Annual Report 2011

Building momentum through core growth

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Contents

FKP is a leading Australian property and investment group. Our strategy of diversification and integration has enabled us to build a comprehensive portfolio, centred around property that capitalises on our proven expertise in development, land subdivision, retirement village ownership and management, construction, property investment and asset management.

Over more than thirty years, our portfolio has expanded to include residential, retirement, mixed-use, commercial and industrial assets that help hundreds of thousands of people to decide how they wish to live, work, retire and invest.

Corporate Calendar

Release of full year results: 25 August 2011

Taxation statements dispatched to security holders: 29 August 2011

Full year distribution payment: 30 September 2011

Annual General Meeting: 25 November 2011

Annual General Meeting

The FKP Annual General Meeting will be held at 10am Friday 25 November 2011 at the Brisbane Convention and Exhibition Centre, Cnr Merivale and Glenelg Streets, South Bank, Brisbane.

2011 Financial Highlights

$121.0m
Underlying profit after tax of $121.0 million, in line with full year guidance of 10 – 15% increase on FY10 underlying profit

10.3c
Underlying earnings per security of 10.3 cents per stapled security up 6% on FY10

$82.3m
Statutory profit after tax of $82.3 million

60%
60% of income was recurring income

$52.8m
Net operating cash flow of $52.8 million

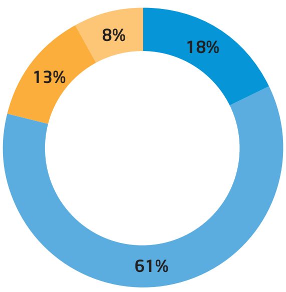
3.0c
Distribution of 3.0 cents per stapled security

$1.25
Net Tangible Assets (NTA) per stapled security at $1.25

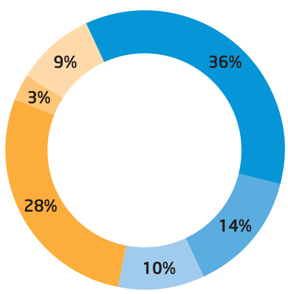
29%
Gearing of 29% at year end in line with FY10

Guidance
Our cautiously optimistic outlook for FY12 is reflected in an underlying profit guidance of an increase on FY11 levels

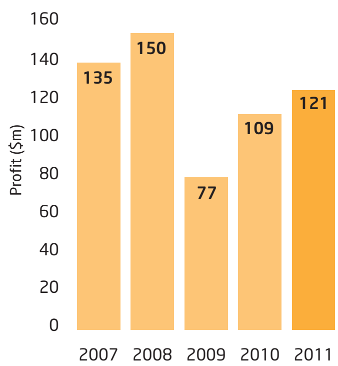
Underlying divisional profit



Underlying Recurring/ Trading Income



Net underlying profit after tax[1]
$M



1 Underlying profit for the Consolidated Group was adopted for the years ended 30 June 2010 and 30 June 2011, and has been audited. Underlying profit for the years ended 30 June 2007 to 30 June 2009 was not in accordance with AICD/Finsia principles of recording underlying profit and has not been audited.

Solid results from our diversified platform

Notwithstanding challenging market conditions, the Board and management team worked together effectively to execute FKP's strategy and deliver another solid profit result. Growth was generated from both trading and recurring income, highlighting the quality of FKP's assets and the resilience of the diversified national platform.

This year, FKP delivered an underlying profit after tax of $121.0 million. Earnings were in line with guidance and represented an increase of 11 per cent on the previous year. The full year statutory profit after tax was $82.3 million.

Underlying earnings per security were up at 10.3 cents. We also saw a further increase in net asset backing, with net tangible assets per stapled security at $1.25. The total distribution for FY11 was 3.0 cents per security, an increase of 100 per cent on the previous year.

Efficient Capital Management

FKP further strengthened its capital position as a result of operating and capital initiatives undertaken during the year. In doing so, FKP delivered on key capital management strategies, including the successful completion of the $125 million convertible bonds issue in January 2011, the execution of a new $275 million retirement syndicate facility in March 2011, the securing of project finance for the Aerial development and refinancing of the Wilbow facility to a new three year evergreen facility.

These initiatives have resulted in stable debt levels, lower cost of debt across the Group and have enabled gearing to remain steady at 29 per cent, well below the upper limit of 35 per cent.

As a result of refinances and interest rate swap restructures completed in FY11, the weighted average cost of borrowings before margin and line fees was reduced to 5.38 per cent at 30 June 2011, from 6.30 per cent at 30 June 2010, while the weighted average debt maturity has been extended to 2.2 years.

The next material debt maturity is the Property Trust facility, which expires in June 2012, followed by the multi-option development facility, which has a July 2012 expiry. We expect these facilities to be refinanced in late 2011.

To ensure the most efficient use of capital, FKP will continue to focus on repositioning and divesting non-core commercial and industrial assets. As the commercial property market recovers, FKP will be well placed to unlock growth opportunities and meet demand through our land holdings across Australia's eastern seaboard.

Quality Assets Perform

FKP's solid result is a reflection of the quality of assets across our diversified national platform. Having made a commitment several years ago to reweight our development portfolio towards residential assets, we are now in an ideal position to deliver further growth from our national residential platform.

The value of FKP's strategy is demonstrated by the fact that we have been able to offset the slowdown of the South East Queensland property market through the strong performance of our geographically diverse portfolio. A standout performer was our premium masterplanned community, Saltwater Coast in Point Cook, Victoria, where we experienced a record number of settlements and improved margins.

FKP positioned itself favourably this year to anticipate further future growth. We remain focused on unlocking the value of our unique land bank through the rollout of our masterplanned communities and the completion and delivery of apartments in the development pipeline.

The growth generated from the Residential Communities platform was supported by strong recurring earnings from the Retirement division, which continued to provide the largest profit contribution and source of recurring income for the Group. The Retirement division delivered a record profit contribution of $46.3 million, an increase of 15 per cent on the previous financial year.

This was achieved through the active management of our retirement portfolio, in which we focused on maximising asset values, contract terms and resident satisfaction. In addition, we continued the rollout of the retirement unit development pipeline and increased our focus on the retirement unit refurbishment program.

Outlook

FKP's continuing growth will be secured by the delivery of our existing development pipeline, supported by stable recurring income from our high quality retirement portfolio. We remain focused on realising further growth from our quality land bank, maximising the value of our assets and capital efficiency.

Given the volatile state of global financial markets, our cautiously optimistic outlook is reflected in FY12 underlying profit guidance of an increase on FY11 levels. FY12 distributions are targeted to be 3.3 cents per stapled security.

We would like to take this opportunity to thank our fellow Board members, management team and employees for their dedication and commitment over the past year in helping to deliver another successful result and ensuring that FKP continues to be one of Australia's leading property groups. Finally, we would collectively like to thank you, our shareholders, for your ongoing support.

Seng Huang Lee
Chairman

Peter Brown
Managing Director and CEO

Our Board

Seng Huang Lee[1]
Non-Executive Chairman
Mr Lee joined the Board in February 2006 and was appointed as Chairman on 12 February 2009. He has over 15 years' experience in property development and financial services. Mr Lee is the Executive Chairman of Mulpha Australia Limited and two companies listed on the Malaysian Stock Exchange, Mulpha International Bhd (15 December 2003 to date) and Mudajaya Group Bhd (17 March 2011 to date). 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.

Peter Brown[2]
Managing Director and Chief Executive Officer
Mr Brown joined the Board as Managing Director in February 2003. He has in excess of 20 years' experience in property development, having held senior executive positions in national ASX listed companies including Thakral Holdings Group Limited, Walker Corporation Limited and Australand Property Group. Mr Brown is a Director of Port Bouvard Limited (23 July 2010 to date) and Metlifecare Limited (25 November 2005 to date), a company listed on the New Zealand Stock Exchange. He previously served as a Director of Forest Place Group Limited from December 2003 to September 2007.

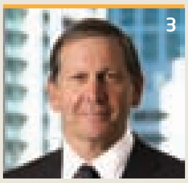
Leonard McKinnon[3]
Non-Executive Director
Mr McKinnon joined the Board in May 2005. He has extensive experience in property and financing, gained through more than 25 years in investment banking. Mr McKinnon was responsible for establishing the property finance business of Bankers Trust Australia Limited in 1993. In 1999, Mr McKinnon set up his own specialist financial group, Winchester Property Services Limited. He was also previously a Director of Gresham Property Funds Management Limited (April 2000 to October 2009) which manages mezzanine loan funds for property development and investment. He continues to be a member of the Investment Committees for these institutionally supported funds. In addition, Mr McKinnon was recently appointed as Chairman of the Investment Committee of property finance firm Ashe Morgan Winthrop. Mr McKinnon was appointed Chairman of the Audit Committee effective 13 December 2010 and was appointed a member of the Remuneration Committee effective 8 June 2011.

Jim Frayne[4]
Non-Executive Director
Mr Frayne joined the Board in 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 in 1983 and from that time headed up the Audit and Assurance Division of PKF Brisbane until his retirement in June 2006. He is currently a Director of Black & White Holdings Limited (1 July 2008 to date). Mr Frayne was appointed a member of the Audit Committee effective 13 December 2010.

Phil Parker[5]
Non-Executive Director
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. He is the Chairman of the Remuneration Committee.

Greg Dyer[6]
Non-Executive Director and Alternate Director
Mr Dyer was appointed an alternate Director for Mr SH Lee in November 2008 and joined the Board as a Director in March 2009. Mr Dyer continues to act as Mr Lee's alternate. He holds degrees in Economics and Law and qualified as a Chartered Accountant while 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. Mr Dyer was appointed as a member of the Audit Committee effective 8 June 2011.

Mark Jewell[7]
Executive Director
Mr Jewell was appointed an Executive Director to the Boards of FKP Limited and FKP Funds Management Limited, the responsible entity of FKP Property Trust, effective 20 July 2011. Over his career, he has had extensive experience in the Australian property industry, having held a number of senior executive management positions. Mr Jewell spent a number of years as an Executive Director of Sunland Group Limited and more recently has filled the role of Chief Operating Officer of Sunland Group, Australian operations.



Driving growth from a quality development pipeline

In a difficult trading environment, our Residential Communities and Retirement divisions continued to be drivers of growth delivering record contributions for the year. While FKP is not immune to the current economic climate, our projects have performed well over the past 12 months.

Residential Communities

Our Residential Communities division is in an exciting phase, with the delivery of its masterplanned community and apartment pipeline progressing well. The division enjoyed another strong year despite the current caution of buyers and weak consumer sentiment. Our asset base has delivered strong profit growth over the past three years. This year the division recorded a contribution of $36.4 million, up 8 per cent on the prior year. This was largely driven by an exceptional performance at our Saltwater Coast land development at Point Cook, Victoria.

This year also saw works completed for initial stages at The Rochedale Estates land development in Rochedale, 12 kilometres south east of Brisbane. We have achieved over 100 pre-sales to date at The Rochedale Estates.

Construction and sales are on track at Aerial, our apartment development in Camberwell, Victoria. Designed by renowned architects Wood Marsh, Aerial features bold architecture and an exciting location at Camberwell Junction. Aerial is over 80 per cent sold.

Both our masterplanned communities and apartments are drivers for FKP's earnings growth. We are proud to enter the new financial year with over 400 contracts on hand, worth over $260 million.

While we anticipate the volume of lot sales at Saltwater Coast to normalise from FY11 levels, The Rochedale Estates will begin to contribute to profit in FY12. As a result of the Queensland Government Building Boost Grant we have seen an increase in the level of enquiry at Peregian Springs and Ridges at Peregian Springs, our masterplanned communities on Queensland's Sunshine Coast.

Construction is set to commence at Mulgoa Rise, our masterplanned land development in Mulgoa, NSW, undertaken through our joint venture with Mulpha Australia. We expect settlements to occur during the latter half of FY12.

The continuing contribution from the long-term roll out of our masterplanned communities will be supplemented by the delivery of our apartment pipeline. Construction is on schedule at Aerial and we expect it to be completed in the fourth quarter of FY12. Early works have commenced at Luxe, our premium apartment development in Woolloomooloo, NSW. We anticipate that Luxe will be delivered in FY13.

On the back of positive enquiry and registration levels at Albion Mill we launched the initial stage of this mixed-use urban masterplanned development in October 2011, with construction expected to start in 2012. Construction is also set to commence next year at The Milton, our other iconic transit oriented development in Brisbane, where we have achieved strong pre-sale levels to date.

Retirement Living

Retirement continues to provide the largest profit contribution and recurring income source for FKP, delivering a divisional underlying profit contribution from operations of $46.3 million, a 15 per cent increase on the prior year.

Our Retirement business produced a solid result in a challenging market. This was achieved through a mix of margin improvements and strict cost control. Despite lower resale levels, which reflect the general slowdown in the residential market, our Retirement division proved to be a reliable source of recurring earnings.

Saltwater Coast, Point Cook, VIC

Surrounded by pristine coastal parks and wetlands, Melbourne's newest bayside community, Saltwater Coast, is a premium masterplanned residential land development located 20 kilometres from the CBD.

Sackville Grange, Kew, VIC

Sackville Grange retirement village is located in one of Melbourne's most prestigious suburbs and is just minutes from transport, restaurants, shopping and entertainment.

The average margin on resident transactions increased from $79,000 in FY10 to $91,000 this year, as the benefits from improved contract terms, implemented earlier, continued to flow through. The higher margins drove the increased profit and resulted in a 9 per cent lift in Deferred Management Fees (DMF)/Capital Gains (CG) from $45.4 million in FY10 to $49.7 million this year.

Under the Aveo brand, FKP remains committed to providing the highest quality of services to its residents. With 75 villages owned or managed, we maintained our leading position as one of the most experienced retirement village operators and largest owners of retirement villages in Australia. As at 30 June 2011, we were responsible for the management of 9,786 units across the country.

Management has continued to focus on improving cash generation from our retirement assets.

Underlying cash drivers continue to improve and we expect further growth in the new financial year from the impact of improved contract terms and higher priced units.

FY12 has already seen an improvement in the level of inspections. As a result, we expect resale volumes to rebound from the subdued FY11 levels.

The ongoing rollout of the development pipeline will further assist cash generation, with the development margin adding to the value of assets generating long-term DMF cash flows. We expect that approximately 60 new units will be delivered in the new financial year.

Additionally, the continuation of our existing unit buyback and refurbishment program provides similar development margins while increasing the value of future DMF cash flows.

The revaluation component of $79.6 million increased by 4 per cent on the prior year, and our fair value assumptions of retirement investment property remain unchanged.

Commercial and Industrial

Whereas the previous corresponding period for Commercial and Industrial saw a sizeable contribution from the construction and sale of the Energex Headquarters building, this business still delivered a profit contribution of $29.5 million this financial year.

The trading contribution of $11.8 million for the year was mainly attributable to the completion of additional contracts associated with the Energex Headquarters development, particularly the completion of the building's fit out.

The division saw a recurring income contribution of $17.7 million from the FKP Property Trust portfolio. This result reflected the full year impact of the Browns Plains assets and was offset by the disposal of 17 Bridge Street, Sydney, Illawong Shopping Centre and Indooroopilly Shopping Centre.

The team worked hard to sell down the existing commercial and industrial stock. As the strategic sell down nears completion, the capital generated will be redeployed to help fund our development pipeline.

Construction has commenced on the commercial and retail component of The Gasworks, our mixed-use urban renewal project in Newstead, Brisbane. This stage of the precinct incorporates 8,100sqm of retail net lettable area (NLA), including a full line supermarket, and 8,800sqm of office NLA. The office space will have a 5 Star Green Star rating. Approximately 25 per cent of commercial NLA and 65 per cent of retail NLA is already allocated to tenants. This stage of the development has an estimated end value of $130 million with completion targeted for FY13.

We recently commenced the redevelopment of 465 Victoria Avenue in Chatswood, Sydney (previously known as Vero Tower). The 15,000sqm commercial and retail space is being refurbished to an A-grade standard, and will be upgraded to a 5 Star NABERS and 4 Star Green Star rating with sustainability upgrades to all floors, maximising usable space and natural light.

As the commercial property market rebounds, FKP is well placed to unlock growth opportunities and meet demand through our commercial precincts at The Gasworks, and Circa in Norwest Business Park, Sydney.

Funds Management and Investments

FKP's funds management and investments business contributed $15.8 million for the year. This result is down 37 per cent on the prior year and is a reflection of two factors: our strategy to wind up the Core Plus Funds, and the impact of asset sales from Retirement Villages Group (RVG).

The divestment program and targeted timing of returns to investors remain on track for our Core Plus Funds as a number of strategic sales of commercial assets which have reached their full value through refurbishment and leasing were realised during the year. We will continue to implement this strategy in the new financial year.

Our RVG investment also saw a lower contribution to earnings for the year as a result of the sale of four retirement villages. The proceeds from the asset sales were used to repay debt. We are continuing discussions with RVG investors to reach the optimal management and capital structure for the fund.

Our stake in Perth-based developer Port Bouvard Limited contributed its first earnings during the year as a result of settlements at their Oceanique apartments. Focus is now shifting to their 3,000-lot land development project in Point Grey, 12 kilometres south east of Mandurah, with first settlements expected in FY13.

Outlook

FKP continued to execute its strategy and generate growth from a balance of both recurring and trading income streams in challenging market conditions. Our solid result is testament to the strength of our business and the quality of our diverse asset base.

Our fundamental business remains strong and FKP is well positioned to deliver growth in the new financial year and beyond through the rollout of our existing development pipeline, which will be supported by the stability of recurring income from our high quality retirement portfolio.

The Gasworks, Newstead, QLD

The Gasworks precinct within the Newstead River Park is set to become one of Brisbane's most iconic and significant mixed-use developments in decades. The Gasworks will be a unique and vibrant inner city community.

LUXE, Woolloomooloo, NSW

LUXE is a boutique residential development just minutes from the Sydney CBD. LUXE features 77 residences across seven levels, many with spectacular views of the Sydney city skyline and The Domain parklands.

We are committed to enhance the communities in which we operate

As a socially responsible company, we acknowledge our responsibilities to the environment within the diverse communities in which we operate. We recognise our responsibility to protect and sustain the environment and the need to balance this with the broad requirements and interests of our stakeholders.

Sustainability is a multifaceted principle, which encompasses environmental, economic and social awareness. FKP is committed to sustainable initiatives across our portfolio, to future awareness, to the implementation of sustainable principles and to the need to balance the environmental, social and financial dimensions of sustainability.

Creating Community

Through our large portfolio of residential communities, retirement villages, commercial and industrial assets, as well as our network of employees, we connect people at different stages of their lives. We nurture a sense of community in each environment, recognising that the facilities which are critical for a community in one of our retirement villages may be significantly different from those required for a community in a business park.

Our residents value such a sense of community. To encourage community interaction in our residential land developments we include community and lifestyle centres as part of the masterplan. These amenities are complemented by retail facilities and parks.

For instance, in our Peregian Springs land development on the Sunshine Coast, our masterplanned community has grown to include two schools, two childcare centres, an 18-hole golf course, nature reserves, parks and significant retail offerings. We expect to complete a $4.5 million recreational club in Peregian Springs' Ridges precinct which, on completion in March 2012, will feature a heated 25-metre, eight-lane lap pool, a children's play pool, two tennis courts, a gymnasium and workout studio and an outdoor yoga and tai chi lawn.

Community has also been identified as one of the key drivers for residents seeking to move into one of our retirement villages. Indeed we are always mindful of this need. The promotion of a sense of community and belonging in our villages begins with the organisation and encouragement of activities and interest groups and extends to the villages' affiliation with the broader community.

We value and promote intergenerational programs, with local schools and community organisations endorsing activities with educational objectives, arts and recreational pursuits. Sponsorship of local clubs, sporting events and support for charitable organisations and worthy causes are arranged through fundraising activities ranging from morning teas to winter clothing drives.

Through a landmark agreement with the Council of the Ageing (COTA), our 12,500 residents have been offered the opportunity to become members of the body at no cost. This membership provides residents with access to COTA benefits such as discounted meals, groceries and travel.

All of these programs encourage cooperation and interaction, which helps to strengthen village communities.

Our employees, too, recognise the need to engage and support the communities in which we operate. And while initiating and executing strategies on behalf of FKP, they are also active within their own communities.

When Queensland was devastated by floods in early 2011, we launched a workplace giving program enabling employees to donate pre-tax income to the Queensland flood appeal. FKP matched each employee's donation on a two for one basis and coordinated a number of working bees in which employees volunteered to help clean up in affected areas.

Promoting Efficiency

As part of our commitment to continuous improvement in energy and water efficiency, FKP investigates ways to understand and prioritise risks and implement initiatives. This is particularly evident in the way we manage office assets in our Commercial and Industrial portfolio.

Ridges, Peregian Springs, QLD

The Energex Headquarters, Newstead, QLD

(far left) **At Ridges, Peregian Springs, we have set aside 124 hectares of conservation area and planted close to 300,000 trees to promote the local ecosystems.**
(left) **The Energex Headquarters building, developed and constructed by FKP, is the first office building in QLD to be awarded a 6 Star Green Star v2 design rating.**

Our extensive refurbishment plan for 465 Victoria Avenue, Chatswood is an example of our commitment to refit buildings to make them more environmentally efficient. 465 Victoria Avenue was estimated to have had a 1 Star NABERS rating. Our comprehensive sustainability strategy now in effect includes new electrical distribution boards and meters, efficient lighting designs, highly efficient hydraulic water units, a 20,000-litre rainwater tank, bike racks and the promotion of its proximity to bus, rail and taxi transport. We expect that on completion, 465 Victoria Avenue will boast a 5 Star NABERS and 4 Star Green Star rating.

Our commitment to environmental sustainability is also clearly evident in our Energex Headquarters development at The Gasworks in Newstead, Brisbane. Energex is Queensland's first, and Australia's largest, 6 Star Green Star commercial office building. It embodies energy, water, waste management, materials, transport and indoor environment efficiency and quality, while meeting all the requirements of an efficient modern workplace. The design, construction and fit out are intended to reduce greenhouse emissions and electrical consumption by 64 per cent and reduce potable water usage by 55 per cent (compared with the average office building).

In recognition of this stand out development, the Property Council of Australia awarded the Energex Headquarters Building the 2011 Queensland Development of the Year prize. The building will now be entered in the Property Council's national Innovation and Excellence awards.

Commitment to Conservation

In line with our commitment to deliver sustainable outcomes for all stakeholders and after consultation with community groups and regulatory bodies, FKP has set aside a number of conservation areas across our residential portfolio.

We recognise that some of our activities impact on biodiversity and that one of the challenges we face is to balance the needs and demands for development with those of conservation, particularly where our land serves as a habitat for endangered or threatened species. At our Peregian Springs development and its Ridges precinct on Queensland's Sunshine Coast, we have set aside 124 hectares of conservation area and planted close to 300,000 trees to promote local ecosystems.

Similarly we have dedicated conservation areas at our Victorian land developments, namely Saltwater Coast, Point Cook and Shearwater on the Island, Phillip Island. These parklands contain nesting areas for birds, rehabilitated wetlands, observation areas and pathways for residents.

Future Priorities

We will strive to maintain and enhance existing project commitments to sustainable design in all our communities. We will also continue to extend opportunities for employees to give to and volunteer in our community.

FKP is dedicated to embedding sustainable principles and practices into our everyday business operations. Our approach recognises our responsibilities to our employees, our communities, our stakeholders and the environment. Through balancing the needs and interests of stakeholders we aim to create long-term value for shareholders.

Shearwater on the Island, Phillip Island, VIC

At Shearwater on the Island, FKP embraced the idea of creating a wetland that would provide water treatment and storage, not just for the development, but for the broader Cowes community as well.

Case Study: Community collaboration creates an environmental showpiece at Shearwater on the Island

Winner of the UDIA Award of Excellence for Water Sensitive Urban Design.

Shearwater on the Island is a 31-hectare site on Phillip Island, two hours drive from Melbourne.

The site is adjacent to the Cowes Golf Club, the environmentally sensitive and internationally protected Rhyll Inlet and the greater Western Port RAMSAR site, all of which contain significant roosting and feeding habitats for migratory waders. By working with the community and government regulatory bodies, we ensured that in delivering the project we would protect ecosystems and provide advantages for the local community at the same time.

Challenges associated with the development centred on drainage issues and the potential negative effect stormwater run-off would have on the Rhyll Inlet. FKP engaged the local council and a team of environmental consultants, civil engineers, waterway managers and landscape architects to ensure the best possible outcome.

As part of the solution, we embraced the idea of creating a wetland that would provide water treatment and storage, not just for the Shearwater development, but for the broader Cowes community as well. The specially designed wetland system has combined water quality treatment and flood management in a way that has boosted the landscape and environmental value of the area.

The Water Sensitive Urban Design stormwater management strategy includes innovations such as the regeneration of a floodplain into a wetland, local sedimentation traps, mandatory requirements for water tanks on all dwellings and the revegetation and rehabilitation of surrounding estuarine swamp areas.

The $2 million that FKP invested in the project has not only created a valuable wetland reserve system, it has provided new recreational opportunities for the local community.

Our Vision

By 2015, FKP will be recognised as one of Australia's fastest growing, most successful and most highly regarded integrated and diversified, national property groups.

Our Mission

To bring all the skills we have together as one, to turn dreams into ideas, ideas into plans, individuals into teams and partnerships, and the work we do into communities, buildings and investments that deliver more than anyone expected.

Our Business

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.

Retirement

We are a leading owner and operator of Australian retirement villages with 75 villages in prime locations under FKP management.

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

Funds Management and Investments

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.

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 construction team delivers projects for FKP, external clients and government agencies.

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

The Milton, Milton, QLD

The Milton will be an iconic mixed-use development two kilometres from the Brisbane CBD. The Milton will capitalise on its outstanding setting, and will elevate residential, commercial and retail opportunities to a new level.

FKP 2011 Financial Report

Contents

FKP Property Group

(Consisting of Consolidated 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

Directors' Report

Your Directors present their report on the Consolidated 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 2011 and the Auditor's Report thereon.

DIRECTORS

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

SH Lee	Non-Executive Chairman
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

D C Crombie was the Non-Executive Deputy Chairman from the beginning of the financial year until his resignation on 26 November 2010.

M Jewell was appointed Executive Director effective 20 July 2011.

Information on Directors

SH Lee
Non-Executive Chairman (Age 37)

Mr Lee joined the Board in February 2006 and was appointed as Chairman on 12 February 2009. He has over 15 years' experience in property development and financial services. Mr Lee is the Executive Chairman of Mulpha Australia Limited and two companies listed on the Malaysian Stock Exchange, Mulpha International Bhd (15 December 2003 to date) and Mudajaya Group Bhd (17 March 2011 to date). 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.

P R Brown LLB (Hons) BCom
Managing Director and Chief Executive Officer (Age 45)

Mr Brown joined the Board as Managing Director in February 2003. He has in excess of 20 years' experience in property development having held senior executive positions in national ASX listed companies including Thakral Holdings Group Limited, Walker Corporation Limited and Australand Property Group. Mr Brown is a Director of Port Bouvard Limited (23 July 2010 to date) and Metlifecare Limited (25 November 2005 to date), a company listed on the New Zealand Stock Exchange. He previously served as a Director of Forest Place Group Limited from December 2003 to September 2007.

P Parker
Non-Executive Director (Age 65)

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. He is the Chairman of the Remuneration Committee.

L R McKinnon BA LLB MCom
Non-Executive Director (Age 58)

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. He was also previously a Director of Gresham Property Funds Management Limited (April 2000 to October 2009) which manages mezzanine loan funds for property development and investment. He continues to be a member of the Investment Committees for these institutionally supported funds. In addition, Mr McKinnon was recently appointed as Chairman of the Investment Committee of property finance firm Ashe Morgan Winthrop. Mr McKinnon was appointed Chairman of the Audit Committee effective 13 December 2010 and was appointed a member of the Remuneration Committee effective 8 June 2011.

J E F Frayne BCom FCA GAICD
Non-Executive Director (Age 64)

Mr Frayne joined the Board in 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 in 1983 and from that time headed up the Audit and Assurance Division of PKF Brisbane until his retirement in June 2006. He is currently a Director of Black & White Holdings Limited (1 July 2008 to date). Mr Frayne was appointed a member of the Audit Committee effective 13 December 2010.

G C Dyer BEc LLB ACA
Non-Executive Director and Alternate Director (Age 52)

Mr Dyer was appointed an alternate Director for Mr SH Lee in November 2008 and joined the Board as a Director in March 2009. Mr Dyer continues to act as Mr Lee's alternate. He holds degrees in Economics and Law and qualified as a Chartered Accountant while 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. Mr Dyer was appointed a member of the Audit Committee effective 8 June 2011.

M Jewell BCom Dip Acc CA (SA)
Executive Director (Age 56)

Mr Jewell was appointed an Executive Director to the Boards of FKP Limited and FKP Funds Management Limited, the responsible entity of FKP Property Trust, effective 20 July 2011. Over his career, he has had extensive experience in the Australian property industry, having held a number of senior executive management positions. Mr Jewell spent a number of years as an Executive Director of Sunland Group Limited and more recently has filled the role of Chief Operating Officer of Sunland Group, Australian operations.

D C Crombie BEc
Retired Non-Executive Deputy Chairman (Age 67)

Mr Crombie joined the Board in August 2001, was appointed Non-Executive Deputy Chairman in January 2006 and retired from the Board on 26 November 2010. Mr Crombie has more than 35 years' experience in company management and directorships, mainly in rural businesses, and has also been engaged in property development on the Sunshine Coast and in Brisbane. He currently serves on the Board of Foodbank Limited and Export Finance Insurance Corporation, is a Commissioner of the Australian Centre for International Agricultural Research and is a past President of the National Farmers' Federation and the Queensland Rugby Union. Mr Crombie was the Non-Executive Deputy Chairman and Audit Committee Chairman from the beginning of the financial year until his resignation on 26 November 2010.

COMPANY SECRETARY

M B Shannon BA LLB (Hons)

Mr Shannon was appointed to the position of Company Secretary on 29 June 2011. He holds a Bachelor of Arts and a Bachelor of Laws (Hons) from the University of Queensland and is currently Company Secretary of Forest Place Group Limited. Mr Shannon is a Solicitor of the Supreme Court of Queensland.

S E Stewart LLB (Hons) LLM

Ms Stewart was appointed as Company Secretary to the Consolidated Group in May 2006 and resigned effective 29 June 2011. In addition to her role as Company Secretary, she was General Legal Counsel. Ms Stewart was responsible for the Legal, Company Secretarial, Corporate Governance and Compliance functions within the Consolidated Group. Prior to joining FKP, she practised for 18 years in corporate and property law in national law firms.

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]
SH Lee[3]	7	7	5	5	3	3
D C Crombie[4]	4	4	2	1	–	–
P R Brown	7	7	–	–	3	3
P Parker	7	6	–	–	3	3
L R McKinnon[5]	7	7	6	6	–	–
J E F Frayne[6]	7	7	4	4	–	–
G C Dyer[7]	7	7	1	1	–	–

1. Reflects the number of meetings held in the time the Director held office during the year.
2. Reflects the number of meetings attended by the Director or his alternate.
3. Mr Lee resigned from the Audit Committee effective 8 June 2011.
4. Mr Crombie resigned as a Director on 26 November 2010.
5. Mr McKinnon was appointed Chairman of the Audit Committee effective 13 December 2010.
6. Mr Frayne was appointed as a member of the Audit Committee effective 13 December 2010.
7. Mr Dyer was appointed as a member of the Audit Committee effective 8 June 2011. He was previously Mr Lee's alternate.

All Directors were eligible to attend all meetings held.

Committee Membership

As at the date of this Report, the Consolidated Group has an Audit Committee and a Remuneration Committee.

Members acting on the Committees of the Board during the year were:

Audit	Remuneration
L R McKinnon (Chairman)[1]	P Parker (Chairman)
G C Dyer[2]	SH Lee
J E F Frayne[3]	L R McKinnon[6]
SH Lee[4]	P R Brown[7]
D C Crombie[5]	

1. Mr McKinnon was appointed Chairman of the Audit Committee effective 13 December 2010.
2. Mr Dyer was appointed as a member of the Audit Committee effective 8 June 2011. He was previously Mr Lee's alternate.
3. Mr Frayne was appointed as a member of the Audit Committee effective 13 December 2010.
4. Mr Lee resigned from the Audit Committee effective 8 June 2011.
5. Mr Crombie acted as Audit Committee Chairman until his resignation on 26 November 2010.
6. Mr McKinnon was appointed a member of the Remuneration Committee effective 8 June 2011.
7. Mr Brown resigned from the Remuneration Committee effective 8 June 2011.

Directors' Report Continued

PRINCIPAL ACTIVITIES

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

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

There have been no significant changes in the nature of these activities during the year.

STATE OF AFFAIRS

There have been no material changes in the state of the Consolidated 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

Key financial headlines of the Consolidated Group's 30 June 2011 results are as follows:

- statutory profit after tax increased 62% to \$82.3m;
- underlying profit after tax[1] of \$121.0m, up 11%;
- full year distributions of 3.0 cents per stapled security, up 100%;
- net tangible assets per stapled security increased to \$1.25; and
- earnings per stapled security on underlying profit after tax increased 6% to 10.3 cents.

1. Underlying profit reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Consolidated Group, in accordance with AICD/Finsia principles of recording underlying profit.

Financial Results

The Consolidated Group's statutory profit after tax for the year ended 30 June 2011 was \$82.3m. A reconciliation of the Consolidated Group's statutory profit after tax to the Statement of Comprehensive Income is detailed as follows:

	Consolidated Group	
	2011 \$m	2010 \$m
Profit/(loss) from continuing operations after income tax	**90.1**	53.5
Less: Other non-controlling interest	**(7.8)**	(2.7)
Net Profit After Tax Attributable to Stapled Security Holders of the Consolidated Group	**82.3**	**50.8**

REVIEW AND RESULTS OF OPERATIONS CONTINUED

The following table summarises key reconciling items between the Consolidated Group's statutory profit and underlying profit after tax.

	Consolidated Group 2011 $m	Consolidated Group 2010 $m
Underlying Profit After Tax	**121.0**	**108.6**
Change in fair value of interest rate swaps	**4.7**	2.9
Change in fair value of derivative on convertible bond	**2.5**	–
Change in fair value of Retirement investment property portfolio	**(1.1)**	(4.8)
Share of net gain/(loss) from fair value adjustments of investment properties in associates	**(22.6)**	(29.4)
Non-cash share based payments	**-**	(4.4)
Change in fair value of Property Trust portfolio	**(12.6)**	(22.4)
Doubtful debts provisions/(reversal)	**(1.5)**	2.2
Development impairments	**(0.9)**	(1.6)
Mackay Turf Farm acquisition of 50% joint venture partner	**(1.4)**	–
FPG Syndicate consolidation	**(2.1)**	–
Redundancies	**(1.7)**	(0.3)
Intangible impairments	**(2.0)**	–
Net Profit After Tax Attributable to Stapled Security Holders of the Consolidated Group	**82.3**	**50.8**
Add: Other non-controlling interest	7.8	2.7
Profit/(Loss) from Continuing Operations before Income Tax	**90.1**	**53.5**

The Consolidated Group's underlying profit after tax for the year ended 30 June 2011 was $121.0m, up 11% on the prior year (FY10 $108.6m).

Review of Operations

Key divisional contributions to the underlying performance of the Consolidated Group included:

Division	2011 Divisional Underlying Profit[2] $m	2010 Divisional Underlying Profit[2] $m	Change $m
Retirement	125.9	116.7	9.2
Residential Communities and Apartments[1]	36.4	33.6	2.8
Commercial and Industrial	29.5	36.7	(7.2)
Funds and Investments	15.8	25.2	(9.4)
Corporate Overheads	(17.3)	(24.7)	7.4
EBITDA[3]	**190.3**	**187.5**	**2.8**
Depreciation and Amortisation	(3.0)	(6.9)	3.9
EBIT[4]	**187.3**	**180.6**	**6.7**
Interest and borrowings expense	(26.5)	(37.9)	11.4
Income tax expense	(34.1)	(31.6)	(2.5)
Non-Controlling Interest	(5.7)	(2.5)	(3.2)
Underlying Profit After Tax	**121.0**	**108.6**	**12.4**

1. Includes equity-accounted profits of development investments, such as Mulpha FKP Pty Ltd.
2. Underlying profit reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Consolidated Group, in accordance with AICD/Finsia principles of recording underlying profit.
3. EBITDA represents earnings before interest, income tax, depreciation and amortisation.
4. EBIT represents earnings before interest and income tax.

Residential

Business Overview

The Residential Communities Division develops a full spectrum of residential properties from residential apartment towers (built form projects) to masterplanned activities (land projects). The Division has a significant portfolio of projects providing a pipeline for future growth. The projects are strategically diversified across Queensland, New South Wales and Victoria which minimises the potential adverse earnings of the Consolidated Group that may arise due to localised market conditions.

REVIEW AND RESULTS OF OPERATIONS CONTINUED

Review of Operations continued
Residential continued
Operational Overview
Communities:
The re-weighting of the Consolidated Group's portfolio towards residential land and built form product has been rewarded by a strong increase in profits delivered by Residential Communities. Profits increased in the year ended 30 June 2011 due to continued growth in demand across the market, largely in Victoria, together with significant increases in average lot prices and profit contributions relative to previous periods.

For the year ended 30 June 2011, average sale prices of Saltwater Coast were up 22.2% on the previous corresponding period.

Construction has also started on the first stages of the new Mulgoa Rise masterplanned community in western Sydney, which is being developed by Mulpha FKP Pty Ltd, the Consolidated Group's land joint venture with Mulpha Australia.

The Consolidated Group is well placed to deliver further growth in residential sales through a strong pipeline of projects. Residential Communities projects have a consolidated inventory of 5,400 lots still to be developed with an expected remaining life of up to seven years or more, including seven years for Peregian Springs, six years for Saltwater Coast and Mulgoa Rise and five years for The Rochedale Estates.

Apartments:
The successful A2 apartment development at Rosebery completed in December 2010 with all 52 units sold/settled during the year.

Construction on Aerial in Melbourne continues with 81% of the development presold, while the Luxe, an apartment development at Woolloomooloo in Sydney will commence construction soon in light of continued presales with 55% presold.

The existing pipeline of built form projects is expected to deliver in excess of 1,700 apartments over the next six years, with estimated Consolidated revenue of $850m.

Residential Division Outlook
Demand over the short to medium term is anticipated to remain moderate as continued affordability pressures may be coupled with further increases in the general costs of living over the year. Despite this, the medium to long-term sector fundamentals remain positive, underpinned by strong employment rates and expected long-term population growth.

Aerial is positioned to contribute solid earnings in the second half of FY12 with construction on track and over 80% of the residential sales achieved. The Consolidated Group also anticipates the volume of lot sales at Saltwater Coast to normalise with first settlements at The Rochedale Estates expected in the first half of FY12.

Retirement
Business Overview
The Consolidated Group is one of Australia's largest retirement village owner/operators with over 20 years of industry experience. The maturity of the villages in the Consolidated Group's retirement portfolio, combined with the prime metropolitan locations of most villages, means it is difficult to originally replicate a portfolio with similar characteristics. The Consolidated Group's operations include:

- a portfolio of 45 owned/controlled and operated retirement villages located in Australia; and
- management of 34 Retirement Village Group ('RVG') villages located in Australia.

As at 30 June 2011, the Consolidated Group was responsible for the management of 9,786 units across Australia, with a development pipeline of just under 1,203 units.

Operational Overview
The Retirement Division continues to provide the largest profit contribution and recurring income for the Consolidated Group after it delivered an underlying profit of $125.9m (2010: $116.7m). The contribution from the division was underpinned by sound resales levels and improved margins, which generated an 18.1% increase in deferred management fees ('DMF') and capital gain generated and a 14.9% increase in results from operations over the prior year.

Retirement Division Outlook
Retirement Division profit is expected to show positive growth in FY12 through the increased DMF base, as well as reactivation of the development pipeline, which includes construction of a new village on the NSW South Coast and the expansion of several existing villages in Queensland.

Commercial and Industrial
Business Overview
The Consolidated Group's Commercial and Industrial Division specialises in the development of retail, office and industrial properties. Engaged in a full spectrum of development activities across Queensland, New South Wales and Victoria, the Commercial and Industrial Division forms an essential part of the Consolidated Group's strategy of an integrated and diversified property group. The development earnings of this division are complemented by the recurring income stream derived from the rental income of the Consolidated Property Trust assets.

REVIEW AND RESULTS OF OPERATIONS CONTINUED

Review of Operations continued

Commercial and Industrial continued

Operational Overview

A positive result in Commercial and Industrial was driven largely by the continued recycling of assets in the Property Trust, which included the successful disposal of Bridge Street Sydney and Indooroopilly Junction Shopping Centre Brisbane in January 2011, together with the acquisition of the remaining 50% interest in Mackay Turf Farm in December 2010, and all leasing targets being met across the portfolio.

Commercial and Industrial Division Outlook

The Commercial and Industrial Division is nearing completion of the sell-down of legacy industrial and commercial stock, with the focus now shifting to the commencement of the next stages of Gasworks Brisbane. From a recurring income view the Consolidated Group remains focused on capital efficiency and maximising asset value. The Consolidated Group will continue to examine strategic opportunities to dispose of selected assets over the medium term.

Funds Management and Investments

Business Overview

The Consolidated Group's Funds Management and Investments Division is an important part of the Consolidated Group's business model. The Division's long-term strategy is to grow a quality investment grade asset base and to deliver superior returns to investors through active management.

Operational Overview

The Consolidated Group's 29% interest in the Perth residential development company, Port Bouvard Limited contributed its first earnings during the year as a result of settlements at the Oceanique development.

The RVG portfolio was impacted by a lower volume of resales and the disposal of three Australian Villages and one New Zealand Village during the period. The underlying profit contribution of $13.0m was 41% down on the prior period.

The strategy to return liquidity to investors through the divestment of assets which have maximised their value in the FKP Core Plus Fund and the FKP Core Plus Fund Two continues to be implemented.

Funds Management and Investments Division Outlook

The Funds Management Division remains focused on the strategy of returning liquidity to investors through the divestment of assets which have maximised their value in the FKP Core Plus Fund and the FKP Core Plus Fund Two. In addition Management will continue to work closely with its investments to ensure the optimal platforms are achieved.

As such Management's outlook for the Funds Management and Investments Division remains positive with the following key priorities identified for the FY12 year:

- *Port Bouvard:* Continued sell-down of Oceanique units as well as progressing the 3,000 lot Point Grey development with first settlements expected in FY13.
- *Retirement Villages Group:* Focus on conversion of strong enquiry levels to ensure resale volume targets are achieved.
- *Core Plus Funds:* Continue with current divestment strategy.

Capital Management

Key Achievements

- Successful completion of $125m convertible bonds issue in January 2011 as part of the retirement syndicate refinancing:
  - Fixed coupon of 8% payable on semi-annual basis,
  - Term of five years,
  - Conversion price of $1.014, representing a 20% premium to the reference price of $0.845 (9 December 2010).
- The Consolidated Group executed a new $275m retirement syndicate facility during the year, maturing in March 2014.
- Executed restructure development facility and Aerial project finance facility.

The next material debt maturity is the Property Trust facility, not expiring until June 2012.

REVIEW AND RESULTS OF OPERATIONS CONTINUED

Capital Management continued

Capital Management Metrics

	30 June 2011	30 June 2010
Statutory balance sheet gearing[1]	**19%**	21%
Adjusted balance sheet gearing[2]	**29%**	29%
Covenant gearing[3]	**40%**	41%
Interest coverage ratio	**4.3x**	3.2x
Total interest bearing debt	**$803m**	$792m
Weighted average borrowing cost[4]	**5.38%**	6.30%
Weighted average debt maturity	**2.2 years**	1.6 years
Hedged percentage on drawn debt	**85%**	73%
Hedged percentage on facility limit	**69%**	56%
Weighted average hedge maturity	**3.9 years**	1.6 years

1. Statutory balance sheet gearing, measured as net debt divided by total assets.
2. Adjusted balance sheet gearing, measured as net debt divided by total assets net of cash and resident loans.
3. Covenant gearing, measured as total liabilities net of resident obligations and deferred tax liabilities divided by total tangible assets less resident obligations and deferred tax liabilities (Covenant limit: 55%).
4. Excludes margins and line fees.

- Adjusted balance sheet gearing steady at 29%.
- Interest coverage ratio comfortable at 4.3 times against the Consolidated Group covenant of greater than 1.75 times.
- Weighted average debt maturity extended to 2.2 years post the convertible bond and retirement syndicate refinancing.
- $485.9m of new interest rate hedges entered into during the year ended 30 June 2011.
- Hedged at 85% at 30 June 2011 with a weighted average time to maturity of 3.9 years and a weighted average fixed rate of 5.38% (excluding margins and line fees).
- All debt covenants have been met.
- Interim distribution 1.4 cents, up from 0.5 cents on prior year comparative ('pcp'); final distribution 1.6 cents, up from 1.0 cents on pcp.

A summary of the Consolidated Group's key financial covenants is as follows:

Covenant		2011	Required
Development Multi-Option Facility/Retirement Facilities			
(Total liabilities – resident loans – deferred tax liability)/(total tangible assets – resident loans – deferred tax liability)	Gearing	**40%**	<55%
(Underlying EBITDA – non-cash component of underlying retirement valuation)/net finance costs – loan establishment fees)	Interest Cover	**4.3x**	>1.75
The amount by which total tangible assets exceed total liabilities	Net Tangible Assets	**$1.5b**	>$1.0b
Retirement Syndicate Facility			
Cash receipts (as defined)/net finance costs – loan establishment fees	Interest Cover	**2.4x**	>1.75x
Loan amount outstanding/mortgaged property valuation	Loan to Valuation Ratio	**44%**	<50%
Property Trust			
Net rent/interest expense	Interest Cover	**2.1x**	>1.5x
Loan amount outstanding/mortgaged property valuation	Loan to Valuation Ratio	**46%**	<60%

REVIEW AND RESULTS OF OPERATIONS CONTINUED

Capital Management continued

When managing capital, Management's objective is to ensure that the Consolidated Group uses a mix of funding options, while remaining focused on the objective of optimising returns to security holders. Management aims to maintain a capital structure that ensures the lowest weighted average cost of capital available.

Management may adjust the Consolidated 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 security holders, returning capital to security holders or adjusting debt levels.

The Consolidated Group intends to distribute 40-60% of realised underlying profit. Underlying profit is determined by adjusting the statutory profit to reflect the Directors' assessment of the result for the ongoing business activities of the Consolidated Group in accordance with AICD/Finsia principles. To determine the realised underlying profit, the retirement revaluation which is included in the underlying profit is excluded. The Board has a 35% maximum gearing limit which provides further discipline while still allowing the flexibility needed for the successful execution of growth targets.

Under the development multi-option facility, the retirement syndicate facility and the convertible bonds, there is a requirement to maintain net tangible assets with a carrying value per the financial statements of at least $1,000.0m at all times.

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

Going Concern

The balance sheet of the Consolidated Group discloses total current assets of $342.3m and total current liabilities of $1,611.6m. This largely arises because resident loans are classified in full as a current liability, whereas the asset to which the loans relate, investment properties, is classified as a non-current asset. Resident loans are classified as a current liability because the Consolidated Group does not have an unconditional right to defer settlement of resident loans for at least 12 months after the reporting period. In practice, the rate at which the Consolidated 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 Consolidated Group's best estimate is that of the total resident loans of $1,314.2m, only $112.2m 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 $177.2m would be received from new residents.

After excluding those resident loans not expected to be payable within the next 12 months, current assets exceed current liabilities by $44.9m. Included in current liabilities is $129.9m of interest bearing debt maturing in the next 12 months.

After considering all available current information, the Directors have concluded there are reasonable grounds to believe that the Consolidated 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.

DIVIDENDS AND DISTRIBUTIONS

Distributions paid or declared by the Consolidated Group to security holders since the end of the previous financial year were:

Distributions	Cents per Security	Total Amount $m	Date of Payment
Final 2010	1.00	11.7	30 September 2010
Interim 2011	1.40	16.4	31 March 2011
Final 2011	1.60	19.0	30 September 2011

ENVIRONMENTAL REGULATION

The Consolidated Group undertakes property development in various states in Australia. It is subject to legislation regulating development. Consents, approvals and licences are generally required for all developments and it is usual for them to be granted subject to conditions. The Consolidated 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 AND EXPECTED RESULTS OF OPERATIONS

The Consolidated Group will continue to pursue its target of increasing the profitability of its major business segments during the next financial year. Additional comments on expected results of certain operations of the Consolidated Group are included in this Report under 'Review and Results of Operations'.

Further information on likely developments in the operations of the Consolidated Group and the expected results of operations have not been included in this Report because the Directors believe it would be likely to result in an unreasonable prejudice to the Consolidated Group.

OPTIONS

During the financial year 3,000,000 (2010: 12,740,000) options were issued by the Consolidated Group. No options were exercised during the financial year (2010: nil).

REMUNERATION REPORT

The Remuneration Report set out on pages 23 to 34 provides details of the remuneration and equity holdings of the Directors and key management personnel and forms part of the Directors' Report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Other than as disclosed in this Report, no matters or circumstances have arisen since the end of the financial year and up until the date of this Report which significantly affect or may significantly affect the operations of the Consolidated Group, the results of those operations, or the state of affairs of the Consolidated Group in subsequent years.

DIRECTORS' INTERESTS

At the date of this Report, the relevant interests of the Directors in the securities of the Consolidated Group are:

	Number of Ordinary Securities	
	2011	2010
SH Lee[1]	302,728,743	293,133,558
D C Crombie[2]	439,024	432,660
P R Brown	3,536,992	3,535,564
P Parker	44,097,684	44,097,684
L R McKinnon	–	–
J E F Frayne	54,788	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 Consolidated Group.
2. D C Crombie resigned as Non-Executive Deputy Chairman on 26 November 2010.

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 positions as officeholders of the Consolidated 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 Consolidated 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 Consolidated 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.

NON-AUDIT SERVICES

During the year Ernst & Young, the Consolidated Group's external auditor, performed certain other services in addition to statutory duties. The Board has considered the non-audit services provided during the year by the external auditor and in accordance with advice provided by the Audit Committee, is satisfied that the provision of those services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Consolidated 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 & Ethical Standards Board, as they did not involve reviewing or auditing the external auditor's own work, acting in a management capacity for the Consolidated Group, acting as an advocate for the Consolidated Group or jointly sharing risks or rewards.

NON-AUDIT SERVICES CONTINUED

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

	2011 $	2010 $
Ernst & Young:		
Other assurance services	**160,000**	–
Tax compliance	**4,000**	–
Non-assurance services	**48,000**	–
	212,000	–
Non-Ernst & Young Audit Firms:		
Other assurance services	**-**	60,200
Tax compliance	**158,990**	155,880
Non-assurance services	**-**	115,000
	158,990	**331,080**

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 22.

ROUNDING

The Consolidated 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

Sydney, 25 August 2011

Auditor's Independence Declaration

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www.ey.com/au

Auditor's Independence Declaration to the Directors of FKP Limited and the Directors of FKP Funds Management Limited as Responsible Entity for the FKP Property Trust

In relation to our audit of the financial report of FKP Property Group comprising FKP Limited and the entities it controlled and FKP Property Trust and the entities it controlled from time to time during the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Douglas Bain
Partner

25 August 2011

Liability limited by a scheme approved
under Professional Standards Legislation

REMUNERATION REPORT – AUDITED

The Remuneration Committee ('Committee') is pleased to provide the FKP Property Group Remuneration Report ('Report') for the year ended 30 June 2011, which has been audited in accordance with section 308(3C) of the *Corporations Act 2001*.

The Committee's primary objective is to provide a remuneration structure which attracts, retains and motivates staff, reflects FKP's strategic goals, is aligned with security holder interests, and addresses current market and stakeholder views.

The Committee and the Board believe that FKP remunerates its executives appropriately, taking account of the market sectors in which the Consolidated Group operates, the prevailing conditions in those sectors, and the skills and experience of the individuals it employs. The Committee and the Board further believe that the split between fixed and variable remuneration is balanced and reflective of a desire to align security holder and executive interests over the short and longer term.

The Report sets out the current remuneration arrangements for FKP Directors and executives, under the following sections:

Remuneration Report Continued

1. INTRODUCTION

1.1 Definitions

DPS	**Dividend/Distribution per Security**
DSP	**Directors' Securities Plan**
EOP	**Employee Option Plan subject to Performance Conditions**
EOPS	**Employee Option Plan subject to Service Period Conditions**
EPS	**Earnings per Security**
ESP	**Employee Security Plan**
KMP	**Key Management Personnel:** Those persons who, during the course of the year ended 30 June 2011, had the authority and responsibility for planning, directing and controlling the activities of the Consolidated Group, directly or indirectly, including any Director (whether executive or otherwise).
LTI	**Long-Term Incentive:** The FKP LTI is largely equity-based compensation which provides KMP with securities or options, which may vest into FKP stapled securities dependent upon performance against defined conditions over a three year performance period.
NED	**Non-Executive Director**
STI	**Short-Term Incentive:** A 12 month incentive plan which provides cash awards for performance against key financial and non-financial targets during any one financial year.
TFR	**Total Fixed Remuneration:** The fixed component of remuneration which includes base pay, superannuation and salary packaged benefits.
TSR	**Total Shareholder Return:** Security price growth plus dividends notionally reinvested in securities, over the assessment period.
UPT	**Underlying Profit after Tax:** Underlying profit reflects statutory profit (after tax) as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Consolidated Group, in accordance with AICD/Finsia principles of recording underlying profit.

1.2 KMP Defined

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

Non-Executive Directors	Position	Period of Employment
SH Lee	Chairman (Non-Executive)	Full Year
D C Crombie	Deputy Chairman (Non-Executive)	Partial Year – resigned on 26 November 2010
P Parker	Non-Executive Director	Full Year
L R McKinnon	Non-Executive Director	Full Year
J E F Frayne	Non-Executive Director	Full Year
G C Dyer	Non-Executive Director	Full Year
Managing Director		
P R Brown	Managing Director and Chief Executive Officer	Full Year
Executives and Other KMP		
D A Hunt	Chief Financial Officer	Full Year
G E Grady	Chief Operating Officer	Full Year
S E Stewart	General Legal Counsel and Group Company Secretary	Partial Year – resigned on 29 June 2011
E L Delfabbro	Executive General Manager – Residential Communities	Full Year
J M Laboo	Executive General Manager – Retirement	Full Year
A M Hall	Executive General Manager – Commercial and Industrial	Full Year
M Tucker	Executive General Manager – Constructions	Full Year

1. INTRODUCTION CONTINUED

1.3 Actual Remuneration Received in FY11

The following table provides a summary of remuneration received by the Managing Director and Chief Executive Officer and the KMP (excluding NEDs), including the five highest paid executives, for the year ended 30 June 2011 ('FY11'). The figures below are the amounts that each individual received in cash and not the amounts calculated in accordance with the Australian Accounting Standards. They contain no allowance for annual or long service leave accrual, nor the security option expense required to be recognised by Accounting Standard AASB 2: 'Share-Based Payment'. Consequently, the figures below may not correspond to those in later sections of this Report. Specific details of the FY11 remuneration received by these executives, prepared in accordance with the statutory obligations and accounting standards are provided on pages 33 and 34.

	Fixed Annual Remuneration ($)[1]	STI ($)[2]	LTI ($)[3]	Other ($)[4]	Total Actual 2011 Remuneration ($)
Key Management Personnel (Excluding NEDs)					
P R Brown	1,591,172	750,000	–	24,208	**2,365,380**
D A Hunt	481,961	–	–	9,669	**491,630**
G E Grady	427,103	140,000	–	–	**567,103**
S E Stewart[5]	377,147	49,000	–	–	**426,147**
E L Delfabbro	408,043	133,000	–	–	**541,043**
J M Laboo	372,258	105,000	–	–	**477,258**
A M Hall	346,250	70,000	–	–	**416,250**
M Tucker	369,815	98,000	–	–	**467,815**

1. Fixed annual remuneration includes superannuation benefits together with salary packaged benefits calculated on a 'cost to FKP' basis, grossed up for FBT payable. Such benefits include motor vehicle costs, car parking and club memberships.
2. KMP remuneration is structured such that the payment of 30% of STIs is deferred to 1 July of the following year. For FY11 bonuses and beyond, the deferral applies only to annual bonuses greater than $100,000. Thus the STIs disclosed in this table represent 70% of STIs relating to the year ended 30 June 2010. Mr Brown's Employment Contract was executed in 2007. The STI deferral arrangements were introduced in 2010 and therefore Mr Brown's STI is exempt from deferral.
3. Excludes the $1,000 worth of FKP Property Group securities issued at no cost to employees under the Employee Security Plan. Refer to section 5.4 of the Remuneration Report for further details.
4. Includes fringe benefits provided to executives which are not salary packaged.
5. Ms Stewart resigned on 29 June 2011.

2. REMUNERATION FRAMEWORK

2.1 Remuneration Governance

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 KMP. The members of the Committee during the year were:

– P Parker (Chairman);
– L R McKinnon[1];
– SH Lee; and
– P R Brown[2].

1. Mr McKinnon was appointed a member of the Remuneration Committee effective 8 June 2011.
2. Mr Brown resigned from the Remuneration Committee effective 8 June 2011.

The Committee is responsible for ensuring that the remuneration levels for the Consolidated Group are set at appropriate levels to ensure the Consolidated Group has access to the skills and capabilities it needs to operate successfully.

2.2 Remuneration Policy

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

– the capability, skills and experience of the KMP;
– the ability of KMP to impact achievement of the strategic objectives of the Consolidated Group;
– the performance of the KMP in their roles;
– the Consolidated 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.

2. REMUNERATION FRAMEWORK CONTINUED

2.2 Remuneration Policy continued

In assessing the performance of an executive, regard is had to a mix of quantitative and qualitative factors in addition to the Consolidated Group's immediate underlying profit and loss performance. The nature of property development and investment is such that decisions are constantly being taken that may not generate profit for several years. Examples include the acquisition of land for future development, the process of development itself, and the upgrading of systems and procedures. The likelihood of success of such longer-term projects is considered in establishing measures of executive performance for remuneration purposes. Measures of executive performance include the executive's effectiveness in developing a capable support team, demonstrating leadership qualities and instilling positive cultural values within their division.

2.3 External Advisers

During 2011, the Parent Entity engaged Deloitte Touche Tohmatsu to prepare a report expressing an opinion on the fair value of executive share options granted in February 2011.

For the provision of this advice the advisers were commissioned by, and addressed reports directly to, the Board of Directors.

2.4 Termination Provisions

The following table provides details of the termination provisions for the KMP (excluding NEDs) as identified in this Report.

Name/Role	Notice Period	Payment in Lieu of Notice	Treatment of STI on Termination	Treatment of LTI on Termination
P R Brown, Managing Director and Chief Executive Officer	6 months[1]	6 months[1]	Pro-rated for time and performance, subject to Board discretion	Board discretion[2]
D A Hunt, Chief Financial Officer G E Grady, Chief Operating Officer	6 months	6 months	Pro-rated for time and performance, subject to Board discretion	Board discretion[2]
S E Stewart, General Legal Counsel and Group Company Secretary E L Delfabbro, Executive General Manager – Residential A M Hall, Executive General Manager – Commercial and Industrial M Tucker, Executive General Manager – Constructions	3 months	3 months	Pro-rated for time and performance, subject to Board discretion	Board discretion[2]
J M Laboo, Executive General Manager – Retirements	4 weeks	4 weeks	Pro-rated for time and performance, subject to Board discretion	Board discretion[2]

1. Mr Brown entered into an open ended contract in June 2011. The open ended employment arrangement will be subject to termination by either party upon giving six months' written notice or by paying an amount equal to six months' base salary at the rate payable at the date of giving notice of termination.
2. In determining how an LTI is treated on cessation of employment the Board considers such factors as the duration of the performance period that has elapsed, performance up to the date of cessation, tenure in KMP role and the total number of years of employment at FKP.

3. LINK BETWEEN REMUNERATION AND PERFORMANCE

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

	2011	2010	2009	2008	2007
Net profit/(loss) ($m)	82.3	50.8	(319.4)	145.3	194.8
Underlying profit ($m)[2,3]	121.0	108.6	76.8	150.2	134.9
EPS (cents)[1]	7.01	4.5	(70.3)	38.7	62.1
Dividends/Distributions ($m)	35.4	17.5	12.3	83.7	76.1
DPS – ordinary (cents)	3.0	1.5	3.5	31.7	31.7
Security price at year end ($)	0.70	0.68	0.52	4.90	7.30
Market capitalisation ($m)	829.6	792.8	183.2	1,300.3	1,904.1

1. Reported earnings per security for the years ended 30 June 2007 and 30 June 2008 have been modified for adjustments made to securities for increases as a result of the renounceable Entitlement Offer announced on 25 June 2009.
2. Underlying profit reflects statutory profit as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Consolidated Group, in accordance with AICD/Finsia principles of recording underlying profit.
3. Underlying Profit for the Consolidated Group was adopted for the years ended 30 June 2010 and 30 June 2011, and has been audited. Underlying Profit for the years ended 30 June 2007 to 30 June 2009 was not in accordance with AICD/Finsia principles of recording Underlying Profit and has not been audited.

3. LINK BETWEEN REMUNERATION AND PERFORMANCE CONTINUED

Remuneration Component	Link to Consolidated Group Performance
Fixed remuneration	Fixed remuneration is not linked to Consolidated Group performance. It is set with reference to the individual's role, responsibilities and performance and remuneration levels for similar positions in the market.
Short-Term Incentive ('STI')	STIs are awarded to individuals based on achievement of Consolidated Group and divisional financial targets in individual balanced scorecards, subject to the Consolidated Group's profitability and ability to pay STI awards. The Board maintains the right to adjust downwards the aggregate pool available to fund STIs if the Consolidated Group's actual underlying profit after tax is below target.
Long-Term Incentive ('LTI')	The Consolidated Group provides LTIs in the form of equity-based remuneration to executives through the operation of the following plans: – Employee Security Plan ('ESP'): In compliance with taxation legislation, there are no performance hurdles underpinning the ESP. – Employee Option Plan – subject to Service Period Conditions ('EOPS'): Participants in the EOPS must remain employed with FKP for three years from grant in order for the options to vest. The exercise price, which functions as an intrinsic performance hurdle, is set by the Board and is typically equal to or greater than the Consolidated Group's stapled security price at the date of grant. There will be no further issues of options under the EOPS subject to Service Period Conditions only. – Employee Option Plan – subject to Performance Conditions ('EOP'): The vesting of options granted under the EOP is subject to performance hurdles including TSR and UPT targets, set by the Board. All future grants of options under the EOP will be subject to performance conditions.

4. REMUNERATION OF NON-EXECUTIVE DIRECTORS

4.1 Directors' Fees

In 2006, security holders resolved that the maximum aggregate fee pool available 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%. The Directors' fees have remained at the reduced level for the period from 1 April 2010 to 30 June 2011. Messrs Crombie and Parker each received a base fee of $32,692 per annum inclusive of superannuation (with an entitlement to retirement benefits). Mr D C Crombie received an additional $196,155 in accrued retirement benefits upon his resignation on 26 November 2010. All other Directors received a base fee of $42,500 per annum inclusive of superannuation.

These fees cover all main Board activities. Additionally, the Chairman of the Audit Committee receives $2,500 per annum and the other members of the Audit Committee receive $500 per annum. No additional fees were paid to members of the Remuneration Committee.

4.2 Retirement Benefits

The Consolidated Group's Directors' Retirement Benefits Scheme applies only to Directors appointed before 30 June 2004 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 it complies with the requirements of the *Corporations Act 2001*. Mr Parker is the only Director with an entitlement under this scheme.

4.3 Performance-Based Remuneration

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

4.4 Equity-Based Remuneration

The Consolidated Group's Directors' Securities Plan ('DSP') was approved at the 2002 AGM and amended at the 2003 and 2004 AGMs. Under the DSP, eligible Non-Executive Directors can elect to receive their Directors' fees by way of securities in the Consolidated Group, in lieu of cash, after taking into account any FBT payable by the Consolidated Group. Securities allocated under the DSP can either be issued by the Consolidated Group or purchased on market. This plan continues to operate however, no Directors to date have elected to receive their Directors' fees by way of securities in the Consolidated Group.

Remuneration Report Continued

5. REMUNERATION OF KEY MANAGEMENT PERSONNEL (EXCLUDING NEDs)

5.1 Target and FY11 Achieved Mix of Remuneration Components

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

		At Risk Remuneration (%)				
TARGET MIX	TFR (%)	STI (%)	Deferred STI (%)	LTI[1] (%)	Total at Risk (%)	Total Remuneration (%)
Managing Director and Chief Executive Officer	40	40	–[2]	20	60	100
Chief Financial Officer and Chief Operating Officer	50	17.5	7.5	25	50	100
Other executives included in KMP[3]	50	17.5	7.5	25	50	100

		At Risk Remuneration (%)				
FY11 ACHIEVED	TFR (%)	STI (%)	Deferred STI (%)[4]	LTI[1] (%)	Total at Risk (%)	Total Remuneration (%)
Managing Director and Chief Executive Officer						
P R Brown	70	30	–[2]	–	30	100
Chief Financial Officer						
D A Hunt	67	15	6	12	33	100
Chief Operating Officer						
G E Grady	59	18	8	15	41	100
Other executives included in KMP						
E L Delfabbro	60	19	8	13	40	100
J M Laboo	63	15	7	15	37	100
A M Hall	77	11	–	12	23	100
M Tucker	79	11	–	10	21	100
S E Stewart	100	–	–	–	–	100

1. LTI target percentage is calculated based on the annual amortised expense as required under Accounting Standard AASB 2: 'Share-Based Payment'.
2. The Managing Director and Chief Executive Officer's Employment Contract was executed in 2007. The STI deferral arrangements were introduced in 2010. As such, the Managing Director and Chief Executive Officer is exempt from the deferral arrangements.
3. Certain other executives included in KMP may have a lower at risk component than the prescribed target mix.
4. Refers to the deferral of FY11 STI.

The Committee considers the weighting of total remuneration between fixed, performance-based and equity-based, including the allocation of STIs between immediate payments and deferred payments for executives other than the Managing Director and Chief Executive Officer, to be appropriate.

The Committee may exercise its discretion to vary the size of the available performance pool, as well as the target mix of remuneration components, in any given year as appropriate, by reference largely to the financial performance against target earnings and comparative periods.

5.2 Fixed Remuneration

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

Remuneration levels are reviewed periodically by the Committee.

Managing Director and Chief Executive Officer

The Managing Director and Chief Executive Officer's Employment Agreement, which was effective from 1 July 2007, expired on 30 June 2011, was extended with an open ended rolling contract entered into thereafter as agreed with the Board. The Board is of the view that the Consolidated Group's best interests are served by Mr Brown remaining in the position for the immediate future as a result of his direct involvement in a number of recently launched projects and the current challenges facing the residential sector. Mr Brown's remuneration will continue in accordance with the expired contract terms, which provided for a TFR of $1,500,000 per annum on 1 July 2007, increasing on 1 July at each of the following years by 3%. This open ended employment arrangement will be subject to termination by either party upon giving 6 months' written notice.

5. REMUNERATION OF KEY MANAGEMENT PERSONNEL (EXCLUDING NEDs) CONTINUED

5.2 Fixed Remuneration continued

Chief Financial Officer and Chief Operating Officer

The TFR of the Chief Financial Officer and Chief Operating Officer are set annually, as agreed with the Managing Director and Chief Executive Officer, based on role specifications, responsibilities and performance.

Other Executives Included in KMP

The TFR of other executives included in KMP are set annually, as agreed with the Managing Director and Chief Executive Officer and the Chief Operating Officer, as appropriate, based on role specifications, responsibilities and performance.

5.3 Short-Term Incentives

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

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

Refer to Section 3 'Link Between Remuneration and Performance' above for further details on the correlation between the Consolidated Group performance and performance-based payments.

Managing Director and Chief Executive Officer ('CEO')

The Managing Director and CEO is entitled to receive an annual cash bonus of up to 100% of TFR, subject to achieving performance hurdles based on the financial and operational performance of the Consolidated Group, and other priorities specified each year by the Committee.

The annual cash bonus is weighted as follows:

- 50% is awarded if the UPT for the year was at least 10% higher than the previous financial year's UPT (target percentage increases are set by the Board annually); and
- the balance of the bonus is subject to the achievement of various quantitative and qualitative performance hurdles agreed with the Committee, which are aligned with security holders' interests and encourage sustainable business and financial outcomes, enhance the Consolidated Group's brand and reputation with key stakeholders, develop workforce capability and culture to maximise competitive advantage, and ensure sustainable business practices and strong corporate responsibility.

Performance hurdles are revised annually by the Committee.

Chief Financial Officer ('CFO') and Chief Operating Officer ('COO')

The CFO and COO are entitled to receive an annual bonus of up to 50% of TFR, 30% of which is deferred to 1 July of the following year, subject to achieving performance hurdles based on the financial and operational performance of the Consolidated Group, and other priorities specified each year by the Managing Director and CEO. For FY11 bonuses and beyond, the deferral applies only to annual bonuses greater than $100,000.

The annual cash bonus is weighted as follows:

- 50% is awarded if the UPT for the year was at least 10% higher than the previous financial year's UPT (target percentage increases are set by the Board annually); and
- the balance of the bonus is subject to the achievement of various quantitative and qualitative performance hurdles agreed with the Managing Director and CEO, where applicable, consistent with those hurdles prescribed for the Managing Director and CEO.

The Board may exercise its discretion to award the CFO and COO a maximum annual bonus of up to 100% of TFR (a twofold increase in the CFO and COO's target annual bonus), in any given year as appropriate, should performance at a Consolidated Group level and/or at an individual level significantly exceed predetermined targets. The maximum annual bonus is also subject to the 30% deferral arrangement, whereby payment of 30% of the maximum annual bonus is deferred to 1 July of the following year. For FY11 bonuses and beyond, the deferral applies only to annual bonuses greater than $100,000.

Performance hurdles are revised annually by the Committee.

5. REMUNERATION OF KEY MANAGEMENT PERSONNEL (EXCLUDING NEDs) CONTINUED

5.3 Short-Term Incentives continued

Other Executives Included in KMP

Other executives included in KMP are entitled to receive an annual cash bonus of up to 50% of TFR (certain other executives included in KMP may have a lower annual cash bonus percentage), 30% of which is deferred to 1 July of the following year, subject to achieving performance hurdles based on the financial and operational performance of the Consolidated Group, and other priorities specified each year by the Managing Director and CEO and/or COO, as appropriate. For FY11 bonuses and beyond, the deferral applies only to annual bonuses greater than $100,000.

The annual cash bonus is weighted as follows:

– 50% is awarded if specific Consolidated Group and divisional financial targets are met; and

– the balance of the bonus is subject to the achievement of various quantitative and qualitative performance hurdles agreed with the Managing Director and CEO and/or COO, as appropriate. These hurdles are aligned with the overall corporate strategic plan and are set to optimise financial and business outcomes.

The Board may exercise its discretion to award the other executives included in KMP a maximum annual bonus of up to 100% of TFR (a twofold increase in the executives' target annual bonus), in any given year, as appropriate, should performance at a Consolidated Group level and/or at an individual level significantly exceed predetermined targets. The maximum annual bonus is also subject to the 30% deferral arrangement, whereby payment of 30% of the maximum annual bonus is deferred to 1 July of the following year. For FY11 bonuses and beyond, the deferral applies only to annual bonuses greater than $100,000.

Performance hurdles are revised annually by the Committee.

5.4 Long-Term Incentives

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

– Employee Security Plan ('ESP');

– Employee Option Plan – subject to Service Period Conditions ('EOPS')[1]; and

– Employee Option Plan – subject to Performance Conditions ('EOP').

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

During the financial year, 3,000,000 (2010: 7,750,000) security options and 11,424 (2010: 6,020) equity securities were granted to executives as part of their remuneration.

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

ESP

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

EOPS

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

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

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

EOP

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

The vesting of options granted under the EOP is subject to performance hurdles including TSR and UPT targets, set by the Board. All future grants of options under the EOP will be subject to performance conditions.

5. REMUNERATION OF KEY MANAGEMENT PERSONNEL (EXCLUDING NEDs) CONTINUED

5.4 Long-Term Incentives continued

EOPS Grants Affecting Remuneration for Year Ended 30 June 2011

Details of options over stapled securities in the Consolidated Group provided as remuneration to each KMP are set out below.

KMP	Number of Options Granted During the Year	Number of Options Vested During the Year	Value of Options Granted During the Year, Calculated at Grant $[1]	Value of Options Exercised During the Year, Calculated at Exercise $	Value of Options Forfeited During the Year, Calculated at Forfeiture $[2]
P R Brown	–	–	–	–	–
D A Hunt	–	–	–	–	–
G E Grady	–	–	–	–	–
S E Stewart	–	198,178	–	–	98,587
E L Delfabbro	–	224,602	–	–	–
J M Laboo	–	198,178	–	–	–
A M Hall	–	100,000	–	–	–
M Tucker	–	198,178	–	–	–

No options have been granted or vested since the end of the financial year. Further information on the options is set out in Note 30 'Share-Based Payments'. During the reporting period, no options were exercised.

EOP Grants Affecting Remuneration for Year Ended 30 June 2011

Details of options over stapled securities in the Consolidated Group provided as remuneration to each KMP are set out below.

KMP	Number of Options Granted During the Year	Number of Options Vested During the Year	Value of Options Granted During the Year, Calculated at Grant $[1]	Value of Options Exercised During the Year, Calculated at Exercise $	Value of Options Forfeited During the Year, Calculated at Forfeiture $[2]
P R Brown	–	–	–	–	–
D A Hunt	3,000,000	–	261,000	–	–
G E Grady	–	–	–	–	–
S E Stewart	–	–	–	–	–
E L Delfabbro	–	–	–	–	–
J M Laboo	–	–	–	–	–
A M Hall	–	–	–	–	–
M Tucker	–	–	–	–	–

No options have been granted or vested since the end of the financial year. Further information on the options is set out in Note 30 'Share-Based Payments'. During the reporting period, no options were exercised.

1. Calculated as the number of options granted to Executives multiplied by the fair value of those options at grant.
2. Calculated as the number of options forfeited multiplied by the fair value of those options at grant.

The table below discloses the percentage of EOPS vested and forfeited during the financial year 2011.

Date of Option Grant	Vested in the Year Ended 30 June 2011	Forfeited in the Year Ended 30 June 2011	Lapsed in the Year Ended 30 June 2011	Forfeited in Prior Years
1/09/2006	–	–	73.2%	26.8%
26/09/2007	57.7%	15.9%	–	26.4%

5. REMUNERATION OF KEY MANAGEMENT PERSONNEL (EXCLUDING NEDs) CONTINUED

5.4 Long-Term Incentives continued

EOP Grants Made in Year Ended 30 June 2011

The table below shows details of the terms and conditions of each grant made to KMP under the EOP during the reporting period.

Incumbent Name	Grant Date	Fair value per Option at Grant Date ($)	Exercise Price ($)	Date When Options May Be Exercised	Expiry Date
D A Hunt	22/02/2011	$0.087	$0.95	1/09/2013	31/08/2014

Options granted on 22 February 2011 are subject to performance conditions over a three year performance period from 1 July 2010 to 30 June 2013, as follows:

– *Relative Total Shareholder Return ('TSR')* hurdle to apply to 50% of options. In order for any of the TSR grant to vest, FKP's TSR must be at or above the 50th percentile of a comparator group of companies (constituents of the S&P ASX 200 A-REIT index). The proportion of the option grant that vests based on TSR will be determined based on FKP's TSR relative to the comparator group as follows:

TSR of FKP Relative to TSR of Comparator Group Companies	Proportion of Option Grant Vesting Based on TSR
Less than the 50th percentile	0%
50th percentile	50%
Between 50th percentile and 75th percentile	Straight-line vesting between 50% and 100%
75th percentile	100%

– *Underlying Profit after Tax ('UPT')* hurdle to apply to 50% of options. The UPT grant will vest 100% if aggregate UPT over FY11, FY12 and FY13 exceeds the sum of the UPT targets for the three financial years. The FY11 UPT target is 10% growth on FY10. Targets for FY12 and FY13 are to be determined by the Board annually.

EOPS Grants Affecting Remuneration in Future Reporting Periods

Grant Date	Financial Year[1]	Estimate of Maximum Value of Grant ($)[2]
10/11/2009	FY13	920,150

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

EOP Grants Affecting Remuneration in Future Reporting Periods

Grant Date	Financial Year[1]	Estimate of Maximum Value of Grant ($)[2]
22/02/2011	FY14	261,000

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

1. Financial years beyond FY11, in which the options granted are due to vest.
2. Calculated as the number of options granted to executives multiplied by the fair value of those options at grant.

6. REMUNERATION TABLES

6.1 Non-Executive Directors and Managing Director

		Short-Term Employee Benefits			Post-Employment		Other Compensation	Equity Compensation						
Non-Executive Directors	Year	Salary and Fees $	Bonus $	Non–Monetary Benefits $	Super Benefits $	Other Post Employment Benefits [1] $	Termination Benefits $	Aggregate Excluding AASB 2 Expense Relating to Securities/ Security Options $	AASB 2 Expense Relating to Securities $	AASB 2 Expense Relating to Security Options $	Aggregate including AASB 2 Expense Relating to Securities/ Security Options $	Proportion of Remuneration Performance Related %	Proportion of Remuneration Non-Performance Related %	Proportion of Remuneration Consisting of Securities/ Security Options %
SH Lee	**2011**	**39,450**	**-**	**-**	**3,550**	**-**	**-**	**43,000**	**-**	**-**	**43,000**	**-**	**100.0**	**-**
	2010	39,450	–	–	3,550	–	–	43,000	–	–	43,000	–	100.0	–
D C Crombie[2]	**2011**	**14,676**	**-**	**-**	**1,321**	**-**	**196,155**	**212,152**	**-**	**-**	**212,152**	**-**	**100.0**	**-**
	2010	32,287	–	–	2,906	(33,713)	–	1,480	–	–	1,480	–	100.0	–
P Parker	**2011**	**29,993**	**-**	**-**	**2,699**	**(29,992)**	**-**	**2,700**	**-**	**-**	**2,700**	**-**	**100.0**	**-**
	2010	29,993	–	–	2,699	(30,371)	–	2,321	–	–	2,321	–	100.0	–
L R McKinnon[3]	**2011**	**40,787**	**-**	**-**	**3,671**	**-**	**-**	**44,458**	**-**	**-**	**44,458**	**-**	**100.0**	**-**
	2010	39,450	–	–	3,550	–	–	43,000	–	–	43,000	–	100.0	–
J E F Frayne	**2011**	**39,450**	**-**	**-**	**3,550**	**-**	**-**	**43,000**	**-**	**-**	**43,000**	**-**	**100.0**	**-**
	2010	38,991	–	–	3,509	–	–	42,500	–	–	42,500	–	100.0	–
G C Dyer[4]	**2011**	**38,991**	**-**	**-**	**3,509**	**-**	**-**	**42,500**	**-**	**-**	**42,500**	**-**	**100.0**	**-**
	2010	38,991	–	–	3,509	–	–	42,500	–	–	42,500	–	100.0	–
Managing Director														
P R Brown	**2011**	**1,566,172**	**675,000**	**24,208**	**25,000**	**-**	**-**	**2,290,380**	**1,000**	**-**	**2,291,380**	**29.5**	**70.5**	**-**
	2010	1,520,000	750,000	14,954	25,000	–	–	2,309,954	1,000	–[5]	2,310,954	32.5	67.5	–
Director Totals	**2011**	**1,769,519**	**675,000**	**24,208**	**43,300**	**(29,992)**	**196,155**	**2,678,190**	**1,000**	**-**	**2,679,190**	**25.2**	**74.8**	**-**
	2010	1,739,162	750,000	14,954	44,723	(64,084)	–	2,484,755	1,000	–	2,485,755	32.5	67.5	–

1. Other post-employment benefits include movements in accrued retirement benefits during the year.
2. Mr Crombie resigned on 26 November 2010.
3. Mr McKinnon was appointed Chairman of the Audit Committee effective 13 December 2010.
4. No compensation is received by Mr Dyer personally. All compensation paid in exchange for Mr Dyer's services is paid to a company within the Mulpha Group.
5. Mr Brown was granted five million options under the Consolidated Group's 2007 EOPS being the long-term incentive portion of his total remuneration package. In August 2009, the options were cancelled for no consideration by mutual agreement between Mr Brown and the Remuneration Committee.

6. REMUNERATION TABLES CONTINUED

6.2 Key Management Personnel excluding NEDs and Managing Director

		Short-Term Employee Benefits			Post-Employment	Other Compensation		Equity Compensation					
Executives including Key Management Personnel	Year	Salary and Fees[1] $	Bonus[2] $	Non–Monetary Benefits [3] $	Super Benefits $	Termination Benefits $	Aggregate Excluding AASB 2 Expense Relating to Securities/ Security Options $	AASB 2 Expense Relating to Securities $	AASB 2 Expense Relating to Security Options[4] $	Aggregate including AASB 2 Expense Relating to Securities/ Security Options $	Proportion of Remuneration Performance Related %	Proportion of Remuneration Non-Performance Related %	Proportion of Remuneration Consisting of Securities/ Security Options %
D A Hunt[5]	**2011**	**456,961**	**150,000**	**9,669**	**25,000**	**-**	**641,630**	**1,000**	**86,921**	**729,551**	**32.6**	**67.4**	**12.1**
	2010	95,536	–	2,417	8,598	–	106,551	–	–	106,551	–	100.0	–
G E Grady	**2011**	**380,356**	**190,000**	**-**	**46,747**	**-**	**617,103**	**1,000**	**105,218**	**723,321**	**41.0**	**59.0**	**14.7**
	2010	395,940	200,000	2,467	13,560	–	611,967	–	66,878	678,845	39.3	60.7	9.9
E L Delfabbro	**2011**	**383,043**	**190,000**	**-**	**25,000**	**-**	**598,043**	**1,000**	**85,867**	**684,910**	**40.4**	**59.6**	**12.7**
	2010	361,242	190,000	–	31,186	–	582,428	1,000	146,290	729,718	46.2	53.8	20.2
J M Laboo	**2011**	**332,851**	**130,000**	**-**	**39,407**	**-**	**502,258**	**1,000**	**84,018**	**587,276**	**36.6**	**63.4**	**14.5**
	2010	345,722	150,000	–	19,112	–	514,834	1,000	135,574	651,408	44.0	56.0	21.0
A M Hall	**2011**	**311,881**	**50,000**	**-**	**34,369**	**-**	**396,250**	**1,000**	**53,763**	**451,013**	**23.2**	**76.8**	**12.1**
	2010	310,092	100,000	–	27,908	–	438,000	1,000	73,817	512,817	34.1	65.9	14.6
M Tucker	**2011**	**330,627**	**50,000**	**-**	**39,188**	**-**	**419,815**	**1,000**	**48,945**	**469,760**	**21.3**	**78.7**	**10.6**
	2010	327,287	140,000	–	28,255	–	495,542	1,000	109,743	606,285	41.4	58.6	18.3
S E Stewart[6]	**2011**	**352,147**	**-**	**-**	**25,000**	**246,366**	**623,513**	**1,000**	**-**	**624,513**	**-**	**100.0**	**-**
	2010	332,765	70,000	–	29,949	–	432,714	1,000	113,281	546,995	33.7	66.3	20.9
D L Guihot[7]	**2011**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2010	666,962	–	–	50,000	535,855	1,252,817	–	–[8]	1,252,817	–	100.0	–
Total	**2011**	**2,547,866**	**760,000**	**9,669**	**234,711**	**246,366**	**3,798,612**	**7,000**	**464,732**	**4,270,344**	**28.8**	**71.2**	**11.0**
	2010	2,835,546	850,000	4,884	208,568	535,855	4,434,853	5,000	645,583	5,085,436	29.5	70.5	12.8

1. Includes annual leave and salary packaged benefits including car parking, motor vehicles and club memberships calculated at a 'cost to FKP' basis, grossed up for FBT payable.
2. 30% of STIs to be paid on 1 July of the following year. Refer to section 1.3 of this Report for further details.
3. Comprises fringe benefits paid to employees which are not salary packaged.
4. The security options are required to be expensed by Accounting Standard AASB 2: 'Share-Based Payment'. The Consolidated Group's security price at 30 June 2011 was $0.70 (2010: $0.68), compared to an exercise price of $6.46 for tranche 3, $0.85 for tranche 5 and $0.95 for tranche 6, meaning the options were 'out of the money' by $5.76, $0.15 and $0.25 respectively. Tranche 3 expires in August 2011, tranche 5 expires in August 2013 and tranche 6 expires in August 2014.
5. Mr Hunt was appointed Chief Financial Officer on 11 April 2010.
6. Ms Stewart resigned on 29 June 2011.
7. Mr Guihot resigned from his position as Chief Financial Officer on 9 April 2010.
8. Mr Guihot was granted 550,297 options under tranches 1 and 3. Refer to Note 30, 'Share-Based Payments'. These options were forfeited upon his resignation for nil consideration.

Corporate Governance Statement

The Board of Directors is responsible for the corporate governance of the Consolidated Group. This Statement outlines the main corporate governance practices in place and the extent to which the Consolidated Group has followed the recommendations of the ASX Corporate Governance Council throughout the year, including the Council's revised Corporate Governance Principles and Recommendations (2nd edition) published in August 2007 ('Guidelines').

The Guidelines set out core principles and practices that the ASX Corporate Governance Council believes underlie good corporate governance and all listed entities are required to disclose the extent to which they depart from the Recommendations.

A copy of this Statement is available on the Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 six Non-Executive Directors, one of whom retired from the Board on 26 November 2010. 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

For the purposes of determining Director independence, the Board considers any material previous or current business relationships which could reasonably be perceived to interfere with or compromise each Director's independent judgement in accordance with the Guidelines.

The following factors and relationships are considered by the Board in assessing whether a Director is independent:

- being a substantial security holder or company that has a substantial security holding in the Consolidated Group, or being an officer of or being otherwise associated with, either directly or indirectly, a substantial security holder;
- being employed in an executive capacity by the Consolidated Group within the last three years;
- being a principal of a material professional adviser or a material consultant to the Consolidated Group, within the last three years;
- being, or being associated with, a material supplier or customer of the Consolidated Group;
- being in a material contractual relationship with the Consolidated Group other than as a Director of the Consolidated Group; and
- having any other interest or relationship that could materially interfere with the Director's ability to act in the best interests of the Consolidated Group and independently of management.

The Board has not set any tests as to the number of terms or years on the Board that would be regarded as undermining judgement.

PRINCIPLE 2: BOARD STRUCTURE CONTINUED

Independence of Directors continued
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 that Director's independence.

The Board considers that of the Non-Executive Directors who held office during the year, the following have been assessed as independent:

- D C Crombie (resigned 26 November 2010);
- L R McKinnon;
- P Parker; and
- J E F Frayne.

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

Mr Frayne ceased to be a partner of PKF Chartered Accountants, a material consultant to the Consolidated Group, in June 2006. The Board does not consider that Mr Frayne's previous relationship affects his ability to act independently and in the best interests of the Consolidated Group.

Mr Lee and Mr Dyer do not meet the independence test set out in the Guidelines as they are associated directly with Mulpha Australia Limited, a substantial security holder of the Consolidated Group.

While the Board believes that all of the Non-Executive Directors of the Consolidated Group bring independent judgement to bear in the decision making process, the Board acknowledges that following the resignation of Mr Crombie during the year, the majority of Directors did not meet the independence test as set out in the Guidelines.

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 Consolidated 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 Chairman of the Consolidated Group on 12 February 2009. 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 Consolidated 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.

The roles of Chairman, 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 within clear functional lines. Further information in relation to the *Role of the Chairman* has been published on the Consolidated Group's website, under the Corporate Governance section.

Conflicts of Interest
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 2001*, 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 Consolidated 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 Consolidated Group's security holders at its next AGM.

PRINCIPLE 2: BOARD STRUCTURE CONTINUED

Nomination Committee continued

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 Consolidated 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 Consolidated 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 Consolidated Group. The Board's policies reflect its requirements in relation to the promotion of ethical and responsible decision-making. Appropriate training programs on the Consolidated 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 Consolidated 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 Consolidated 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.

Diversity

The Guidelines were updated on 30 June 2010 to include new recommendations concerning gender diversity. The Consolidated Group is developing a diversity policy that will take into account the recommendations contained in the Guidelines which will include requirements for the Board to establish measurable objectives for achieving gender diversity. The Consolidated Group will recognise the impact of the changes and report against those recommendations in the annual report for the year ending 30 June 2012.

Trading in Securities by Directors and Employees

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

A copy of the *Securities Trading Policy* is available on the Consolidated Group's website under the Corporate Governance section.

PRINCIPLE 4: FINANCIAL REPORTING

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

The Committee is also responsible for making recommendations to the Board in relation to the selection, appointment and rotation of the external audit engagement partners and overseeing and appraising the quality and effectiveness of audit work performed by 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 and functions of the Committee comply with the recommendations in the Guidelines and therefore Listing Rule 12.7.

Corporate Governance Statement Continued

PRINCIPLE 4: FINANCIAL REPORTING CONTINUED

The primary responsibilities of the Committee are to review and recommend for approval to the Board:

- the integrity of the Consolidated Group's financial reports and external audit;
- the appropriateness of the Consolidated Group's accounting policies;
- the effectiveness of the Consolidated Group's financial reporting controls and procedures;
- the effectiveness of the Consolidated Group's internal control environment; and
- compliance with relevant laws and regulations.

The current members of the Committee are Mr McKinnon (Chairman), Mr Frayne and Mr Dyer and the qualifications of each member 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 Consolidated 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.

When considering the Committee's review of financial reports, the Board also receives a written statement in accordance with section 295A of the *Corporations Act 2001* signed by the Managing Director and Chief Executive Officer and the Chief Financial Officer affirming that the Consolidated Group's Financial Report gives a true and fair view, in all material respects, of the Consolidated Group's financial position and complies in all material respects with relevant accounting standards.

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

The Consolidated Group's external auditor has declared its independence to the Committee during the year. 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 Consolidated Group has established a *Continuous Disclosure Policy* and also External Communications and Continuous Disclosure Protocols which are intended to enhance the Consolidated 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 Consolidated 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 Consolidated Group to inform the Consolidated Group of any trading by them in the Consolidated Group's securities and of any other interests in contracts the Director may have with a Consolidated Group entity.

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

PRINCIPLE 6: SECURITY HOLDER COMMUNICATION

The Consolidated Group aims to keep security holders informed of the Consolidated Group's performance and all major developments in an ongoing manner and has established a formal *Communications Policy*. Information on the Consolidated Group's activities is communicated to security holders through:

- the publication of all media releases made by the Consolidated Group on the Consolidated 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 Consolidated 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.

PRINCIPLE 6: SECURITY HOLDER COMMUNICATION CONTINUED

Security holders are also encouraged to participate in the AGM to ensure a high level of accountability and identification with the Consolidated Group's strategies and goals. The senior engagement partner of the Consolidated Group's external auditor attends the Consolidated 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 Consolidated Group's website.

Security holders can also register with the Consolidated Group's share registry, Computershare Investor Services, to receive email notification when relevant information, including ASX announcements, is posted onto the Consolidated Group's website. To further promote the use of electronic communications to security holders the Consolidated Group has joined the eTree initiative. This is an incentive to encourage security holders to receive communications from the Consolidated 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 Consolidated 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 Consolidated 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 are the responsibilities 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 Consolidated 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 Consolidated Group's management of its material business risks:

- annual budgets, divisional business plans and the Consolidated Group's strategic plan are prepared for approval by Directors;
- actual trading results for the Consolidated 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 are 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 Consolidated 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 Consolidated 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 the 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 Consolidated 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 Consolidated Group's financial reporting, internal control structures and risk management systems with regard to financial risks and the external audit function.

PRINCIPLE 7: RISK MANAGEMENT CONTINUED

Oversight of the Risk Management Function continued

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

The Consolidated 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 Treasury and 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 Consolidated 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 the Chief Financial Officer are based on a formal sign-off framework established throughout the Consolidated Group and reviewed by the Audit Committee as part of the financial reporting process.

PRINCIPLE 8: REMUNERATION

The Board has established a Remuneration Committee ('Committee') which operates under written terms of reference approved by the Board and embodied in the *Remuneration Committee Charter*. The Committee assists the Board in fulfilling its corporate governance and oversight responsibilities in relation to the remuneration and incentive framework for the Consolidated Group's senior executives and Directors.

A copy of the *Remuneration Committee Charter* is available on the Consolidated Group's website under the Corporate Governance section.

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 and functions of the Committee comply with the recommendations in the Guidelines and therefore Listing Rule 12.8.

The primary responsibilities of the Committee are to review and recommend for approval to the Board:

- remuneration policies and practices which are consistent with the Consolidated Group's strategic goals and which enable the Consolidated Group to attract and retain executives and Directors who will create value for security holders;
- the quantum and structure of remuneration for Directors and senior executives, having regard to the performance of the Consolidated Group, the performance of the executives and the general remuneration environment; and
- policies and procedures to attract, motivate and retain appropriately skilled persons to meet the Consolidated Group's needs including remuneration by gender.

The current members of the Committee are Mr Parker (Chairman), Mr Lee and Mr McKinnon and the qualifications of each member are set out in the Directors' Report. The Committee may invite any executives of the Consolidated Group and other external advisers to attend any meetings of the Committee; however, no person is responsible for assessing their own performance or solely responsible for recommending the quantum or structure of their own remuneration for Board approval. 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 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 Consolidated 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.

Statements of Comprehensive Income
for the year ended 30 June 2011

	Note	Consolidated Group 2011 $m	Consolidated Group 2010 $m	Consolidated Property Trust 2011 $m	Consolidated Property Trust 2010 $m
Continuing Operations					
Sale of goods and construction contract revenue	2	**229.6**	359.4	**-**	–
Revenue from rendering of services	2	**102.4**	99.1	**28.2**	26.9
Other revenue	2	**18.5**	20.6	**20.9**	14.2
Revenue		**350.5**	**479.1**	**49.1**	**41.1**
Cost of sales		**(170.1)**	(299.1)	**-**	–
Gross Profit		**180.4**	**180.0**	**49.1**	**41.1**
Change in fair value of investment properties	10	**75.2**	92.8	**(12.6)**	(21.0)
Change in fair value of resident loans	10	**(6.3)**	(41.2)	**-**	–
Change in fair value of financial assets/derivative financial liabilities		**10.2**	4.2	**-**	0.6
Employee expenses		**(44.7)**	(54.3)	**-**	–
Marketing expenses		**(12.6)**	(6.5)	**-**	–
Occupancy expenses		**(3.8)**	(4.7)	**-**	–
Administration expenses		**(33.5)**	(34.8)	**(1.8)**	(0.9)
Inventory write-down to net realisable value		**(1.3)**	(2.8)	**-**	–
Other expenses		**(11.1)**	(11.0)	**(10.3)**	(4.9)
Finance costs	3	**(26.0)**	(37.9)	**(8.7)**	(10.6)
Share of loss of associates and joint ventures accounted for using the equity method	11(b)	**(8.3)**	(7.5)	**(6.4)**	(7.0)
Profit/(Loss) from Continuing Operations Before Income Tax		**118.2**	**76.3**	**9.3**	**(2.7)**
Income tax expense	4(a)	**(28.1)**	(22.8)	**-**	–
Profit/(Loss) from Continuing Operations After Income Tax		**90.1**	**53.5**	**9.3**	**(2.7)**
Other Comprehensive Income					
Foreign currency translation differences for foreign operations		**(17.4)**	(1.5)	**(3.2)**	(1.8)
Income tax on items of other comprehensive income		**4.3**	0.6	**-**	–
Other Comprehensive Income for the Period, Net of Tax		**(13.1)**	**(0.9)**	**(3.2)**	**(1.8)**
Total Comprehensive Income for the Period		**77.0**	**52.6**	**6.1**	**(4.5)**
Profit/(Loss) for the Period Is Attributable to:					
Owners of FKP Limited		**73.0**	53.5	**-**	–
Non-controlling interest					
Members of FKP Property Trust		**9.3**	(2.7)	**9.3**	(2.7)
Other non-controlling interest	23	**7.8**	2.7	**-**	–
		90.1	**53.5**	**9.3**	**(2.7)**
Total Comprehensive Income for the Period Is Attributable to:					
Owners of FKP Limited		**63.1**	54.4	**-**	–
Non-controlling interest					
Members of FKP Property Trust		**6.1**	(4.5)	**6.1**	(4.5)
Other non-controlling interest		**7.8**	2.7	**-**	–
		77.0	**52.6**	**6.1**	**(4.5)**
Earnings per Security (Cents per Security):					
Basic earnings per stapled security – Consolidated Group	5	**7.01**	4.53		
Diluted earnings per stapled security – Consolidated Group	5	**7.01**	4.53		
Basic earnings per share – Property Trust		**0.79**	(0.24)		
Diluted earnings per share – Property Trust		**0.75**	(0.24)		

The above Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

Balance Sheets
as at 30 June 2011

	Note	Consolidated Group 2011 $m	Consolidated Group 2010 $m	Consolidated Property Trust 2011 $m	Consolidated Property Trust 2010 $m
Current Assets					
Cash and cash equivalents	6	**14.5**	44.0	**2.5**	4.1
Trade and other receivables	7	**42.8**	88.6	**16.8**	29.4
Inventories	9	**201.2**	130.3	**-**	–
Other financial assets	8	**2.1**	2.7	**-**	–
Assets classified as held for sale	13	**73.5**	20.5	**73.5**	20.5
Other assets	12	**8.2**	16.5	**0.9**	1.0
Total Current Assets		**342.3**	**302.6**	**93.7**	**55.0**
Non-Current Assets					
Trade and other receivables	7	**6.9**	18.4	**249.9**	209.8
Inventories	9	**511.6**	466.2	**-**	–
Investment properties	10,33	**2,857.5**	2,671.9	**158.4**	275.8
Equity-accounted investments	11,33	**297.9**	357.3	**19.2**	37.8
Property, plant and equipment	14	**30.7**	31.5	**-**	–
Intangible assets	15	**2.8**	3.4	**-**	–
Other financial assets	8	**2.5**	3.9	**-**	–
Other assets	12	**4.0**	5.6	**4.0**	5.6
Total Non-Current Assets		**3,713.9**	**3,558.2**	**431.5**	**529.0**
Total Assets		**4,056.2**	**3,860.8**	**525.2**	**584.0**
Current Liabilities					
Trade and other payables	16	**52.9**	60.4	**3.2**	7.5
Interest bearing loans and borrowings	17	**129.9**	418.6	**98.2**	–
Provisions	18	**24.4**	16.7	**13.1**	11.6
Other financial liabilities	19	**4.8**	9.8	**-**	–
Deferred revenue		**85.4**	96.4	**0.3**	1.1
Total Current Liabilities (Excluding Resident Loans)		**297.4**	**601.9**	**114.8**	**20.2**
Resident loans	1(z),33	**1,314.2**	1,194.2	**-**	–
Total Current Liabilities		**1,611.6**	**1,796.1**	**114.8**	**20.2**
Non-Current Liabilities					
Trade and other payables	16	**19.2**	27.6	**-**	–
Interest bearing loans and borrowings	17	**672.9**	373.0	**-**	141.0
Deferred tax liabilities	4(d)	**199.6**	174.3	**-**	–
Provisions	18	**1.7**	2.0	**-**	–
Other financial liabilities	19	**19.3**	12.7	**-**	–
Deferred revenue		**0.5**	0.9	**-**	–
Total Non-Current Liabilities		**913.2**	**590.5**	**-**	**141.0**
Total Liabilities		**2,524.8**	**2,386.6**	**114.8**	**161.2**
Net Assets		**1,531.4**	**1,474.2**	**410.4**	**422.8**
Equity					
Contributed equity	20	**779.3**	769.0	**518.3**	514.3
Retained profits/(losses)	21	**318.1**	258.0	**(106.5)**	(93.3)
Reserves	21	**(28.9)**	(12.6)	**(1.4)**	1.8
Total Equity Attributable to the Security Holders of FKP Limited		**1,068.5**	**1,014.4**	**410.4**	**422.8**
Non-Controlling Interests					
FKP Property Trust		**410.4**	422.8	**-**	–
Other non-controlling interest	23	**52.5**	37.0	**-**	–
Total Equity Attributable to Non-Controlling Interests		**462.9**	**459.8**	**-**	**-**
Total Equity		**1,531.4**	**1,474.2**	**410.4**	**422.8**

The above Balance Sheets should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

for the year ended 30 June 2011

		Attributable to Equity Holders of FKP Limited						
	Note	Share Capital $m	Retained Profits/ (Losses) $m	Reserves $m	Sub Total $m	Non-Controlling Interest Attributable to FKP Property Trust $m	Other Non-Controlling Interests $m	Total Equity $m
Balance at 1 July 2009		549.4	204.5	(20.2)	733.7	346.5	34.3	1,114.5
Comprehensive income:								
Profit/(Loss) for the year	21	–	53.5	–	53.5	(2.7)	2.7	53.5
Other comprehensive income		–	–	0.9	0.9	(1.8)	–	(0.9)
Total Comprehensive Income for the Period		–	53.5	0.9	54.4	(4.5)	2.7	52.6
Other transactions with owners in their capacity as owners:								
Dividends and distributions provided for	22	–	–	–	–	(17.5)	–	(17.5)
Equity settled employee benefits	30	0.5	–	6.7	7.2	0.2	–	7.4
Issue of securities	20	219.1	–	–	219.1	98.1	–	317.2
Total Transactions with Owners		219.6	–	6.7	226.3	80.8	–	307.1
Balance at 30 June 2010		**769.0**	**258.0**	**(12.6)**	**1,014.4**	**422.8**	**37.0**	**1,474.2**
Balance at 1 July 2010		769.0	258.0	(12.6)	1,014.4	422.8	37.0	1,474.2
Comprehensive income:								
Profit/(Loss) for the year	21	–	73.0	–	73.0	9.3	7.8	90.1
Other comprehensive income		–	–	(9.9)	(9.9)	(3.2)	–	(13.1)
Total Comprehensive Income for the Period		–	73.0	(9.9)	63.1	6.1	7.8	77.0
Other transactions with owners in their capacity as owners:								
Dividends and distributions provided for	18,22	–	(12.9)	–	(12.9)	(22.5)	(0.7)	(36.1)
Non-controlling interests on consolidation of subsidiaries	23	–	–	(6.1)	(6.1)	–	8.4	2.3
Equity settled employee benefits	20,30	0.4	–	(0.3)	0.1	0.2	–	0.3
Issue of securities	20	9.9	–	–	9.9	3.8	–	13.7
Total Transactions with Owners		10.3	(12.9)	(6.4)	(9.0)	(18.5)	7.7	(19.8)
Balance at 30 June 2011		**779.3**	**318.1**	**(28.9)**	**1,068.5**	**410.4**	**52.5**	**1,531.4**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Cash Flow Statements

for the year ended 30 June 2011

	Note	Consolidated Group 2011 $m	Consolidated Group 2010 $m	Consolidated Property Trust 2011 $m	Consolidated Property Trust 2010 $m
Cash Flows from Operating Activities					
Receipts from customers		**436.4**	569.3	**41.5**	31.7
Payments to suppliers and employees		**(328.1)**	(349.6)	**(16.4)**	(21.7)
Interest received		**2.0**	2.1	**0.3**	0.1
Finance costs including interest and other costs of finance paid		**(70.0)**	(73.3)	**(8.7)**	(11.6)
Dividends and distributions received		**20.1**	12.7	**1.3**	1.3
GST (paid)/recovered		**(7.6)**	(18.9)	**(2.5)**	3.9
Net Cash Flows from Operating Activities	24(b)	**52.8**	**142.3**	**15.5**	**3.7**
Cash Flows from Investing Activities					
Payments for property, plant and equipment		**(1.0)**	(7.6)	**-**	–
Proceeds from sale of property, plant and equipment		**0.1**	1.2	**-**	3.4
Payments for interests in syndicates		**(1.6)**	(2.1)	**-**	–
Payments for investment properties, including investment properties classified as held for sale		**(84.3)**	(36.1)	**(3.0)**	(3.0)
Proceeds from the sale of investment properties		**57.6**	56.3	**57.6**	41.3
Payments for equity-accounted investments		**(20.8)**	(48.9)	**-**	–
Return of equity from equity-accounted investments		**8.6**	–	**7.6**	–
Payments for subsidiaries, net of cash acquired		**0.2**	–	**-**	–
Payments for financial assets		**-**	(2.4)	**-**	–
Net Cash Flows from/(Used in) Investing Activities		**(41.2)**	**(39.6)**	**62.2**	**41.7**
Cash Flows from Financing Activities					
Dividends and distributions paid		**(14.5)**	(8.1)	**(17.3)**	(8.1)
Proceeds from issue of securities		**-**	323.4	**-**	100.9
Costs associated with issue of securities		**-**	(11.2)	**-**	(3.6)
Proceeds from convertible bond issue		**125.0**	–	**-**	–
Transaction costs associated with convertible bond issue		**(3.8)**	–	**-**	–
Proceeds from borrowings		**403.8**	200.9	**19.9**	35.6
Repayment of borrowings		**(546.7)**	(576.0)	**(81.9)**	(169.5)
Net Cash Flows Used in Financing Activities		**(36.2)**	**(71.0)**	**(79.3)**	**(44.7)**
Net increase/(decrease) in cash and cash equivalents		**(24.6)**	31.7	**(1.6)**	0.7
Cash and cash equivalents at beginning of the year		**39.1**	7.4	**4.1**	3.4
Cash and Cash Equivalents at End of the Year	24(a)	**14.5**	**39.1**	**2.5**	**4.1**

The above Cash Flow Statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements
for the year ended 30 June 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

FKP Property Group ('Consolidated 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 financial statements of the Consolidated Group comprising of 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 significant accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of Preparation

This general purpose Financial Report has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The Financial Report has been prepared on a historical cost basis except for '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', which have been measured at fair value.

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

Stapling

On 12 November 2004, under an arrangement approved by the courts and FKP Limited shareholders, FKP Property Trust units were stapled to FKP Limited shares. The Consolidated 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 Consolidated 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.

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

The net assets of the acquiree have been identified as non-controlling interests and presented in the Balance Sheet within equity, separately from the Parent Entity's equity. The profit of the acquiree has also been separately disclosed in the Statement of Comprehensive Income.

Although the interests of the equity holders of the acquiree are treated as non-controlling Interests, the equity holders of the acquiree are also the equity holders in the acquirer by virtue of the stapling arrangement.

(b) New Accounting Standards and Interpretations

There were no new standards and interpretations adopted since the Annual Financial Report for the year ended 30 June 2010, deemed to have a material impact on the Financial Statements or performance of the Consolidated Group.

The following standards, amendments to standards and interpretations have been identified as those which may impact the Consolidated Group in the period of initial application. They have not been applied in preparing these Financial Statements:

IFRS 11: 'Joint Arrangements'
This standard replaces IAS 31: 'Interest in Joint Ventures' and is applicable for annual periods beginning on or after 1 January 2013. This new standard introduces new rules which classify joint arrangements as either a joint operation or a joint venture. Under the new standard, proportionate consolidation is not allowed and all joint ventures must be equity accounted. All joint arrangements held by the Consolidated Group will need to be reassessed to determine whether the joint operation or joint venture classification is appropriate, and therefore the potential impacts of a change on the presentation of the Financial Statements. The Consolidated Group is currently assessing the impact of this standard.

IFRS 10: 'Consolidated Financial Statements'
This standard replaces the part of IAS 27: 'Consolidated and Separate Financial Statements' and is applicable for the annual period beginning 1 January 2013. This new standard introduces a new definition of control that determines which entities are consolidated. This new definition of control may potentially lead to the consolidation of entities that were not previously included in the Consolidated Group resulting in more assets and liabilities on the books. The Consolidated Group is currently assessing the impact of this standard.

IFRS 12: 'Disclosure of Interests in Other Entities'
This standard is applicable for annual reporting periods beginning on or after 1 January 2013. This standard clarifies the disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Consolidated Group is currently assessing the impact of this standard.

IFRS 13: 'Fair Value Measurement'
This standard establishes a single source of guidance for determining the fair value of assets and liabilities. The Consolidated Group is currently assessing the impact of this standard.

(c) Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of FKP Limited ('Parent Entity') and its Controlled Entities and FKP Property Trust ('Property Trust') and its Controlled Entities ('Consolidated Property Trust') as at and for the year ended 30 June 2011.

Subsidiaries are all those entities over which the Consolidated Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the Consolidated Financial Statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. The financial statements of controlled entities are included in the Financial Report from the date that control commences until the date that control ceases.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(c) Basis of Consolidation continued

Investments in subsidiaries held by the Consolidated Group are accounted for at cost in the separate financial statements of the Parent Entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the Parent Entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such conditions exist, to the extent that the carrying value of the investment in the subsidiary exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (see Note 1(q)).

After initial recognition, Goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Consolidated Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquirer are assigned to those units.

Where Goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the Goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Non-controlling interests in the net assets of consolidated entities are allocated their share of net profit after tax in the Statement of Comprehensive Income, and are presented within equity in the Balance Sheet, separately from the equity of the owners of the Parent. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

A change in ownership interest of a subsidiary that does not result in loss of control is accounted for as an equity transaction.

(d) Going Concern

The Balance Sheet of the Consolidated Group discloses total current assets of $342.3m and total current liabilities of $1,611.6m. This largely arises because resident loans are classified in full as a current liability, whereas the asset to which the loans relate, Investment Properties, is classified as a non-current asset. Resident loans are classified as a current liability because the Consolidated Group does not have an unconditional right to defer settlement of resident loans for at least 12 months after the reporting period. In practice, the rate at which the Consolidated 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 Consolidated Group's best estimate is that of the total Resident Loans of $1,314.2m, only $112.2m 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 $177.2m would be received from new residents.

After excluding Resident Loans, current assets exceed current liabilities by $44.9m. Included in current liabilities is $129.9m of interest bearing debt maturing in the next 12 months.

After considering all available current information, the Directors have concluded there are reasonable grounds to believe that the Consolidated 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.

(e) Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Consolidated Group and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised:

Sale of Goods

(i) Land Subdivision

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

(ii) Property Development Sales

Revenue from property development sales is recognised when the significant risks, rewards of ownership and effective control have been transferred to the buyer. This has been determined to occur when developments are completed, sales have been settled and after all contractual duties have been completed.

(iii) 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. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, or there is continuing management involvement to the degree usually associated with ownership.

The percentage of completion and the revenue to recognise are determined on the basis of a large number of estimates. Consequently, the Consolidated Group has implemented an internal financial budgeting and reporting system as well as monthly project reviews which enable the Consolidated Group to review each month the estimates of contract revenue and contract costs as the contracts progress.

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 revenue on retirement village assets is earned while the resident occupies the independent living unit or serviced apartment and is recognised as income over the resident's expected tenure. The expected tenure is calculated with reference to Australian Bureau of Statistics current data relating to life expectancy and historical trends of roll-overs within the Consolidated Group. DMF revenue is not discounted to present value, as the income is earned by reducing the existing Resident Loan.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES
CONTINUED

(e) Revenue Recognition continued

Rendering of Services continued

More specifically:

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

(ii) Gross Rental Income

Rental income from operating leases is recognised on a straight-line basis over the lease term. Rent not received at balance date is reflected in the Balance Sheet as a receivable or if paid in advance, as rents in advance. Lease incentives granted are recognised over the lease term, on a straight-line basis, as a reduction of rent.

(iii) Interest Revenue

Interest revenue is recognised in the Statement of Comprehensive Income as it accrues using the effective interest method and if not received at balance date, is reflected in the Balance Sheet as a receivable.

(iv) Management Fee Revenue

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

(v) Government Grants

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

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

(vi) Dividends and Distributions

Revenue from dividends and distributions from controlled entities and other investments are recognised in the Statement of Comprehensive Income on the date the entity's right to receive payment is established, being the date when they are declared by those entities.

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:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority, is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statements on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(g) Income Tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recorded directly in equity is recognised in equity and not in the Statement of Comprehensive Income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to the interpretation and establishes provisions where appropriate.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred Income Tax Liabilities are recognised for all taxable temporary differences except:

- when the deferred Income Tax Liability arises from the initial recognition of Goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with Investments in Subsidiaries, Associates or Interests in Joint Ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred Income Tax Assets are recognised for all deductible temporary differences, carry-forward or unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- where the Deferred Income Tax Asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with Investments in Subsidiaries, Associates or Joint Ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of Deferred Income Tax Assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the Deferred Income Tax Asset to be utilised.

Unrecognised Deferred Income Tax Assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(g) Income Tax continued

Deferred Income Tax Assets and Deferred Income Tax Liabilities are measured at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax Assets and Deferred Income Tax Liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax Consolidation Legislation

FKP Limited 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 standalone 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 to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

The entities in the tax consolidated group have entered into 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 is recognised as intercompany receivables or payables.

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 and 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 future taxable income and capital gains of the Property Trust.

Taxation of Financial Arrangements (TOFA)

Legislation is in place which changes the tax treatment of financial arrangements. The Consolidated Group has assessed the potential impact of these changes on the Consolidated Group's tax position. No impact has been recognised and no adjustments have been made to the deferred tax and income tax balances at 30 June 2011 (2010: $nil). To date the Consolidated Group has made no elections under the TOFA rules.

(h) Cash and Cash Equivalents

Cash and Cash Equivalents on the Balance Sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statements, Cash and Cash Equivalents consist of Cash and Cash Equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within Interest-Bearing Loans and Borrowings in current liabilities on the Balance Sheet.

(i) Other Financial Assets

Financial assets in the scope of AASB 139: 'Financial Instruments: Recognition and Measurement' are classified as either 'Financial Assets at Fair Value Through Profit or Loss', 'Held-to-Maturity Investments', 'Loans and Receivables' or 'Available-for-Sale Financial Assets'. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Recognition and Derecognition

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Consolidated Group commits to purchase the asset. Regular way purchases or sales are financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all of the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards it derecognises the assets if it has transferred control of the assets.

Subsequent Measurement

(i) Financial Assets at Fair Value Through Profit or Loss

Financial assets classified as 'Held for Trading' are included in the category 'Financial Assets at Fair Value Through Profit or Loss'. Financial assets are classified as 'Held for Trading' if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as 'Held for Trading' unless they are designated as effective hedging instruments. Gains or losses on financial assets 'Held for Trading' are recognised in profit or loss.

(ii) Held-to-Maturity Investments

'Held-to-Maturity Investments' are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has a positive intention and ability to hold to maturity. If the Consolidated Group was to sell more than an insignificant amount of 'Held-to-Maturity' financial assets, the whole category would be tainted and reclassified as 'Available-for-Sale'. 'Held-to-Maturity' financial assets are included in non-current assets, with the exception of those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(iii) Loans and Receivables

'Loans and Receivables' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains or losses are recognised in profit or loss when the 'Loans and Receivables' are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES
CONTINUED

(i) Other Financial Assets continued

(iv) Available-for-Sale Assets

'Available-for-Sale' assets are those non-derivative financial assets that are designated as 'Available-for-Sale' or are not classified as any of the three preceding categories. After initial recognition, 'Available-for-Sale' assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; and option pricing models.

(j) Investments in Associates

The Consolidated Group's Investments in its Associates are accounted for using the equity method of accounting in the Consolidated Financial Statements and at cost in the Parent. The Associates are entities over which the Consolidated Group has significant influence and that are neither subsidiaries nor joint ventures.

Under the equity method, Investments in Associates are carried in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Consolidated Group's or Consolidated Property Trust's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Consolidated Group determines whether it is necessary to recognise any impairment loss with respect to the Consolidated Group's net Investments in Associates. Goodwill included in the carrying amount of the Investments in Associate is not tested separately, rather the entire carrying amount of the investments is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the Goodwill of the associate.

The Consolidated Group and Consolidated Property Trust's share of an associate's profits or losses is recognised in the Statement of Comprehensive Income, and its share of movements in reserves is recognised in reserves. The cumulative movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the equity accounted investment in the Consolidated Group's Financial Statements.

After application of the equity method, the Consolidated Group determines whether it is necessary to recognise an additional impairment loss on Investments in Associates. The Consolidated Group determines at each reporting date whether there is any objective evidence that the Investment in the Associate is impaired. If this is the case, the Consolidated Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'Share of Net Profit of Associates Accounted for Using the Equity Method' in the Statement of Comprehensive Income.

When the Consolidated Group and Consolidated Property Trust's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(k) Interests in 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 Consolidated Group recognises its interests in the Jointly Controlled Operations by recognising its interest in the assets and liabilities of the joint venture. The Consolidated Group also recognises the expense that it incurs and its share of the income that it earns from the sale of goods or services by the Jointly Controlled Operation.

(l) Interests in Jointly Controlled Entities

Interests in Jointly Controlled Entities in which the Consolidated Group is a venturer (and so has joint control) are accounted for under the equity method in the Consolidated Financial Statements. Details of the Jointly Controlled Entities are set out in Note 11.

(m) Trade and Other Receivables

Trade and Other Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of Trade and Other Receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Consolidated Group will not be able to collect the receivable. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(n) Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is determined on the basis of sales for each class of Inventory in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Development Work in Progress

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 Statement of Comprehensive Income. The amount of any reversal of write-down of Inventory arising from a change in the circumstances that gave rise to the original write-down, is recognised as a reduction in the impairment of Inventories recognised as an expense on the Statement of Comprehensive Income.

Property Held for Resale

Development properties are stated at the lower of cost and net realisable value.

Cost includes the costs of acquisition, development and holding costs such as borrowing costs, rates and taxes. Holding costs are capitalised where the development is regarded as a qualifying asset. Holding costs incurred after completion of development are expensed.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(o) Property, Plant and Equipment

Property, Plant and Equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in the Statement of Comprehensive Income incurred.

All items of Property, Plant and Equipment other than freehold and leasehold land, are depreciated using the straight-line method.

Depreciation rates used are as follows:

	Depreciation Rate
Residential aged care facilities	2.5%
Freehold buildings	2.5%
Leasehold improvements	2.5% – 20%
Plant and equipment	6% – 40%
Plant and equipment (leased asset)	7.5% – 20%

These rates are consistent with the prior year.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in the Statement of Comprehensive Income.

An item of Property, Plant and Equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(p) 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, capital appreciation, or both.

Investment Properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing Investment Property when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Consolidated Group and the cost can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred. The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal and is included in the Statement of Comprehensive Income in the year of disposal. Subsequent to initial recognition, Investment Properties are measured at fair value. Gains or losses arising from changes in the fair values of Investment Properties are recognised in the Statement of Comprehensive Income in the year in which they arise.

Investment Property Under Construction represents works in progress which are classified as Investment Properties and stated at fair value at each balance date, with fair value movements recognised in the Statement of Comprehensive Income in the year in which they arise. Where the Consolidated Group determines that the fair value of an Investment Property Under Construction is not reliably determinable, the Investment Property Under Construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). Fair value is assessed with reference to the percentage completion of the development, reliable estimates of future cash flows, risks associated with the forecast completion of the asset, forecast cost of the development and current market evidence for similar assets.

For a transfer from Investment Property to owner-occupied property or Inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Consolidated Group as an owner-occupied property becomes an Investment Property, the Consolidated Group accounts for such property in accordance with the policy stated under Property, Plant and Equipment up to the date of change in use. For a transfer from Inventories to Investment Property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of Comprehensive Income.

Retirement Villages

Retirement villages are Investment Properties held to earn revenues and capital appreciation over the long-term comprising of independent living units, serviced apartments, common facilities and integral plant and equipment.

Refer to Note 10(b) for details on the valuation basis for retirement villages.

Commercial and Retail Properties

The carrying amount of Investment Properties is the fair value of the property as determined by a registered 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 Consolidated Group's Investment Properties. Where external valuations are not obtained within the financial year, an internal Directors' valuation is performed.

Refer to Note 10(a) for details on the valuation basis for retirement villages.

(q) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

When the Consolidated Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Consolidated Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES
CONTINUED

(q) Business Combinations continued

Any contingent consideration to be transferred by the acquirer will be recognised at the fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139: 'Financial Instruments: Recognition and Measurement' in the Statement of Comprehensive Income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

(r) Non-Current Assets Classified as Held For Sale

Non-current assets are classified as 'Held for Sale' 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 Consolidated Group's control and the Consolidated Group remains committed to a sale. They are measured at the lower of their carrying amount and fair value less costs to sell.

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.

Non-current assets are not depreciated or amortised while they are classified as 'Held for Sale'.

(s) Impairment of Assets

(i) Financial Assets

A Financial Asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A Financial Asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a Financial Asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an 'Available-for-Sale' financial asset is calculated by reference to its fair value.

Individually significant Financial Assets are tested for impairment on an individual basis. The remaining Financial Assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the Statement of Comprehensive Income. Any impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For Financial Assets measured at amortised cost, the reversal is recognised in the Statement of Comprehensive Income. For 'Available-for-Sale' financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-Financial Assets other than Goodwill and Indefinite Life Intangibles

Non-financial assets other than Goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than Goodwill that suffered an impairment are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment may be reversed.

(iii) Goodwill

Goodwill is tested for impairment annually. For the purpose of impairment testing, Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Consolidated Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Consolidated Group are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the entity at which the Goodwill is monitored for internal management purposes, and is not larger than an operating segment.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the Goodwill relates. The recoverable amount 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. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment is recognised.

Impairment losses for Goodwill are not subsequently reversed.

(iv) Intangibles with Indefinite Useful Lives

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for Goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed each reporting period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

(t) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(u) Leased Assets

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

All items of Property, Plant and Equipment other than freehold and leasehold land, are depreciated using the straight-line method.

(i) Consolidated Group as Lessee

Finance leases, which transfer to the Consolidated Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Statement of Comprehensive Income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Consolidated Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(ii) Consolidated Group as Lessor

Leases in which the Consolidated Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

(v) Intangible Assets

Intangible assets are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired (see Note 1(s)). The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Comprehensive Income in the expense category consistent with the function of the Intangible Asset.

Licences to operate residential aged care facilities 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 Consolidated 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 a specified number of retirement villages for the Forest Place Retirement Village Syndicates, acquired from third parties, is carried at cost and amortised on a proportionate basis over the period in which the retirement villages are constructed, as and when units are built.

(w) Trade and Other Payables

Trade and Other Payables are carried at amortised cost. They represent liabilities for goods and services provided to the Consolidated Group prior to the end of the financial year that are unpaid and arise when the Consolidated Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(x) Interest Bearing Loans and Borrowings

Interest Bearing Loans and Borrowings are initially recognised at the fair value of consideration received less directly attributable transaction costs. After initial recognition, Interest Bearing Loans and Borrowings are subsequently measured at amortised cost using the effective interest rate method. Borrowings are classified as current liabilities unless the Consolidated Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds represent the fair value of the conversion option, such that the fair value of the underlying host debt contract together with the fair value of the embedded derivative, equal the face value of the convertible bonds issued.

Where the Consolidated Group issues convertible bonds which contain a settlement option that allows it to either deliver a fixed number of shares when the investors exercise their rights to convert or deliver cash equal to the fair value of those shares at the date of conversion, the conversion option is not an equity instrument, but rather an embedded derivative i.e. 'a written call option issued by the Consolidated Group over its own shares' which is split out and accounted for separately from the host debt contract and recognised as a derivative under AASB 139: 'Financial Instruments: Recognition and Measurement' i.e. a financial liability recognised at fair value through profit and loss (refer to Note 1(y)).

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. For non-specific borrowings, borrowing costs are capitalised using a weighted average capitalisation rate. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(y) Derivative Financial Instruments and Hedging

The Consolidated 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 the Statement of Comprehensive Income for the year. The Consolidated Group does not adopt hedge accounting and as such the offsetting gain or loss from the interest rate swaps is taken directly to the Statement of Comprehensive Income.

(z) Resident Loans

Resident loans are measured at the principal amount less unearned income, plus the residents' share of any increases in market value based on the expected market value of the underlying property at turnover and are then discounted to fair value at balance sheet date. Fair value adjustments are recognised in the Statement of Comprehensive Income.

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

The rate at which the Consolidated Group's retirements' residents vacate their units, and hence the rate at which the Resident Loans will fall due for repayment, is estimated on the basis of statistical tables.

(aa) Employee Benefits

(i) 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.

(ii) Long Service Leave

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

(iii) Staff Incentive Scheme

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

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

(bb) Share-Based Payments

The Consolidated Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The Black-Scholes and Binomial models are the primary pricing models used by the Consolidated Group in calculating fair value. Fair value is calculated with reference to the exercise price of the option, expected life of the option, spot price of the underlying share, expected volatility of the share price over the life of the option based largely on historical trends adjusted for anomalies, and the risk-free interest rate for the life of the option.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the Statement of Comprehensive Income is the product of:

(a) the grant date of the award;

(b) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and

(c) the expired portion of the vesting period.

The charge to the Statement of Comprehensive Income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

(cc) Provisions

A provision is recognised where there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying the economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Warranty Maintenance

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

(dd) Contributed Equity

Ordinary securities are classified as equity. Incremental costs directly attributable to the issue of ordinary securities and security options are shown in equity as a deduction, net of tax, from the proceeds.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(ee) Foreign Currency Translation

Functional and Presentation Currency

The Consolidated Group's Financial Statements are presented in Australian dollars, which is FKP Limited's functional and presentation currency.

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Group Companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet,
– income and expenses for each Statement of Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
– all resulting exchange differences are recognised in Other Comprehensive Income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in Other Comprehensive Income. When a foreign operation is sold a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

(ff) 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.

(gg) Syndicate Put Options

The Consolidated Group has entered into put and call options as part of the syndicate arrangements for the Forest Place Cleveland Syndicate and Forest Place Clayfield Syndicate. 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 estimated value of the remaining put options not yet exercised is recognised as a financial liability with a corresponding balance recognised in equity reserves.

The classification between current and non-current is based on the commitment to make payment for these put options at the rate of one share per Syndicate per calendar month.

(hh) Accounting Estimates and Judgements

The preparation of these Financial Statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Group's accounting policies.

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

Valuation of Assets and Recoverable Amounts

(i) Estimates of Net Realisable Value of Inventories

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise and the estimate of costs to complete. Refer to Note 1(n) for further details.

(ii) Investment Property Excluding Retirement Living Assets

The carrying amount of Investment Property is the fair value of the property as determined by Directors' valuations, with external valuations performed every three years at a minimum. This approach requires assumptions and judgements in relation to the future receipts of contractual rentals, expected future market rentals, void periods, maintenance regulations, and property capitalisation rates, together with reference to market evidence of transaction prices for similar properties. For further details refer to Note 10(a).

(iii) Retirement Living Assets and Liabilities

For details on the valuation basis of Retirement Living Assets and Liabilities refer to Notes 1(z) and 10(b).

Share Based Compensation

The Consolidated Group assessed the fair value of its share based compensation plans. The fair value assigned represents an estimate of the value of the award to employees, which requires judgements on the Group's security price and whether vesting conditions will be satisfied. Refer to Note 1(bb) for further details.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES
CONTINUED

(hh) Accounting Estimates and Judgements continued

Critical accounting judgments in applying the Consolidated Group's accounting policies

In the process of applying the Consolidated Group's accounting policies, the Consolidated Group makes various judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the Consolidated Financial Statements. These include:

- when all the significant risks and rewards of ownership of development properties are substantially transferred to the purchaser;
- the percentage completion on construction work performed; and
- whether the substance of the relationship between the Consolidated Group and an entity indicates that the entity should be consolidated by the Consolidated Group or recognised as an Investment in Associate.

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

(ii) Rounding of Amounts

The Consolidated 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.

(jj) Parent Entity Financial Information

The financial information for the parent entities FKP Limited and FKP Property Trust disclosed in Note 34 has been prepared on the same basis as the Consolidated Group's Financial Statements except as set out below.

Controlled Entities

Investments in Controlled Entities are carried in the Parent's Balance Sheet at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the Statement of Comprehensive Income when they are declared by the Controlled Entities.

Associates and Joint Ventures

In the Parent's Financial Statements Investments in Associates and Joint Venture Entities are carried at the lower of cost and recoverable amount. Dividends and distributions received from associates/joint venture entities are recognised in the Statement of Comprehensive Income as revenue.

Tax Consolidation Legislation

FKP Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The Head Entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Parent Entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from Controlled Entities in the tax consolidated group. The entities in the tax consolidated group have entered into tax sharing/funding agreements to limit the joint and several liabilities of the wholly-owned entities in the case of a default by the Head Entity. A tax funding agreement where the wholly-owned entities fully compensate the Head Entity for any Current Tax Receivable and Deferred Income Tax Assets related to unused tax losses or unused tax credits that are transferred to the Head Entity under the tax consolidation legislation has also been entered into. The transfer of such amounts to the Head Entity is recognised as inter-company receivables or payables.

(kk) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers.

(ll) Earnings per Share

Basic earnings per share is calculated as net profit attributable to Members of the Parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to Members of the Parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Notes to the Financial Statements Continued
for the year ended 30 June 2011

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
2. REVENUE				
From Continuing Operations				
Sale of Goods and Construction Contract Revenue				
Sale of goods	**171.8**	178.8	**-**	–
Construction contract revenue	**57.8**	180.6	**-**	–
	229.6	**359.4**	**-**	**-**
Rendering of Services				
Rent received	**29.0**	28.5	**28.2**	26.9
Deferred management fees	**54.4**	48.1	**-**	–
Government grants	**6.7**	6.3	**-**	–
Other	**12.3**	16.2	**-**	–
	102.4	**99.1**	**28.2**	**26.9**
Other Revenues				
Interest received				
Entities in wholly-owned group	**-**	–	**20.4**	15.6
Other parties				
Cash	**1.3**	1.5	**0.3**	–
Trade and other receivables	**0.7**	0.6	**-**	–
Other	**-**	–	**-**	–
Management fee received				
Development fee	**-**	10.0		
Other	**12.4**	10.4	**-**	–
Net gain or loss on disposal of assets other than goods:				
Property, plant and equipment	**(0.6)**	(2.7)	**(0.6)**	(1.4)
Other	**4.7**	0.8	**0.8**	–
	18.5	**20.6**	**20.9**	**14.2**

Government Grants
Aged care grants of $6.7m (2010: $6.3m) were recognised as revenue from rendering of services by the Consolidated Group during the financial year. There are no unfulfilled conditions or other contingencies attached to these grants. The Consolidated Group did not benefit directly from any other forms of government assistance.

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m

3. EXPENSES

Profit before income tax includes the following specific expenses:

Depreciation				
Plant and equipment	**1.5**	3.2	**-**	–
Residential aged care facilities	**0.3**	0.2	**-**	–
Freehold buildings	**-**	0.1	**-**	–
	1.8	**3.5**	**-**	**-**
Amortisation				
Leasehold improvements	**1.2**	1.1	**-**	–
Other intangibles	**0.2**	0.2	**-**	–
	1.4	**1.3**	**-**	**-**
Finance Costs at Amortised Cost				
Other parties				
Interest and amortisation of borrowing costs from bank loans and overdraft	**80.3**	86.6	**8.7**	11.7
Less: capitalised finance costs	**(54.3)**	(48.7)	**-**	(1.1)
	26.0	**37.9**	**8.7**	**10.6**
Impairment of Assets				
Trade and other receivables	**(2.7)**	4.7	**1.8**	0.1
Plant and equipment	**-**	–	**-**	–
Intangible assets	**2.0**	–	**-**	–
Inventory	**1.3**	2.8	**-**	–

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
4. TAXATION				
(a) Income Tax Expense				
Current Income Tax				
Current income tax charge	**(12.1)**	–	**-**	–
Adjustments in respect of current income tax of previous years	**(3.8)**	–	**-**	–
	(15.9)	**-**	**-**	**-**
Deferred Income Tax				
Current year movement	**42.3**	21.8	**-**	–
Under provisions	**1.7**	1.0	**-**	–
Income Tax Expense Reported in the Statement of Comprehensive Income	**28.1**	**22.8**	**-**	**-**
(b) Numerical Reconciliation Between Aggregate Tax Expense Recognised in the Statement of Comprehensive Income and Tax Expense Calculated per the Statutory Income Tax Rate				
Accounting profit before income tax	**118.2**	76.3	**9.3**	(2.7)
Tax at the Australian tax rate of 30% (2010: 30%)	**35.5**	22.9	**2.8**	(0.8)
Tax Effect of Amounts Which Are Not Deductible/Taxable in Calculating Taxable Income:				
Non-assessable income	**(10.6)**	(8.1)	**(2.8)**	0.8
Assessable income not booked	**0.5**	0.4	**-**	–
Non-deductible expenses	**5.2**	7.2	**-**	–
Other deductible expenses	**(0.4)**	(0.6)	**-**	–
	30.2	**21.8**	**-**	**-**
Under/(Over) provisions	**(2.1)**	0.9	**-**	–
Income tax losses and timing differences not carried forward as a future tax benefit	**-**	0.1	**-**	–
Income Tax Expense	**28.1**	**22.8**	**-**	**-**
(c) Deferred Tax Assets				
The balance comprises temporary differences attributable to:				
Amounts Recognised in the Statement of Comprehensive Income				
Provisions	**8.7**	10.7	**-**	–
Accrued expenditure	**1.5**	3.1	**-**	–
Tax losses	**86.0**	70.3	**-**	–
Unearned revenue	**23.5**	20.5	**-**	–
Other	**0.2**	0.1	**-**	–
Net Deferred Tax Assets	**119.9**	**104.7**	**-**	**-**
Less: amounts set-off against deferred tax liabilities	**(119.9)**	(104.7)	**-**	–
	-	–	**-**	–
Movements:				
Opening balance at 1 July	**104.7**	99.7	**-**	–
Accrued expenditure	**(1.6)**	1.5	**-**	–
Provisions	**(2.0)**	(0.7)	**-**	–
Tax losses	**12.0**	6.1	**-**	–
Unearned revenue	**3.0**	3.9	**-**	–
Other	**0.1**	0.1	**-**	–
(Over)/Under provisions	**3.7**	(5.9)	**-**	–
	119.9	**104.7**	**-**	**-**
Less: amounts set-off against deferred tax liabilities	**(119.9)**	(104.7)	**-**	–
Closing Balance at 30 June	**-**	–	**-**	–

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m

4. TAXATION CONTINUED

(d) Deferred Tax Liabilities

The balance comprises temporary differences attributable to:				
Amounts Recognised in the Statement of Comprehensive Income				
Accrued income	**1.8**	3.8	**-**	–
Fair value of investment properties	**661.5**	602.4	**-**	–
Fair value of resident loans	**(322.3)**	(291.1)	**-**	–
Differences in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	**(4.4)**	(22.9)	**-**	–
Intangibles	**0.6**	0.4	**-**	–
Equity-accounted profits	**(1.6)**	2.3	**-**	–
Other expenditure currently deductible for tax but deferred and amortised for accounting	**(3.2)**	(4.8)	**-**	–
Amounts charged directly to equity	**(12.9)**	(11.1)	**-**	–
Net Deferred Tax Liabilities	**319.5**	279.0	**-**	–
Less: amounts set-off from deferred tax assets	**(119.9)**	(104.7)	**-**	–
	199.6	174.3	**-**	–
Movements:				
Opening balance at 1 July	**279.0**	252.9	**-**	–
(Over)/Under provisions	**1.6**	(5.0)	**-**	–
Accrued income	**(2.0)**	(0.2)	**-**	–
Equity-accounted profits	**(4.0)**	(1.9)	**-**	–
Differences in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	**17.7**	3.9	**-**	–
Prepaid expenses	**(2.8)**	0.4	**-**	–
Fair value of investment properties	**61.3**	42.1	**-**	–
Fair value of resident loans	**(33.1)**	(13.0)	**-**	–
Other expenditure currently deductible for tax but deferred and amortised for accounting	**4.6**	1.5	**-**	–
Amounts charged directly to equity	**(2.8)**	(1.7)	**-**	–
	319.5	279.0	**-**	–
Less: amounts set-off from deferred tax assets	**(119.9)**	(104.7)	**-**	–
Closing Balance at 30 June	**199.6**	174.3	**-**	–

(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 Consolidated 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).

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m

5. EARNINGS PER SECURITY

(a) Basic and Diluted Earnings per Security

	2011 $m	2010 $m	2011 $m	2010 $m
Profit/(Loss) from Continuing Operations Before Income Tax	**90.1**	53.5	**9.3**	(2.7)
Less: Non-controlling interest – external	**(7.8)**	(2.7)	**-**	–
Net profit/(loss) after income tax attributable to equity holders of the Consolidated Group	**82.3**	50.8	**9.3**	(2.7)

(b) Weighted Average Number of Securities Used as the Denominator

	Number		Number	
	2011	2010	2011	2010
Weighted average number of ordinary securities used in calculating basic earnings per Security	**1,174,532,705**	1,120,375,212	**1,174,532,715**	1,120,375,222
Weighted average number of ordinary securities used in calculating diluted earnings per Security	**1,233,636,755**	1,120,375,212	**1,233,636,765**	1,120,375,222
(c) Other Information				
The weighted average number of Convertible Bond options converted or lapsed during the year included in the calculation of diluted earnings per security	**123,274,162**	–	**123,274,162**	–

(d) Anti-Dilutive

	2011	2010	2011	2010
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	**17,487,509**	17,757,408	**17,487,509**	17,757,408

6. CASH AND CASH EQUIVALENTS

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Cash at bank	**12.0**	41.5	**2.5**	4.1
Capital replacement funds	**2.5**	2.5	**-**	–
Cash and cash equivalents	**14.5**	**44.0**	**2.5**	**4.1**

A statutory charge, imposed under the *Retirement Villages Act 1999* (QLD), exists over all amounts held in capital replacement funds, which restricts the use for which these funds can be applied.

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
7. TRADE AND OTHER RECEIVABLES				
Current:				
Trade receivables	**23.3**	54.2	**2.4**	2.1
Other receivables	**18.5**	6.7	**0.7**	11.5
Trade receivables (extended terms)	**6.6**	7.0	**-**	–
Allowance for impairment	**(14.0)**	(16.7)	**(1.9)**	(0.1)
	34.4	**51.2**	**1.2**	**13.5**
Due from Related Parties – Interest Bearing				
Due from jointly controlled operations	**-**	8.4	**-**	–
Due from Parent Entity[1]	**-**	–	**15.0**	15.0
Due from Related Parties – Non-Interest Bearing				
Due from associates	**8.4**	21.6	**0.6**	0.9
Due from jointly controlled operations	**-**	7.4	**-**	–
Total Current Receivables	**42.8**	**88.6**	**16.8**	**29.4**
Non-Current:				
Other receivables	**1.7**	1.4	**0.6**	1.4
Due from Related Parties – Interest Bearing				
Due from associates[2]	**12.2**	21.4	**-**	–
Due from jointly controlled operations	**-**	2.7	**-**	
Due from Parent Entity[1]	**-**	–	**249.3**	208.4
Allowance for impairment[2]	**(7.0)**	(8.8)	**-**	
Due from Related Parties – Non-Interest Bearing				
Due from associates	**1.7**	–	**-**	–
Due from jointly controlled operations	**-**	2.2	**-**	–
Due from other related parties	**-**	1.7	**-**	–
Allowance for impairment	**(1.7)**	(2.2)	**-**	–
Total Non-Current Receivables	**6.9**	**18.4**	**249.9**	**209.8**
Total Trade and Other Receivables	**49.7**	**107.0**	**266.7**	**239.2**

1. For terms and conditions relating to receivables due from the Parent Entity refer to Note 31(d).
2. For terms and conditions relating to interest-bearing receivables due from associates refer to Note 31(e).

(a) Fair Value and Credit Risk

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. For the fair values of trade and other receivables refer to Note 35.

(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 $1.7m (2010: $1.7m) of trade receivables on deferred payment terms from 30 to 90 days, depending on the terms of the contract. These deferred payment terms predominantly relate to roll-overs within the Retirement Division and hence become due to the Consolidated 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 related party receivables are neither past due nor impaired and therefore are considered to be recoverable.

7. TRADE AND OTHER RECEIVABLES CONTINUED

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

	Total $m	Current $m	31-60 days PDNI[1] $m	31-60 Days CI[2] $m	61-90 days PDNI[1] $m	61-90 days CI[2] $m	+91 days PDNI[1] $m	+91 days CI[2] $m
2011								
Consolidated Group	**23.3**	**8.5**	**2.8**	**-**	**0.9**	**-**	**5.8**	**5.3**
Consolidated Property Trust	**2.4**	**0.1**	**0.1**	**-**	**0.1**	**-**	**0.1**	**2.0**
2010								
Consolidated Group	54.2	44.3	1.2	–	0.5	–	4.7	3.5
Consolidated Property Trust	2.1	0.1	0.2	–	0.1	–	0.1	1.6

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

Trade receivables past due but not considered to be impaired at 30 June 2011 are: Consolidated Group $9.5m (2010: $6.4m) and Consolidated Property Trust $0.3m (2010: $0.4m). 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:

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
At 1 July	**27.7**	28.7	**0.1**	1.5
Charge/(Credit) for the year	**(2.7)**	4.7	**1.8**	0.1
Balances written off	**(2.3)**	(5.7)	**-**	(1.5)
At 30 June	**22.7**	**27.7**	**1.9**	**0.1**

(d) Interest – Trade Receivables

This 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 $0.8m (2010: $3.0m) are secured by first registered mortgage over real property assets of the debtors, with $3.6m (2010: $6.0m) secured by second mortgage. Limited security has also been granted from the Retirement Villages Group ('RVG') over amounts included in Due from Associates (non-interest bearing) in relation to the Australian Property Services Agreement between the Parent Entity and RVG.

(f) Trade Receivables with Extended Terms

Debtors with extended settlement terms are expected to settle as follows:

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Within one year	**4.6**	7.0	**-**	–
One year or later and no later than five years	**2.0**	–	**-**	–
Later than five years	**-**	–	**-**	–
	6.6	**7.0**	**-**	**-**

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 one 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 $3.6m (2010: $1.0m) are considered impaired and an allowance for impairment of $2.0m (2010: $1.0m) has been raised against these amounts. These amounts are secured under first and second mortgage.

7. TRADE AND OTHER RECEIVABLES CONTINUED

(g) Related Party Receivables

Included in due from associates (non-interest bearing) are the following:

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
RVG[1]	**5.4**	7.6	**-**	–
Forest Place Clayfield Syndicate[2]	**-**	7.1	**-**	–
Forest Place Cleveland Syndicate[2]	**-**	4.1	**-**	–
FKP Core Plus Fund[3]	**1.4**	1.2	**0.3**	0.6
FKP Core Plus Fund Two[3]	**0.5**	–	**0.3**	0.3
Brookvale Strata	**0.5**	–	**-**	–
Other	**0.6**	1.6	**-**	–
	8.4	**21.6**	**0.6**	**0.9**

1. *RVG*
   Under the Australian Property Services Agreement between the Consolidated Group and RVG, RVG is required to pay Management Fees, Development Management Service Fees and Sales Fees.
2. *Syndicates*
   In accordance with the Syndicate Deeds, the Consolidated Group is entitled to receive fees for services in respect of approval and feasibility, development management, promotions and administration. The fee represents work performed by the Consolidated Group in managing the overall construction and development activities, marketing, and administration of the retirement villages. Historically, the Cleveland Syndicate and Clayfield Syndicate have been treated as associates and accounted for under the equity method. Effective 1 July 2010, the Syndicate accounts were consolidated into the Consolidated Group. Refer to Note 33 for further details.
3. *FKP Core Plus Funds*
   Management fees received by FKP Funds Management Limited as Responsible Entity to the Funds and distributions receivable from the funds.

For terms and conditions of Related Party Receivables refer to Note 31.

8. OTHER FINANCIAL ASSETS

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Current:				
Fair Value Through Profit or Loss Financial Assets:				
Interest rate cap	**0.6**	1.1	**-**	–
Other Financial Assets:				
Rights to acquire syndicate shares	**1.5**	1.6	**-**	–
Total Current Other Financial Assets	**2.1**	**2.7**	**-**	**-**
Non-Current:				
Other Financial Assets:				
Rights to acquire syndicate shares	**2.5**	3.9	**-**	–
Total Non-Current Other Financial Assets	**2.5**	**3.9**	**-**	**-**

(a) Financial Assets Recognised at Fair Value Through Profit or Loss

Changes in the fair value of fair value through profit or loss financial assets are recorded in the Statement of Comprehensive Income.

(b) Rights to Acquire Syndicate Shares

Rights to acquire syndicate shares constitute put options over Cleveland Syndicate and Clayfield Syndicate units which have been exercised but for which payment is not yet due. A corresponding liability is recognised under financial liabilities. The amount recognised is equal to the net present value of the amount payable based upon a formula set out in the Syndicate deeds, calculated as the amount actually paid for the shares less distributions received to date, compounded at 5% per year.

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
9. INVENTORIES				
Current:				
Land and development properties held for resale:				
Cost of land acquisition	**63.5**	70.4	**-**	–
Capitalised development costs	**110.8**	57.5	**-**	–
Other capitalised costs	**29.0**	26.0	**-**	–
Less: diminution in value	**(4.6)**	(24.3)	**-**	–
	198.7	**129.6**	**-**	**-**
Construction work in progress:				
Construction costs incurred and attributable net profit	**10.9**	28.1	**-**	–
Less: progress billings (including retention allowances)	**(8.4)**	(27.4)	**-**	–
	2.5	0.7	**-**	–
Total Current Inventories	**201.2**	**130.3**	**-**	**-**
Non-Current:				
Land and development properties held for resale:				
Cost of land acquisition	**343.7**	346.8	**-**	–
Capitalised development costs	**112.4**	99.3	**-**	–
Other capitalised costs	**117.0**	79.3	**-**	–
Less: diminution in value	**(61.5)**	(59.2)	**-**	–
Total Non-Current Inventories	**511.6**	**466.2**	**-**	**-**

(a) Inventory Pledged as Security

Inventory of $489.5m (2010: $504.3m) is pledged as first mortgage security for bank overdraft and bank loans. Bank loans are secured by floating charge over assets of the Consolidated Group (refer Note 17 for further details).

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m

10. INVESTMENT PROPERTIES

At Fair Value:				
Balance at beginning of the year	**2,671.9**	2,582.2	**275.8**	344.6
Capitalised subsequent expenditure	**84.0**	31.7	**2.7**	4.1
Additions resulting from the consolidation of the syndicates[1]	**135.2**	–	**-**	–
Change in fair value of investment properties	**75.2**	92.8	**(12.6)**	(21.0)
Disposals	**(35.6)**	(44.5)	**(35.6)**	(32.7)
Transfer to non-current assets held for resale	**(71.9)**	(20.5)	**(71.9)**	(20.5)
Transfers to/from property, plant and equipment	**(1.3)**	30.2	**-**	1.3
Balance at End of the Year	**2,857.5**	**2,671.9**	**158.4**	**275.8**
Amounts Recognised in the Statement of Comprehensive Income for Investment Property:				
Rental income	**28.2**	26.9	**28.2**	26.9
Change in fair values of investment properties	**75.2**	92.8	**(12.6)**	(21.0)
Change in fair value of resident loans	**(6.3)**	(41.2)	**-**	–
Direct operating expenses from properties that generated rental Income	**(6.1)**	(6.3)	**(6.1)**	(6.3)
	91.0	**72.2**	**9.5**	**(0.4)**
Leasing Arrangements:				
Minimum lease payments due to the Consolidated Group under non-cancellable operating leases of investment property not recognised in the Financial Statements are receivable as follows:				
Within one year	**16.4**	26.2	**16.4**	26.2
Later than one year but not later than five years	**46.7**	58.4	**46.7**	58.4
Later than five years	**32.9**	33.9	**32.9**	33.9
	96.0	**118.5**	**96.0**	**118.5**

1. Effective 1 July 2010, the Cleveland Syndicate and Clayfield Syndicate accounts were consolidated into the Consolidated Group. Refer to Note 33(a).

(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 current market offers and external valuations performed during the financial year by an independent appraiser with a recognised professional qualification and recent experience in the location and category of property being valued. In addition, the valuations were updated for market conditions as at 30 June 2011. Fair values of the Consolidated Group's Investment Properties were determined with regard to recent market transactions of similar properties in similar locations to the Consolidated Group's Investment Properties, capitalised rental returns and discounted cash flows. The capitalisation rates used in the Directors' valuations ranged from 7.75% to 8.75% (2010: 7.00% to 8.25%) for the office sector and ranged from 8.00% to 9.00% (2010: 8.00% to 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 Statement of Comprehensive Income. The fair value has been determined by Directors' valuation using the discounted cash flow valuation methodology. These valuations are based on projected cash flows 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 incorporate the most current pricing and market conditions. The most recent independent valuation was completed at 30 June 2011. Key assumptions used in the Directors' valuation are the discount rate of 12.5% (2010: 12.5%), long-term property growth rate of 5% (2010: 5%) and average tenure period of nine years for independent living units (ILU) and four years for serviced apartments (SA) (2010: ILU: nine years, SA: four years).

10. INVESTMENT PROPERTIES CONTINUED

(c) Valuation Reconciliation

Valuations are reconciled to the Investment Property value as follows:

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Valuation	**2,862.2**	2,678.9	**163.1**	282.8
Less: Operating lease receivables and incentives	**(4.7)**	(7.0)	**(4.7)**	(7.0)
Adjusted Fair Value	**2,857.5**	**2,671.9**	**158.4**	**275.8**

11. EQUITY-ACCOUNTED INVESTMENTS

(a) Carrying Amounts

Details of Equity-Accounted Investments are as follows:

			Consolidated Group		Consolidated Property Trust	
	Country of Incorporation/ Formation	Activity	2011 %	2010 %	2011 %	2010 %
Ownership Interest:						
Associates						
Retirement Villages Group[1]	Australia	Retirement Villages	19.7	18.5	–	–
FKP Core Plus Fund[2]	Australia	Property Investment	14.7	14.7	14.7	14.7
Mulpha FKP Pty Ltd	Australia	Property Developer	49.9	49.9	–	–
FKP Core Plus Fund Two	Australia	Property Investment	27.9	27.9	27.9	27.9
Port Bouvard Limited	Australia	Property Developer	29.5	34.4	–	–
Retirement Villages Group R.E. Limited	Australia	Responsible Entity	50.0	50.0	–	–
Forest Place Cleveland Syndicate[3]	Australia	Retirement Villages	–	91.3	–	–
Forest Place Clayfield Syndicate[3]	Australia	Retirement Villages	–	67.2	–	–
Joint Ventures						
Brookvale Strata[4]	Australia	Property Developer	78.1	–	–	–
Carrum Downs JV Pty Ltd	Australia	Property Developer	50.0	50.0	–	–
Formica Pty Ltd[5]	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
US Senior Living Tenant Trust	Australia	Retirement Villages	50.0	50.0	–	–

1. The investment in Retirement Villages Group ('RVG') has been treated as an investment in an associate as the Consolidated Group has the power to participate in operating policy decisions. The Consolidated Group participates in the policy-making process through a 50% voting right in the fund manager. In addition, there exist material transactions between the Consolidated Group and RVG. The Consolidated Group has 19.7% direct interest holding in RVG, with an additional indirect interest of 1.0% through its investment in Retirement Villages Group R.E Limited.
2. The investment in FKP Core Plus Fund has been treated as an investment in an associate as the Consolidated Group has the power to participate in operating policy decisions. The Consolidated Group participates in the policy-making process through one-third representation on the Investment Committee.
3. Historically, the Cleveland Syndicate and Clayfield Syndicate have been treated as associates and accounted for under the equity method. Effective 1 July 2010, the Syndicate accounts were consolidated into the Consolidated Group. Refer to Note 33 for further details.
4. The Consolidated Group entered into a joint venture known as the Brookvale Strata Joint Venture subject to a joint venture agreement dated 10 December 2004, to develop a site for residential and commercial use. The Consolidated Group has a 78.1% (2010: 78.1%) participating interest in the output of the joint venture, but has joint control over key financial and operating decisions. The investment in Brookvale has been treated as an investment in a joint venture as the Consolidated Group has only a 50% voting right, through 50% representation on the Venture Board. All key constitutional changes and decision making are subject to approval by the Venture Board. Previously, the Consolidated Group recognised its share of contributed assets and liabilities, together with its share of profits from the joint venture. Effective 1 July 2010 the joint venture was recognised as an equity accounted investment giving rise to an asset reclassification and nil impact on profit or loss. The investment carrying amount at 30 June 2011 was $7.6m. The equivalent share of the net assets of the Brookvale Strata Joint Venture at 30 June 2010 is $7.9m.
5. The Formica Pty Ltd Constitution provides that the Consolidated Group has a 50% voting right; however key decision-making requires a majority vote on key constitutional changes and decision making.

11. EQUITY-ACCOUNTED INVESTMENTS CONTINUED

(a) Carrying Amounts continued

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Investment Carrying Amounts:				
Forest Place Cleveland Syndicate	**-**	17.1	**-**	–
Forest Place Clayfield Syndicate	**-**	16.6	**-**	–
Retirement Villages Group	**127.2**	131.1	**-**	–
FKP Core Plus Fund	**7.1**	15.8	**5.2**	12.8
Mulpha FKP Pty Ltd	**107.9**	120.9	**-**	–
FKP Core Plus Fund Two	**7.0**	8.7	**5.6**	7.0
Port Bouvard Limited	**24.8**	22.8	**-**	–
Retirement Villages Group R.E. Limited	**7.9**	5.7	**-**	–
Big Hepher	**-**	–	**-**	–
Formica Pty Ltd	**-**	0.4	**-**	–
US Senior Living Property Trust	**8.4**	18.0	**8.4**	18.0
US Senior Living Tenant Trust	**-**	0.2	**-**	–
Brookvale	**7.6**	–	**-**	–
	297.9	**357.3**	**19.2**	**37.8**

(b) Movement in the Carrying Amount of Investments

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Carrying amount of equity-accounted investments at beginning of year	**357.3**	327.3	**37.8**	48.6
Purchase of equity-accounted investments	**20.8**	51.0	**-**	–
Reclassification of Brookvale	**7.9**	–	**-**	–
Share of net loss	**(8.3)**	(7.5)	**(6.4)**	(7.0)
Dividends received – associates	**(20.1)**	(13.1)	**(1.3)**	(2.0)
Share of (decrement)/increase in foreign currency translation reserve	**(17.4)**	(0.4)	**(3.2)**	(1.8)
Return of capital	**(8.6)**	–	**(7.7)**	–
Consolidation of syndicates	**(33.7)**	–	**-**	–
Carrying Amount of Equity-Accounted Investments at End of Year	**297.9**	**357.3**	**19.2**	**37.8**

11. EQUITY-ACCOUNTED INVESTMENTS CONTINUED

(c) Summarised Financial Information of Equity-Accounted Investments

	Consolidated Group's Share of:			
	Assets $m	Liabilities $m	Revenue $m	Profit/(loss) $m
2011				
Retirement Villages Group	**497.8**	**370.6**	**17.7**	**(10.4)**
FKP Core Plus Fund	**7.7**	**0.6**	**1.8**	**0.1**
Mulpha FKP Pty Ltd	**194.3**	**86.4**	**14.4**	**2.0**
FKP Core Plus Fund Two	**11.9**	**4.9**	**1.3**	**(1.2)**
Port Bouvard Limited	**44.5**	**19.7**	**20.1**	**2.6**
Retirement Villages Group R.E. Limited	**8.5**	**0.6**	**2.2**	**(2.8)**
Brookvale	**7.6**	**-**	**0.3**	**(0.3)**
Carrum Downs JV Pty Ltd	**1.5**	**2.6**	**10.4**	**(0.6)**
Formica Pty Ltd	**1.8**	**2.0**	**3.5**	**-**
Big Hepher JV Pty Ltd	**5.9**	**7.8**	**-**	**(1.9)**
US Senior Living Property Trust	**24.8**	**16.4**	**3.6**	**(6.4)**
US Senior Living Tenant Trust	**1.8**	**3.5**	**7.5**	**(1.8)**
2010				
Forest Place Cleveland Syndicate	50.1	33.0	0.7	0.7
Forest Place Clayfield Syndicate	55.7	39.1	0.5	1.3
Retirement Villages Group	577.1	447.1	15.7	(5.6)
FKP Core Plus Fund	23.4	7.6	2.7	1.3
Mulpha FKP Pty Ltd	151.5	30.9	44.8	4.2
FKP Core Plus Fund Two	17.5	8.8	1.6	0.6
Port Bouvard Limited	107.1	59.1	–	–
Retirement Villages Group R.E. Limited	8.0	1.5	–	–
Carrum Downs JV Pty Ltd	10.4	10.9	1.0	–
Formica Pty Ltd	2.7	3.0	4.8	–
Big Hepher JV Pty Ltd	7.2	7.2	–	–
US Senior Living Property Trust	64.4	46.4	2.3	(9.2)
US Senior Living Tenant Trust	2.9	2.7	5.3	(0.8)

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

There are no expenditure commitments contracted for at balance date that are payable but not provided for.

(e) Contingent Liabilities of Associates

There are no known contingent liabilities.

(f) Summarised Financial Information of Joint Ventures

	Consolidated Group's Share of:					
	Current Assets $m	Long-Term Assets $m	Current Liabilities $m	Long-Term Liabilities $m	Income $m	Expenses $m
2011	**21.8**	**21.6**	**17.1**	**15.2**	**25.3**	**35.7**
2010	36.3	122.4	32.4	36.3	20.0	30.0

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m

12. OTHER ASSETS

Current:				
Deposits	**0.1**	1.8	**-**	–
Prepayments	**8.1**	14.7	**0.9**	1.0
Total Current Other Assets	**8.2**	**16.5**	**0.9**	**1.0**
Non-Current:				
Lease incentives	**4.0**	5.6	**4.0**	5.6
Total Non-Current Other Assets	**4.0**	**5.6**	**4.0**	**5.6**

13. ASSETS CLASSIFIED AS HELD FOR SALE

At Fair Value:				
Investment Property	**73.5**	20.5	**73.5**	20.5
Total Non-Current Assets Classified as Held for Sale	**73.5**	**20.5**	**73.5**	**20.5**

In the prior year, a retail centre and adjoining land have been classified as 'Non-Current Assets Held for Sale'. At 30 June 2010, there was an unconditional contract held in relation to this asset. Settlement took place in August 2010.

These assets relate to the Commercial and Industrial segment of the Consolidated Group.

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m

14. PROPERTY, PLANT AND EQUIPMENT

Freehold Land at Cost:	**7.2**	7.2	**-**	–
Investment Properties Under Construction at Cost:	**-**	–	**-**	–
Residential Aged Care Facilities:				
At cost	**14.3**	14.2	**-**	–
Accumulated depreciation	**(1.6)**	(1.3)	**-**	–
	12.7	**12.9**	**-**	**-**
Freehold Buildings:				
At cost	**5.7**	5.5	**-**	–
Accumulated depreciation	**(0.5)**	(0.5)	**-**	–
	5.2	**5.0**	**-**	**-**
Leasehold Improvements:				
At cost	**6.6**	7.5	**-**	–
Accumulated amortisation	**(4.3)**	(4.7)	**-**	–
	2.3	**2.8**	**-**	**-**
Plant and Equipment:				
At cost	**9.5**	11.9	**-**	–
Accumulated depreciation	**(6.5)**	(8.9)	**-**	–
	3.0	**3.0**	**-**	**-**
Plant and Equipment – Under Finance Lease:				
At cost	**0.7**	1.1	**-**	–
Accumulated amortisation	**(0.4)**	(0.5)	**-**	–
	0.3	**0.6**	**-**	**-**
Total Property, Plant and Equipment	**30.7**	**31.5**	**-**	**-**

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
14. PROPERTY, PLANT AND EQUIPMENT CONTINUED				
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	-	30.2	-	1.3
Transfers to investment property[1]	-	(30.2)	-	(1.3)
Balance at End of Year	-	-	-	-
Residential Aged Care Facilities:				
Balance at beginning of year	**12.9**	12.6	-	–
Additions – capitalised costs	**0.1**	0.5	-	–
Depreciation	**(0.3)**	(0.2)	-	–
Balance at End of Year	**12.7**	**12.9**	-	-
Freehold Buildings:				
Balance at beginning of year	**5.0**	5.1	-	–
Additions	**0.2**	–	-	–
Depreciation	-	(0.1)	-	–
Balance at End of Year	**5.2**	**5.0**	-	-
Leasehold Improvements:				
Balance at beginning of year	**2.8**	3.4	-	–
Additions	**0.7**	0.5	-	–
Amortisation expense	**(1.2)**	(1.1)	-	–
Balance at End of Year	**2.3**	**2.8**	-	-
Plant and Equipment:				
Balance at beginning of year	**3.6**	6.7	-	–
Additions	-	6.5	-	–
Disposals at written down value	**(0.1)**	(2.2)	-	–
Transfers from/(to) investment properties	**1.3**	(4.2)	-	–
Depreciation expense	**(1.5)**	(3.2)	-	–
Balance at End of Year	**3.3**	**3.6**	-	-

1. AASB 140: 'Investment Property' amended the standard to include Investment Properties Under Construction within the scope of the standard. The Consolidated Group now classifies Investment Properties Under Construction as Investment Properties. Previously, these were classified as Property, Plant and Equipment. Refer to Note 1(p) for further details.

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m

15. INTANGIBLE ASSETS

Goodwill:				
At carrying value	**0.1**	0.6	**-**	–
Licence:				
At cost	**1.6**	0.5	**-**	–
Accumulated amortisation	**(0.2)**	–	**-**	–
	1.4	**0.5**	**-**	**-**
Rights:				
At cost	**1.8**	3.3	**-**	–
Accumulated amortisation and impairment	**(0.5)**	(1.0)	**-**	–
	1.3	**2.3**	**-**	**-**
Total Intangible Assets	**2.8**	**3.4**	**-**	**-**
Movements During the Year				
Goodwill:				
Balance at beginning of year	**0.6**	0.6		
Impairment	**(0.5)**	–		
Balance at End of Year	**0.1**	**0.6**	**-**	**-**
Licence:				
Balance at beginning of year	**0.5**	0.5	**-**	–
Additions	**1.1**	–	**-**	–
Amortisation charge	**(0.2)**	–	**-**	–
Balance at End of Year	**1.4**	**0.5**	**-**	**-**
Rights:				
Balance at beginning of year	**2.3**	2.3	**-**	–
Additions	**0.5**	0.2	**-**	–
Impairment	**(1.5)**			
Amortisation charge	**-**	(0.2)	**-**	–
Balance at End of Year	**1.3**	**2.3**	**-**	**-**

(a) Impairment Tests for Goodwill

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

Goodwill - Residential Communities Segment	**0.1**	**0.6**	**-**	**-**

(b) Impairment Tests for Licences

Licences are allocated to the Consolidated 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**	**-**	**-**

Residential aged care facility 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 Consolidated Group.

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m

16. TRADE AND OTHER PAYABLES

	Consolidated Group 2011 $m	Consolidated Group 2010 $m	Consolidated Property Trust 2011 $m	Consolidated Property Trust 2010 $m
Current:				
Trade accounts payable	**14.8**	17.6	**0.7**	6.4
Other payables	**27.9**	34.0	**1.2**	1.1
Payable to Parent Entity	**-**	–	**1.3**	–
Interest payable	**10.2**	8.8	**-**	–
Total Current Payables	**52.9**	**60.4**	**3.2**	**7.5**
Non-Current:				
Other payables	**19.2**	27.6	**-**	–
Total Non-Current Payables	**19.2**	**27.6**	**-**	**-**
Total Trade and Other Payables	**72.1**	**88.0**	**3.2**	**7.5**

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 35.

(b) Secured Amounts Payable
None of the payables are secured.

17. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated Group 2011 $m	Consolidated Group 2010 $m	Consolidated Property Trust 2011 $m	Consolidated Property Trust 2010 $m
Current - Secured:				
Bank loans (b)	**111.7**	391.9	**98.2**	–
Bank overdraft	**-**	4.9	**-**	–
Loan from associate	**15.3**	19.0	**-**	–
Other loans	**2.7**	2.7	**-**	–
Finance lease liabilities	**0.2**	0.1	**-**	–
Total Secured Current Borrowings	**129.9**	**418.6**	**98.2**	**-**
Non-Current - Secured:				
Bank loans (b)	**558.2**	372.9	**-**	141.0
Other loans	**0.3**	–	**-**	–
Finance lease liabilities	**0.1**	0.1	**-**	–
Total Secured Non-Current Borrowings	**558.6**	**373.0**	**-**	**141.0**
Non-Current - Unsecured:				
Convertible bond (a)	**114.3**	–	**-**	–
Total Unsecured Non-Current Borrowings	**114.3**	**-**	**-**	**-**
Total Non-Current Borrowings	**672.9**	**373.0**	**-**	**141.0**

17. INTEREST BEARING LOANS AND BORROWINGS CONTINUED

(a) Convertible Bond

The Consolidated Group issued $125m of senior, unsecured, guaranteed convertible bonds, due 5 January 2016, on 6 January 2011.

The convertible bonds carry a fixed coupon of 8.0%, payable on a semi-annual basis, for a term of five years. The initial conversion price of the Convertible Bonds is $1.014 ('Conversion Price'), representing a 20% premium to the reference price of $0.845, being the closing price of the Consolidated Group's stapled securities on 9 December 2010. The Conversion Price is subject to adjustment in certain circumstances.

Unless previously redeemed, purchased, converted or cancelled, the Convertible Bonds will be redeemed at par on 5 January 2016. Convertible bond holders have a put option at 5 January 2014 to redeem the Convertible Bonds. The Consolidated Group has the option to call the Convertible Bonds, in whole but not in part after 5 January 2014 if the VWAP of the Consolidated Group's stapled securities is at least 130% of the Conversion Price for any 20 consecutive trading day period.

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
The convertible bonds are presented in the Balance Sheet as follows:				
Face value of bonds issued[1]	**121.2**	–	**-**	–
Less: Value of conversion rights[2] (Note 19)	**(8.1)**	–	**-**	–
	113.1	**-**	**-**	**-**
Interest expense	**6.2**	–	**-**	–
Interest payable	**(5.0)**	–	**-**	–
Non-Current Liability	**114.3**	**-**	**-**	**-**

1. Net of transaction costs.
2. Represents the fair value of the conversion rights at initial recognition.

(b) Bank Loans

The weighted average interest rate excluding margin and line fees on all loans at 30 June 2011 was 5.38% (2010: 6.30%).

Refinancing of Retirement Syndicate Facility

The Consolidated Group executed a new $275.0m retirement syndicate facility during the year, maturing in March 2014. The facility is carried at amortised cost.

The carrying amount of assets pledged against the facility is $2,104.7m. Under the facility agreement, updated valuations of all security properties are to be provided every 24 months by the Consolidated Group.

17. INTEREST BEARING LOANS AND BORROWINGS CONTINUED

(c) Financing Arrangements

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
The Consolidated Group has access to the following lines of credit:				
Total Facilities Available:				
Bank loans (including bank overdraft)	**865.2**	987.5	**103.2**	141.0
Convertible bond	**125.0**	–	**-**	–
Loan from associate	**15.3**	19.0	**-**	–
Other loans	**3.0**	2.7	**-**	–
Performance guarantee facilities	**58.7**	66.4	**-**	–
Finance lease facility	**0.3**	0.2	**-**	–
	1,067.5	**1,075.8**	**103.2**	**141.0**
Facilities Utilised at Balance Date:				
Bank loans (including bank overdraft)	**669.9**	769.7	**98.2**	141.0
Convertible bond	**125.0**	–	**-**	–
Loan from associate	**15.3**	19.0	**-**	–
Other loans	**3.0**	2.7	**-**	–
Performance guarantee facilities	**32.6**	41.2	**-**	–
Finance lease facility	**0.3**	0.2	**-**	–
	846.1	**832.8**	**98.2**	**141.0**
Facilities Not Utilised at Balance Date:				
Bank loans (including bank overdraft)	**195.3**	217.8	**5.0**	–
Convertible bond	**-**	–	**-**	–
Loan from associate	**-**	–	**-**	–
Other loans	**-**	–	**-**	–
Performance guarantee facilities	**26.1**	25.2	**-**	–
Finance lease facility	**-**	–	**-**	–
	221.4	**243.0**	**5.0**	**-**

(d) Restrictions as to Use or Withdrawal

There are no restrictions on the use or withdrawal of any facilities; however the facilities are subject to the Consolidated Group complying with covenants concerning such matters as minimum interest times cover, maximum loan to value ratio, current ratios and net tangible assets. As a result, the facilities not utilised at balance date are limited to $76.8m (2010: $76.7m).

(e) Bank Overdrafts

Interest on bank overdrafts is charged at prevailing market rates. There were no bank overdrafts at 30 June 2011. The weighted average interest rate for overdrafts at 30 June 2010 was 7.45%.

(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 2.5% (2010: 1.0% to 3.3%).

17. INTEREST BEARING LOANS AND BORROWINGS CONTINUED

(g) Assets Pledged as Security

In accordance with the security arrangements of liabilities, all current and non-current assets of the Consolidated Group are secured by floating charge with the exception of the equity-accounted investment in Mulpha FKP Pty Ltd. Those assets that are also secured by mortgage or finance lease are as follows:

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Current:				
First Mortgage:				
Inventories	**192.3**	117.3	**-**	–
Investment properties	**73.5**	–	**73.5**	–
Total Current Assets Pledged as Security	**265.8**	**117.3**	**73.5**	**-**
Non-Current:				
First Mortgage:				
Investment properties	**1,328.6**	1,351.1	**163.1**	282.5
Inventories	**297.2**	387.0	**-**	–
Plant and equipment	**-**	2.2	**-**	2.2
Finance Lease:				
Leased plant and equipment	**0.2**	0.6	**-**	–
Total Non-Current Assets Pledged as Security	**1,626.0**	**1,740.9**	**163.1**	**284.7**
Total Assets Pledged as Security	**1,891.8**	**1,858.2**	**236.6**	**284.7**

Financial Assets Pledged as Security
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 overdraft's maturity.

Receivables and 'Available-for-Sale' Financial Assets are pledged against secured bank loans to the extent that 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 year, there were no defaults or breaches on any of the loans.

18. PROVISIONS

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Current:				
Employee benefits	**4.2**	4.2	**-**	–
Warranty maintenance	**0.7**	0.9	**-**	–
Distributions payable	**19.5**	11.6	**13.1**	11.6
Total Current Provisions	**24.4**	**16.7**	**13.1**	**11.6**
Non-Current:				
Employee benefits	**1.7**	2.0	**-**	–
Total Non-Current Provisions	**1.7**	**2.0**	**-**	**-**

18. PROVISIONS CONTINUED

Reconciliations

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

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Warranty Maintenance:				
Carrying amount at beginning of year	**0.9**	0.9	**-**	–
Unused amounts reversed	**(0.2)**	–	**-**	–
Carrying Amount at End of Year	**0.7**	**0.9**	**-**	**-**
Distributions Payable:				
Carrying amount at beginning of year	**11.6**	5.1	**11.6**	5.1
Provisions made during the year[1]	**36.1**	17.5	**22.7**	17.5
Payments made during the year	**(28.2)**	(11.0)	**(21.2)**	(11.0)
Carrying Amount at End of Year	**19.5**	**11.6**	**13.1**	**11.6**

1. Date of payment is 30 September 2011.

19. OTHER FINANCIAL LIABILITIES

	Consolidated Group 2011 $m	Consolidated Group 2010 $m	Consolidated Property Trust 2011 $m	Consolidated Property Trust 2010 $m
Current:				
Interest rate swap derivative	**2.2**	8.2	**-**	–
Put option liability to acquire syndicate shares	**2.6**	1.6	**-**	–
	4.8	**9.8**	**-**	**-**
Non-Current:				
Interest rate swap derivative	**7.6**	8.9	**-**	–
Put option liability to acquire syndicate shares	**7.1**	3.8	**-**	–
Conversion rights[1]	**4.6**	–	**-**	–
	19.3	**12.7**	**-**	**-**

1. Relates to the conversion option on the Convertible Bond issued during the year. Refer to Note 17(a).

	Consolidated Group Number of Stapled Securities		Consolidated Property Trust Number of Units	
	2011	2010	2011	2010

20. CONTRIBUTED EQUITY

Issued Capital:				
Ordinary Securities Fully Paid	**1,185,077,223**	**1,165,823,282**	**1,185,077,233**	**1,165,823,292**
Movement in Securities on Issue:				
Balance at beginning of year	**1,165,823,282**	352,403,767	**1,165,823,292**	352,403,777
Securities issued as a result of:				
Distribution Reinvestment Plan	**18,372,865**	3,999,189	**18,372,865**	3,999,189
Rights issue[1]	**-**	808,631,706	**-**	808,631,706
Employee Security Plan[2]	**881,076**	788,620	**881,076**	788,620
Balance at End of Year	**1,185,077,223**	**1,165,823,282**	**1,185,077,233**	**1,165,823,292**

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Movement in Securities on Issue:				
Balance at beginning of year	**1,283.3**	965.4	**514.3**	416.0
Securities issued as a result of:				
Distribution Reinvestment Plan	**13.7**	2.8	**3.8**	0.8
Rights issue[1]	**-**	323.4	**-**	100.9
Employee Security Plan[2]	**0.6**	0.7	**0.2**	0.2
Costs of capital raising	**-**	(9.0)	**-**	(3.6)
Balance at End of Year	**1,297.6**	**1,283.3**	**518.3**	**514.3**

1. During the prior year, the Consolidated Group 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 Consolidated 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 raised $323.4m before transaction costs of $9.0m.
2. During the year 881,076 (2010: 788,620) ordinary securities were issued to employees under the Employee Security Plan.

(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 30 for further details about the Employee Option Plan and Employee Security Plan and options granted and securities issued under these plans and participation arrangements.

(b) Capital Management

Financing Facilities

- Successful completion of $125.0m Convertible Bonds issue in January 2011 as part of retirement syndicated refinancing:
  - fixed coupon of 8% payable on semi-annual basis,
  - term five years, and
  - conversion price $1.014, representing 20% premium to reference price $0.845 (9 December 2010).
- The Consolidated Group executed a new $275.0m retirement syndicate facility during the year, maturing in March 2014.
- Executed Wilbow development and Aerial project finance facilities.

The next material debt maturity is the Property Trust facility not expiring until June 2012.

When managing capital, management's objective is to ensure that the Consolidated Group uses a mix of funding options, while remaining focused on the objective of optimising returns to security holders. Management aims to maintain a capital structure that ensures the lowest weighted average cost of capital available.

20. CONTRIBUTED EQUITY CONTINUED

(b) Capital Management continued

Management may adjust the Consolidated 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 security holders, returning capital to security holders or adjusting debt levels.

The Consolidated Group intends to distribute 40-60% of realised underlying profit. Underlying profit is determined by adjusting the statutory profit to reflect the Directors' assessment of the result for the ongoing business activities of the Consolidated Group in accordance with AICD/Finsia principles. To determine the realised underlying profit, the retirement revaluation which is included in the underlying profit is excluded. The Board has a 35% maximum gearing limit which provides further discipline while still allowing the flexibility needed for the successful execution of growth targets.

Under the development multi-option facility, the retirement syndicate facility and the convertible bonds, there is a requirement to maintain net tangible assets with a carrying value per the financial statements of at least $1,000.0m at all times.

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

21. RESERVES AND RETAINED PROFITS/(LOSSES)

	Attributable to the Shareholders of FKP Limited		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Reserves:				
Equity-settled employee benefits	**13.2**	13.5	**-**	–
Foreign currency translation	**(36.0)**	(26.1)	**(1.4)**	1.8
Syndicate options reserve	**(6.1)**	–	**-**	–
	(28.9)	**(12.6)**	**(1.4)**	**1.8**
Movement in Reserves				
Equity-Settled Employee Benefits Reserve:				
Balance at beginning of year	**13.5**	6.8	**-**	–
Share-based payment	**(0.3)**	6.7	**-**	–
Balance at End of Year	**13.2**	**13.5**	**-**	**-**
Foreign Currency Reserve:				
Balance at beginning of year	**(26.1)**	(27.0)	**1.8**	3.6
Translation of foreign operations	**(9.9)**	0.9	**(3.2)**	(1.8)
Balance at End of Year	**(36.0)**	**(26.1)**	**(1.4)**	**1.8**
Syndicate Options Reserve:				
Balance at beginning of year	**-**	–	**-**	–
Syndicate put options	**(5.7)**	–	**-**	–
Fair value reserve	**(0.4)**	–	**-**	–
Balance at End of Year	**(6.1)**	**-**	**-**	**-**
Retained Profits/(Losses):				
Balance at beginning of year	**258.0**	204.5	**(93.3)**	(73.1)
Net profit/(loss) attributable to owners of the Consolidated Group	**73.0**	53.5	**9.3**	(2.7)
Dividends and distributions recognised during the year	**(12.9)**	–	**(22.5)**	(17.5)
Balance at End of Year	**318.1**	**258.0**	**(106.5)**	**(93.3)**

Nature and Purpose of Reserves

(i) Equity-Settled Employee Benefits Reserve

The equity-settled employee benefits reserve is used to recognise the grant date fair value of options issued to employees but not exercised and/or options which have lapsed, with a corresponding increase in employee expense in the Statement of Comprehensive Income.

(ii) Foreign Currency Reserve

Exchange differences arising on translation of the foreign jointly controlled entities are recognised in other comprehensive income as described in Note 1(ee) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the Statement of Comprehensive Income when the net investment is disposed of.

(iii) Syndicate Options Reserve

The syndicate option reserve includes a fair value reserve which represents the fair value adjustments on additional Clayfield and Cleveland syndicate units acquired during the year. Refer to Notes 33 and 35 for further details.

22. DIVIDENDS AND DISTRIBUTIONS

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

Type	Cents per Security	Total Amount $m	Date of Payment	Franked Tax Rate %	Percentage Franked %
2011					
Dividends/Distributions recognised in the current year:					
Interim 2011 distribution	**1.40**	**16.4**	**31 March 2011**	**30**	**43**
Final 2011 distribution	**1.60**	**19.0**	**30 September 2011**	**30**	**31**
	3.00	**35.4**			
2010					
Dividends/Distributions recognised in the prior year:					
Interim 2010 distribution	0.50	5.8	14 April 2010	N/A	–
Final 2010 distribution	1.00	11.7	30 September 2010	N/A	–
	1.50	**17.5**			

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Dividend Franking Account:				
Balance of the 30% Franking Credits at End of Year	**9.3**	11.5	**-**	

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.

23. NON-CONTROLLING INTERESTS

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Non-Controlling Interests in Controlled Entities Comprise:				
Interests in retained profits at the beginning of the year	**23.5**	20.8	**-**	–
Interests in retained profits from non-controlling interests acquired during the year[1]	**(0.9)**	–	**-**	–
Interests in profit from ordinary activities after income tax	**7.8**	2.7	**-**	–
Less: dividends recognised during the year[2]	**(0.7)**	–	**-**	–
Interests in Retained Profits at End of Financial Year	**29.7**	**23.5**	**-**	**-**
Interest in share capital after adjusting for non-controlling interests in entities acquired during the year	**22.8**	13.5	**-**	–
Total Non-Controlling Interests	**52.5**	**37.0**	**-**	**-**

1. Effective 1 July 2010, the Cleveland and Clayfield Syndicate accounts were consolidated into the Consolidated Group. Refer to Note 33(a).
2. Dividends recognised during the year relate to dividends made by Forest Place Group Limited.

24. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the Cash Flow Statements, 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 Statements is reconciled to the related items in the balance sheet as follows:

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Cash and cash equivalents	**14.5**	44.0	**2.5**	4.1
Bank overdraft	**-**	(4.9)	**-**	–
Total Cash	**14.5**	**39.1**	**2.5**	**4.1**
(b) Reconciliation of Net Cash Provided by Operating Activities to Operating Profit After Income Tax				
Operating profit/(loss) after income tax	**90.1**	53.5	**9.3**	(2.7)
Add/(Less) Non-Cash Items:				
Depreciation	**1.8**	3.5	**-**	–
Amortisation of leased assets	**1.4**	1.2	**-**	–
Impairment of intangibles	**2.0**	–	**-**	–
Amortisation of lease incentives	**2.2**	2.4	**2.2**	2.1
Straight-line rental adjustment	**0.1**	–	**0.1**	–
Interest receivable	**-**	–	**(20.4)**	(15.6)
Share of (profits)/loss of associates and joint ventures	**8.3**	7.5	**6.4**	7.0
Dividends received from associates	**20.1**	12.6	**1.3**	1.6
Change in fair value of resident loans	**6.3**	41.2	**-**	–
Change in fair value of investment properties	**(75.2)**	(92.8)	**12.6**	21.0
Change in fair value of financial assets	**(10.2)**	(4.2)	**-**	(0.6)
Inventory write-down to net realisable value	**1.3**	2.8	**-**	–
Impairment of receivables	**(2.7)**	(2.1)	**1.8**	(1.4)
Securities/Options issued to employees	**0.6**	0.7	**-**	0.2
Equity-settled share-based payments	**(0.3)**	6.8		
Losses/(Gains) on sale of plant and equipment and investment properties	**0.6**	2.7	**0.6**	1.4
Capitalised interest	**(54.3)**	(48.5)	**-**	(1.0)
Amortisation of loan balances	**8.4**	11.0	**-**	–
Amortisation of prepaid borrowing costs	**4.0**	8.3	**-**	–
Unwinding discount and transaction costs on convertible bond	**1.2**	–	**-**	–
Fair value adjustment on consolidation of the Syndicates	**(0.5)**	–	**-**	–
Deferred tax liability on Mackay Turf Farm trading stock	**1.4**	–	**-**	–
Change in Assets and Liabilities:				
Decrease/(Increase) in trade and other receivables	**31.1**	22.3	**11.0**	0.4
Decrease/(Increase) in inventories	**(32.1)**	81.5	**-**	–
Decrease/(Increase) in other assets	**7.8**	(9.1)	**(3.2)**	(6.8)
Decrease/(Increase) in deferred tax assets	**(15.2)**	(5.0)	**-**	–
Increase/(Decrease) in trade and other payables	**(13.6)**	(13.9)	**(5.0)**	(2.5)
Increase/(Decrease) in unearned income and resident loans	**26.9**	35.0	**(1.4)**	0.6
Increase/(Decrease) in provision for deferred tax liabilities	**43.3**	27.7	**-**	–
Increase/(Decrease) in other provisions:				
Employee entitlements	**(0.3)**	(0.3)	**-**	–
Other	**(0.1)**	–	**-**	–
GST clearing	**(1.6)**	(2.5)	**0.2**	–
Net Cash Provided by Operating Activities	**52.8**	**142.3**	**15.5**	**3.7**

24. NOTES TO THE CASH FLOW STATEMENT CONTINUED

(c) Non-Cash Financing and Investment Activities

During the year the Consolidated Group reinvested $13.7m (2010: $2.8m) via a Distribution Reinvestment Plan.

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

(d) Restrictions on Amounts of Cash

Amounts of cash not available to the Consolidated Group for use are $2.5m (2010: $27.5m which included an amount of $25.0m for the Federal Government Schools Program whereby $25.0m in cash is required to be available to satisfy the requirement that the successful contractors to the Federal Government Schools Program have assets of at least $25.0m).

25. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports that are regularly reviewed by the chief decision maker in order to allocate resources to the segment and assess its performance.

(a) Reportable Segments

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

- Residential Communities – development, construction and supply of land and residential property for sale, ranging from small infill projects to masterplanned residential communities.
- Retirement – retirement homes and independent living units provided along with the service of management for a majority of villages.
- Commercial and Industrial – development, construction and management of income producing commercial, retail and industrial property.
- Funds Management and Investments – delivery of a risk return profile to investors and management of income producing properties.

Inter-segment pricing is determined on an arm's length basis.

The accounting policies used by the Consolidated Group in reporting segments internally are the same as those contained in Note 1 to the accounts and in the prior period.

25. SEGMENT INFORMATION CONTINUED

(b) Segment Revenues and Results

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

	Residential Communities	Retirement	Commercial and Industrial	Funds Management and Investments	Total Reportable Operating Segments	Unallocated Items[3]	Consolidated Group
	$m	$m	$m	$m	$m	$m	$m
2011							
Revenue:							
Revenue outside the Consolidated Group[1]	159.2	85.2	103.3	1.1	348.8	1.7	**350.5**
Total Segment Revenue[2]	159.2	85.2	103.3	1.1	348.8	1.7	**350.5**
Revenue from Ordinary Activities							**350.5**
Result:							
Net Segment Result	**31.8**	**122.3**	**9.5**	**(0.7)**	**162.9**	**(10.4)**	**152.5**
Share of net loss of equity-accounted investments							**(8.3)**
Interest expense							**(26.0)**
Net Profit From Ordinary Activities Before Income Tax							**118.2**
Income tax expense							**(28.1)**
Net Profit From Ordinary Activities After Income Tax							**90.1**
Depreciation and amortisation	(0.2)	(0.4)	(0.1)	–	(0.7)	(2.5)	**(3.2)**
Change in fair value of resident loans	–	(6.3)	–	–	(6.3)	–	**(6.3)**
Change in fair value of investment properties	–	87.8	(12.6)	–	75.2	–	**75.2**
Change in fair value of financial assets	–	–	–	–	–	10.2	**10.2**
Impairment of intangible assets	–	–	(2.0)	–	(2.0)	–	**(2.0)**
Allowance for impairment on receivables	0.8	(0.1)	2.0	–	2.7	–	**2.7**
Inventory write-down to net realisable value	–	–	(1.3)	–	(1.3)	–	**(1.3)**

1. Segment revenue represents an aggregation of sale of goods and construction contract revenue, revenue from rendering of services and other revenue. Each of these represents a separate line item on the face of the Statement of Comprehensive Income.
2. Segment revenue is net of inter-segment revenue.
3. The following items are of a 'corporate' nature, which are not allocated to operating segments as they are not considered part of the core operations of any segment.

25. SEGMENT INFORMATION CONTINUED

(b) Segment Revenues and Results continued

	Residential Communities	Retirement	Commercial and Industrial	Funds Management and Investments	Total Reportable Operating Segments	Unallocated Items[3]	Consolidated Group
	$m	$m	$m	$m	$m	$m	$m
2010							
Revenue:							
Revenue outside the Consolidated Group[1]	143.5	78.6	254.6	2.6	479.3	–	**479.3**
Total Segment Revenue[2]	143.5	78.6	254.6	2.6	479.3	–	**479.3**
Other unallocated revenue							**-**
Revenue from ordinary activities							**479.3**
Result:							
Net Segment Result	**29.5**	**108.0**	**12.1**	**0.7**	**150.3**	**(28.6)**	**121.7**
Share of net loss of equity-accounted investments							**(7.5)**
Interest expense							**(37.9)**
Net Profit From Ordinary Activities Before Income Tax							**76.3**
Income tax expense							**(22.8)**
Net Profit From Ordinary Activities After Income Tax							**53.5**
Depreciation and amortisation	(0.6)	(0.4)	(2.2)	–	(3.2)	(1.6)	**(4.8)**
Change in fair value of resident loans	–	(41.2)	–	–	(41.2)	–	**(41.2)**
Change in fair value of investment properties	–	113.8	(21.0)	–	92.8	–	**92.8**
Change in fair value of financial assets	–	–	–	–	–	4.2	**4.2**
Allowance for impairment on receivables	–	–	–	–	–	(4.7)	**(4.7)**
Inventory write-down to net realisable value	(0.6)	–	(2.3)	–	(2.9)	0.1	**(2.8)**

1. Segment revenue represents an aggregation of sale of goods and construction contract revenue, revenue from rendering of services and other revenue. Each of these represents a separate line item on the face of the Statement of Comprehensive Income.
2. Segment revenue is net of inter-segment revenue.
3. The following items are of a 'corporate' nature, which are not allocated to operating segments as they are not considered part of the core operations of any segment.

25. SEGMENT INFORMATION CONTINUED

(c) Segment Assets and Liabilities

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

	Residential Communities	Retirement	Commercial and Industrial	Funds Management and Investments	Other	Consolidated Group
	$m	$m	$m	$m	$m	$m
2011						
Assets:						
Segment assets[1]	694.7	2,751.9	397.4	183.8	28.4	**4,056.2**
Consolidated Total Assets						**4,056.2**
Liabilities:						
Segment liabilities	19.6	1,978.1	87.9	–	439.2	**2,524.8**
Consolidated Total Liabilities						**2,524.8**
Acquisitions of Non-Current Assets	0.2	82.2	3.0	20.8	1.7	**107.9**

1. Segment assets include equity-accounted investment assets allocated to funds management and investments.

	Residential Communities	Retirement	Commercial and Industrial	Funds Management and Investments	Other	Consolidated Group
	$m	$m	$m	$m	$m	$m
2010						
Assets:						
Segment assets[1]	650.4	2,462.2	501.3	237.8	9.1	**3,860.8**
Consolidated Total Assets						**3,860.8**
Liabilities:						
Segment liabilities	41.7	1,657.4	106.4	0.2	580.9	**2,386.6**
Consolidated Total Liabilities						**2,386.6**
Acquisitions of Non-Current Assets	0.1	5.8	3.2	51.0	1.4	**61.5**

1. Segment assets include equity-accounted investment assets to funds management and investments.

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m

26. COMMITMENTS

Lease Commitments: Group as Lessee

(i) Non-Cancellable Operating Lease Expense Commitments:

	2011 $m	2010 $m	2011 $m	2010 $m
Future operating lease commitments not recognised at balance date:				
Within one year	**4.2**	2.5	**-**	–
One year or later and no later than five years	**6.8**	1.6	**-**	–
Commitments Not Recognised in the Financial Statements	**11.0**	**4.1**	**-**	**-**

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

(ii) Finance Lease and Hire Purchase Payment Commitments:

	2011 $m	2010 $m	2011 $m	2010 $m
Finance lease and hire purchase commitments are payable:				
Within one year	**0.1**	0.1	**-**	–
One year or later and no later than five years	**0.2**	0.1	**-**	–
Total Minimum Lease and Hire Purchase Payments	**0.3**	**0.2**	**-**	**-**

The Consolidated 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 Consolidated Group has the option to purchase the asset at the nominated residual value.

	2011 $m	2010 $m	2011 $m	2010 $m
Lease liabilities provided for in these Financial Statements:				
Current liability (Note 17)	**0.1**	0.1	**-**	–
Non-current liability (Note 17)	**0.2**	0.1	**-**	–
Total Lease Liabilities	**0.3**	**0.2**	**-**	**-**

Interest on finance leases is charged at prevailing market rates. The weighted average interest rate for all finance leases as at 30 June 2011 is 8.4% (2010: 8.7%).

27. CONTINGENT LIABILITIES

(a) Performance Guarantees

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

28. FINANCE COSTS CAPITALISED

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

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Inventories – Land and development properties held for resale	**52.7**	46.6	**-**	–
Investment property under construction	**1.6**	2.1	**-**	1.1
	54.3	**48.7**	**-**	**1.1**

Interest was capitalised at a weighted average rate of 9.5% (2010: 9.5%).

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The names and positions held by each person holding a position of Director of the Consolidated Group during the 2010 and 2011 financial years were:

SH Lee	Chairman (Non-Executive)
D C Crombie[1]	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

1. D C Crombie was the Non-Executive Deputy Chairman from the beginning of the financial year until his resignation on 26 November 2010.

(b) Other Key Management Personnel

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

D A Hunt	Chief Financial Officer
G E Grady	Chief Operating Officer
S E Stewart[1]	General Legal Counsel and Group Company Secretary
E L Delfabbro	Executive General Manager – Residential Communities
J M Laboo	Executive General Manager – Retirement
A M Hall	Executive General Manager – Commercial and Industrial
M Tucker	Executive General Manager – Constructions

1. S E Stewart was the General Counsel and Group Company Secretary from the beginning of the financial year until her resignation on 29 June 2011.

(c) Aggregate of Remuneration for Key Management Personnel

	Consolidated Group		Consolidated Property Trust	
	2011 $	2010 $	2011 $	2010 $
Key Personnel Compensation:				
Short-term employee benefits	5,786,262	6,240,896	–	–
Post-employment benefits	248,019	189,207	–	–
Equity compensation	472,732	645,583	–	–
Other compensation	442,521	535,855	–	–
	6,949,534	**7,611,541**	**-**	**-**

(d) 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 Consolidated 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 2010	Purchased	Received on Exercise of Options	Sales	Other[1]	Held at 30 June 2011
SH Lee[2]	293,133,558	9,595,185	–	–	–	**302,728,743**
D C Crombie	432,660	6,364	–	–	–	**439,024**
P R Brown	3,535,564	1,428	–	–	–	**3,536,992**
P Parker	44,097,684	–	–	–	–	**44,097,684**
L R McKinnon	–	–	–	–	–	**-**
J E F Frayne	54,788	–	–	–	–	**54,788**
G C Dyer	–	–	–	–	–	**-**

1. Includes securities issued under the Distribution Reinvestment Plan.
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 Consolidated Group.

29. KEY MANAGEMENT PERSONNEL DISCLOSURES CONTINUED

(d) Equity Instrument Disclosures Relating to Key Management Personnel continued

Other Key Management Personnel	Held at 1 July 2010	Purchased[1]	Received on Exercise of Options	Sales	Other[2]	Held at 30 June 2011
D A Hunt	–	1,428	–	–	–	1,428
G E Grady	–	1,428	–	–	–	1,428
S E Stewart	30,193	2,415	–	–	–	32,608
E L Delfabbro	39,247	1,428	–	–	–	40,675
J M Laboo	1,614	1,428	–	–	–	3,042
A M Hall	4,287	1,428	–	–	–	5,715
M Tucker	1,810	1,428	–	–	–	3,238

1. Includes securities issued under the Employee Share Plan. Refer to Note 30.
2. Includes securities issued under the Distribution Reinvestment Plan.

Options Holdings and Transactions

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

Employee Option Plan – Subject to Service Period Conditions ('EOPS')[1]:

Key Management Personnel	Held at 1 July 2010	Granted During the Year	Forfeited/ Lapsed During the Year	Held at 30 June 2011
P R Brown	–	–	–	–
D A Hunt	–	–	–	–
G E Grady	2,250,000	–	–	2,250,000
S E Stewart[2]	1,098,178	–	1,098,178	–
E L Delfabbro	1,874,602	–	150,000	1,724,602
J M Laboo	1,848,178	–	150,000	1,698,178
A M Hall	1,150,000	–	50,000	1,100,000
M Tucker	1,048,178	–	100,000	948,178

1. EOPS are no longer issued to executives and staff.
2. S E Stewart was the General Counsel and Group Company Secretary from the beginning of the financial year until her resignation on 29 June 2011.

Employee Option Plan – Subject to Performance Conditions ('EOP'):

Key Management Personnel	Held at 1 July 2010	Granted During the Year	Forfeited/ Lapsed During the Year	Held at 30 June 2011
P R Brown	–	–	–	–
D A Hunt	–	3,000,000	–	3,000,000
G E Grady	–	–	–	–
S E Stewart	–	–	–	–
E L Delfabbro	–	–	–	–
J M Laboo	–	–	–	–
A M Hall	–	–	–	–
M Tucker	–	–	–	–

(e) Other Transactions with Key Management Personnel

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 Consolidated Group on a monthly basis. This has been done on normal commercial rates. During the year, an amount of $27,386 (2010: $12,216) has been paid to this related entity for the rental of this storage space.

30. 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 Consolidated 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 Consolidated Group issued 881,076 securities to employees pursuant to the ESP during the financial year ended 30 June 2011 (2010: 788,620). The total amount received from employees was nil (2010: nil). The expense recognised in the Statement of Comprehensive Income during the year was $0.6m (2010: $0.7m).

While 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 Consolidated Group's strategic objectives and to more closely align their own interests with those of other security holders by owning securities in the Consolidated 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 Consolidated Group. Non-Executive Directors are not eligible to participate in the ESP.

(b) Employee Option Plans

The Employee Option Plan 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 Consolidated Group.

Each employee security option converts into one ordinary security of the Consolidated Group on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to distributions nor voting rights. Options may be exercised at any time from the exercise date to the date of expiry.

The Consolidated Group provides long-term incentives in the form of equity-based remuneration to executives through the operation of the following plans:

– Employee Security Plan ('ESP')[1];
– Employee Option Plan – subject to Service Period Conditions ('EOPS')[2]; and
– Employee Option Plan – subject to Performance Conditions ('EOP').

1. Refer to Note 30(a) above.
2. EOPS are no longer issued to executives and staff.

EOPS

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

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

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

EOP

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

The vesting of options granted under the EOP is subject to performance hurdles including total shareholder return ('TSR')[1] and underlying profit after tax ('UPT')[2] targets, set by the Board. All future grants of options under the EOP will be subject to performance conditions.

1. TSR represents security price growth plus dividends notionally reinvested in securities, over the assessment period.
2. UPT reflects statutory profit (after tax) as adjusted to reflect the Directors' assessment of the result for the ongoing business activities of the Consolidated Group, in accordance with AICD/Finsia principles of recording underlying profit.

30. SHARE-BASED PAYMENTS CONTINUED

(b) Employee Option Plans continued

During the financial year, 3,000,000 options (2010: 12,740,000) were granted to employees as part of their remuneration. 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	Exercise Date	Fair Value at Grant Date
(3) – Staff Issue – September 2007	26/09/07[1]	31/08/11	4,959,853	2,067,509	$6.46[2]	1/09/10	$1.19
(5) – Staff Issue – November 2009	10/11/091	31/08/13	12,740,000	12,420,000	$0.85	1/09/12	$0.13
(6) – Staff Issue – February 2011[3]	22/02/11	31/08/14	3,000,000	3,000,000	$0.95	1/09/13	$0.09

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 Consolidated Group to retain key talent.
2. 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 were effective from 1 September 2009.
3. Options granted on 22 February 2011 are subject to performance conditions over a three year performance period from 1 July 2010 to 30 June 2013, as follows:

– *Relative Total Shareholder Return ('TSR')* hurdle to apply to 50% of options. In order for any of the TSR grant to vest, the Consolidated Group's TSR must be at or above the 50th percentile of a comparator group of companies (constituents of the S&P ASX 200 A-REIT index). The proportion of the option grant that vests based on TSR will be determined based on the Consolidated Group's TSR relative to the comparator group as follows:

TSR of the Consolidated Group Relative to TSR of Comparator Group Companies	Proportion of Option Grant Vesting Based on TSR
Less than the 50th percentile	0%
50th percentile	50%
Between 50th percentile and 75th percentile	Straight-line vesting between 50% and 100%
75th percentile	100%

– *Underlying Profit after Tax ('UPT')* hurdle to apply to 50% of options. The UPT grant will vest 100% if aggregate UPT over FY11, FY12 and FY13 exceeds the sum of the UPT targets for the three financial years. The FY11 UPT target is 10% growth on FY10. Targets for FY12 and FY13 are to be determined by the Board annually.

The fair value of services received in return for security options granted is based on the fair value of security options granted. The weighted average fair value of the security options granted during the year was $0.09 (2010: $0.13). 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. The volatility used in the binomial options pricing model was determined by the historical volatility of the market price of securities and the mean reversion tendency of volatilities.

EOPS – Inputs into Pricing Model	Tranche 1[2]	Tranche 2[2]	Tranche 3	Tranche 5
Grant date security price	$5.65	$7.00	$6.65	$0.74
Exercise price[1]	$5.09	$7.08	$6.73	$0.85
Expected volatility	30.0%	30.0%	27.0%	69.0%[3]
Option life	3.4yrs	2.9yrs	3.4yrs	3.8yrs
Dividend yield	5.60%	5.60%	5.10%	1.30%
Risk-free interest rate	5.60%	5.60%	6.33%	4.42%

EOP – Inputs into Pricing Model	Tranche 6
Grant date security price	$0.86
Exercise price[1]	$0.95
Expected volatility	22.0%
Option life	3.5yrs
Dividend yield	4.50%
Risk-free interest rate	5.20%

1. Following the completion of the Entitlement Offer announced on 25 June 2009, the exercise price of options issued under tranche 3 decreased by $0.27 to $6.46, in accordance with ASX Listing Rule 6.22.2. These exercise prices are effective from 1 September 2009.
2. Tranches 1 and 2 expired during the year ended 30 June 2011 on 31 August 2010 and 30 April 2011, respectively.
3. A binomial option pricing model was used to value tranche 5. Volatility of 69% was calculated with data collected for a seven year historical period, ended November 2009. This is inconsistent with historical measures as a result of the impacts of the global financial crisis in years 2008 and 2009 which tainted the share price volatility.

30. SHARE-BASED PAYMENTS CONTINUED

(b) Employee Option Plans continued

No options have been granted or vested since the end of the financial year. The total expense/(credit) recognised in the Statement of Comprehensive Income during the year was a credit of $(0.3)m (2010: $6.7m), resulting from forfeitures on options with non-market conditions attached. 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:

EOPS - 2011	Tranche 1	Tranche 2	Tranche 3	Tranche 5	Weighted Average Exercise Price ($)
Outstanding at beginning of year	1,980,000	20,000	3,262,408	12,495,000	2.33
Granted during the year	–	–	–	–	–
Forfeited during the year	–	–	(1,194,899)	(75,000)	6.13
Expired during the year	(1,980,000)	(20,000)	–	–	5.11
Outstanding at End of Year	**-**	**-**	**2,067,509**	**12,420,000**	**1.65**

EOP - 2011	Tranche 6	Weighted Average Exercise Price ($)
Outstanding at beginning of year	–	–
Granted during the year	3,000,000	0.95
Forfeited during the year	–	–
Expired during the year	–	–
Outstanding at End of Year	**3,000,000**	**0.95**

Weighted average remaining contractual life of options outstanding at 30 June 2011 is 2.1 years.

EOPS - 2010	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Weighted Average Exercise Price ($)
Outstanding at beginning of year	2,170,000	20,000	3,599,378	5,000,000	–	6.55
Granted during the year	–	–	–	–	12,740,000	0.85
Forfeited during the year	(190,000)	–	(336,970)	(5,000,000)[1]	(245,000)	6.68
Outstanding at End of Year	**1,980,000**	**20,000**	**3,262,408**	**-**	**12,495,000**	**2.33**

1. These options were cancelled by Mr Brown in August 2009 for no consideration.

Weighted average remaining contractual life of options outstanding at 30 June 2010 is 2.5 years.

31. RELATED PARTY TRANSACTIONS

(a) Parent Entity

FKP Limited is the Parent Entity within the Consolidated Group.

(b) Subsidiaries

Interest in subsidiaries is set out in Note 33.

(c) Key Management Personnel

Disclosures relating to key management personnel are set out in Note 29.

31. RELATED PARTY TRANSACTIONS CONTINUED

(d) Loans from the Property Trust to Entities within the Consolidated 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:

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Balance at beginning of year	-	–	**223.4**	136.5
Loans advanced	-	–	**39.2**	106.9
Loan repayments made	-	–	**(18.7)**	(35.6)
Interest charged	-	–	**20.4**	15.6
Balance at End of Year	**-**	**-**	**264.3**	**223.4**

(e) Loans from Equity-Accounted Investments

As at 30 June 2011, the Consolidated Group has a loan outstanding of $15.3m from the equity-accounted investment Mulpha FKP Pty Ltd. During the year, the Consolidated Group repaid $3.7m. No advances were made to the Consolidated Group. The interest rate is based on the Westpac base rate plus 60 basis points. Details of movements in the loan are as follows:

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Balance at beginning of year	**19.0**	30.0	-	–
Loan repayments made	**(3.7)**	(11.8)	-	–
Interest charged	-	0.8	-	–
Balance at End of Year	**15.3**	**19.0**	**-**	**-**

(f) Loans to Equity-Accounted Investments

As at 30 June 2011, the Consolidated Group has a loan receivable from the equity-accounted investment Carrum Downs JV Pty Ltd of $2.5m ($1.9m after an allowance for impairment). During the year, the Carrum Downs JV Pty Ltd repaid $7.7m. No loans were advanced by the Consolidated Group. 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:

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Balance at beginning of year	**7.8**	2.7	-	–
Loans advanced	-	2.4	-	–
Loan repayments made	**(7.7)**	–	-	–
Interest charged	**0.4**	0.4	-	–
Reversal of impairment	**1.4**	2.3	-	–
Balance at End of Year	**1.9**	**7.8**	**-**	**-**

31. RELATED PARTY TRANSACTIONS CONTINUED

(f) Loans to Equity-Accounted Investments continued

As at 30 June 2011, the Consolidated Group has a loan receivable from the equity-accounted investment Big Hepher JV Pty Ltd of $7.8m ($1.7m after an allowance for impairment). During the year, no advances were made and no repayments were received by the Consolidated Group. Interest is payable at 7.75% per annum. Details of movements in the loan are as follows:

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Balance at beginning of year	**0.5**	3.5	**-**	–
Interest charged	**0.6**	0.6	**-**	–
Reversal of impairment/(impairment)	**0.6**	(3.6)	**-**	–
Balance at End of Year	**1.7**	**0.5**	**-**	**-**

As at 30 June 2011, the Consolidated Group has a loan receivable from the equity-accounted investment Formica Pty Ltd of $1.9m ($1.6m after an allowance for impairment). During the year, loan repayments of $2.7m were received by the Consolidated Group from Formica Pty Ltd. The interest rate applicable to the receivable is 7.75% per annum. The facility expires on project completion. Details of movements in the loan are as follows:

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Balance at beginning of year	**4.3**	4.8	**-**	–
Loans advanced	**-**	0.3	**-**	–
Loan repayments made	**(2.7)**	(3.9)	**-**	–
Interest charged	**0.3**	0.6	**-**	–
Reversal of impairment/(Impairment)	**(0.3)**	2.5	**-**	–
Balance at End of Year	**1.6**	**4.3**	**-**	**-**

31. RELATED PARTY TRANSACTIONS CONTINUED

(g) Other Transactions with Related Parties

The following transactions occurred with related parties:

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Sales Revenue:				
Joint ventures[1]	**-**	12.3	**-**	–
Cost of Sales:				
Joint ventures[1]	**-**	11.8	**-**	–
Rendering of Services:				
Associates	**7.4**	9.1	**-**	–
Other Revenue:				
Interest Received:				
Parent Entity	**-**	–	**20.4**	15.6
Associates	**1.3**	1.6	**-**	–
Management Fees Received:				
Associates	**11.9**	10.3	**-**	–
Administration Expenses:				
Management Fees Paid:				
Responsible Entity	**-**	–	**0.5**	0.8
Finance Costs:				
Interest Paid:				
Associates	**-**	0.8	**-**	–

1. In the prior year sales revenue and cost of sales from joint ventures related to the Brookvale Strata joint venture. The Consolidated Group previously recognised its share of contributed assets and liabilities together with its share of profits from the joint venture. Effective 1 July 2010 the joint venture was recognised as an equity accounted investment. Refer to Note 11 for further details.

Reinvestment of PSA Fees with RVG

In November 2008, the Parent Entity committed to reinvest $50.3m, in present value terms, of the fees payable to it under the Australian 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 99.1m 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 2011, PSA fees for the period of $16.3m were paid by RVG to the Parent Entity and the proceeds applied to pay up 21,248,044 fully paid securities. On 30 June 2010, PSA fees for the period of $11.8m were paid by RVG to the Parent Entity and the proceeds applied to pay up 17,155,010 fully paid securities.

Syndicate Put and Call Options

The Syndicate Deeds for the Forest Place Cleveland Syndicate and Forest Place Clayfield Syndicate contain put and call options under which each investor has the right to require the Consolidated Group to buy, and the Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Group itself) in each syndicate and the price payable by the Consolidated 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 Consolidated Group will be adjusted for GST if applicable.

	Consolidated Group		Consolidated Property Trust	
	2011 $	2010 $	2011 $	2010 $
32. AUDITOR'S REMUNERATION				
Audit of the Consolidated Group:				
Ernst & Young:				
Audit and review of financial reports of the Consolidated Group	**380,000**	–	**-**	–
Non-Ernst & Young Audit Firms:				
Audit and review of financial reports of the Consolidated Group	**-**	516,000	**-**	–
Audit of the Consolidated Group	**380,000**	**516,000**	**-**	**-**
Non-Audit Services:				
Ernst & Young:				
Other assurance services	**160,000**	–	**-**	–
Tax compliance	**4,000**	–	**-**	–
Non-assurance services	**48,000**	–	**-**	–
	212,000	–	**-**	–
Non-Ernst & Young Audit Firms:				
Other assurance services	**-**	60,200	**-**	–
Tax compliance	**158,990**	155,880	**-**	–
Non-assurance services	**-**	115,000	**-**	–
	158,990	331,080	**-**	–
Total Non-Audit Services	**370,990**	**331,080**	**-**	**-**

33. CONTROLLED ENTITIES

(a) Parent Entity

All of the following entities are incorporated/formed in Australia. 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
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 Albion One Pty Ltd
FKP American Holdings Pty Ltd
FKP Ann Street Pty Ltd
FKP Camberwell Pty Ltd
FKP Camberwell Holdings 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 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.1 Pty Ltd[4]
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 Pty Ltd
FKP Residential Developments Pty Ltd
FKP SJYC Pty Ltd
FKP Unitholder Mackay Turf Farm Trust
Flower Roof Pty Ltd
Forest Place Clayfield Pty Ltd[2]
Forest Place Clayfield Syndicate[5]
Forest Place Cleveland Syndicate[5]
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
Home Finance Pty Ltd
Lindsay Gardens Management Pty Ltd
Mountain View Strata 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 Consolidated Group.
2. Represents entities in the Forest Place Group owned 85.35% by the Parent Entity.
3. Owned 55% by the Parent Entity.
4. On 22 December 2010, the Consolidated Group acquired control over the remaining 50% interest in Mackay Turf Farm, previously a jointly controlled operation between the Group and Valad Funds Management Limited.
5. Effective 1 July 2010, the Forest Place Cleveland Syndicate and Forest Place Clayfield Syndicate were consolidated into the Consolidated Group.
   Historically, the Forest Place Cleveland Syndicate and Forest Place Clayfield Syndicate have been treated as associates and accounted for under the equity method. Effective 1 July 2010, the Syndicate accounts were consolidated into the Consolidated Group. The Consolidated Group's investment in the syndicates (including previously held equity interests) as at 1 July 2010 represents fair value. As such, no gain/loss has arisen on consolidation.
   The Forest Place Cleveland Syndicate and Forest Place Clayfield Syndicate Deeds contain a put and call option arrangement. Members of the syndicates have the right to put their shares in the syndicate to the Consolidated Group based upon a formula set out in the Syndicate Deed. The Consolidated Group in turn has a call option over the other shares in the syndicates, exercisable effective on completion of the villages. Historically, the potential liability under the options was disclosed as a contingent liability. Effective 1 July 2010, consistent with the consolidation of the Syndicates, the liability has been recognised in the Balance Sheet, with the corresponding balance taken to equity reserves.
   Investment properties increased by $185.6m on the prior period, $152.0m of which was attributable to the consolidation of the Syndicates. The increase in investment properties on the prior period also included a $16.9m fair value uplift from 30 June 2010 attributable to the Syndicates.
   Resident loans increased by $120.0m on the prior period, $70.0m of which was attributable to the consolidation of the Syndicates. The increase in resident loans on the prior period also included a $0.9m fair value uplift from 30 June 2010 attributable to the Syndicates.

(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 except where shown:

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.

34. PARENT ENTITY

Information relating to FKP Limited and FKP Property Trust ('Parent Entity') is as follows.

(a) Summary Financial Information

	FKP Limited		FKP Property Trust	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Current Assets	**1,009.8**	460.8	**260.6**	230.2
Total Assets	**1,389.3**	862.3	**552.5**	592.1
Current Liabilities	**525.9**	51.5	**65.5**	18.4
Total Liabilities	**1,002.5**	451.0	**65.5**	108.6
Issued Capital	**779.3**	769.0	**518.3**	514.3
Retained Earnings/(Losses)	**(400.9)**	(366.5)	**(31.3)**	(30.8)
Reserves				
Foreign currency translation	**-**	–	**-**	–
Investment Revaluation	**(4.9)**	(4.9)	**-**	–
Employee benefits	**13.3**	13.8	**-**	–
Total Shareholders Equity	**386.8**	411.4	**487.0**	483.5
Profit/(Loss) of the Parent Entity	**(21.4)**	(32.3)	**18.7**	56.7
Total Comprehensive Income of the Parent Entity	**(21.4)**	(32.3)	**18.7**	56.7

(b) Guarantees

FKP Limited has provided financial guarantees in respect of bank loans of subsidiaries amounting to $118.6m (2010: $100.1m) 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 $275.0m held by a subsidiary (2010: $375.0m). 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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Consolidated Group's principal financial instruments comprise receivables, payables, bank loans, resident loans, financial assets/liabilities at fair value through profit and loss, finance leases, cash and short-term deposits, syndicate put options and derivatives.

The Consolidated Group has in place a Treasury and Risk Management Policy which focuses on the following main financial risks: interest rate risk, foreign currency risk, liquidity risk and credit risk. The FKP Board (which includes the Managing Director and Chief Executive Officer (CEO)) has ultimate responsibility for the financial risk management process for the Consolidated Group. The Board reviews and approves the Consolidated Group's Treasury and Risk Management Policy, the approach to the management of financial risks and where appropriate, variations from these policies. The Board also reviews compliance with the financial risk management policy at its monthly meetings as appropriate.

Day to day responsibility for the monitoring of financial risk exposure, market movements and the development of an appropriate response, rests with the Chief Financial Officer ('CFO').

The Consolidated Group's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the Consolidated Group's financial performance. The Consolidated Group uses different methods to measure and mitigate the different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessing market forecasts for interest rate and foreign exchange prices. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk.

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value of financial instruments or cash flows associated with instruments will fluctuate due to changes in market interest rates, resulting in an adverse impact on financial performance. The Consolidated Group's exposure to market interest rates relates primarily to the Consolidated Group's bank debt obligations. Borrowings issued at variable rates expose the Consolidated Group to cash flow interest rate risk while borrowings issued at fixed rates expose the Consolidated Group to fair value interest rate risk. The Consolidated Group manages such risk exposures by using interest rate swap and interest rate cap financial instruments, while maintaining a mix of fixed and variable debt. The level of debt is disclosed in Note 17.

The Consolidated Group's policy is to manage its interest rate risk in relation to senior debt facilities (including project finance) in-line with prescribed hedging parameters.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES CONTINUED

(a) Interest Rate Risk continued

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

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Financial Assets				
Cash assets	**14.5**	44.0	**2.5**	4.1
Receivables	**11.9**	32.5	**263.0**	223.4
	26.4	**76.5**	**265.5**	**227.5**
Financial Liabilities				
Bank overdraft	**-**	4.9	**-**	–
Bank loans	**669.9**	764.8	**98.2**	141.0
Loan from associate	**15.3**	19.0	**-**	–
	685.2	**788.7**	**98.2**	**141.0**

Interest rate swap liabilities outlined in Note 36, with a fair value for the Consolidated Group of $9.8m (2010: $17.1m) and Consolidated Property Trust of $nil (2010: $nil) are exposed to fair value movements due to interest rate changes. The amount taken to the profit and loss for the year for the Consolidated Group is a gain of $6.2m (2010 gain: $4.2m) and Consolidated Property Trust a gain of $nil (2010 gain: $0.6m). Interest rate cap financial assets outlined in Note 36, with a fair value for the Consolidated Group of $0.6m (2010: $1.1m) and Consolidated Property Trust of $nil (2010: $nil) are exposed to fair value movements due to interest rate changes.

In addition, the Consolidated Group manages its finance costs using a mix of fixed and variable rate debt. The Consolidated 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 Consolidated Group's attempt to manage its cash flow volatility arising from interest rate changes. The Consolidated Group manages the fixed rate portfolio through entering into fixed rate loan agreements or derivative instruments (primarily interest rate swaps), in which the Consolidated 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 used to hedge against interest rate fluctuations impacting underlying debt obligations of the Consolidated Group. At 30 June 2011, after taking into account the effect of interest rate swaps, approximately 85% (2010: 65%) of the Consolidated Group's borrowings is at a fixed rate of interest. Refer to Note 36 for further details about interest rate swaps.

The Consolidated 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 Consolidated 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.

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

	Post-Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2011 $m	2010 $m	2011 $m	2010 $m
Judgements of reasonably possible movements:				
Consolidated Group				
+0.75% (75 basis points)	**(3.5)**	(3.7)	**(3.5)**	(3.7)
–0.75% (75 basis points)	**3.5**	3.7	**3.5**	3.7
Consolidated Property Trust				
+0.75% (75 basis points)	**0.9**	0.6	**0.9**	0.6
–0.75% (75 basis points)	**(0.9)**	(0.6)	**(0.9)**	(0.6)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES CONTINUED

(b) Foreign Currency Risk

Foreign currency risk arises as a result of having assets denominated in a currency that is not the Consolidated Group's functional currency (balance sheet risk) or from transactions or cash flows denominated in a foreign currency (cash flow risk).

Balance sheet risk can impact the Net Tangible Assets (NTA) whereas cash flow risk is more likely to impact potential equity distributions or other operational cash requirements such as the repayment of debt.

The Consolidated Group manages its direct exposure to foreign currency risk by limiting the level of commercial transactions and recognition of assets and liabilities that are denominated in a currency other than the Consolidated Group's functional currency. The Consolidated Group's investment in the senior living facilities in the United States exposes the Consolidated Group to foreign exchange risk. The Consolidated Group has no significant concentrations of foreign exchange risk.

(c) Credit Risk

Credit risk is the risk of financial loss to the Consolidated Group if a customer or counterparty to a financial instrument fails to meet contractual obligations, with the maximum exposure being equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note to the Financial Statements. Credit risk arises from the financial assets of the Consolidated 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.

It is the Consolidated 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 Consolidated Group's exposure to bad debts is minimised.

The Consolidated Group's cash management policy is to maintain cash in a highly liquid and low risk portfolio with investments made in high quality, short-term money market instruments to ensure the preservation of capital at all times.

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

The granting of financial guarantees also exposes the Consolidated 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.

The Consolidated Group manages concentrations of credit risk through ongoing recoverability evaluations and appropriate credit history checks.

(d) Liquidity Risk

Liquidity risk is the risk that the Consolidated Group will not be able to meet its financial obligations as they fall due.

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

The Consolidated 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. Cash forecasts are prepared for review by the CFO and for presentation to the CEO and FKP Board as appropriate. In order to ensure that FKP is able to meet short-term commitments (i.e. less than 12 months) and have sufficient time to plan and fund longer-term commitments, forward commitment tests must be satisfied unless exemptions are approved by the FKP Board.

At 30 June 2011, $111.7m of the Consolidated Group's debt facilities will mature in less than one year (2010: $391.9m). The Consolidated Group manages liquidity risk through monitoring the maturity of its debt portfolio. The Consolidated Group will report and monitor the maturity and amortisation profile of all debt facilities on a regular basis and will present a draft refinancing plan for the approval of the FKP Board ahead of a debt facility maturing.

The current weighted average debt maturity is 2.24 years (2010: 1.59 years).

The table below reflects the contractual maturity of the Consolidated Group's fixed and floating rate financial liabilities and derivatives. For derivative financial instruments, the market value is presented, whereas for the other obligations the 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 2011.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES CONTINUED

(d) Liquidity Risk continued

The remaining contractual maturities of the financial liabilities are:

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
6 months or less[1]	**1,434.6**	1,362.6	**20.0**	12.9
6-12 months[1]	**135.1**	403.7	**88.5**	5.4
1-2 years	**335.4**	274.1	**-**	151.2
2-5 years	**469.0**	171.2	**-**	–
Over 5 years	**14.9**	6.4	**-**	–
	2,389.0	**2,218.0**	**101.4**	**169.5**

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
Consolidated Group						
Financial Liabilities						
Payables	52.9	–	10.0	10.0	–	**72.9**
Resident loans[1]	1,314.2	–	–	–	–	**1,314.2**
Bank loans[2]	41.8	126.5	309.3	294.7	12.1	**784.4**
Convertible bonds[2]	5.0	5.0	10.0	155.0	–	**175.0**
Other loans[2]	17.8	1.1	0.6	–	–	**19.5**
Finance leases	0.1	–	0.2	–	–	**0.3**
Interest rate swaps	1.0	1.7	3.7	4.7	–	**11.1**
Syndicate put options	1.8	0.8	1.6	4.6	2.8	**11.6**
	1,434.6	**135.1**	**335.4**	**469.0**	**14.9**	**2,389.0**

1. Resident Loans are classified as a current liability because the Consolidated Group does not have an unconditional right to defer settlement of resident loans for at least 12 months after the reporting period. In practice, the rate at which the Consolidated 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 Consolidated Group's best estimate is that of the total resident loans of $1,314.2m (2010: $1,194.2m), only $111.7m (2010: $113.8m) is expected to be paid within the next 12 months.
2. Incudes interest payable in future periods inclusive of line fees where applicable.

	≤ 6 months $m	6-12 months $m	1-2 years $m	2-5 years $m	5 years $m	Total $m
Consolidated Property Trust						
Financial Liabilities						
Payables	3.2	–	–	–	–	**3.2**
Bank loans	16.8	88.5	–	–	–	**105.3**
	20.0	**88.5**	**-**	**-**	**-**	**108.5**

35. FINANCIAL RISK MANAGEMENT OBJECTIVES CONTINUED

(e) Fair Value

The carrying amount of the Consolidated 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.

Fair Value Hierarchy

The Consolidated Group uses various methods in estimating the fair value of a financial instrument where a valuation technique is used. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

2011	Quoted Market Price (Level 1) $m	Valuation Techniques Market Observable Inputs (Level 2) $m	Valuation Techniques Non-Market Observable Inputs (Level 3) $m	Total $m
Consolidated Group				
Financial Assets:				
Interest rate cap	-	0.6	-	0.6
Rights to acquire syndicate shares	-	4.0	-	4.0
	-	4.6	-	4.6
Financial Liabilities:				
Interest rate swap contracts	-	9.8	-	9.8
Put option liability to acquire syndicate shares[1]	-	9.7	-	9.7
Resident loan obligations at fair value through profit and loss	-	1,314.2	-	1,314.2
	-	1,333.7	-	1,333.7
Consolidated Property Trust				
Financial Liabilities:	-	-	-	-

1. This balance includes $4.0m of exercised put options together with $5.7m of unexercised put options to acquire syndicate shares that have been brought to account during the year, in line with the consolidation of syndicates effective 1 July 2010. A corresponding balance is sitting in equity reserves as at 30 June 2011. Refer to Note 19 for further details.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES CONTINUED

(e) Fair Value continued

Fair Value Hierarchy continued

2010	Quoted Market Price (Level 1) $m	Valuation Techniques Market Observable Inputs (Level 2) $m	Valuation Techniques Non-Market Observable Inputs (Level 3) $m	Total $m
Consolidated Group				
Financial Assets:				
Interest rate cap	–	1.1	–	1.1
Financial Liabilities:				
Interest rate swap contracts	–	17.1	–	17.1
Resident loan obligations at fair value through profit and loss	–	1,194.2	–	1,194.2
	-	**1,211.3**	**-**	**1,211.3**
Consolidated Property Trust				
Financial Liabilities:	**-**	**-**	**-**	**-**

For resident loan obligations for which a value is not quoted in active markets, the Consolidated Group uses valuation techniques such as present value techniques to arrive at the fair value for these instruments. These valuation techniques use both observable and unobservable market inputs. The Consolidated Group considers that any inputs which are not observable market inputs used are not significant to the overall valuation of these items, and as such classifies these as Level 2 financial instruments.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in Level 3.

36. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated Group		Consolidated Property Trust	
	2011 $m	2010 $m	2011 $m	2010 $m
Financial Asset				
Interest rate cap (current)	**0.6**	1.1	**-**	–
Financial Liabilities				
Interest rate swap contracts (current)	**2.2**	8.2	**-**	–
Interest rate swap contracts (non-current)	**7.6**	8.9	**-**	–
Conversion rights	**4.6**	–	**-**	–
Total Derivative Financial Liabilities	**14.4**	**17.1**	**-**	**-**

Derivative financial instruments are used by the Consolidated Group in the normal course of business to hedge against adverse interest rate exposures.

(a) Interest Rate Swaps

At 30 June 2011, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

0–1 years	**22.9**	325.0	**-**	–
1–2 years	**-**	50.0	**-**	–
2–3 years	**50.0**	250.0	**-**	–
3–5 years	**100.0**	–	**-**	–
> 5 years	**300.0**	–	**-**	–
	472.9	**625.0**	**-**	**-**

36. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

(a) Interest Rate Swaps continued

The interest rate swaps require settlement of net interest receivable or payable each 30 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 Statement of Comprehensive Income. Refer to Note 1(y).

(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.

37. 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
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
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 SJYC Pty Ltd
Flower Roof Pty Ltd
FP Investments Pty Ltd
Home Finance Pty Ltd
Lindsay Gardens Management Pty Ltd
Omega Group 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.

37. 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	
	2011 $m	2010 $m
Sale of goods and construction contract revenue	**229.6**	471.7
Revenue from rendering of services	**54.3**	53.7
Other revenues from ordinary activities	**13.4**	32.1
Revenue	**297.3**	**557.5**
Cost of sales	**(169.2)**	(418.7)
Gross Profit	**128.1**	**138.8**
Change in fair value of investment properties	**46.7**	92.1
Change in fair value of financial assets	**10.2**	3.6
Change in fair value of resident loans	**(6.6)**	(31.8)
Employee expenses	**(44.4)**	(54.7)
Marketing expenses	**(12.5)**	(5.7)
Occupancy expenses	**(3.8)**	(4.5)
Administration expenses	**(21.6)**	(29.5)
Inventory write-down to net realisable value	**(10.0)**	(2.9)
Other income/(expenses)	**7.4**	(4.4)
Finance costs	**(35.8)**	(42.0)
Profit from Continuing Operations Before Income Tax	**57.7**	**59.0**
Income tax expense	**(14.1)**	(14.4)
Profit from Continuing Operations After Income Tax	**43.6**	**44.6**

37. DEED OF CROSS GUARANTEE CONTINUED

Consolidated Balance Sheet

	Closed Group	
	2011 $m	2010 $m
Current Assets:		
Cash and cash equivalents	**9.5**	35.5
Trade and other receivables	**823.1**	852.0
Inventories	**156.1**	129.6
Other financial assets	**0.6**	1.1
Other assets	**7.0**	15.1
Total Current Assets	**996.3**	**1,033.3**
Non-Current Assets:		
Trade and other receivables	**9.0**	15.8
Inventories	**480.6**	466.9
Investment properties	**2,035.3**	1,929.1
Equity accounted investments	**325.5**	297.9
Property, plant and equipment	**20.1**	21.1
Intangible assets	**2.4**	3.1
Other financial assets	**184.5**	183.7
Total Non-Current Assets	**3,057.4**	**2,917.6**
Total Assets	**4,053.7**	**3,950.9**
Current Liabilities:		
Trade and other payables	**803.5**	851.4
Interest bearing loans and borrowings	**45.2**	414.6
Provisions	**10.7**	4.9
Other financial liabilities	**2.2**	8.2
Deferred revenue	**64.3**	83.1
Total Current Liabilities (Excluding Resident Loans)	**925.9**	1,362.2
Resident loans	**1,057.1**	1,009.5
Total Current Liabilities	**1,983.0**	**2,371.7**
Non-Current Liabilities:		
Trade and other payables	**19.2**	27.6
Interest bearing loans and borrowings	**892.8**	454.4
Deferred tax liabilities	**95.9**	77.9
Provisions	**1.7**	2.0
Other financial liabilities	**12.2**	8.9
Deferred revenue	**0.6**	0.9
Total Non-Current Liabilities	**1,022.4**	**571.7**
Total Liabilities	**3,005.4**	**2,943.4**
Net Assets	**1,048.3**	**1,007.5**
Equity:		
Contributed equity	**779.2**	769.0
Retained profits	**149.7**	118.8
Reserves	**119.4**	119.7
Total Equity	**1,048.3**	**1,007.5**

38. BUSINESS COMBINATIONS AND DISPOSALS

Mackay Turf Farm Acquisition

On 22 December 2010, the Consolidated Group acquired control over the remaining 50% interest in Mackay Turf Farm Trust, previously a jointly controlled operation between Valad Funds Management Limited and FKP Property Group, to ensure the ongoing development of the project. The Consolidated Group acquired the remaining 50% interest for a cash consideration of $0.7m.

Mackay Turf Farm is an industrial land subdivision near Mackay in Queensland.

The net assets recognised on acquisition were at their fair values and had the following effect on the Consolidated Group's assets and liabilities on balance date:

At Fair Value	Recognised Value on Acquisition $m
Inventories	29.6
Other assets	1.0
Bank Loans	(16.3)
Deferred tax liability	(0.7)
Loan payable: FKP Limited	(12.1)
Other Payables	(0.4)
Net identifiable assets	1.1
Less: previously held equity interest	(0.4)
	0.7
Less: cash consideration	(0.7)
Gain/(loss) on acquisition	–

The Consolidated Group re-measured its previously held equity interest in Mackay Turf Farm prior to acquisition, increasing the investment carrying amount to $0.4m, resulting in a gain of $0.4m. This fair value gain is recognised in the Statement of Comprehensive Income for the year ended 30 June 2011 under 'other revenue'. The net gain/loss on acquisition is nil.

There were no disposals of businesses during the year ended 30 June 2011.

39. EVENTS AFTER BALANCE SHEET DATE

There have been no significant events or transactions that have arisen since the end of the financial year, which in the opinion of the directors, would affect significantly the operations of the Consolidated Group, the results of those operations, or the state of affairs of the Consolidated Group.

Directors' Declaration

In the opinion of the Directors of FKP Limited and FKP Funds Management Limited as Responsible Entity for FKP Property Trust (collectively referred to as 'the Directors'):

(a) the Financial Statements and Notes and the Remuneration Report in the Directors' Report set out on pages 23 to 34, are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Consolidated Property Trust's and the Consolidated Group's financial position as at 30 June 2011 and of their performance, for the financial year ended on that date; and

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

(b) the Financial Report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board, as disclosed in Note 1(a); and

(c) there are reasonable grounds to believe that the Consolidated Property Trust and the Consolidated Group will be able to pay their debts as and when they become due and payable.

At the date of this declaration there are reasonable grounds to believe that FKP Limited and the group entities named in Note 37 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 FKP Limited and those group entities pursuant to ASIC Class Order 98/1418 (as described in Note 37).

The Directors have been given the declarations by the Managing Director and Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2011 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
FKP Property Group

Dated at Sydney, this 25th day of August 2011

Independent Auditor's Report
to security holders of FKP Property Group

Ernst & Young

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GPO Box 2646 Sydney NSW 2001

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REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of FKP Property Group ('FKP'), which comprises the consolidated balance sheet as at 30 June 2011, statement of comprehensive income, statement of changes in equity and the cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the Consolidated Group comprising FKP Limited and the entities it controlled at the year's end and FKP Property Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of FKP Limited and the Directors of FKP Funds Management Limited as Responsible Entity for the FKP Property Trust (collectively referred to as 'the Directors') are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the Directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the Directors also state, in accordance with Accounting Standard AASB 101: 'Presentation of Financial Statements', that the financial statements comply with *International Financial Reporting Standards.*

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the Directors a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Independent Auditor's Report Continued

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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 Consolidated Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 34 of the Directors' Report for the year ended 30 June 2011. The Directors are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of FKP Property Group for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young.

Ernst & Young

Douglas Bain
Partner

25 August 2011

Security Holders

The information set out below was prepared as at 5 October 2010 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
Citicorp Nominees Pty Limited <Rosetec Investments Ltd A/C>	225,408,200	18.82
Stockland Retirement Pty Limited	173,421,584	14.48
National Nominees Limited	122,008,280	10.18
HSBC Custody Nominees (Australia) Limited	76,435,688	6.38
J P Morgan Nominees Australia Limited	75,499,397	6.30
Citicorp Nominees Pty Limited	64,418,112	5.38
AMP Life Limited	41,158,388	3.44
HDFI Nominees Pty Ltd <Mulpha Investments P/L A/C>	32,147,126	2.68
Cogent Nominees Pty Limited	29,637,661	2.47
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	29,048,217	2.42
HDFI Nominees Pty Ltd <Mulpha Australia LimitedA /C>	27,874,431	2.33
Philip Parker Pty Ltd <Parker Family A/C>	17,625,407	1.47
Philip Parker Pty Ltd <Parker Share A/C>	12,566,543	1.05
Australian Reward Investment Alliance	12,287,959	1.03
Cogent Nominees Pty Limited <SMP Accounts>	11,982,432	1.00
Queensland Investment Corporation	10,758,339	0.90
Argo Investments Limited	7,604,285	0.63
Mt Byron Pastoral Company Pty Ltd	7,561,000	0.63
Philip Parker Pty Ltd <Parker Family A/C>	7,525,860	0.63
Mt Byron Pastoral Company Pty Ltd <Super Fund A/C>	6,538,477	0.55
	991,507,386	**82.77**

The total number of securities on issue as at 5 October 2011 is 1,197,968,723.

Substantial Security Holders	Number of Securities
Mulpha Australia Ltd and its related bodies corporate	310,180,528
Stockland Retirement Pty Limited	173,421,584

Distribution of Security Holders	Number of Securities	Number of Security Holders
Category		
1 – 1,000	857,581	2,336
1,001 – 5,000	10,022,157	3,738
5,001 – 10,000	12,657,973	1,666
10,001 – 100,000	77,165,532	2,677
100,001 and over	1,097,265,480	246
	1,197,968,723	**10,663**

There were 2,401 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 (ASX Code: FKP) with a home exchange in Brisbane.

Security Holder Information

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
117 Victoria Street
WEST END QLD 4101

Telephone (within Australia): 1300 658 814
Telephone (outside Australia): +61 3 9415 4316
Facsimile: +61 7 3237 2152
Internet: www.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 1.6 cents per security was paid to security holders on 30 September 2011. The record date for determining entitlement to the distribution was 30 June 2011.

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 of up to 10% as determined by the Board, with no costs. The discount applicable for the September 2010 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.

5 Year Financial Summary

Performance Summary		2011	2010	2009	2008	2007
EBIT	$m	**144.2**	114.2	–113.1	278.0	325.8
Underlying Net Profit After Tax[1]	$m	**121.0**	108.6	76.8	150.2	134.9
Statutory Net Profit After Tax	$m	**82.3**	50.8	–319.4	145.3	194.8
Paid Up Capital	$m	**1,297.6**	1,283.3	965.4	827.8	799.2
Security Holders' Funds	$m	**1,531.4**	1,474.2	1,114.5	1,340.3	1,256.3
Total Assets	$m	**4,056.2**	3,860.8	3,772.8	4,098.1	3,512.5
Total Debt	$m	**802.8**	791.6	1,153.2	1,229.2	932.8
Market Capitalisation	$m	**829.6**	792.7	183.2	1,300.3	1,904.1
Security Price at year end	$	**0.70**	0.68	0.52	4.90	7.30
Reported Earnings Per Security	cents	**7.01**	4.53	–70.3	38.7	62.1
Underlying Earnings Per Security	cents	**10.3**	9.7	17.3	40.0	43.0
Dividends/distributions Paid	$m	**35.4**	17.5	12.3	83.7	76.1
Dividends/distributions Per Security – Ordinary	cents	**3.0**	1.5	3.5	31.7	31.7
Net Tangible Assets Per Security	cents	**125.0**	123.0	315.0	503.7	480.0
Franking[2]	%	**36.6**	–	–	45.4	60.0
Gearing Ration (Debt/Assets)	%	**28.9**	28.5	41.8	30.0	26.2

1. Underlying profit for the Consolidated Group was adopted for the years ended 30 June 2010 and 30 June 2011, and has been audited. Underlying profit for the years ended 30 June 2007 to 30 June 2009 inclusive was not in accordance with AICD/Finsia principles of recording underlying profit and has not been audited.
2. The franked percentage for the Group for the years ended 30 June 2007 to 30 June 2011 inclusive is a weighted average percentage including the FKP Property Trust distribution which is unfranked. No franked dividends were paid during the years ended 30 June 2009 to 30 June 2010.

Directory

Corporation/Responsible Entity

FKP Limited
ABN 28 010 729 950

FKP Funds Management Limited
ABN 17 089 800 082
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120 Edward Street
Brisbane Qld 4000

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Board Of Directors

Seng Huang Lee (Chairman)
Peter Brown (Managing Director and CEO)
Leonard McKinnon
Jim Frayne
Philip Parker
Greg Dyer
Mark Jewell

Company Secretary

Michael Shannon

Chief Financial Officer

David Hunt

Audit Committee

Leonard McKinnon
Jim Frayne
Greg Dyer

Remuneration Committee

Philip Parker (Chairman)
Seng Huang Lee
Leonard McKinnon

Auditor

Ernst & Young

Complaint Resolution Service (Financial Services)

Financial Ombudsman Service Limited
GPO Box 3
Melbourne Vic 3001
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Please note: All figures are in Australian dollars unless otherwise indicated.

Designed and produced by Ross Barr & Associates Pty Limited.

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