ANZ Development facility and the Retirement Village Division ('RVD') Syndicated Loan facility, there is a requirement to maintain net tangible assets of at least $825.0m at all times.

The Combined Group is not subject to any other externally imposed capital requirements.

21. RESERVES AND RETAINED PROFITS

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Reserves:								
Equity-settled employee benefits	**6.8**	4.1	**6.8**	4.1	**-**	–	**-**	–
Foreign currency translation	**(27.0)**	(16.7)	**(4.8)**	–	**3.6**	(1.4)	**-**	(0.2)
Investments revaluation	**-**	–	**-**	–	**-**	–	**-**	–
	(20.2)	(12.6)	**2.0**	4.1	**3.6**	(1.4)	**-**	(0.2)
Equity-Settled Employee Benefits Reserve:								
Balance at beginning of year	**4.1**	0.8	**4.1**	0.8	**-**	–	**-**	–
Share-based payment	**2.7**	3.3	**2.7**	3.3	**-**	–	**-**	–
Balance at End of Year	**6.8**	4.1	**6.8**	4.1	**-**	–	**-**	–
Foreign Currency Reserve:								
Balance at beginning of year	**(16.7)**	(7.7)	**-**	–	**(1.4)**	–	**(0.2)**	–
Translation of foreign operations	**(10.3)**	(9.0)	**(4.8)**	–	**5.0**	(1.4)	**0.2**	(0.2)
Balance at End of Year	**(27.0)**	(16.7)	**(4.8)**	–	**3.6**	(1.4)	**-**	(0.2)
Investments Revaluation Reserve:								
Balance at beginning of year	**-**	3.1	**-**	3.1	**-**	–	**-**	–
Release of reserve	**-**	(3.1)	**-**	(3.1)	**-**	–	**-**	–
Balance at End of Year	**-**	–	**-**	–	**-**	–	**-**	–
Retained Profits:								
Balance at beginning of year	**492.9**	432.0	**(232.2)**	(139.8)	**(9.4)**	2.9	**(10.3)**	0.9
Net profit/(loss) attributable to members of the Combined Group	**(319.4)**	145.3	**(72.0)**	(35.0)	**(51.4)**	14.6	**(47.4)**	15.8
Dividends and distributions recognised during the year	**(42.2)**	(84.4)	**(29.9)**	(57.4)	**(12.3)**	(27.0)	**(12.3)**	(27.0)
Balance at End of Year	**131.3**	492.9	**(334.1)**	(232.2)	**(73.1)**	(9.4)	**(70.0)**	(10.3)

22. DIVIDENDS AND DISTRIBUTIONS

Details of dividends and distributions proposed or paid by the Combined Group are:

Type	Cents per Security	Total Amount $m	Date of Payment	Franked Tax Rate %	Percentage Franked %
2009					
Distributions recognised in the current year:					
Interim 2009 distribution	**2.00**	**7.2**	**14 April 2009**	**N/A**	**-**
Final 2009 distribution	**1.45**	**5.1**	**30 September 2009**	**N/A**	**-**
	3.45	**12.3**			
2008					
Dividends / distributions recognised in the current year:					
Interim 2008 ordinary dividend	10.18	26.8	14 April 2008	30	75
Interim 2008 distribution	5.82	15.3	14 April 2008	N/A	–
Final 2008 distribution	4.42	11.7	30 September 2008	N/A	–
	20.42	53.8			
After the balance date the following dividend was declared by the Directors. The dividend was not provided in the 2008 financial year.					
Final 2008 ordinary dividend	11.28	29.9	30 September 2008	30	60
	31.70	83.7			

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Dividend Franking Account:								
Balance of the 30% Franking Credits at End of Year	**-**	–	**0.9**	8.7	**-**	–	**-**	–

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

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year end;

(c) franking credits that will arise from the receipt of dividends recognised at the year end; and

(d) franking credits that the Parent Entity may be prevented from distributing in subsequent years.

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m

23. MINORITY INTERESTS

Minority Interests in Controlled Entities Comprise:								
Interests in retained profits at the beginning of the year after adjusting for minority interests in entities acquired during the year	**20.1**	15.7	**-**	–	**-**	–	**-**	–
Interests in profit from ordinary activities after income tax	**0.7**	4.4	**-**	–	**-**	–	**-**	–
Interests in Retained Profits at End of Financial Year	**20.8**	20.1	**-**	–	**-**	–	**-**	–
Interest in share capital	**13.5**	13.5	**-**	–	**-**	–	**-**	–
Total Minority Interests	**34.3**	33.6	**-**	–	**-**	–	**-**	–

24. COMMITMENTS

Non-Cancellable Operating Lease Expense Commitments:								
Future operating lease commitments not provided for in the Financial Statements and payable:								
Within one year	**2.7**	2.5	**4.0**	2.4	**-**	–	**-**	–
One year or later and no later than five years	**4.1**	6.1	**8.1**	6.1	**-**	–	**-**	–
Later than five years	**-**	0.1	**-**	0.1	**-**	–	**-**	–
	6.8	8.7	**12.1**	8.6	**-**	–	**-**	–

The above amounts payable arise from lease agreements for office and retail premises accommodation containing options to renew, which have not yet been exercised.

Finance Lease and Hire Purchase Payment Commitments:								
Finance lease and hire purchase commitments are payable:								
Within one year	**0.3**	2.0	**-**	–	**-**	–	**-**	–
One year or later and no later than five years	**0.1**	0.1	**0.1**	–	**-**	–	**-**	–
Later than five years	**-**	–	**-**	–	**-**	–	**-**	–
Total Minimum Lease and Hire Purchase Payments	**0.4**	2.1	**0.1**	–	**-**	–	**-**	–
Less: future finance lease and hire purchase charges payable:								
Within one year	**-**	–	**-**	–	**-**	–	**-**	–
One year or later and no later than five years	**-**	–	**-**	–	**-**	–	**-**	–
Later than five years	**-**	–	**-**	–	**-**	–	**-**	–
	0.4	2.1	**0.1**	–	**-**	–	**-**	–

The Combined Group leases motor vehicles and equipment under finance leases and hire purchase agreements expiring from one to five years. At the end of the lease or agreement the Combined Group has the option to purchase the asset at the nominated residual value.

Lease liabilities provided for in these Financial Statements:								
Current liability (Note 17)	**0.3**	2.0	**-**	–	**-**	–	**-**	–
Non-current liability (Note 17)	**0.1**	0.1	**0.1**	–	**-**	–	**-**	–
Total Lease Liabilities	**0.4**	2.1	**0.1**	–	**-**	–	**-**	–

(a) Finance Leases

Interest on finance leases is charged at prevailing market rates. The weighted average interest rate for all finance leases as at 30 June 2009 is 8.9% (2008: 8.3%).

25. CONTINGENT LIABILITIES

Particulars and estimated maximum amounts of contingent liabilities arising in respect of:

(a) Performance Guarantees

The Combined Group has various performance and other guarantees provided to third parties. Refer to Note 17.

(b) Financial Guarantees

The Parent Entity has provided financial guarantees in respect of bank loans of subsidiaries amounting to $94.3m (2008: $25.7m) secured by registered mortgages over the freehold properties of the subsidiaries. In addition, the Parent Entity is designated as the co-borrower on a bank loan of $375.0m held by a subsidiary. There are also cross guarantees given by the Parent Entity to subsidiaries listed in Note 38. No deficiencies of assets exist in any of these companies. No liability was recognised by the Parent Entity in relation to these guarantees, as the fair value is immaterial.

(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 Combined Group based upon a formula set out in the Trust 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:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Cleveland Syndicate	**4.8**	4.4	**-**	–	**-**	–	**-**	–
Clayfield Syndicate	**12.4**	10.5	**-**	–	**-**	–	**-**	–

(d) Call Options – Syndicates

As part of the syndicate arrangements for the Cleveland and Clayfield retirement villages, the Combined Group 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 Combined Group at reporting date using a new Master Plan Development, are estimated as follows:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Cleveland Syndicate	**3.0**	2.8	**-**	–	**-**	–	**-**	–
Clayfield Syndicate	**6.6**	13.5	**-**	–	**-**	–	**-**	–

(e) Interest Rate Swap Options (Swaptions)

An interest rate swaption gives the right, but not the obligation, for the Combined Group's debt financiers to enter into an interest rate swap with the Combined Group at an agreed interest rate on a set date in the future. The fair value of the interest rate swaptions contingent liability at 30 June 2009 is $10.9m. The Combined Group's debt financiers will not make a decision on whether to enter into the interest rate swap with the Combined Group until a fixed date into the future. There is no present obligation and therefore no liability recognised.

26. FINANCE COSTS CAPITALISED

Finance costs have been capitalised during the year as part of the carrying amounts of the following assets:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Inventories:								
Land and development properties held for resale	**50.6**	36.8	**-**	–	**-**	–	**-**	–
Investment property under construction	**9.7**	2.8	**-**	–	**4.4**	1.3	**3.1**	–
	60.3	39.6	**-**	–	**4.4**	1.3	**3.1**	–

Interest was capitalised at a weighted average rate of 7.8% (2008: 7.4%).

27. INTEREST IN JOINTLY CONTROLLED OPERATIONS

A subsidiary has entered into an unincorporated joint venture known as the Brookvale Strata Joint Venture to develop a site for residential and commercial use. The subsidiary has an 81% participating interest in the joint venture profit and is entitled to 81% of its return on the completed project. A subsidiary has entered into an incorporated joint venture known as the Mackay Turf Farm Joint Venture to develop a site for industrial use. The subsidiary has a 50% participating interest in the joint venture profit and is entitled to 50% of its return on the complete project. The Combined Group's interest in the assets employed in the joint ventures are included in the Combined Group's Balance Sheet, in accordance with the accounting policy described in Note 1(b), under the following classifications:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Current Assets:								
Trade and other receivables	**14.2**	18.3	**-**	–	**-**	–	**-**	–

(a) Contingent Liabilities and Commitments

There are no known contingent liabilities or commitments.

28. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The names and position held by each person holding a position of Director of the Combined Group during the financial year were:

SH Lee	Chairman (Non-Executive)[1]
D C Crombie	Deputy Chairman (Non-Executive)
P R Brown	Managing Director and Chief Executive Officer
P Parker	Non-Executive Director
L R McKinnon	Non-Executive Director
J E F Frayne	Non-Executive Director
G C Dyer	Non-Executive Director[2]
D J Hickey	Non-Executive Director[3]
B W Macdonald	Non-Executive Director[4]
TH Chung	Non-Executive Director[5]
G E Grady	Alternate Director[6]

1 Mr SH Lee was appointed Chairman on 12 February 2009.
2 Mr G C Dyer was appointed as an alternate director for Mr SH Lee on 26 November 2008 and appointed as a director on 4 March 2009.
3 Mr D J Hickey was appointed as a director on 17 October 2008 and resigned on 17 June 2009.
4 Mr B W Macdonald resigned as Chairman on 12 February 2009 and as a director on 26 March 2009.
5 Mr TH Chung resigned as a director on 4 March 2009.
6 Mr G E Grady was appointed as an alternate director for Mr TH Chung on 16 December 2008 and resigned on 4 March 2009.

(b) Other Key Management Personnel

The following persons also held authority and responsibility for planning, directing and controlling the Combined Group:

D L Guihot	Chief Financial Officer
S E Stewart	General Legal Counsel and Group Company Secretary
E L Delfabbro	Executive General Manager – New South Wales & Victoria
J M Laboo	Executive General Manager – Retirement
G E Grady	Chief Operating Officer[1]
M A Miller	Executive General Manager – Queensland[2]
J A Smith	Executive General Manager – Victoria[3]

1 Mr G E Grady was appointed Chief Operating Officer on 3 March 2009.
2 Mr M A Miller resigned on 28 November 2008.
3 Mr J A Smith resigned on 17 October 2008.

28. KEY MANAGEMENT PERSONNEL DISCLOSURES CONTINUED

(c) Aggregate of Remuneration for Key Management Personnel

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Key Personnel Compensation:								
Short-term employee benefits	**4,066,373**	7,717,917	**4,066,373**	7,717,917	**-**	–	**-**	–
Post-employment benefits	**315,611**	380,582	**315,611**	380,582	**-**	–	**-**	–
Equity compensation	**2,602,565**	2,128,627	**2,602,565**	2,128,627	**-**	–	**-**	–
Other compensation	**165,826**	–	**165,826**	–	**-**	–	**-**	–
	7,150,375	10,227,126	**7,150,375**	10,227,126	**-**	–	**-**	–

The Combined Group has taken advantage of the relief provided by AASB 2008-4 'Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities' and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in the Remuneration Report on Pages 39 to 46 of this Report.

(d) Loans to Key Management Personnel

The details of loans made to directors of the Combined Group and other key management personnel, including their personally related parties, are set out below:

Combined Group	Balance at the Beginning of the Year	Loan Amounts Repaid	Interest Paid and Payable for the Year	Interest not Charged	Loan Forgiven as Compensation	Balance at the End of Year	Number in the Combined Group at the End of Year
Aggregates for key management personnel:							
2009	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2008	893,113	(497,963)	–	–	(395,150)	–	–

There are no individuals with loans above $100,000 during the current year. In the prior year:

Name	Balance at the Beginning of the Prior Year	Loan Amounts Repaid	Interest Paid and Payable for the Prior Year	Interest not Charged	Loan Forgiven as Compensation	Balance at the End of Prior Year	Number in the Combined Group at the End of Prior Year
P R Brown	893,113	(497,963)	–	–	(395,150)	–	–

Under the terms of the Managing Director's Security Plan, which was approved at the 2005 AGM, Mr P R Brown was issued 387,912 securities ('Retention Bonus Securities') at the weighted average price of securities during the five trading days before the date of the 2005 AGM. The Parent Entity lent the whole of the purchase price for the Retention Bonus Securities to Mr P R Brown on an interest free basis. All distributions received by Mr P R Brown, after deducting the amount equal to the tax payable by Mr P R Brown on the distributions, were applied in reduction of the loan balance. In the prior year, the loan balance exceeding $485,000 as at 10 February 2008 was forgiven, leaving the balance at the end of the prior period to be $nil. Therefore an impairment loss was recognised in the prior year for $395,150. No interest was paid or payable for the prior year.

(e) Other Transactions with Key Management Personnel

The Combined Group entered into a loan facility with Sun Hung Kai Structured Finance Limited, a related entity of Mr SH Lee during the year. An agreement was entered into on 20 October 2008 to borrow up to $14,300,000 and the facility was repaid in full on 28 November 2008. The terms of the facility were at arms-length and interest was charged at the higher of 18.0% and the Bank Bill rate plus a margin of 12.0%. The Combined Group paid interest to Sun Hung Kai Structured Finance Limited of $395,483 during the term of the loan.

A related entity of Mr P Parker, Philip Parker Pty Ltd as trustee for the Parker Family Trust trading as Storage Choice Albion, leases storage space to the Combined Group on a monthly basis. This has been done on normal commercial rates. During the year, an amount of $11,022 has been paid to this related entity for the rental of this storage space.

28. KEY MANAGEMENT PERSONNEL DISCLOSURES CONTINUED

(f) Equity Instrument Disclosures Relating to Key Management Personnel

Equity Holdings and Transactions

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

Directors	Held at 1 July 2008	Purchased	Received on Exercise of Options	Sales	Other	Held at 30 June 2009
SH Lee[1]	–	35,000,000	–	–	45,119,102[2]	**80,119,102**
D C Crombie	120,191	–	–	–	8,773[3]	**128,964**
P R Brown	488,822	582,561	–	–	–	**1,071,383**
P Parker	13,196,934	166,000	–	–	–	**13,362,934**
L R McKinnon	–	–	–	–	–	**-**
J E F Frayne	–	13,572	–	–	–	**13,572**
G C Dyer	–	–	–	–	–[4]	**-**
D J Hickey	–	–	–	–	–[4]	**-**
B W Macdonald	241,877	10,334	–	–	(252,211)[4]	**-**
TH Chung	–	–	–	–	–[4]	**-**
G E Grady[5]	–	–	–	–	–[4]	**-**

1 Mr SH Lee was appointed Chairman on 12 February 2009.

2 Mr SH Lee acquired a controlling interest in Mulpha International Bhd ('MIB') on 16 July 2008. MIB is the 100% beneficial owner of Mulpha Australia Limited, Mulpha Investments Pty Ltd, Mulpha Strategic Limited, HDFI Nominees Pty Ltd and Rosetec Investments Limited (collectively the 'Mulpha Group'). The Mulpha Group is a substantial security holder in the Combined Group.

3 Securities issued under the Distribution Reinvestment Plan.

4 Number of securities at commencement and / or cessation of employment.

5 Mr G E Grady was appointed as an alternate director for Mr TH Chung on 16 December 2008 and resigned on 4 March 2009.

Other Key Management Personnel	Held at 1 July 2008	Purchased	Received on Exercise of Options	Sales	Other[1]	Held at 30 June 2009
D L Guihot	5,140	136,469	–	–	–	**141,609**
S E Stewart	267	99	–	–	24	**390**
E L Delfabbro	8,494	3,034	–	–	–	**11,528**
J M Laboo	910	–	–	–	–	**910**
G E Grady[2]	–	–	–	–	–[3]	**-**
M A Miller	1,978	–	–	–	(1,978)[3]	**-**
J A Smith	2,378	–	–	–	(2,378)[3]	**-**

1 Issued under the Distribution Reinvestment Plan.

2 Mr G E Grady was appointed Chief Operating Officer on 3 March 2009.

3 Number of securities at commencement and / or cessation of employment, net of the Distribution Reinvestment Plan.

29. SHARE-BASED PAYMENTS

(a) Employee Security Plan ('ESP')

A scheme under which shares may be issued by FKP Limited to employees for no cash consideration was approved by a special resolution of Forrester Kurts Properties Limited made on 28 October 1999. The scheme was amended by a resolution of the Board made on 28 February 2001 and further amended by a special resolution of FKP Limited on 29 October 2004 in relation to the stapling of each of the shares in FKP Limited to each of the units in the Property Trust effective from 12 November 2004 and confirmed by a resolution passed at the 2007 AGM. The scheme provides all employees (upon completion of one year's service) the opportunity to be rewarded for their service to the Combined Group by offering them $1,000 worth of FKP securities, at no cost to the employee. Employees may elect not to participate in the scheme.

The Combined Group did not issue any securities to employees pursuant to the ESP during the financial year ended 30 June 2009 (2008: 135,512). The total amount received from employees was nil (2008: nil). As no securities were issued in the current year, there was no expense recognised in the Income Statement during the year (2008: $0.5m).

Whilst there are no stipulated performance hurdles which must be achieved by an employee to be offered securities, the Board has absolute discretion in determining the conditions for participation in the scheme. The scheme has been established as an important incentive to all employees to achieve the Combined Group's strategic objectives and to more closely align their own interests with those of other security holders by owning securities in the Combined Group. Employees are restricted from dealing with securities issued to them pursuant to the ESP for a period which expires on the earlier of three years from the date of issue or their termination of employment with the Combined Group. Directors are not eligible to participate in the ESP.

(b) Security Appreciation Rights Plan ('SARP')

The SARP was established during the year ended 30 June 2005. The SARP is available to employees only. Eligibility to participate in the SARP is determined by the Board based on an employee's ability to influence the future growth and success of the Combined Group. The SARP is intended to provide an incentive to eligible employees to drive continuing improvement in the Combined Group's performance and to more closely align the eligible employee's rewards with the long-term performance of the Combined Group and the performance achieved for security holders.

During the financial year, no Security Appreciation Rights ('SAR') were issued and it is not anticipated that any further issues will be made in the foreseeable future. During the year ended 30 June 2005, 850,000 SAR were issued with effect from 1 July 2005 at a market value of $2.82. At 30 June 2008, 655,000 SAR vested with each SAR entitling the holder to a cash payment equal to the increase in the market value of a security over the three year period ended on 30 June 2008.

The performance criteria for the SAR issued in 2005 was the Total Security Holder Return ('TSR') of the Combined Group over the three year period ended 30 June 2008 compared with the TSR of a comparator group of companies over the same period. All of an employee's SAR vested as the Combined Group's TSR was at least equal to the TSR of the company which was at the 75th percentile of the comparator group of companies, ranked according to their TSR performance.

The vesting market price of each SAR was $4.90 at 30 June 2008. Each SAR holder was entitled to a cash payment of $2.08 per SAR held as at 30 June 2008. The total amount expensed over the course of the vesting period was $1.4m. This liability to employees was paid during September 2008.

(c) Employee Option Plan ('EOP')

The EOP was established with the approval of a special resolution of FKP Limited made on 28 October 1999, amended by a special resolution of FKP Limited made on 29 October 2004 in relation to the stapling of each of the shares in FKP Limited to each of the units in the Property Trust effective from 12 November 2004 and confirmed by a resolution passed at the 2007 AGM. In accordance with the provisions of the EOP, executives and key employees are invited to participate in the plan based on their ability to influence the future growth and success of the Combined Group.

Each employee security option converts into one ordinary security of the Combined Group on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to distributions or voting rights. Options may be exercised at any time from the exercise date to the date of expiry.

29. SHARE-BASED PAYMENTS CONTINUED

(c) Employee Option Plan ('EOP') continued

During and since the end of the financial year, nil options (2008: 9,959,853 options) were granted to employees as part of their remuneration. Two tranches of options were granted during the prior year. Details of unissued securities or interests under option as at year end:

Tranches	Grant Date	Expiry Date	Number of Options Granted	Number of Options remaining on Issue	Exercise Price[4]	Exercise Date	Fair Value at Grant Date
(1) – Staff Issue – September 2006	1/09/06[1]	31/08/10	2,980,000	2,170,000	$5.09	1/09/09	$1.25
(2) – Staff Issue – May 2007	1/05/07[3]	30/04/11	170,000	20,000	$7.08	1/05/10	$1.35
(3) – Staff Issue – September 2007	26/09/07[1]	31/08/11	4,959,853	3,599,378	$6.73	1/09/10	$1.19
(4) – Managing Director and Chief Executive Officer	30/11/07[2]	30/06/12	5,000,000	5,000,000[5]	$7.05	1/09/10	$1.19

1 Options granted as part of the employee's total remuneration package. There are no market conditions relating to these options as these tranches were designed to act as a retention mechanism for employees, taking into account the performance of the employee and the need for the Combined Group to retain key talent.

2 Options granted to the Managing Director and Chief Executive Officer act as a long-term incentive and are not subject to any market conditions.

3 Options granted are subject to a performance condition relating to the TSR over the performance period. At the end of the performance period, all options will vest if the Combined Group's TSR is in the top 75th percentile of comparator group competitors. No options will vest if the TSR is less than the 50th percentile of comparator group companies. Fifty percent of the options will vest if the Combined Group's TSR is equal to or greater than the TSR of the comparator company ranked at the 50.1 percentile and the percentage of options that vest will increase on a straight-line basis for the Combined Group's TSR performance between that of the comparator group company at the 50.1 percentile and the 75th percentile.

4 Following the completion of the Entitlement Offer announced on 25 June 2009, the exercise price of all options decreased by $0.27 in accordance with ASX Listing Rule 6.22.2. The reduced exercise prices are effective from 1 September 2009.

5 In August 2009, subsequent to year end, these options were cancelled for nil consideration.

The fair value of services received in return for security options granted is based on the fair value of security options granted. The weighed average fair value of the security options granted during the prior year was $1.37. Options were priced using the binomial options pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. To allow for the effects of early exercise, it was assumed that employees would exercise the options midway through the vesting period. The volatility used in the binominal options pricing model was determined by the historical volatility of the market price of securities and the mean reversion tendency of volatilities.

Inputs into Pricing Model	Tranche 1	Tranche 2	Tranche 3	Tranche 4[1]
Grant date security price	$5.65	$7.00	$6.65	$7.30
Exercise price[2]	$5.09	$7.08	$6.73	$7.05
Expected volatility	30.0%	30.0%	27.0%	27.0%
Option life	3.4yrs	2.9yrs	3.4yrs	3.8yrs
Dividend yield	5.6%	5.6%	5.1%	4.7%
Risk-free interest rate	5.6%	5.6%	6.33%	6.27%

1 In August 2009, subsequent to year end, these options were cancelled for nil consideration.

2 Following the completion of the Entitlement Offer announced on 25 June 2009, the exercise price of options issued under tranches 1 through 3 decreased by $0.27 to $4.82, $6.81 and $6.46, respectively, in accordance with ASX Listing Rule 6.22.2. These exercise prices are effective from 1 September 2009.

No options have been granted or vested since the end of the financial year. The total expense recognised in the Income Statement during the year was $2.7m (2008: $3.3m). During the reporting period, no securities were issued on the exercise of options previously granted as remuneration.

The following table illustrates the number and movements in security options during the year:

2009	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Outstanding at beginning of year	**2,610,000**	**70,000**	**4,501,675**	**5,000,000**
Forfeited during the year	**(440,000)**	**(50,000)**	**(902,297)**	**-**
Outstanding at End of Year	**2,170,000**	**20,000**	**3,599,378**	**5,000,000**

2008	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Outstanding at beginning of year	2,980,000	170,000	–	–
Granted during the year	–	–	4,959,853	5,000,000
Forfeited during the year	(370,000)	(100,000)	(458,178)	–
Outstanding at End of Year	2,610,000	70,000	4,501,675	5,000,000

30. RELATED PARTY TRANSACTIONS

(a) Parent Entity

FKP Limited is the Parent Entity within the Combined Group.

(b) Subsidiaries

Interest in subsidiaries is set out in Note 32.

(c) Key Management Personnel

Disclosures relating to Key Management Personnel are set out in Note 28.

(d) Loans to Parent Entity from the Property Trust

FKP Funds Management Limited as the Responsible Entity for the Property Trust has entered into a loan agreement with the Parent Entity to make available a $500.0m loan facility. Interest is payable quarterly at the rate of the prevailing 90 day bank bill swap reference rate plus a margin of 3.5%. Details of movements in the loan are as follows:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Balance at beginning of year	**-**	–	**181.4**	253.0	**-**	–	**-**	–
Loans advanced	**-**	–	**85.3**	16.4	**-**	–	**-**	–
Loan repayments made	**-**	–	**(146.7)**	(108.8)	**-**	–	**-**	–
Interest charged	**-**	–	**16.5**	20.8	**-**	–	**-**	–
Balance at End of Year	**-**	–	**136.5**	181.4	**-**	–	**-**	–

(e) Loans from the Property Trust to Entities within the Combined Group

FKP Funds Management Limited as the Responsible Entity for the Property Trust has entered into a loan agreement with the Parent Entity to make available a $500.0m loan facility. Interest is payable quarterly at the rate of the prevailing 90 day bank bill swap reference rate plus a margin of 3.5%. Details of movements in the loan are as follows:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Balance at beginning of year	**-**	–	**-**	–	**181.4**	253.0	**181.4**	253.0
Loans advanced	**-**	–	**-**	–	**85.3**	16.4	**85.3**	16.4
Loan repayments made	**-**	–	**-**	–	**(146.7)**	(108.8)	**(146.7)**	(108.8)
Interest charged	**-**	–	**-**	–	**16.5**	20.8	**16.5**	20.8
Balance at End of Year	**-**	–	**-**	–	**136.5**	181.4	**136.5**	181.4

(f) Loans from Equity-Accounted Investments

The Parent Entity has borrowed $60.0m from the equity-accounted investment Mulpha FKP Pty Ltd. During the year, the Parent Entity repaid $30.0m. The interest rate is based on the Westpac base rate plus 60 basis points. Details of movements in the loan are as follows:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Balance at beginning of year	**60.0**	60.0	**60.0**	60.0	**-**	–	**-**	–
Loan repayments made	**(32.9)**	(4.6)	**(32.9)**	(4.6)	**-**	–	**-**	–
Interest charged	**2.9**	4.6	**2.9**	4.6	**-**	–	**-**	–
Balance at End of Year	**30.0**	60.0	**30.0**	60.0	**-**	–	**-**	–

30. RELATED PARTY TRANSACTIONS CONTINUED

(g) Loans to Equity-Accounted Investments

The Parent Entity had a loan to Retirement Villages New Zealand Limited, a subsidiary of the equity-accounted associate, Retirement Villages Group, of $47.7m at 30 June 2007. The interest rate applicable to the receivable was 10.0%. During the prior year the receivable was converted to stapled securities in Retirement Villages Group.

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Balance at beginning of year	**-**	47.7	**-**	47.7	**-**	–	**-**	–
Conversion of loan	**-**	(45.4)	**-**	(45.4)	**-**	–	**-**	–
Interest charged	**-**	1.3	**-**	1.3	**-**	–	**-**	–
Foreign exchange loss	**-**	(3.6)	**-**	(3.6)	**-**	–	**-**	–
Balance at End of Year	**-**	–	**-**	–	**-**	–	**-**	–

The Combined Group has a loan to the equity-accounted investment Carrum Downs JV Pty Ltd of $6.9m ($2.7m after an allowance for impairment). Interest is payable quarterly at the rate of the prevailing 90 day bank bill swap reference rate plus a margin of 2.0%. Details of movements in the loan are as follows:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Balance at beginning of year	**6.8**	7.3	**-**	–	**-**	–	**-**	–
Loans advanced	**0.4**	12.0	**-**	–	**-**	–	**-**	–
Loan repayments made	**(0.8)**	(13.0)	**-**	–	**-**	–	**-**	–
Interest charged	**0.5**	0.5	**-**	–	**-**	–	**-**	–
Impairment	**(4.2)**	–	**-**	–	**-**	–	**-**	–
Balance at End of Year	**2.7**	6.8	**-**	–	**-**	–	**-**	–

The Combined Group has a loan to the equity-accounted investment Big Hepher JV Pty Ltd of $6.6m ($3.5m after an allowance for impairment). Interest is payable quarterly at the rate of the prevailing 90 day bank bill swap reference rate plus a margin of 2.0%. Details of movements in the loan are as follows:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Balance at beginning of year	**6.1**	5.0	**-**	–	**-**	–	**-**	–
Loans advanced	**-**	0.6	**-**	–	**-**	–	**-**	–
Interest charged	**0.5**	0.5	**-**	–	**-**	–	**-**	–
Impairment	**(3.1)**	–	**-**	–	**-**	–	**-**	–
Balance at End of Year	**3.5**	6.1	**-**	–	**-**	–	**-**	–

The Combined Group has a loan to the equity-accounted investment Formica Pty Ltd of $7.3m ($4.8m after an allowance for impairment). The interest rate applicable to the receivable is 7.8%. The facility expires on project completion. Details of movements in the loan are as follows:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Balance at beginning of year	**5.6**	11.1	**-**	–	**-**	–	**-**	–
Loans advanced	**1.2**	0.3	**-**	–	**-**	–	**-**	–
Loan repayments made	**-**	(6.4)	**-**	–	**-**	–	**-**	–
Interest charged	**0.5**	0.6	**-**	–	**-**	–	**-**	–
Impairment	**(2.5)**	–	**-**	–	**-**	–	**-**	–
Balance at End of Year	**4.8**	5.6	**-**	–	**-**	–	**-**	–

30. RELATED PARTY TRANSACTIONS CONTINUED

(h) Other Transactions with Related Parties

The following transactions occurred with related parties:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Sales Revenue:								
Joint Ventures	**11.9**	28.5	**-**	–	**-**	–	**-**	–
Cost of Sales:								
Joint Ventures	**10.8**	23.1	**-**	–	**-**	–	**-**	–
Rendering of Services:								
Associates	**6.2**	3.9	**-**	–	**-**	–	**-**	–
Entities within the Combined Group	**-**	–	**-**	–	**1.7**	–	**1.7**	–
Other Revenue:								
Interest received:								
Entities within the Combined Group	**-**	–	**51.7**	41.0	**16.5**	20.8	**17.9**	22.1
Associates	**1.5**	2.9	**2.2**	1.5	**-**	–	**-**	–
Dividend/Distribution revenue:								
Wholly-owned subsidiaries	**-**	–	**-**	–	**-**	–	**6.7**	3.1
Associates	**-**	–	**0.1**	4.3	**0.1**	0.1	**1.6**	1.8
Management fees received:								
Associates	**14.0**	14.5	**1.0**	3.6	**-**	–	**-**	–
Finance fees received:								
Associates	**-**	1.0	**-**	1.0	**-**	–	**-**	–
Net gain or loss on disposal of investments:								
Associates	**-**	1.3	**-**	1.3	**-**	–	**-**	–
Administration Expenses:								
Loan forgiveness:								
Forgiveness of Managing Director loan	**-**	0.4	**-**	0.4	**-**	–	**-**	–
Management fees paid:								
Responsible Entity	**-**	–	**-**	–	**0.8**	0.4	**0.8**	0.4
Finance Costs:								
Interest paid:								
Entities within the Combined Group	**-**	–	**16.5**	20.8	**-**	–	**-**	–
Associates	**3.3**	4.6	**3.3**	4.6	**-**	–	**-**	–

Reinvestment of PSA Fees with RVG

In November 2008, the Parent Entity committed to reinvest $50.3 million, in present value terms, of the fees payable to it under the Property Services Agreement ('PSA') with Retirement Villages Group (RVG) from 1 July 2008. The Parent Entity has until 31 March 2017 to complete this commitment. Under the commitment 99.1 million partly paid RVG stapled securities were issued to the Parent Entity on 9 April 2008 at an issue price of $0.000001 each. On 30 June 2009, PSA fees for the period 1 July 2008 to 31 March 2009 of $8.7 million were paid by RVG to the Parent Entity and the proceeds applied to pay up 14.5 million partly paid securities.

30. RELATED PARTY TRANSACTIONS CONTINUED

(h) Other Transactions with Related Parties continued

Syndicate Put and Call Options

The Syndicate Deeds for the Cleveland and Clayfield Syndicates contain put and call options under which each investor has the right to require the Combined Group to buy, and the Combined Group 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 shares held by it. The price payable by the Combined Group 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 5.0% 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 Combined Group 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 Combined Group are only exercisable after the sale of 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 Combined Group itself) in each syndicate and the price payable by the Combined Group 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 Combined Group will be adjusted for GST if applicable.

31. AUDITOR'S REMUNERATION

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Audit of the Combined Group:								
PKF Chartered Accountants:								
Audit and review of Financial Reports of the Combined Group	**444,250**	450,140	**352,250**	376,140	**-**	–	**-**	–
	444,250	450,140	**352,250**	376,140	**-**	–	**-**	–
Non-Audit Services:								
PKF Chartered Accountants:								
Agreed-upon procedures reports	**-**	18,000	**-**	18,000	**-**	–	**-**	–
Other assurance services	**36,615**	6,700	**36,615**	6,700	**-**	–	**-**	–
PKF Corporate Advisory (East Coast) Pty Ltd:								
Due diligence and Investigating Accountant's Reports	**395,000**	–	**395,000**	–	**-**	–	**-**	–
	431,615	24,700	**431,615**	24,700	**-**	–	**-**	–

32. CONTROLLED ENTITIES

(a) Parent Entity

All of the following entities are incorporated / formed in Australia with the exception of FKP Real Estate NZ Pty Ltd which is incorporated in New Zealand. The Parent Entity is FKP Limited. The Property Trust units are stapled to the shares of the Parent Entity.

Albion Flour Mill Pty Ltd
ARH Leisure Services Pty Ltd
Australian Retirement Homes (No. 2) Pty Ltd
Australian Retirement Homes (Sales and Marketing) Pty Ltd
Australian Retirement Homes Limited
Aust-Wide Mini Storage Pty Ltd
B/P Asset Pty Ltd
B/P Land Pty Ltd
B/P Sub Land Pty Ltd
Carmist Pty Ltd
Cleveland Gardens Pty Ltd
Cloudland Village Pty Ltd
Data Plan Pty Ltd
Data Plan Unit Trust
Esplanade Unit Trust[1]
Evo-Con Pty Ltd
Evo-Con Victoria Pty Ltd
Extra Care Services Pty Ltd
FKP American Holdings Pty Ltd
FKP Ann Street Pty Ltd
FKP Commercial Developments Pty Ltd
FKP Communities Pty Ltd
FKP Constructions Pty Ltd
FKP Core Plus Two Pty Ltd
FKP Developments Pty Ltd
FKP Funds Management Limited
FKP Golden Key Pty Ltd
FKP Group Superannuation Fund Pty Ltd
FKP Holdings Pty Ltd
FKP Lifestyle (Australia) Pty Ltd
FKP Lifestyle (Development) Pty Ltd
FKP Lifestyle (Real Estate) Pty Ltd
FKP Lifestyle Pty Ltd
FKP Mackay Turf Farm No.2 Pty Ltd
FKP Maitland Developments Pty Ltd
FKP Maitland Properties Pty Ltd
FKP Marina Pty Ltd
FKP Overseas Holdings Pty Ltd
FKP PIP Pty Ltd
FKP Queen Street Pty Ltd
FKP Real Estate NZ Pty Ltd
FKP Real Estate Pty Ltd
FKP Residential Developments Pty Ltd
FKP Retirement Village Trust No. 1
FKP RV Finance Pty Ltd
FKP Securities Pty Ltd[1]
FKP Unitholder Mackay Turf Farm Trust
Flower Roof Pty Ltd
Forest Place Clayfield Pty Ltd[2]
Forest Place Group Limited[2]
Forest Place Management Limited[2]
Forest Place Pty Ltd[2]
Forest Place Unit Trust[2]
FP Asset Holdings (No. 2) Pty Ltd[2]
FP Asset Holdings Pty Ltd[2]
FP Investments Pty Ltd
FPGSF Property Pty Ltd
Home Finance Pty Ltd
Lindsay Gardens Management Pty Ltd
North Shore Retirement Villages Pty Ltd
North Shore Retirement Villages Trust
Ntonio Pty Ltd
Peregian Springs Golf Holdings Limited[3]
Peregian Springs Shopping Centre Pty Ltd
Ridgewood Estates Pty Ltd
River Kat Pty Ltd
Skeyer Developments Pty Ltd
SPV Sydney Pty Ltd
Starwisp Pty Ltd
Tasmanian Retirement Living Management Pty Ltd
The Domain Retirement Country Club Pty Ltd

Except where shown, the investments in Controlled Entities are held in ordinary securities and are wholly-owned.

1 No equity held in this entity but all the beneficial rights are attributable to the Combined Group.
2 Represents entities in the Forest Place Group owned 85.28% by the Parent Entity.
3 Owned 55% by the Parent Entity.

(b) Property Trust

All of the following entities are formed in Australia. The head entity within the Consolidated Property Trust is Property Trust, units in which are stapled to the shares of the Parent Entity, FKP Limited. The Property Trust owns 100% of the units in the following sub-trusts:

B/P Asset Trust
B/P Land Trust
B/P Sub Land Trust
FKP Commercial Property Trust No.2
FKP Commercial Property Trust No.3
FKP Core Plus Two Access Trust[1]
FKP PIP (EA) Trust
Lexington II Trust
PIP No. 3 Trust
Peregian Springs Shopping Centre Trust
SPV Sydney Property Trust
Vero Tower Trust

1 Owned 97.9% by the Property Trust.

33. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Cash on hand and at bank	**13.5**	18.9	**-**	–	**3.4**	4.1	**1.0**	3.5
Bank overdraft	**(6.1)**	(5.6)	**(6.1)**	(5.5)	**-**	–	**-**	–
Total Cash	**7.4**	13.3	**(6.1)**	(5.5)	**3.4**	4.1	**1.0**	3.5

(b) Financing Facilities Available

Financing facilities available are detailed in Note 17 'Interest Bearing Loans and Borrowings'.

33. NOTES TO THE CASH FLOW STATEMENT CONTINUED

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

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Operating profit/(loss) after income tax	**(318.7)**	149.7	**(72.0)**	(35.0)	**(51.4)**	14.6	**(47.4)**	15.8
Add/(less) non-cash items:								
Depreciation	**3.3**	2.0	**2.1**	1.0	**-**	–	**-**	–
Amortisation – leased assets	**1.1**	1.2	**0.9**	1.0	**-**	–	**-**	–
Amortisation – intangibles / lease incentives	**1.0**	0.4	**-**	–	**0.7**	–	**0.7**	–
Interest receivable	**-**	–	**(53.9)**	–	**(16.5)**	–	**(17.9)**	–
Gain on foreign exchange translation	**-**	(2.4)	**-**	(2.5)	**-**	–	**-**	–
Share of (profits)/loss of associates	**86.3**	(11.6)	**-**	–	**6.7**	(2.7)	**-**	–
Change in fair value of resident loans	**51.2**	75.0	**-**	–	**-**	–	**-**	–
Change in fair value of investment properties	**47.9**	(244.4)	**-**	–	**69.1**	13.6	**26.1**	11.1
Change in fair value of available-for-sale financial assets	**22.3**	(0.9)	**-**	–	**-**	–	**-**	–
Change in fair value of financial assets (derivatives)	**26.0**	(3.4)	**25.4**	(3.4)	**0.6**	–	**0.4**	–
Impairment of property, plant and equipment and other assets	**2.5**	0.8	**-**	–	**-**	–	**-**	–
Inventory write-down to net realisable value	**130.5**	10.4	**-**	–	**-**	–	**-**	–
Impairment of receivables	**32.2**	–	**6.9**	–	**1.5**	–	**49.0**	–
Securities/options issued to employees	**2.8**	3.6	**2.8**	3.6	**-**	–	**-**	–
Losses/(gains) on sale of plant and equipment	**-**	–	**-**	–	**-**	–	**-**	–
Losses/(gains) on sale of investments	**-**	(1.3)	**-**	(1.6)	**-**	–	**-**	–
Change in assets and liabilities:								
Decrease/(increase) in receivables:								
Trade receivables	**16.7**	17.9	**(2.5)**	3.0	**(0.5)**	(1.2)	**(0.1)**	(3.9)
Non-trade – other	**-**	0.7	**-**	249.5	**-**	–	**0.9**	–
Decrease/(increase) in inventories	**58.9**	(140.0)	**-**	–	**-**	–	**-**	–
Decrease/(increase) in other assets	**(0.6)**	1.8	**4.5**	(4.2)	**1.4**	0.3	**-**	1.0
Decrease/(increase) in other non-current receivables	**7.6**	–	**2.6**	–	**-**	–	**-**	–
Decrease/(increase) in deferred tax assets	**(67.6)**	(4.7)	**(25.1)**	(3.3)	**-**	–	**-**	–
Increase/(decrease) in accounts payable:								
Payables	**(21.3)**	(2.0)	**0.8**	4.7	**(21.3)**	(0.7)	**-**	(2.6)
Unearned income	**23.0**	42.7	**(0.2)**	–	**1.2**	–	**-**	
Increase/(decrease) in other accruals	**-**	1.2	**1.1**	0.6	**-**	–	**-**	–
Increase/(decrease) in income taxes payable	**0.3**	7.2	**4.2**	4.4	**-**	–	**-**	–
Increase/(decrease) in provision for deferred tax liabilities	**(36.0)**	48.7	**(8.0)**	(10.6)	**-**	–	**-**	–
Increase/(decrease) in other provisions:								
Employee entitlements	**1.0**	1.6	**2.1**	0.8	**-**	–	**-**	–
Other	**-**	–	**-**	0.1	**-**	–	**-**	–
GST clearing	**4.5**	(4.5)	**3.9**	2.3	**0.3**	0.1	**(0.3)**	0.1
Dividends received	**0.8**	9.3	**-**	–	**1.7**	1.8	**(6.7)**	–
Profit and loss items treated as financing cashflows	**38.9**	47.2	**61.5**	70.4	**9.4**	14.0	**5.8**	10.6
Net Cash Provided By/(Used In) Operating Activities	**114.6**	6.2	**(42.9)**	280.8	**2.9**	39.8	**10.5**	32.1

(d) Non-Cash Financing and Investment Activities

During the year the Combined Group reinvested $10.7m via a Distribution Reinvestment Plan. During the year the Property Trust invested $4.4m in a controlled entity via a loan.

The above transactions have not been reflected in the Cash Flow Statement.

(e) Restrictions on Amount of Cash

Amounts of cash not available to the Combined Group for use are $2.4m (2008: $2.0m).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Combined Group's principal financial instruments comprise receivables, payables, bank loans, resident loans, financial assets at fair value through profit and loss, finance leases, available-for-sale investments, cash and short-term deposits, syndicate rights, syndicate put options and derivatives.

Day to day responsibility for identification and control of financial risks rests with Treasury and the Chief Financial Officer under the authority of the Board. The Board reviews material matters in respect of each of the risks identified below. The Combined Group generally does not enter into financial transactions for the purpose of short-term trading.

The Combined Group seeks to manage its exposure to key financial risks with the primary objective of supporting the delivery of the Combined Group's financial targets whilst protecting future financial security.

The main risks arising from the Combined Group's financial instruments are interest rate risk, foreign currency risk, price risk and credit risk. The Combined Group uses different methods to measure and mitigate different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk.

(a) Interest Rate Risk

Interest rate risk is the potential negative impact that changes in interest rates have on the Combined Group's income or the value of its obligations. The Combined Group's exposure to market interest rates relates primarily to the Combined Group's bank debt obligations. The level of debt is disclosed in Note 17.

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

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Financial Assets								
Cash assets	**13.5**	18.6	**-**	–	**3.4**	4.1	**1.0**	3.5
Receivables	**28.4**	40.2	**0.5**	0.3	**136.5**	181.5	**136.5**	181.4
	41.9	58.8	**0.5**	0.3	**139.9**	185.6	**137.5**	184.9
Financial Liabilities								
Bank overdraft	**6.1**	5.6	**6.1**	5.5	**-**	–	**-**	–
Bank loans	**1,110.3**	1,152.7	**350.7**	347.3	**201.5**	221.9	**124.0**	143.5
Loan from Property Trust to FKP	**-**	–	**136.5**	181.4	**-**	–	**-**	–
Loan from associate	**30.0**	60.0	**30.0**	60.0	**-**	–	**-**	–
	1,146.4	1,218.3	**523.3**	594.2	**201.5**	221.9	**124.0**	143.5

Interest rate swap liabilities outlined in Note 35, with a fair value for the Combined Group of $22.6m (2008: $3.4m – asset), Parent Entity of $22.0m (2008: $3.4m – asset), Consolidated Property Trust of $0.6m (2008: $nil), and Property Trust of $0.4m (2008: $nil) are exposed to fair value movements due to interest rate changes.

The Combined Group manages its finance costs using a mix of fixed and variable rate debt.

The Combined Group does not maintain a fixed minimum or maximum proportion of borrowings that should be at fixed rates as market conditions and pricing are subject to continuous change. Borrowings are carried at amortised cost and it is acknowledged that fair value exposure is a by-product of the Combined Group's attempt to manage its cash flow volatility arising from interest rate changes. The Combined Group manages the fixed rate portfolio through entering into fixed rate loan agreements or derivative instruments (primarily interest rate swaps), in which the Combined Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations of the Combined Group. At 30 June 2009, after taking into account the effect of interest rate swaps, approximately 66% of the Combined Group's borrowings are at a fixed rate of interest. The level of fixed rate borrowings has been advised to investors since February 2009. Refer to Note 35 for further details about interest rate swaps.

The Combined Group constantly analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

Interest rates over the 12 month period were analysed and a 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 Combined Group uses interest rate swaps, including swaptions, in managing its overall interest rate exposure. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES CONTINUED

(a) Interest Rate Risk continued

At 30 June 2009, 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)	
	2009 $m	2008 $m	2009 $m	2008 $m
Combined Group				
+0.75% (75 basis points)	**(5.8)**	(6.1)	**(5.8)**	(6.1)
-0.75% (75 basis points)	**5.8**	6.1	**5.8**	6.1
Parent Entity				
+0.75% (75 basis points)	**(2.7)**	(3.1)	**(2.7)**	(3.1)
-0.75% (75 basis points)	**2.7**	3.1	**2.7**	3.1
Consolidated Property Trust				
+0.75% (75 basis points)	**(0.5)**	(0.3)	**(0.5)**	(0.3)
-0.75% (75 basis points)	**0.5**	0.3	**0.5**	0.3
Property Trust				
+0.75% (75 basis points)	**0.1**	0.3	**0.1**	0.3
-0.75% (75 basis points)	**(0.1)**	(0.3)	**(0.1)**	(0.3)

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances, as well as increases/decreases in the fair value of derivative instruments designated as cash flow hedges. As all of the Combined Group's cash flow hedges are deemed ineffective, all changes in fair value are taken directly to profit and loss. The amount taken to the profit and loss for the year for the Combined Group is ($26.0m) (2008: $3.4m), Parent Entity is ($25.4m) (2008: $3.4m), Consolidated Property Trust ($0.6m) (2008: $nil) and for the Property Trust ($0.4m) (2008: $nil).

(b) Foreign Currency Risk

Foreign currency risk arises as a result of having assets/cashflows denominated in a currency other than the home currency in which they are reported. The Combined Group manages its direct exposure to foreign currency risk by denominating its borrowings in the same currency to which its assets/cashflows are denominated, to the extent possible. The Combined Group's investment in the senior living facilities in the United States have been transacted under this approach. The Combined Group early adopted Interpretation 16 "Hedges of a Net Investment in a Foreign Operation' for the hedge of the investment in the US Senior Living Tenant Trust and the US Senior Living Property Trust against a US dollar denominated loan. This US dollar denominated loan was repaid prior to year end.

At 30 June 2009, the Combined Group had the following exposure to foreign currency that is not designated in cash flow hedges:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Financial Assets								
Held for trading: marketable securities (HK dollar)	**-**	23.1	**-**	–	**-**	–	**-**	–
	-	23.1	**-**	–	**-**	–	**-**	–
Financial Liabilities								
Bank loans (HK dollar)	**-**	22.2	**-**	–	**-**	–	**-**	–
Bank loans (US dollar)	**-**	24.5	**-**	24.5	**-**	–	**-**	–
	-	46.7	**-**	24.5	**-**	–	**-**	–

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date. At 30 June 2009, the Combined Group had no exposure to foreign currency risk. In the prior year the sensitivity was determined by analysing the movement over the previous 10 years of the Hong Kong dollar ('HKD') and US dollar ('USD') against the Australian dollar ('AUD') using the RBA statistics database. The sensitivity analysis included only outstanding foreign currency denominated monetary items adjusted for a 15% change in HKD rates and 10% change in USD rates. A positive number indicated an increase in profit or loss and equity where the Australian dollar strengthens against the respective currency. A weakening of the Australian dollar against the respective currency gave an equal and opposite impact on profit and equity, giving negative balances.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES CONTINUED

(b) Foreign Currency Risk continued

At 30 June 2009, had the Australian dollar 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)	
	2009 $m	2008 $m	2009 $m	2008 $m
Combined Group				
AUD/HK dollar +15%	-	0.1	-	0.1
AUD/HK dollar -15%	-	(0.1)	-	(0.1)
AUD/US dollar +10%	-	(1.7)	-	(1.7)
AUD/US dollar -10%	-	1.7	-	1.7
Parent Entity				
AUD/US dollar +10%	-	(1.7)	-	(1.7)
AUD/US dollar -10%	-	1.7	-	1.7

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

(c) Price Risk

The Combined Group's exposure to equity securities in the prior period arose from an investment in one listed company, Tian An, (Hong Kong Stock Exchange) and an investment in an unlisted property trust, FKP Commercial Property Trust No.1. The Combined Group does not have a formal policy for investments which are subject to market conditions and price fluctuations given they are immaterial in the context of the Combined Group's asset base, instead the Combined Group prefers to actively monitor the underlying investment. At 30 June 2009, the Combined Group had the following exposure to price risk:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Financial Assets								
Held for Trading: Marketable Securities	-	23.1	-	–	-	–	-	–
Available-for-Sale Investments	-	3.4	-	3.4	-	–	-	–
	-	26.5	-	3.4	-	–	-	–

In the prior year, a sensitivity of 15% for marketable securities was determined by the average increase growth in the Hong Kong Stock Exchange over the previous five years. A 10% sensitivity for the unlisted property trust was used as this was the forecast return per the trust's Product Disclosure Statement. Both of these assets were disposed of prior to 30 June 2009.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES CONTINUED

(b) Foreign Currency Risk continued

At 30 June 2009, the movement in equity securities price risk, 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)	
	2009 $m	2008 $m	2009 $m	2008 $m
Combined Group				
Held for Trading: Marketable Securities +15%	-	2.4	-	2.4
Held for Trading: Marketable Securities -15%	-	(2.4)	-	(2.4)
Available-for-Sale Investments +10%	-	–	-	0.2
Available-for-Sale Investments -10%	-	–	-	(0.2)
Parent Entity				
Available-for-Sale Investments +10%	-	–	-	0.2
Available-for-Sale Investments -10%	-	–	-	(0.2)

(d) Credit Risk

Credit risk is the risk of financial loss to the Combined Group if a customer or counterparty to a financial instrument fails to meet contractual obligations.

Credit risk arises from the financial assets of the Combined Group, which comprise cash and cash equivalents, trade and other receivables, available-for-sale financial assets, financial assets at fair value through profit and loss and derivative instruments. The Combined Group'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 to the Financial Statements.

It is the Combined Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored. For third parties with extended term debt, credit checks are gained and in some instances the receivable is secured by registered mortgage. Details of extended term trade receivables are outlined in Note 7.

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

The Combined Group is also exposed to credit risk by virtue of the contractual obligations arising from the interest rate swaps it has entered into. The Combined Group trades only with recognised, creditworthy third parties, as policy requires that counterparties hold a minimum credit rating with Standard and Poor's of at least A- (long-term). Whilst the concentration of credit risk rests mainly with two of the largest financial institutions, this risk is mitigated by the Standard and Poor's AA rating awarded to those institutions, well above the standard required under the Combined Group's policy.

The granting of financial guarantees also exposes the Combined Group 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.

Management determines concentrations of credit risk through ongoing credit evaluation on the financial condition of receivables.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES CONTINUED

(e) Liquidity Risk

The Combined Group's objective is to achieve continuity of funding and flexibility through the use of bank overdrafts, bank loans, put options, finance leases and committed available credit lines, in addition to other sources.

The Combined Group regularly reviews existing funding lines and assesses future requirements based upon known and forecast information provided by each of the business units. This assists flexibility by matching profiles of short-term investments with cash flow requirements and also assists in timing the negotiation of credit facilities.

At 30 June 2009, $172.0m of the Combined Group's debt facilities will mature in less than one year (2008: $14.7m).

The table below reflects the contractual maturity of our fixed and floating rate financial liabilities and derivatives. For derivative financial instruments the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming financial years are presented. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2009.

The remaining contractual maturities of the financial liabilities are:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
6 months or less[1]	**324.2**	170.4	**138.2**	86.2	**19.6**	39.9	**17.2**	2.1
6-12 months[1]	**1,092.5**	1,042.5	**17.9**	16.9	**-**	–	**-**	–
1-2 years	**428.7**	496.3	**170.5**	514.9	**-**	74.6	**-**	10.9
2-5 years	**598.8**	692.1	**254.7**	–	**186.5**	132.6	**109.0**	132.6
Over 5 years	–	3.0	–	–	–	–	–	–
	2,444.2	2,404.3	**581.3**	618.0	**206.1**	247.1	**126.2**	145.6

Maturity analysis of financial liabilities based on contractual maturities:

	≤ 6 months $m	6-12 months $m	1-2 years $m	2-5 years $m	5 years $m	Total $m
Combined Group						
Financial Liabilities						
Payables	90.7	–	10.0	30.0	–	130.7
Resident loans[1]	43.9	1,088.1	–	–	–	1,132.0
Bank overdraft	6.1	–	–	–	–	6.1
Bank loans	172.0	–	375.0	567.1	–	1,114.1
Other loans	5.8	0.6	30.0	–	–	36.4
Finance leases	0.1	0.2	0.1	–	–	0.4
Interest rate swaps	5.0	2.9	13.0	1.7	–	22.6
Syndicate put options	0.6	0.7	0.6	–	–	1.9
	324.2	**1,092.5**	**428.7**	**598.8**	**-**	**2,444.2**

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 Combined Group'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 Combined Group's best estimate is that of the total Resident Loans of $1,132.0m, only $87.8m is expected to be paid within the next 12 months.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES CONTINUED

(e) Liquidity Risk continued

	≤ 6 months $m	6-12 months $m	1-2 years $m	2-5 years $m	5 years $m	Total $m
Parent Entity						
Financial Liabilities						
Payables	26.5	–	5.9	–	–	32.4
Bank overdraft	6.1	–	–	–	–	6.1
Bank loans	100.6	–	–	253.0	–	353.6
Owing to a controlled entity	–	15.0	121.5	–	–	136.5
Loan to associate	–	–	30.0	–	–	30.0
Finance leases	–	–	0.1	–	–	0.1
Interest rate swaps	5.0	2.9	13.0	1.7	–	22.6
	138.2	**17.9**	**170.5**	**254.7**	**-**	**581.3**
Consolidated Property Trust						
Financial Liabilities						
Payables	4.0	–	–	–	–	4.0
Bank loans	15.0	–	–	186.5	–	201.5
Interest rate swaps	0.6	–	–	–	–	0.6
	19.6	**-**	**-**	**186.5**	**-**	**206.1**
Property Trust						
Financial Liabilities						
Payables	1.8	–	–	–	–	1.8
Bank loans	15.0	–	–	109.0	–	124.0
Interest rate swaps	0.4	–	–	–	–	0.4
	17.2	**-**	**-**	**109.0**	**-**	**126.2**

(f) Fair Value

The carrying amount of the Combined Group'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. Resident Loans are measured at the principal amount less any unearned income, plus the residents' share of any increase in the market value of the underlying property at balance date.

(g) Hedge of a Net Investment in a Foreign Operation

During the year, a loan denominated in United States dollars was designated as a hedge of the net investment in the US Senior Living Property Trust and the US Senior Living Tenant Trust. The loan was being used to hedge the Combined Group's exposure to changes in exchange rates on the value of its net investment in these United States dollar denominated trusts. Gains or losses on the translation of this borrowing are transferred to equity to offset any gains or losses on translation of the net investments in these trusts. The loan was converted to Australian dollars in June 2009 and therefore $4.8m remains in the Foreign Currency Reserve relating to this hedge. There has been no hedge ineffectiveness recognised in the Income Statement.

35. DERIVATIVE FINANCIAL INSTRUMENTS

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
Financial Asset								
Interest rate swap contracts (current)	**-**	3.4	**-**	3.4	**-**	–	**-**	–
Financial Liabilities								
Interest rate swap contracts (current)	**7.9**	–	**7.3**	–	**0.6**	–	**0.4**	–
Interest rate swap contracts (non-current)	**14.7**	–	**14.7**	–	**-**	–	**-**	–
Total Financial Liabilities	**22.6**	–	**22.0**	–	**0.6**	–	**0.4**	–

Derivative financial instruments are used by the Combined Group during the normal course of business in order to hedge exposure to interest rates.

(a) Interest Rate Swaps – Cash Flow Hedges

At 30 June 2009, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m	2009 $m	2008 $m
0-1 years	**343.7**	208.4	**280.0**	130.0	**143.7**	78.4	**80.0**	–
1-2 years	**350.0**	175.0	**350.0**	175.0	**-**	–	**-**	–
2-3 years	**50.0**	350.0	**50.0**	350.0	**-**	–	**-**	–
3-5 years	**-**	325.0	**-**	325.0	**-**	–	**-**	–
	743.7	1,058.4	**680.0**	980.0	**143.7**	78.4	**80.0**	–

The interest rate swaps require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. These instruments have not been designated as hedges for accounting purposes, nevertheless management believe the hedges are effective economically. The swaps are measured at fair value and all gains and losses attributable to the hedged risk are taken directly to the Income Statement. Refer to Note 1(u).

(b) Credit Risk

Credit risk arises from the potential failure of counterparties to meet their obligations at maturity of contracts. This arises on derivative financial instruments with unrealised gains. Management minimises risk of default by entering into derivatives with a large institution with strong credit ratings. Maximum exposure to credit risk is the fair value of the derivative financial asset.

36. SEGMENT INFORMATION

(a) Adoption of AASB 8 'Operating Segments'

The Combined Group has adopted AASB 8 'Operating Segments, and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, 6, 102, 107, 119, 127, 134, 136, 1023 & 1038]' in advance of their effective dates, with effect from 1 July 2007. Operating segments are identified on the basis of internal reports that are regularly reviewed by the chief decision maker in order to allocate resources to the segment and assess its performance.

(b) Reportable Segments

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

– Land Subdivision – supply of land for development and sale ranging from small infill projects to master planned residential communities

– Property Development – development and construction of residential, commercial, retail, retirement villages and industrial property for sale

– Retirement – retirement homes and independent living units provided along with the service of management for a majority of villages

– Investment and Funds Management – delivery of a risk return profile to investors and management of income producing properties

(c) Segment Revenues and Results

The following is an analysis of the Combined Group's revenue and results by reportable operating segment for the periods under review:

2009	Land Subdivision $m	Property Development $m	Retirement $m	Investments and Funds Management $m	Other $m	Eliminations $m	Combined Group $m
Revenue:							
Revenue outside the Combined Group	**20.3**	**270.8**	**59.2**	**29.2**	**0.7**	**-**	**380.2**
Inter-segment revenue	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Segment Revenue	**20.3**	**270.8**	**59.2**	**29.2**	**0.7**	**-**	**380.2**
Other unallocated revenue							**1.3**
Revenue from Ordinary Activities							**381.5**
Result:							
Segment Result	**(41.8)**	**(112.3)**	**(13.3)**	**(51.4)**	**(81.8)**	**-**	**(300.6)**
Share of net profit/(loss) of equity-accounted investments							**(86.3)**
Unallocated expenses							**(38.9)**
Profit from ordinary activities before income tax							**(425.8)**
Income tax (expense)/benefit							**107.1**
Net Profit:							**(318.7)**
Depreciation and amortisation	**0.8**	**0.8**	**0.3**	**0.7**	**2.8**	**-**	**5.4**
Non-cash expenses other than depreciation and amortisation							
Individually significant items:							
Change in fair value of resident loans	**-**	**-**	**(51.2)**	**-**	**-**	**-**	**(51.2)**
Change in fair value of investment properties	**-**	**-**	**21.2**	**(69.1)**	**-**	**-**	**(47.9)**
Change in fair value of financial assets	**-**	**-**	**-**	**-**	**(48.3)**	**-**	**(48.3)**
Allowance for impairment on receivables	**(10.2)**	**(17.0)**	**-**	**(1.7)**	**(3.3)**	**-**	**(32.2)**
Inventory write-down to net realisable value	**(37.0)**	**(93.5)**	**-**	**-**	**-**	**-**	**(130.5)**

36. SEGMENT INFORMATION CONTINUED

(c) Segment Revenues and Results continued

2008	Land Subdivision $m	Property Development $m	Retirement $m	Investments and Funds Management $m	Other $m	Eliminations $m	Combined Group $m
Revenue:							
Revenue outside the Combined Group	84.6	155.7	55.2	33.2	2.5	–	331.2
Inter-segment revenue	–	–	–	–	–	–	–
Total Segment Revenue	84.6	155.7	55.2	33.2	2.5	–	331.2
Other unallocated revenue							2.4
Revenue from Ordinary Activities							**333.6**
Result:							
Segment Result	40.5	8.1	193.0	10.5	(26.7)	–	225.4
Share of net profit of equity-accounted investments							11.6
Unallocated expenses							(41.4)
Profit from ordinary activities before income tax							195.6
Income tax expense							(45.9)
Net Profit:							**149.7**
Depreciation and amortisation	(0.6)	(0.8)	(0.3)	(0.2)	(1.7)	–	(3.6)
Non-cash expenses other than depreciation and amortisation							
Individually significant items:							
Change in fair value of resident loans	–	–	(75.0)	–	–	–	(75.0)
Inventory write-down to net realisable value	–	(10.4)	–	–	–	–	(10.4)

36. SEGMENT INFORMATION CONTINUED

(d) Segment Assets and Liabilities

The following is an analysis of the Combined Group's assets and liabilities by reportable operating segment for the periods under review.

	Land Subdivision $m	Property Development $m	Retirement $m	Investments and Funds Management $m	Other $m	Eliminations $m	Combined Group $m
2009							
Assets:							
Segment Assets	**410.4**	**324.6**	**2,317.6**	**376.5**	**16.3**	**-**	**3,445.4**
Equity-accounted investments							**327.3**
Unallocated corporate assets							**0.1**
Combined Total Assets							**3,772.8**
Liabilities:							
Segment liabilities	**42.8**	**2.9**	**1,205.7**	**11.1**	**17.8**	**-**	**1,280.3**
Unallocated corporate liabilities							**1,378.0**
Combined Total Liabilities							**2,658.3**
Acquisitions of non-current assets	**30.7**	**18.6**	**13.6**	**67.5**	**17.5**	**-**	**147.9**
2008							
Assets:							
Segment Assets	426.0	511.4	2,283.3	426.1	18.9	–	3,665.7
Equity-accounted investments							405.6
Unallocated corporate assets							26.8
Combined Total Assets							4,098.1
Liabilities:							
Segment liabilities	43.6	50.0	1,132.5	18.7	23.5	–	1,268.3
Unallocated corporate liabilities							1,489.5
Combined Total Liabilities							2,757.8
Acquisitions of non-current assets	69.7	23.8	23.3	160.4	8.1	–	285.3

For the purpose of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets, other than those disclosed in the 'tax receivables' line of the Balance Sheet, attributable to each segment. All assets are allocated to reportable segments other than investments accounted for using the equity method and tax assets. Goodwill has been allocated to reportable segments as described in Note 15.

For the purpose of measuring segment performance by the chief operating decision maker, all liabilities apart from interest bearing loans and borrowings, current and deferred tax liabilities and non-current liabilities are allocated to reportable segments. Liabilities used jointly by reportable segments are allocated on the basis of total capital required by individual reportable segments.

(e) Geographical Information

The Combined Group operates only in Australia.

37. SUBSEQUENT EVENTS

On 25 June 2009, the Combined Group announced a fully underwritten renounceable Entitlement Offer under which security holders were entitled to acquire 2.3 new securities for every 1 security held by them at a price of $0.40 per new security to raise approximately $324.0m. On 15 July 2009, FKP allotted 508,968,361 new securities under the Institutional Entitlement Offer and 8,568,915 new stapled securities pursuant to early applications received under the Retail Entitlement Offer. The Combined Group allotted a further 291,094,430 new securities under the final allotment of the Retail Entitlement Offer on 31 July 2009. The allotment of these 808,631,706 new stapled securities subsequent to year end raised $323.5m before transaction costs of $11.2m. Following the completion of the equity raising under the Entitlement Offer, the total number of stapled securities on issue is 1,161,035,473.

Prior to the end of the financial year, the Combined Group successfully renegotiated the majority of its banking facilities and formally documented these new arrangements in the 2010 financial year. As signed term sheets were executed prior to the end of the financial year and the Combined Group expected to refinance or roll these facilities for a period of greater than 12 months, these facilities have been classified as non-current in Interest Bearing Liabilities and Borrowings. As part of the renegotiation of its financing facilities, the Combined Group cancelled a $125.0m unsecured facility, reduced a development facility by $25.0m and reduced the general Property Trust facility by $15.0m. In order to eliminate or reduce these facilities, repayments were made subsequent to year end. All amounts due and payable within 12 months have been reflected as current liabilities in the Balance Sheet. In addition, a number of facilities have been extended and banking covenants have been renegotiated (refer to Note 17 and 34).

On 9 July 2009, the sale of a parcel of land and a building under construction in Newstead to Cromwell Riverpark Trust was settled. The Combined Group will continue to project manage and construct the building which is scheduled to be completed in mid 2010 with an end revenue value of $173.0m.

38. DEED OF CROSS GUARANTEE

FKP Limited and the wholly-owned subsidiaries identified below entered into a Deed of Cross Guarantee on 25 June 2008. The effect of the deed is that FKP Limited has guaranteed to pay any deficiency in the event of the winding up of any of the group entities that are party to the Deed or if they do not meet their obligation under the terms of the liabilities subject to the guarantee. The group entities that are party to the Deed have also given a similar guarantee in the event that FKP Limited is wound up or if it does not meet its obligations under the terms of the liabilities subject to the guarantee.

Albion Flour Mill Pty Ltd
ARH Leisure Services Pty Ltd
Australian Retirement Homes (No. 2) Pty Ltd[1]
Australian Retirement Homes (Sales and Marketing) Pty Ltd
Australian Retirement Homes Limited[1]
Aust-Wide Mini Storage Pty Ltd
B/P Asset Pty Ltd
B/P Land Pty Ltd
B/P Sub Land Pty Ltd
Carmist Pty Ltd
Cleveland Gardens Pty Ltd
Data Plan Pty Ltd
Evo-Con Pty Ltd
Extra Care Services Pty Ltd
FKP American Holdings Pty Ltd
FKP Ann Street Pty Ltd
FKP Commercial Developments Pty Ltd[1]
FKP Communities Pty Ltd[1]
FKP Constructions Pty Ltd[1]
FKP Core Plus Two Pty Ltd
FKP Developments Pty Ltd
FKP Golden Key Pty Ltd
FKP Holdings Pty Ltd[1]
FKP Lifestyle (Australia) Pty Ltd[1]
FKP Lifestyle (Development) Pty Ltd
FKP Lifestyle (Real Estate) Pty Ltd
FKP Lifestyle Pty Ltd[1]
FKP Mackay Turf Farm No.2 Pty Ltd
FKP Maitland Developments Pty Ltd
FKP Maitland Properties Pty Ltd
FKP Overseas Holdings Pty Ltd[1]
FKP PIP Pty Ltd
FKP Queen Street Pty Ltd
FKP Real Estate Pty Ltd
FKP Residential Developments Pty Ltd[1]
FKP RV Finance Pty Ltd
Flower Roof Pty Ltd
FP Investments Pty Ltd
Home Finance Pty Ltd
Lindsay Gardens Management Pty Ltd
North Shore Retirement Villages Pty Ltd[1]
Ntonio Pty Ltd
Peregian Springs Shopping Centre Pty Ltd
Ridgewood Estates Pty Ltd
River Kat Pty Ltd
Skeyer Developments Pty Ltd
SPV Sydney Pty Ltd
Starwisp Pty Ltd
Tasmanian Retirement Living Management Pty Ltd
The Domain Retirement Country Club Pty Ltd

1 Pursuant to Class Order 98/1418, relief has been granted from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports.

38. DEED OF CROSS GUARANTEE CONTINUED

The consolidated income statement and balance sheet of the entities that are parties to the Deed of Cross Guarantee are as follows:

Consolidated Income Statement

	Closed Group	
	2009 $m	2008 $m
Sale of goods and construction contract revenue	**284.7**	223.4
Cost of sales	**(253.7)**	(160.8)
Gross Profit	**31.0**	62.6
Revenue from rendering of services	**44.7**	37.0
Change in fair value of investment properties	**(8.9)**	211.6
Change in fair value of financial assets	**(25.4)**	3.4
Other revenues from ordinary activities	**4.7**	52.1
Change in fair value of resident loans	**(49.3)**	(66.3)
Employee expenses	**(58.0)**	(63.3)
Marketing expenses	**(6.1)**	(3.9)
Occupancy expenses	**(5.6)**	(4.2)
Administration expenses	**(20.9)**	(19.7)
Inventory write-down to net realisable value	**(129.5)**	(9.9)
Other expenses	**(36.5)**	(18.2)
Finance costs	**(45.5)**	(50.3)
Profit/(Loss) from Continuing Operations before Income Tax Benefit/(Expense)	**(305.3)**	130.9
Income tax benefit/(expense) relating to ordinary activities	**93.9**	(35.4)
Profit/(Loss) from Continuing Operations after Income Tax Benefit/(Expense)	**(211.4)**	95.5

38. DEED OF CROSS GUARANTEE CONTINUED

Consolidated Balance Sheet

	Closed Group	
	2009 $m	2008 $m
Current Assets:		
Cash and cash equivalents	-	8.5
Trade and other receivables	**93.9**	148.0
Inventories	**174.2**	318.1
Other	**17.0**	20.7
Total Current Assets	**285.1**	495.3
Non-Current Assets:		
Trade and other receivables	**3.5**	17.6
Other financial assets	**185.4**	215.4
Equity accounted investments	**247.4**	234.1
Inventories	**464.6**	493.0
Investment properties	**1,798.9**	1,770.7
Property, plant and equipment	**49.7**	53.9
Tax receivables	-	4.2
Intangible assets	**3.1**	3.4
Total Non-Current Assets	**2,752.6**	2,792.3
Total Assets	**3,037.7**	3,287.6
Current Liabilities:		
Trade and other payables	**144.1**	124.9
Interest bearing loans and borrowings	**166.6**	85.1
Provisions	**5.3**	5.4
Other financial liabilities	**7.3**	–
Total Current Liabilities (excluding Resident Loans)	**323.3**	215.4
Resident loans	**956.2**	891.9
Total Current Liabilities	**1,279.5**	1,107.3
Non-Current Liabilities:		
Trade and other payables	**33.6**	44.7
Interest bearing loans and borrowings	**907.2**	1,095.5
Deferred tax liabilities	**64.4**	158.5
Provisions	**1.8**	0.9
Other financial liabilities	**14.7**	–
Total Non-Current Liabilities	**1,021.7**	1,299.6
Total Liabilities	**2,301.2**	2,406.9
Net Assets	**736.5**	880.7
Equity:		
Contributed equity	**549.4**	449.8
Retained profits	**74.2**	315.6
Reserves	**112.9**	115.3
Total Equity	**736.5**	880.7

Directors’ Declaration

In the opinion of the Directors of FKP Limited and FKP Funds Management Limited as Responsible Entity for FKP Property Trust:

(a) the Financial Statements and Notes, set out on pages 52 to 112, are in accordance with the *Corporations Act 2001*, comply with the Australian Accounting Standards, International Financial Reporting Standards and the Corporations Regulations and give a true and fair view of the financial position of the Parent Entity, Property Trust, Consolidated Property Trust and Combined Group as at 30 June 2009 and of their performance for the year ended on that date; and

(b) there are reasonable grounds to believe that the Parent Entity, Property Trust, Consolidated Property Trust and Combined Group will be able to pay their debts as and when they become due and payable; and

(c) the audited Remuneration Report set out in pages 39 to 46 of the Directors’ Report complies with Accounting Standards AASB 124 ‘Related Party Disclosures’ and the *Corporations Regulation 2001*.

At the date of this declaration there are reasonable grounds to believe that the Parent Entity and the group entities named in Note 38 will be able to meet any obligations or liabilities to which they are or may have become subject to by virtue of the Deed of Cross Guarantee between the Parent Entity and those group entities pursuant to ASIC Class Order 98/1418 (as described in Note 38).

The Directors have been given the declarations by the Managing Director and Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2009 required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Board of Directors:

P.R. Brown
Managing Director and Chief Executive Officer

Dated at Sydney, 29 September 2009.

Independent Auditor's Report
To the Stapled Security Holders of FKP Property Group

PKF

Chartered Accountants
& Business Advisers

REPORT ON THE FINANCIAL REPORT

FKP Property Group (Combined Group) comprises FKP Limited (Parent Entity) and the entities it controlled at the year's end or from time to time during the financial year and FKP Property Trust (Property Trust) and the entities it controlled at the year's end or from time to time during the financial year (Consolidated Property Trust).

We have audited the accompanying financial report of FKP Property Group, which comprises the balance sheets as at 30 June 2009, and the income statements, statement of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration of both FKP Limited and FKP Funds Management Limited as Responsible Entity for the FKP Property Trust.

Directors' Responsibility for the Financial Report

The directors of the Parent Entity and the directors of FKP Funds Management Limited as Responsible Entity for the Property Trust 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*.

Auditor's Opinion

In our opinion:

(a) the financial report of FKP Property Group is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Parent Entity, Property Trust, Consolidated Property Trust and Combined Group's financial position as at 30 June 2009 and of their 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 financial report of FKP Property Group also complies with International Financial Reporting Standards as disclosed in Note 1(a).

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PKF

Chartered Accountants
& Business Advisers

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 39 to 46 of the Directors' Report for the year ended 30 June 2009. The directors of the Parent Entity and the directors of FKP Funds Management Limited as Responsible Entity for the Property Trust 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 FKP Property Group for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

PKF

PKF

Grant Saxon
Partner

Dated at Sydney, 29 September 2009.

Security Holders

The information set out below was prepared as at 2 October 2009 and applies equally to the FKP Property Trust and FKP Limited, as members are required to hold equal numbers of units in the Property Trust and shares in the Parent Entity under the terms of the joint quotation on the Australian Securities Exchange.

Largest Twenty Security Holders	Number of Securities	Percentage of Issued Securities
HDFI Nominees Pty Ltd <Rosetec Investments Ltd A/C>	206,107,440	17.74
Stockland Retirement Pty Limited	168,954,779	14.54
J P Morgan Nominees Australia Limited	114,217,801	9.83
National Nominees Limited	113,967,833	9.81
HSBC Custody Nominees (Australia) Limited	71,952,769	6.19
Citicorp Nominees Pty Limited	38,277,887	3.29
ANZ Nominees Limited <Cash Income A/C>	30,736,078	2.65
HDFI Nominees Pty Ltd <Mulpha Investments P/L A/C>	30,183,132	2.60
HDFI Nominees Pty Ltd	26,824,619	2.31
HDFI Nominees Pty Ltd <Mulpha Australia Limited A/C>	26,171,473	2.25
Philip Parker Pty Ltd <Parker Family A/C>	25,151,267	2.16
Philip Parker Pty Ltd	18,030,257	1.55
Cogent Nominees Pty Limited	11,648,561	1.00
Queensland Investment Corporation	10,533,380	0.91
Argo Investments Limited	7,186,681	0.62
Mt Byron Pastoral Company Pty Ltd	7,161,000	0.62
RBC Dexia Investor Services Australia Nominees Pty Limited <Bkcust A/C>	6,665,605	0.57
Mt Byron Pastoral Company Pty Ltd <Super Fund A/C>	6,139,016	0.53
UBS Nominees Pty Ltd	4,466,805	0.38
Bond Street Custodians Limited <Macquarie Smaller Co's A/C>	4,060,000	0.35
	928,436,383	**79.90**

The total number of securities on issue as at 2 October 2009 is 1,161,817,264.

Substantial Security Holders	Number of Securities
Mulpha Australia Ltd and its related bodies corporate	291,217,655
Stockland Retirement Pty Limited	173,421,584

Distribution of Security Holders	Number of Securities	Number of Security Holders
1 – 1,000	1,088,898	2,521
1,001 – 5,000	11,706,046	4,135
5,001 – 10,000	17,428,674	2,285
10,001 – 100,000	95,789,621	3,349
100,001 and over	1,035,804,025	299
	1,161,817,264	**12,589**

There were 1,783 security holders holding less than a marketable parcel.

VOTING RIGHTS

On a show of hands every security holder, present in person or by proxy or by attorney or by duly authorised representative, shall have one vote and on a poll, every security holder so present shall have one vote for every security held by such security holder.

SECURITIES EXCHANGE

FKP Limited and FKP Property Trust are jointly quoted on the Australian Securities Exchange with a home exchange in Brisbane.

ON-MARKET BUY-BACK

There is no current on-market buy-back.

SECURITY HOLDERS' ENQUIRIES

Security holders with enquiries about their holding should contact the FKP Property Group Share Registrar as follows:

Computershare Investor Services Pty Limited
Level 19, 307 Queen Street
Brisbane Qld 4000

Telephone (within Australia): 1300 658 814
Telephone (outside Australia):
+61 3 9415 4316
Facsimile: +61 7 3237 2152

Email: web.queries@computershare.com.au

Enquiries of a general nature should be directed to the Company Secretary on +61 7 3223 3888 and institutional enquiries should be directed to the Institutional Relationship Manager on +61 2 9270 6100.

DISTRIBUTION/DIVIDEND

The final distribution of 1.45 cents per security was paid to security holders on 30 September 2009. The record date for determining entitlement to the distribution was 30 June 2009.

REINVESTMENT PLAN

FKP Property Group operates a Distribution Reinvestment Plan (DRP) which allows security holders to have their payments used to buy more stapled securities in the Group at a discount up to 10% as determined by the Board with no costs. The discount applicable for the September 2009 DRP is 2.5%. Any future changes to the DRP will be disclosed to the ASX and notified on the FKP website. Application forms can be downloaded from the Computershare Online Investor Service or sent to you by Computershare.

eTREE

As an FKP Property Group security holder, every year you are sent a number of security holder communications via post. Register your email address via www.eTree.com.au/fkp to receive your security holder communications electronically and FKP Property Group will donate $1 to Landcare Australia to support urgent reforestation projects.

ANNUAL REPORT

Security holders 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 Registrar in writing. These security holders will continue to receive all other security holder information.

The annual report, together with all significant announcements made by the Group to the ASX, are available on the FKP website at www.fkp.com.au.

TO CONSOLIDATE SECURITY HOLDINGS

Security holders who want to consolidate their separate security holdings into one account should write to the Share Registrar or their sponsoring broker, whichever is applicable.

TAX FILE NUMBERS (TFN)

Whilst not compulsory, most Australian resident security holders prefer to quote their TFN to avoid having withholding tax deducted from dividends which are unfranked or from distributions paid by property trusts. Security holders should advise in writing their TFN details to the Share Registrar or sponsoring broker, whichever is applicable.

Five Year Financial Summary

Performance Summary		2009	2008	2007	2006	2005
EBIT	$m	**(113.1)**	278.0	325.8	218.9	132.3
Net Profit After Tax	$m	**(319.4)**	145.3	194.8	140.8	88.3
Paid Up Capital	$m	**965.4**	827.8	799.2	368.0	304.0
Security Holders' Funds	$m	**1,114.5**	1,340.3	1,256.3	693.2	514.5
Total Assets	$m	**3,772.8**	4,098.1	3,512.5	2,259.7	1,494.8
Total Debt	$m	**1,153.2**	1,229.2	932.8	497.2	126.2
Market Capitalisation	$m	**183.2**	1,300.3	1,904.1	1,003.6	498.1
Security Price at Year End	$	**0.52**	4.90	7.30	5.25	2.83
Reported Earnings Per Security[1]	cents	**(70.3)**	38.7	62.1	53.6	38.9
Operating Earnings Per Security[1]	cents	**17.3**[2]	40.0	43.0	41.0	38.9
Dividends/distributions Paid	$m	**12.3**	83.7	76.1	54.8	77.3
Dividends/distributions Per Security – Ordinary	cents	**3.5**	31.7	31.7	28.8	25.0
Dividends/distributions Per Security – Special	cents	**-**	–	–	–	25.0
Net Tangible Assets Per Security	cents	**315.0**	503.7	480.0	358.1	287.6
Franking[3]	%	**-**	45.4	60.0	45.1	73.8
Gearing Ration (Debt/Assets)	%	**30.6**	30.0	26.2	21.8	6.6

1 Reported earnings and operating earnings per security for the years ended 30 June 2005 to 30 June 2008 inclusive have been modified to reflect adjustments made to the weighted average number of securities on issue as a result of the renounceable entitlement offer announced on 25 June 2009.

2 The operating earnings per security for the 2009 financial year based on the pro forma total issued capital of the Group following the renounceable entitlement offer announced on 25 June 2009 is 7 cents per security.

3 The franked percentage for the Group for the years ended 30 June 2005 to 30 June 2008 inclusive is a weighted average percentage including the FKP Property Trust distribution which is unfranked. No franked dividends were paid during the year ended 30 June 2009.

Directory

CORPORATION/ RESPONSIBLE ENTITY

FKP Limited
ABN 28 010 729 950
FKP Funds Management Limited
ABN 17 089 800 082
AFSL 222273

FKP Head Office
5th Floor, WHK Horwath Centre
120 Edward Street
Brisbane Qld 4000

GPO Box 2447
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Telephone: +61 7 3223 3888
Internet: www.fkp.com.au

BOARD OF DIRECTORS

Seng Huang Lee (Chairman)
David Crombie (Deputy Chairman)
Peter Brown (Managing Director and CEO)
Philip Parker
Len McKinnon
Jim Frayne
Greg Dyer

COMPANY SECRETARY

Susan Stewart

CHIEF FINANCIAL OFFICER

Darryl Guihot

AUDIT COMMITTEE

David Crombie (Chairman)
Seng Huang Lee
Len McKinnon

REMUNERATION COMMITTEE

Philip Parker (Chairman)
Seng Huang Lee
Peter Brown

AUDITOR

PKF
Chartered Accountants, Brisbane

COMPLAINT RESOLUTION SERVICE (FINANCIAL SERVICES)

Financial Ombudsman Service Limited
GPO Box 3
Melbourne Vic 3001
Telephone: 1300 780 808

CONTACTS

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5th Floor, WHK Horwath Centre
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Please note: All figures are in Australian dollars unless otherwise indicated.

Queensland

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