



FKP Property Group

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

2008 Financial Report

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The Directors present their Report together with the Financial Statements of the FKP Property Group ('Combined Group') consisting of FKP Limited ('Parent Entity') and its Controlled Entities and FKP Property Trust ('Property Trust') and its Controlled Entities ('Consolidated Property Trust') for the year ended 30 June 2008 and the Auditor's Report thereon.

DIRECTORS

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

B W Macdonald AM

Non-Executive Chairman (Age 75)

Joined the Board in September 1993 and elected Chairman in October 2004. Since retiring in 1985 as Joint Managing Director of Macdonald Hamilton and Co Limited, Mr Macdonald has served as a Director of a number of Australian public companies including Queensland Cotton Holdings Limited and Brisbane Lions Football Club Limited. Mr Macdonald is currently a Director of AP Eagers Limited (Chairman) (January 1992 to date), and Reef Corporate Services Limited (Chairman) (September 1995 to date). Mr Macdonald was appointed as a Member of the Order of Australia in January 2007 for services to business, commerce and the community.

D C Crombie BEc

Non-Executive Deputy Chairman (Age 64)

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

P R Brown LLB (Hons) B Com

Managing Director and Chief Executive Officer (Age 42)

Joined the Board as Managing Director in February 2003. Mr Brown has in excess of 20 years experience in property development having held senior executive positions in national Australian Securities Exchange listed companies including Thakral Holdings Group Limited, Walker Corporation Limited and Australand Holdings Limited. Mr Brown was a Director of Forest Place Group Limited from December 2003 to September 2007.

R T Forrester

Non-Executive Director (Age 57)

Joined the Board in July 1987 and served as Managing Director until 2003. Mr Forrester was a founding Director of FKP Limited and has over 30 years experience in construction and property development. Mr Forrester was a member of the University of the Sunshine Coast Council from 1996 to 2002, serving as Deputy Chancellor from 1998 and was also the founding Chairman of Matthew Flinders Anglican College. Mr Forrester has been a Director of Sunshine Coast Helicopter Rescue Service Ltd since October 2002. Mr Forrester retired from the Boards of FKP Limited and FKP Funds Management Limited on 30 June 2008.

P Parker

Non-Executive Director (Age 62)

Joined the Board in July 1987. Mr Parker 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 7 years in Brisbane and the Northern Territory in a marketing capacity for one of Queensland's largest land developers. In 1975, Mr Parker relocated to the Sunshine Coast and subsequently established his own real estate business expanding into property management, body corporate administration and the sale and leasing of commercial buildings. Mr Parker has been a Director of Forest Place Group Limited since April 2004.

L R McKinnon BA LLB MCom

Non-Executive Director (Age 55)

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

SH Lee

Non-Executive Director (Age 34)

Joined the Board in February 2006. Mr Lee has approximately 15 years experience in property development and financial services. Mr Lee is the Executive Chairman of Mulpha Australia Limited and Mulpha International Bhd. Mr Lee is also the Executive Chairman of Sun Hung Kai & Co. Limited, the leading non-bank financial institution listed in Hong Kong. He is also a non-executive Director of Ambrian Capital PLC.

TH Chung BCom ACIS ACA

Non-Executive Director (Age 57)

Appointed as a Director on 29 May 2008. Mr Chung is the Chief Executive Officer of Mulpha International Bhd, the holding company of Mulpha Australia Limited. Mr Chung has over 30 years experience in a range of industries, more recently focussing his career in the financial services and property development industries. Mr Chung is currently a Director of Mulpha International Bhd and Mudajaya Group Bhd (companies listed in Malaysia) and Greenfield Chemical Holdings Limited (a company listed in Hong Kong).

J E F Frayne BCom FCA GAICD

Non-Executive Director (Age 61)

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

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

COMPANY SECRETARY

S E Stewart: LLB (Hons) LLM

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

DIRECTORS' MEETINGS

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

	Directors' Meetings		Audit Committee		Remuneration Committee	
	Held ²	Attended	Held	Attended	Held	Attended
B W Macdonald	8	8	4	4	2	2
D C Crombie	8	7	4	4	-	-
P R Brown	8	8	-	-	2	2
R T Forrester	8	6	-	-	2	2
P Parker	8	5	-	-	-	-
L R McKinnon	8	8	4	4	-	-
SH Lee	8	5	-	-	-	-
TH Chung ¹	2	2	-	-	-	-

¹ TH Chung joined the Boards of FKP Limited and FKP Funds Management Limited on 29 May 2008.

² Reflects the number of meetings held during the time the Director held office during the year.

PRINCIPAL ACTIVITIES

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

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

STATE OF AFFAIRS

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

REVIEW AND RESULTS OF OPERATIONS

The profit after tax attributable to stapled security holders was \$145.3m. Earnings per stapled security during the period were 55.2 cents per stapled security ('cps'), a decrease of 38% over the previous corresponding period.

The profit for the year ended 30 June 2008 was as follows:

	Combined	
	2008 \$m	2007 \$m
Profit from continuing operations before income tax expense	195.6	281.1
Income tax expense relating to ordinary activities	(45.9)	(80.0)
Net Profit from Continuing Operations	149.7	201.1
Net profit attributable to minority interests	(4.4)	(6.3)
Net Profit Attributable to Equity Holders of the Combined Group	145.3	194.8

The 25% fall in statutory net profit is largely explained by the effective reversal of one-off gains in the value of equity-accounted investments generated in the previous period.

Operating Profit

The operating profit after tax during the financial year was a record \$150.2m, an increase of 11% over the prior year.

Distributions

The Combined Group will pay a final distribution for the year of 15.7 cps, for a total ordinary distribution of 31.7 cps. This represents no change in respect of the previous financial year. The weighted average company portion of the total dividend for the year has been franked to 67%.

REVIEW AND RESULTS OF OPERATIONS (continued)

Divisional Profit Contribution

The *Retirement Division* contributed \$125.3m towards operating earnings before interest and tax ('EBIT'), an increase of 21% over the prior year. Cash received from deferred management fees ('DMF') and capital gains of \$31.7m represents an increase of 17%.

Underlying operations were very strong, with turnover being maintained at 10% of the portfolio and growth of approximately 9% in unit values despite a relatively flat residential market.

At year end the Combined Group's portfolio was nearly 6,200 units, with the majority marketed under the common brand of 'Aveo – Live Well'. A pipeline in excess of 1,200 units is planned for development on land owned by the Combined Group and its managed syndicates.

The *Developments Division* contributed operating EBIT of \$36.1m, compared with \$55.6m in the prior year. The fall reflected a lower volume of work completed in the year, but the Combined Group has a number of significant projects underway that are expected to generate considerable profits in coming years.

In April 2008, the Combined Group settled the purchase of the key Newstead Riverpark (Brisbane) site, and has commenced construction on the Energex commercial development (pre-leased) within the precinct.

At the end of the period, the Combined Group had a Board-approved development pipeline with an estimated completion value of approximately \$3 billion.

The *Land Division* contributed \$40.4m to operating EBIT, an increase of 94% on the prior year, with the major contributor to profit being the flagship project at Peregrine Springs. Lot sales more than doubled to 182 lots, and the quality of the development enabled price growth to be achieved over the year. The Combined Group has budgeted an even larger contribution from the division in 2008/09, with the first sales anticipated from the Saltwater Coast development in Melbourne and the Rosedale estate in Brisbane.

Funds Management profitability increased from \$4.5m to \$5.5m, with the launch of FKP Core Plus Fund Two and the RVG Wholesale Fund ('RVG') during the financial year.

Operating earnings from the Combined Group's investments, including the Property Trust, RVG and portfolio investments in the Combined Group's managed funds increased 16% to \$46.6m. Following the launch of RVG, the Group's investment in that fund was reduced from 48% to approximately 20%.

Capital Structure and Gearing

The Combined Group issued 4,524,559 stapled securities during the year under its Distribution Reinvestment Plan and Employee Security Plan, taking the total number of stapled securities on issue at the end of the financial year to 265,362,320.

During the year, the Group obtained increased funding for its Retirement Division, and extended the maturity of short-term development and trust facilities.

At June 2008, approximately 1% of the bank debt is classified as current. Gearing at June 2008 was 40%.

Current Assets and Liabilities

The Balance Sheet of the Combined Group discloses total current assets of \$490.6m and current liabilities of \$1,307.6m. This arises because of the requirement under Australian Accounting Standards to classify Resident Loans, in full, as a current liability, whereas the asset to which this relates, investment properties, is required to be classified as a non-current asset.

In practice, the rate at which the Combined Group's Retirement residents vacate their units, and hence the rate at which the Resident Loans will fall due for repayment, can be estimated on the basis of statistical tables. The Combined Group's best estimate is that of the total Resident Loans of \$1,064.2m, only \$66.1m is expected to be paid within the next twelve months. Further, if this amount was repayable, it is estimated that incoming contributions of more than \$99.8m would be received from new residents.

DIVIDENDS AND DISTRIBUTIONS

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

Dividends / Distributions	Cents per Security	Total Amount \$m	Franked % ¹	Date of Payment
Final 2007	16.50	43.0	60	12/10/07
Interim 2008	16.00	42.1	48	14/04/08
Final 2008	15.70	41.6	43	30/09/08

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

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

ENVIRONMENTAL REGULATION

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

SUBSEQUENT EVENTS

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

LIKELY DEVELOPMENTS

The Combined Group will continue to pursue its target of increasing the profitability of its major business segments during the next financial year. Further information about likely developments in the operations of the Combined Group and the expected results of those operations in future financial years has not been included in this Report because disclosure of the information would be likely to result in unreasonable prejudice to the Combined Group.

OPTIONS

During the financial year, the Combined Group granted 9,959,853 options over unissued ordinary securities to Executives and senior employees of the Combined Group. No options were exercised during the financial year.

REMUNERATION REPORT

A Remuneration Report attached at page 8 provides details of the remuneration and equity holdings of Directors and key management personnel and forms part of the Directors' Report.

DIRECTORS' INTERESTS

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

	Ordinary Securities	
	2008	2007
B W Macdonald	28,933	28,933
D C Crombie	120,191	114,236
P R Brown	488,822	388,822
R T Forrester	6,975,951 ¹	6,975,951
P Parker	13,196,934	12,741,934
L R McKinnon	-	-
SH Lee	-	-
TH Chung	-	-
J E F Frayne ²	-	-

¹ Mr R T Forrester resigned from the Board on 30 June 2008 and therefore this amount is at the date of resignation.

² Mr J E F Frayne was appointed Director on 1 July 2008.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

Pursuant to the Constitutions of the Parent Entity and the Responsible Entity, all Directors and 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 to indemnify the Directors against all liabilities to another person which may arise from their position as Directors of the Combined Group to the extent permitted by law. The agreements stipulate that the Parent Entity and the Responsible Entity will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

Since the end of the previous financial year, FKP Limited has not indemnified or agreed to indemnify any person who is or has been an officer or an auditor of FKP Limited against any liabilities.

Insurance Premiums

During the previous financial year, the Combined Group has paid premiums in respect of Directors' and Officers' liability insurance contracts, for the current and former Directors and Officers, including Executive Officers and Secretaries of the Combined Group.

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

AUDIT COMMITTEE

The Combined Group has a formally constituted Audit Committee of the Board of Directors. The members of the Audit Committee are D C Crombie (Chairman), B W Macdonald and L R McKinnon.

NON-AUDIT SERVICES

During the year PKF, the Combined Group's external Auditor, has 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 auditor services during the year by the external Auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act for the following reasons:

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

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

	2008 \$
PKF Chartered Accountants:	
Agreed-upon procedures reports	18,000
Other assurance services	6,700
	24,700

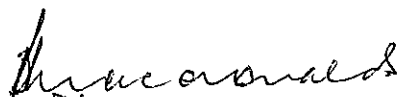
AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

We confirm that we have obtained the Auditor's Independence Declaration which is set out on Page 7.

ROUNDING

The Combined Group is an entity of a kind referred to in ASIC Class Order 98/100 and in accordance with that Class Order, amounts in the Financial Report and Directors' Report are rounded to the nearest hundred thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:



B W Macdonald
Chairman

Dated at Brisbane, 26 September 2008.

Auditor's Independence Declaration

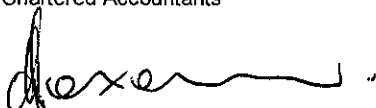
To: The Directors of FKP Limited and FKP Funds Management Limited as Responsible Entity of FKP Property Trust.

As lead engagement partner for the audit of FKP Property Group comprising FKP Limited and its Controlled Entities and FKP Property Trust and its Controlled Entities for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the Corporations Act in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



PKF
Chartered Accountants



Grant Saxon
Partner

Dated at Brisbane, 26 September 2008.

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The Board has established a Remuneration Committee which is responsible for determining and reviewing remuneration arrangements for Directors, the Managing Director and Chief Executive Officer and other key management personnel. The members of the Remuneration Committee during the year were R T Forrester (Chairman), B W Macdonald and P R Brown. The Combined Group's remuneration policy is to ensure that remuneration packages properly reflect the person's duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality.

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

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

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

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

Fixed Remuneration

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

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

Performance-Based Remuneration

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

Equity-Based Remuneration

Securities may be issued to qualifying employees, including key management personnel under the Employee Security Plan ('ESP'). This scheme provides all employees (upon completion of one

year's service) the opportunity to be rewarded for their service to the Combined Group by offering them \$1,000 worth of FKP Property Group stapled securities, at no cost to the employee. During the financial year, there was one issue of securities to qualifying employees.

Options may be issued under the Employee Option Plan ('EOP'). The exercise price and any other terms and conditions of the options are determined at the discretion of the Board, including performance hurdles. A total of 9,989,853 options were issued in two tranches during the financial year (2007: 3,140,000 options).

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

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

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

	2008	2007	2006	2005	2004*
Net profit (\$m)	145.3	194.8	140.8	88.3	36.7
EPS (cents)	55.2	88.7	76.6	55.5	30.7
Dividends / distributions (\$m)	83.7	76.1	54.8	77.3	19.9
DPS - special (cents)	-	-	-	25.0	-
DPS - ordinary (cents)	31.7	31.7	28.8	25.0	15.0
Security price at year end (\$)	4.90	7.30	5.25	2.83	2.82
Market capitalisation (\$m)	1,300.3	1,904.1	1,003.6	498.1	373.2
Return of capital (\$m)	-	-	-	99.8	-

* Numbers prepared under Australian Generally Accepted Accounting Principles ('AGAAP') and have not been restated to Australian Accounting Standards (Australian Equivalents to International Financial Reporting Standards ('AIFRS')).

The Remuneration Committee considers that the Combined Group's remuneration policy, including the mix of performance-based and equity-based remuneration components, is generating desirable outcomes. The evidence of this is the performance of the Combined Group over the last five years where:

- EPS has increased on average by 24% pa;
- DPS has increased on average by 23% pa; and
- the security price has increased from \$3.00 at 30 June 2003 to \$4.90 at 30 June 2008, an average increase of 10.3% pa.

It is emphasised again, however, that the Remuneration Committee looks at a range of factors in addition to historical performance when evaluating the contribution of the Managing Director and Chief Executive Officer and other key management personnel.

KEY MANAGEMENT PERSONNEL'S REMUNERATION

Details of the nature and amount of each major element of the remuneration of each of the key management personnel including each of the five named officers of the Combined Group receiving the highest emoluments are detailed below in the remuneration tables.

Directors

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

B W Macdonald	Chairman (Non-Executive)
D C Crombie	Deputy Chairman (Non-Executive)
P R Brown	Managing Director and Chief Executive Officer
R T Forrester	Non-Executive Director
P Parker	Non-Executive Director
L R McKinnon	Non-Executive Director
SH Lee	Non-Executive Director
TH Chung	Non-Executive Director

Key Management Personnel

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

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

REMUNERATION OF NON-EXECUTIVE DIRECTORS

Director Fees

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

During the year, the Chairman received a base fee of \$176,000 and is entitled to retirement benefits. Messrs Crombie, Forrester and Parker each received a base fee of \$65,385 (with an entitlement to retirement benefits) and Messrs McKinnon and Lee each received a base fee of \$85,000 (inclusive of superannuation), but are not eligible for retirement benefits. Mr TH Chung received a base fee of \$7,685 on the basis of holding the position of Director for 33 days out of 365 days (where the base fee payable is \$85,000 per year).

These fees cover all main board activities. Additional fees are paid to members of the following Board Committees:

- Audit Committee: \$5,000 to the Chairman, \$1,000 to each other Committee Member; and
- Remuneration Committee: no additional fees are payable.

Retirement Benefits

The Combined Group Directors' Retirement Scheme applies only to Directors first appointed before 30 June 2004. The Scheme provides certain benefits to Non-Executive Directors who have served in that capacity for in excess of five years. The benefit payable is the total average annual remuneration paid to a Director for the three years immediately prior to the Director's retirement less any payment made in respect to superannuation. This scheme has not been approved by security holders as the scheme complies with that allowed under the Corporations Act 2001.

Performance-Based Remuneration

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

Equity-Based Remuneration

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

REMUNERATION OF THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

The Managing Director and Chief Executive Officer entered into a new four (4) year executive employment agreement ('Employment Agreement') with the Parent Entity effective from 1 July 2007 and expiring on 30 June 2011. This agreement provides for a base salary (including superannuation) of \$1,500,000, increasing on 1 July each year by 3%. In addition to his base salary, Mr Brown also received an accommodation allowance amounting to \$12,123 during the period.

Mr Brown's may terminate the Employment Agreement by giving six (6) month's prior written notice. Mr Brown may also terminate the Employment Agreement by giving one (1) months prior written notice if at the instigation of the Board he ceases to be the most senior executive officer of the Parent Entity and in such circumstances he will be entitled to receive a severance payment equal to 24 months base salary.

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

Mr Brown is entitled to 10 days sick leave and 20 days annual leave. Accruals and payments in respect of these entitlements are disclosed as 'Primary' remuneration. Accrued and paid entitlements to long service leave are disclosed as 'Other Long Term Benefits' remuneration.

REMUNERATION OF THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER (continued)

Performance-Based Remuneration

Under the Employment Agreement the Managing Director and Chief Executive Officer is entitled to receive an annual cash bonus of up to 100% of his base salary, subject to achieving relevant performance hurdles. The performance hurdles and priorities are determined annually by the Board.

Equity-Based Remuneration

At the 2005 AGM, security holders approved amendments to the Managing Director's Security Plan pursuant to which 387,912 stapled securities ('Retention Bonus Securities') were issued to Mr Brown at the weighted average price of securities during the five trading days before the date of the 2005 AGM. The Parent Entity lent the whole of the purchase price for the Retention Bonus Securities to Mr Brown on an interest free basis. All distributions received by Mr Brown, after deducting the amount equal to the tax payable by Mr Brown on the distributions, were applied in reduction of the loan balance.

The terms of this arrangement were amended and restated in Mr Brown's new Employment Agreement and in accordance with that Agreement Mr Brown repaid the loan of \$485,000 during the year and the Parent Entity forgave the loan balance to the extent that the balance exceeded \$485,000.

The Employment Agreement provides for a long term incentive bonus consisting of the issue of five (5) million options over stapled securities of FKP Property Group under the Employee Option Plan subject to the receipt of approval of the Parent Entity's security holders (refer Note 28 'Share-Based Payments'). At the 2007 AGM, approval was obtained from security holders to issue the five (5) million options over stapled securities to Mr Brown.

A summary of the option terms follows:

- The options become exercisable on 1 January 2011 provided that Mr Brown holds the position of Managing Director and Chief Executive Officer at that date or if the Parent Entity has terminated Mr Brown's employment, or given written notice to Mr Brown in circumstances where 24 months notice is required, such termination or notice is given after 1 January 2009;
- The options may be exercised at any time up to and including 30 June 2012; and
- The exercise price for the options is \$7.05.

OTHER KEY MANAGEMENT PERSONNEL

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

Fixed Remuneration

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

The key management personnel are entitled to 10 days sick leave and 20 days annual leave. Accruals and payments in respect of these entitlements are disclosed as 'Primary' remuneration. Accrued and paid entitlements to long service leave are disclosed as 'Other Long-Term Benefits' remuneration.

Performance-Based Remuneration

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

Bonuses approved for payment in September 2008 relating to key management personnel for the year ended 30 June 2008 are detailed in the table on page 13.

OTHER KEY MANAGEMENT PERSONNEL (continued)

Equity-Based Remuneration

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

- Employee Security Plan ('ESP');
- Employee Option Plan ('EOP'); and
- Security Appreciation Rights Plan ('SARP').

During the financial year, an issue of securities, each to the value of \$1,000 per employee, was made to qualifying employees, including a number of the key management personnel, under the ESP.

Options were granted to certain Executives including key management personnel under the EOP during the year.

During the financial year, no Security Appreciation Rights were issued to employees under the SARP.

Further details of the plans are provided in Note 28 'Share-Based Payments'.

Termination Benefits

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

- in the case of the Chief Financial Officer, six months notice;
- in the case of the Executive General Manager – Retirement, four weeks notice; and
- in all other cases, 13 weeks notice.

		Short-Term Employee Benefits			Post-Employment		Equity Compensation		Other Compensation			Proportion of Remuneration Performance Related %
		Salary and Fees \$	Bonus \$	Non-Monetary Benefits \$	Super Benefits \$	Other Post-Employment Benefits ⁶ \$	Security Options \$	Value of Securities \$	Other Long-Term Benefits \$	Termination Benefits \$	Total \$	
B W Macdonald	2008	177,000	-	-	-	66,695	-	-	-	-	243,695	-
	2007	164,000	-	4,061	-	118,128	-	-	-	-	286,189	-
D C Crombie	2008	64,986	-	-	5,399	14,114	-	-	-	-	84,499	-
	2007	57,929	-	4,061	5,214	159,673	-	-	-	-	226,877	-
R T Forrester	2008	59,986	-	-	5,399	14,114	-	-	-	-	79,499	-
	2007	52,929	-	4,061	4,764	29,994	-	-	-	-	91,748	-
P Parker	2008	59,986	-	-	5,399	14,114	-	-	-	-	79,499	-
	2007	52,929	-	4,061	4,764	7,057	-	-	-	-	68,811	-
L R McKinnon	2008	78,982	-	-	7,018	-	-	-	-	-	86,000	-
	2007	69,808	-	4,061	6,283	-	-	-	-	-	80,152	-
SH Lee	2008	77,982	-	-	7,018	-	-	-	-	-	85,000	-
	2007	68,808	-	4,061	6,193	-	-	-	-	-	79,062	-
TH Chung ^{1,2}	2008	7,685	-	-	-	-	-	-	-	-	7,685	-
	2007	-	-	-	-	-	-	-	-	-	-	-
Managing Director												
P R Brown	2008	1,462,123 ³	1,312,500 ⁴	966,724 ⁵	50,000	-	1,192,271 ⁷	395,150	-	-	5,378,768	46.6
	2007	571,026	2,373,443	6,285	32,001	-	-	593,213 ⁸	-	-	3,575,968	66.4
Total	2008	1,988,730	1,312,500	966,724	80,233	109,037	1,192,271	395,150	-	-	6,044,645	41.4
	2007	1,037,429	2,373,443	30,651	59,219	314,852	-	593,213	-	-	4,408,807	53.8

¹ Mr TH Chung was appointed to the Board on 29 May 2008.

² Salary and Fees calculated on the basis of holding the position of Director for 33 days out of 365 days (where fees payable are \$85,000 per year). As he is a resident of Malaysia, the Combined Group does not make a superannuation contribution on behalf of Mr TH Chung.

³ Includes base salary of \$1,450,000 and an amount of \$12,123 accommodation allowance paid to Mr P R Brown during the period.

⁴ This amount represents an achievement of 87.5% of the maximum annual cash bonus payable to Mr P R Brown for the period.

⁵ The Total Reportable FBT relating to the loan forgiveness of the Retention Bonus Securities was \$2,240,447. This amount is recognised during the 2008 Financial Year as it was contractually due in this period less any amount previously expensed in through Value of Securities column. Previously, expenses relating to the Retention Bonus Securities totalling \$878,573 plus \$395,150 expensed during this year were included in the "Equity Compensation" column. Therefore the Combined Group has disclosed the net amount of \$966,724 being \$2,240,447 less \$878,573 and \$395,150.

⁶ Other post-employment benefits include movement in accrued retirement benefits during the year.

⁷ Mr P R Brown was granted five million options under the Combined Group's EOP being the long-term incentive part of his total remuneration package. This amount represents the proportion of the Equity Compensation attributable to the 2008 period.

⁸ Loan amount forgiven under the Managing Director's Security Plan.

Executives including Key Management Personnel		Short-Term Employee Benefits			Post- Employment	Equity Compensation		Other Compensation		Total \$	Proportion of Remuneration Performance Related %
		Salary and Fees \$	Bonus \$	Non- Monetary Benefits \$	Super Benefits \$	Security Options \$	Value of Securities ⁴ \$	Other Long- Term Benefits \$	Termination Benefits \$		
D L Guihot	2008	550,459	612,500	-	49,541	161,156	(40,236)	-	-	1,333,420	55.0
	2007	433,624	500,000	5,211	6,630	54,648	158,204	-	-	1,158,317	61.5
S E Stewart	2008	300,000	212,400	-	27,000	103,034	-	-	-	642,434	49.1
	2007	257,758	150,000	4,061	23,173	37,260	-	-	-	472,252	39.7
M A Miller	2008	311,927	-	-	28,073	109,727	(34,489)	-	-	415,238	18.1
	2007	287,998	170,000	5,211	32,112	37,260	135,604	-	-	668,185	51.3
E L Delfabbro	2008	331,651	229,800	3,549	29,849	109,727	(34,489)	-	-	670,087	45.5
	2007	301,143	170,000	5,670	17,594	37,260	135,604	-	-	667,271	51.4
J A Smith	2008	331,651	-	53,626	29,849	109,727	(34,489)	-	-	490,364	15.3
	2007	270,083	170,000	34,097	14,201	37,260	135,604	-	-	661,245	51.9
J M Laboo ¹	2008	300,000	212,400	-	27,000	103,034	(11,496)	-	-	630,938	48.2
	2007	237,108	150,000	3,252	21,067	37,260	53,096	-	-	501,783	47.9
B Jackson ²	2008	353,085	300,000	-	31,778	116,318	(34,489)	-	-	766,692	49.8
	2007	339,197	113,816	-	30,528	37,260	135,604	-	-	656,405	43.7
A R W Learmonth ²	2008	229,358	375,000	-	20,642	109,737	(14,370)	-	-	720,367	65.3
	2007	227,530	255,000	4,520	20,478	37,260	66,370	-	-	611,158	58.7
G R Brown ³	2008	-	-	-	-	-	-	-	-	-	-
	2007	81,584	-	11,435	15,460	-	-	-	77,992	186,471	-
Total	2008	2,708,131	1,942,100	57,175	243,732	922,460	(204,058)	-	-	5,669,540	46.9
	2007	2,436,025	1,678,816	73,457	181,243	315,468	820,086	-	77,992	5,583,087	50.4

¹ Mr J M Laboo was appointed Executive General Manager – Retirement on 27 November 2006.

² Mr B Jackson and Mr A R W Learmonth are included as one of the five officers receiving the highest emoluments in the year. Neither Mr Jackson nor Mr Learmonth was considered a member of the Key Management Personnel in either year.

³ Mr G R Brown was appointed as Executive General Manager – Retirement on 25 November 2005 and resigned on 4 October 2006.

⁴ The fall in the Combined Group's security price over the 2008 financial year has led to an overall decrement in the value of the Security Appreciation Rights.

CASH-BASED SHARE APPRECIATION RIGHTS PLAN

2008 Key Management Personnel	Exercise Price	Held at 1 July 2007	Granted During the Year	Held at 30 June 2008	Vested and Exercisable at 30 June 2008
D L Guihot	\$2.82	70,000	-	-	70,000
S E Stewart	-	-	-	-	-
M A Miller	\$2.82	60,000	-	-	60,000
E L Delfabbro	\$2.82	60,000	-	-	60,000
J A Smith	\$2.82	60,000	-	-	60,000
J M Laboo	\$2.82	20,000	-	-	20,000

The weighted average fair value of securities during the year was \$4.77.

EQUITY INSTRUMENTS

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

Options and Rights Over Equity Instruments Granted as Remuneration

During and since the end of the financial year an aggregate 9,959,853 security options were granted to Executives and key employees as part of their remuneration. Two tranches of options were granted during the year. Details of unissued securities or interests under option as at the date of this Report are:

Tranche	Grant Date	Expiry Date	Number under Option	Exercise Price	Exercise Date	Fair Value at Grant Date
(1)	1/9/06 ¹	31/08/10	2,980,000	\$5.09	1/09/09	\$1.25
(2)	1/5/07 ³	30/04/11	160,000	\$7.08	1/05/10	\$1.35
(3)	26/09/07 ¹	31/08/11	4,959,853	\$6.73	1/09/10	\$1.19
(4)	30/11/07 ²	30/06/12	5,000,000	\$7.05	30/06/12	\$1.54

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

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

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

The weighted average fair value of the security options granted during the year was \$1.37 (2007: \$1.26). Options were priced using a binomial options pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. To allow for the effects of early exercise, it was assumed that Executives would exercise the options midway through the vesting period. The volatility of the security price was 27.0% (2007: 30.0%), the risk-free interest rate of 6.3% (2007: 5.6%) with a dividend yield of 5.1% for tranche 3 and 4.7% for tranche 4 (2007: 5.6% for both tranches).

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

Key Management Personnel	Number of Options Granted During the Year		Number of Options Vested During the Year	
	2008	2007	2008	2007
P R Brown	5,000,000	-	-	-
D L Guihot	330,297	220,000	-	-
S E Stewart	198,178	150,000	-	-
M A Miller	224,602	150,000	-	-
E L Delfabbro	224,602	150,000	-	-
J A Smith	224,602	150,000	-	-
J M Laboo	198,178	150,000	-	-

No options have been granted or vested since the end of the financial year. Further information on the options is set out in Note 28 'Share-Based Payments'. During the reporting period, no securities were issued on the exercise of options previously granted as remuneration.

This Statement outlines the main corporate governance practices in place and the extent to which the Combined Group has followed the recommendations of the ASX Corporate Governance Council throughout the year, including recommendations made by the Implementation Review Group of the ASX issued on 31 March 2004, unless otherwise stated. In this Statement the Council's document published on 31 March 2003 is referred to as 'the Guidelines'.

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

PRINCIPLE 1: BOARD AND MANAGEMENT

The Board's primary role is the creation of long-term security holder value through the development of the strategic direction of the Combined Group; the implementation of efficient internal controls; adopting high ethical standards in behaviour; respecting the aspirations of the Combined Group's employees; offering high quality products to the market; committing to the constant improvement of its corporate governance practices and acting as a good corporate citizen in the community in which the Combined Group operates.

The specific philosophy, values and responsibilities adopted by the Board are detailed in the Board Charter available on the Combined Group's website under the Corporate Governance Section.

For many years the Board has developed and implemented policies and procedures which ensure that the Combined Group complies with the recommendations and principles set out in the Guidelines, while also recognising that the relationships among Directors, and particularly the relationship between the Chairman and the Managing Director and Chief Executive Officer, cannot be fully regulated and documented. The Board acknowledges that ultimately the Managing Director and Chief Executive Officer is responsible for the implementation and delivery of the Board's strategic direction.

PRINCIPLE 2: BOARD STRUCTURE

During the financial year the Board comprised one Executive Director (the Managing Director and Chief Executive Officer) and seven Non-Executive Directors.

The names, skills and experience of the Directors who held office during the financial year and as at the date of this Statement and the period of office of each Director are set out in the Directors' Report.

Independent Professional Advice

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

Independence of Directors

The general test of independence used by the Board to determine the independence of a Director is in accordance with the Guidelines, i.e. is the Director independent of management and free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement.

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

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

- B W Macdonald
- D C Crombie
- L R McKinnon

Messrs Parker and Forrester were previously substantial security holders in the Combined Group and were founding Directors of the Parent Entity on its incorporation in 1987. They are also past Executive Officers of the Combined Group.

Mr SH Lee is the Executive Chairman of Mulpha Australia Limited, a substantial security holder of the Combined Group and Mr TH Chung is the Chief Executive Officer of Mulpha International Berhad, the holding company of Mulpha Australia Limited. Therefore both Directors are associated directly with a substantial security holder of the Combined Group.

As the determination of independence remains a matter for the Board's judgement, the Board confirms that all Directors considered to be independent meet the stated requirements for independence as recommended in the Guidelines, except that:

- Mr B W Macdonald has been in office for almost 15 years, as disclosed in the Directors' Report. The Combined Group has diverse operations which have grown considerably over the past 15 years. It is the Board's view that there are significant benefits from having a long-serving Director who has a full understanding of the history and background to many of the Combined Group's businesses and processes and can therefore provide an additional perspective to Board discussion, strategy and policy.

While the Board believes that all of the Non-executive Directors of the Combined Group bring independent judgement to bear in the decision making process, the Board acknowledges that during the year the majority of directors on the Board did not meet the independence test as set out in the Guidelines. As noted in the Directors' Report, Mr Rod Forrester retired from the Boards of FKP Limited and FKP Funds Management Limited on 30 June 2008. The Board has appointed Mr Jim Frayne as a Non-executive Director to the Boards of FKP Limited and FKP Funds Management Limited from 1 July 2008. The Board determined that Mr Frayne met the criteria for independence prior to making the appointment.

The Board acknowledges that from time to time conflicts of interest may arise, particularly having regard to the diversity of the Combined Group's operations. These conflicts are managed in accordance with the procedures outlined below.

The Board distinguishes between the concept of independence and the issues of conflict of interest or material personal interests which may arise from time to time. Wherever there is an actual or potential conflict of interest or material personal interest, the Board's policies and procedures ensure:

- that the interest is fully disclosed and the disclosure is recorded in the register of Directors' interests and in the Board minutes;
- 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 in which there is any reference to the matter.

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

As discussed above, the Board is of the view that the Chairman of the Combined Group, Mr B W Macdonald is an Independent Non-Executive Director. In addition, the roles of Chairman and Managing Director and Chief Executive Officer are exercised by separate individuals.

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

Nomination Committee

The full Board undertook the responsibilities of a Nomination Committee during the financial year. This includes assessing the necessary and desirable competencies of the Board and ensuring that there is an appropriate mix of expertise, skill and experience. A Board appraisal is conducted annually which includes an assessment of future requirements in relation to Board composition on the above criteria and overall Board performance.

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 security holders of the Parent Entity at its next AGM.

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

PRINCIPLE 3: ETHICAL STANDARDS

Code of Conduct

The Board supports the need for Directors, Executives and all other employees to observe the highest standards of behaviour and business ethics. All Directors, Executives and employees are expected to act with integrity, striving at all times to enhance the reputation and performance of the Combined Group. The Board's policies fully reflect the requirements in relation to the promotion of ethical and responsible decision-making in accordance with the Guidelines.

Appropriate training programs on the Combined Group's internal policies support this process.

A formal Code of Conduct which draws together all of the Combined Group's existing policies has been developed and a summary of its main provisions is published on the Combined Group's website under the Corporate Governance section.

Trading in Company Securities by Directors and Employees

The Board has established written guidelines, set out in its Insider Trading and Dealing in the Group's Securities Policy, that restrict dealings by Directors and employees in the Combined Group's securities and in securities in other companies related to the Combined Group's operations.

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

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

PRINCIPAL 4: FINANCIAL REPORTING

Certification of Financial Reports

The Managing Director and Chief Executive Officer and Chief Financial Officer state in writing to the Board each reporting period that the Combined Group's Financial Reports present a true and fair view, in all material respects, of the Combined Group's financial condition and operational results and are in accordance with relevant accounting standards.

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

Audit Committee

The Combined Group has an established Audit Committee ('the Committee') operating under written terms of reference approved by the Board.

The Committee comprises three Independent Non-Executive Directors and the Chairman of the Committee is not the Chairman of the Board. The Combined Group complies with the recommendations in the Guidelines and therefore Listing Rule 12.7 of the ASX.

The names and qualifications of members of the Committee are set out in the Directors' Report. Meetings of the Committee are attended, by invitation, by the Managing Director and Chief Executive Officer, the Chief Financial Officer, the Company Secretary, the engagement partner from the Combined Group's external Auditor and such other senior staff or professional advisers as may be appropriate from time to time.

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

The Committee operates under formal terms of reference ('Charter') approved by the Board which are reviewed annually. The functions and responsibilities of the Committee under its Charter comply with the recommendation in the Guidelines.

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 form of the minutes and of the Report complies with recommendations in the Guidelines.

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

Auditor Independence

The external Auditor, PKF, has declared its independence to the Board. The Committee has examined detailed material provided by the external Auditor and by management and has satisfied itself that the standards for auditor independence and associated issues are fully complied with.

PRINCIPLE 5: MATERIAL DISCLOSURE

The Combined Group has established a Continuous Disclosure Policy which is intended to enhance the Combined Group's compliance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules. The policy sets out procedures to identify relevant material information and reporting processes both internally and externally. A copy of the Continuous Disclosure Policy is available on the Combined Group's website under the Corporate Governance section.

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

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

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

PRINCIPLE 6: SECURITY HOLDER COMMUNICATION

Communications Strategy

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

- the Annual Report, which is available for distribution to all security holders (unless specifically requested otherwise);
- the Half Year Financial Report containing summarised financial information and a review of the operations during the period since the Annual Report; and
- other correspondence regarding matters impacting on security holders as required.

Security holders are also encouraged to participate in the AGM to ensure a high level of accountability and identification with the Combined Group's strategies and goals. Important issues are presented to security holders as single resolutions.

The Combined Group revised and released its new website during the year, with greater functionality in the area of corporate governance, investor relations and more detailed information about the operations of the Combined Group and its financial performance.

All significant documents that are released publicly are made available on the Combined Group's website under the Corporate Governance section.

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

Availability of Auditor at AGM

The Senior Engagement Partner of the Combined Group's external Auditor, PKF, attends the Combined Group's AGM and is available to answer questions from security holders about the conduct of the audit and the preparation and content of the auditor's report. The Chairman advises the security holders of this at the commencement of each AGM.

PRINCIPLE 7: RISK MANAGEMENT

Oversight of the Risk Management Function

FKP 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, ensures compliance with applicable laws and regulations, and enhances resilience to external events.

For many years the Board has developed and implemented policies and procedures to ensure that the material risks facing the Combined Group are adequately identified, assessed, monitored and managed throughout the whole organisation. These include:

- annual budgets, divisional business plans and the Combined Group's strategic plan prepared for approval by Directors;
- actual trading results for the Combined Group and each division are presented to the Board at each Board Meeting, compared against budget and forecast, with revised forecasts if required;
- 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 meeting;
- financial authority limits have been set by the Board to delegate the Board's approval process of matters including site acquisitions and developments. Where the cost is above those delegated authorities, approval of the full Board is required. Construction will not usually commence until the Board's minimum level of pre-sale commitment has been achieved;
- insurance cover appropriate to the size and nature of the Combined Group's operations is carried to reduce the financial impact of any significant insurable losses; and
- the establishment of a detailed risk register which identifies the material risks facing the Combined Group and which is regularly reviewed and updated.

The Board receives regular updates from the Managing Director and Chief Executive Officer, Chief Financial Officer, other Executive Managers and where relevant, external parties, on material risks faced by the Combined Group and the ongoing assessment and management of those risks. In addition, the Audit Committee reviews and reports to the Board in relation to the integrity of the Combined Group's financial reporting, internal control structure and risk management systems in relation to financial risks and the external audit function.

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

Internal Controls

The Combined Group has a detailed risk register which identifies the material risks facing the business, rates the risk and identifies controls that are in place to manage the risk and the person responsible for implementing and reviewing those controls.

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

In relation specifically to financial risks, in view of the Combined Group's size and divisional accounting structure, reliance is placed on the financial management team, led by the Chief Financial Officer and the Group Finance Manager, to ensure effective internal financial controls and compliance systems are in place.

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.

The Combined Group's Compliance Committees oversee the operation of the Managed Investment Schemes (Schemes). The Compliance Committees meet on a quarterly basis in order to monitor compliance and risk management systems with the Schemes' compliance plans and to report on their findings to the Board of FKP Funds Management Limited as Responsible Entity.

The Responsible Entity also has a Risk Management Policy in place which sets out the procedures required to be followed to ensure compliance with its risk management obligations under the Corporations Act 2001 and its Australian Financial Services Licence.

Certification of Risk Management Controls

In conjunction with the Certification of Financial Reports under Principle 4, the Managing Director and Chief Executive Officer and Chief Financial Officer state in writing to the Board each reporting period that:

- the statement given in accordance with Principle 7 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Combined Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

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

PRINCIPLE 8: BOARD PERFORMANCE

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 and when the appointment of a new director is required as discussed under Principle 2 above.

As stated under Principle 2, Directors may, with the permission of the Chairman, seek independent professional advice in relation to the execution of Board responsibilities at the Combined Group's expense. Directors have full access to the Company Secretary as required and may request additional information as necessary. The Board is responsible for the appointment and removal of the Company Secretary and the Company Secretary attends all Board meetings.

The Managing Director and Chief Executive Officer is responsible for the induction, training and assessment of the Combined Group's Executive Management Team.

PRINCIPLE 9: REMUNERATION

The Remuneration Committee of the Board of Directors is responsible for recommending and reviewing remuneration arrangements for the Non-executive Directors, the Managing Director and Chief Executive Officer and the Executive Management Team. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive Team.

To assist in achieving these objectives, the Combined Group's remuneration policy links the nature and amount of Executives' remuneration to the Combined Group's financial and operational performance. Executives may receive bonuses determined at the discretion of the Remuneration Committee depending on the Combined Group's overall performance and contribution of the Executive to that performance and the achievements of the Executive in positioning the Combined Group for future profitability.

Executives are those who are directly accountable and responsible for the operational management and strategic direction of the Combined Group.

Remuneration Committee

The Board has established a Remuneration Committee, comprising two Non-Executive Directors and the Managing Director and Chief Executive Officer. Their names and attendance at meetings of the Committee are set out in the Directors' Report.

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

Structure of Remuneration

The structure of Non-Executive Directors' remuneration and that of Executives is set out in the Remuneration Report within the Directors' Report.

Executive remuneration packages involve a balance between fixed and incentive based remuneration, reflecting short and long-term performance objectives appropriate to the Combined Group's circumstances and goals. Non-executive Directors' remuneration is clearly distinguished from that of Executives, with remuneration solely by way of directors fees and appropriate statutory superannuation entitlements (or participation in the Directors' Retirement Scheme for those Non-executive Directors appointed prior to 1 July 2004, as outlined below).

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

Directors' Retirement Benefits

In accordance with the terms of the Directors' Retirement Scheme, retiring Non-Executive Directors who were appointed prior to 30 June 2004 will upon retiring after five years service, receive a benefit equal to three times the average annual remuneration 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.

The Board has suspended this scheme for any new Non-Executive Directors appointed after 30 June 2004.

Security and Option Plans

The Remuneration Committee of the Board is responsible for reviewing recommendations in respect to issues under the Combined Group's security and option plans which were approved by security holders in October 2004, and confirmed by a resolution passed at the Annual General Meeting of the Parent Entity on 30 November 2007. The Board approves issues under the plans only after being satisfied that this is in accordance with the terms of security holders' approval.

Securities issued under the plans are set out in the relevant section of the Directors' Report.

PRINCIPLE 10: ACCOUNTABILITY

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

The Board itself seeks, by the individual contributions of Directors and by encouraging activities of its Executives, to uphold community standards and to maintain good relations with community and government organisations. However, the Board also aims to balance these considerations, with the legitimate expectations of security holders to ensure that the claims of relevant stakeholders do not prejudice or diminish those legitimate expectations.

As indicated under Principle 3, a Code of Conduct which draws together all of the Combined Group's policies and codes has been established and a summary of its main provisions is available on the Combined Group's website under the Corporate Governance section.

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

As discussed under Principle 1, the Board Charter is available on the Combined Group's website under the Corporate Governance section.

	Note	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
		2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Sale of goods and construction contract revenue	2	222.9	315.3	-	-	-	-	-	-
Cost of sales		(153.8)	(233.8)	-	-	-	-	-	-
Gross Profit		69.1	81.5	-	-	-	-	-	-
Revenue from rendering of services	2	70.5	68.6	-	-	23.2	15.6	14.4	14.2
Change in fair value of investment properties		244.4	216.6	-	-	(13.6)	-	(11.1)	(1.7)
Change in fair value of financial assets		4.3	2.7	3.4	-	-	-	-	-
Other revenues from ordinary activities	2	40.2	23.9	65.8	51.0	21.3	16.7	27.2	19.7
Change in fair value of resident loans		(75.0)	(40.0)	-	-	-	-	-	-
Employee expenses		(63.1)	(48.6)	(34.5)	(24.4)	-	-	-	-
Marketing expenses		(4.8)	(4.3)	(0.1)	-	-	-	-	-
Occupancy expenses		(4.3)	(3.2)	(2.8)	(1.8)	-	-	-	-
Administration expenses		(31.3)	(28.4)	(5.9)	(4.8)	(0.8)	(0.8)	(0.7)	(0.8)
Impairment of equity-accounted associate		-	(16.9)	-	(16.9)	-	-	-	-
Other expenses		(18.8)	(16.4)	(2.7)	(5.1)	(4.2)	(3.4)	(3.4)	(3.3)
Finance costs	3	(47.2)	(24.8)	(70.4)	(51.9)	(14.0)	(6.7)	(10.6)	(6.7)
Share of net profits / (losses) of associates and joint ventures accounted for using the equity method	11(b)	11.6	70.4	-	-	2.7	1.6	-	-
Profit from Continuing Operations before Income Tax Expense		195.6	281.1	(47.2)	(53.9)	14.6	23.0	15.8	21.4
Income tax (expense) / benefit relating to ordinary activities	4(a)	(45.9)	(80.0)	12.2	17.1	-	-	-	-
Profit from Continuing Operations after Income Tax Expense		149.7	201.1	(35.0)	(36.8)	14.6	23.0	15.8	21.4
Net profit attributable to minority interests	21	(4.4)	(6.3)	-	-	-	-	-	-
Net Profit after Income Tax Attributable to Equity Holders of the Combined Group	19	145.3	194.8	(35.0)	(36.8)	14.6	23.0	15.8	21.4
Net Profit attributable to members of the Property Trust		(14.6)	(23.0)	-	-	(14.6)	(23.0)	(15.8)	(21.4)
Net Profit Attributable to Members of FKP Limited		130.7	171.8	(35.0)	(36.8)	-	-	-	-
Earnings per Security:									
Basic earnings per security - Combined Group	5	55.2	88.7 cents						
Diluted earnings per security - Combined Group	5	55.2	88.7 cents						
Basic earnings per share - FKP Limited		49.7	78.2 cents						
Diluted earnings per share - FKP Limited		49.7	78.2 cents						

The Income Statement is to be read in conjunction with the Notes to the Financial Statements set out on pages 24 to 86.

	Note	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
		2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Current Assets:									
Cash and cash equivalents	6	18.9	18.3	-	4.6	4.1	7.9	3.5	5.0
Trade and other receivables	7	167.3	247.4	501.2	806.7	18.2	17.5	118.4	70.4
Inventories	9	279.3	170.5	-	-	-	-	-	-
Other financial assets	8	6.8	6.6	6.8	6.6	-	-	-	-
Other	12	18.3	16.3	9.4	3.8	1.3	2.2	0.8	2.1
Total Current Assets		490.6	459.1	517.4	821.7	23.6	27.6	122.7	77.5
Non-Current Assets:									
Trade and other receivables	7	16.9	26.6	3.5	0.9	167.6	238.7	167.1	238.6
Other financial assets	8	23.1	20.4	53.3	53.9	-	-	-	-
Inventories	9	491.6	398.1	-	-	-	-	-	-
Investment properties	10	2,525.3	2,113.3	-	-	329.7	197.5	159.2	168.1
Equity-accounted investments	11	405.6	374.9	235.8	235.8	55.1	10.7	48.7	8.7
Property, plant and equipment	13	139.2	107.7	8.6	4.5	48.8	45.0	26.0	24.5
Deferred tax assets	4(c)	-	-	20.3	6.5	-	-	-	-
Intangible assets	14	3.7	4.2	-	-	-	-	-	-
Tax receivables		0.3	7.1	4.3	8.5	-	-	-	-
Other	12	1.8	1.1	-	-	1.1	0.5	1.1	0.5
Total Non-Current Assets		3,607.5	3,053.4	325.8	310.1	602.3	492.4	402.1	440.4
Total Assets		4,098.1	3,512.5	843.2	1,131.8	625.9	520.0	524.8	517.9
Current Liabilities:									
Trade and other payables	15	141.3	125.2	21.3	17.0	25.2	4.7	2.1	4.6
Interest bearing loans and borrowings	16	85.0	270.0	82.3	149.5	14.7	-	-	-
Resident loans		1,064.2	960.7	-	-	-	-	-	-
Provisions	17	17.1	16.5	2.3	1.6	11.7	12.4	11.7	12.4
Total Current Liabilities		1,307.6	1,372.4	105.9	168.1	51.6	17.1	13.8	17.0
Non-Current Liabilities:									
Trade and other payables	15	44.7	0.1	1.7	-	-	-	-	-
Interest bearing loans and borrowings	16	1,144.2	662.8	513.7	669.7	207.2	130.7	143.5	130.7
Deferred tax liabilities	4(d)	260.4	220.3	-	-	-	-	-	-
Provisions	17	0.9	0.6	0.2	-	-	-	-	-
Total Non-Current Liabilities		1,450.2	883.8	515.6	669.7	207.2	130.7	143.5	130.7
Total Liabilities		2,757.8	2,256.2	621.5	837.8	258.8	147.8	157.3	147.7
Net Assets		1,340.3	1,256.3	221.7	294.0	367.1	372.2	367.5	370.2
Equity:									
Contributed equity	18	449.8	429.9	449.8	429.9	378.0	369.3	378.0	369.3
Retained profits	19	502.4	429.1	(232.2)	(139.8)	(9.5)	2.9	(10.3)	0.9
Reserves	19	(12.6)	(3.8)	4.1	3.9	(1.4)	-	(0.2)	-
Total Combined Group		939.6	855.2	221.7	294.0	367.1	372.2	367.5	370.2
Minority Interest:									
Property Trust		367.1	372.2	-	-	-	-	-	-
Minority interest	21	33.6	28.9	-	-	-	-	-	-
Total Minority Interest		400.7	401.1	-	-	-	-	-	-
Total Equity		1,340.3	1,256.3	221.7	294.0	367.1	372.2	367.5	370.2

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 24 to 86.

	Note	Attributable to Equity Holders of FKP Limited				Consolidated Property Trust \$m	Minority Interest \$m	Total Equity \$m
		Share Capital \$m	Retained Earnings \$m	Reserves \$m	Sub-Total \$m			
Balance at 1 July 2006		144.3	301.4	-	445.7	224.9	22.6	693.2
<i>Changes in equity:</i>								
Profit for the year		-	171.8	-	171.8	23.0	6.3	201.1
		144.3	473.2	-	617.5	247.9	28.9	894.3
Dividend and distributions provided for	20	-	(44.1)	-	(44.1)	(21.2)	-	(65.3)
Issues of securities	18	285.6	-	-	285.6	145.5	-	431.1
Transfer to reserves	19	-	-	(3.8)	(3.8)	-	-	(3.8)
Balance at 30 June 2007		429.9	429.1	(3.8)	855.2	372.2	28.9	1,256.3
Balance at 1 July 2007		429.9	429.1	(3.8)	855.2	372.2	28.9	1,256.3
<i>Changes in equity:</i>								
Profit for the year		-	130.7	-	130.7	14.6	4.4	149.7
Increases in minority interest		-	-	-	-	-	0.3	0.3
		429.9	559.8	(3.8)	985.9	386.8	33.6	1,406.3
Dividend and distributions provided for	20	-	(57.4)	-	(57.4)	(27.0)	-	(84.4)
Issues of securities	18	19.9	-	-	19.9	8.7	-	28.6
Transfer to reserves	19	-	-	(8.8)	(8.8)	(1.4)	-	(10.2)
Balance at June 2008		449.8	502.4	(12.6)	939.6	367.1	33.6	1,340.3

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 24 to 86.

	Note	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
		2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Cash Flows from Operating Activities:									
Receipts from customers		382.7	430.2	268.6	32.0	23.1	19.3	14.5	20.5
Payments to suppliers and employees		(395.3)	(378.0)	(39.7)	(450.6)	(5.9)	(4.9)	(6.1)	(4.2)
Interest received		2.2	7.1	42.5	29.3	21.1	16.4	22.3	16.4
Income tax received / (paid)		5.3	(13.1)	2.7	(13.1)	-	-	-	-
Dividends and distributions received		9.3	16.9	4.3	17.2	1.9	-	1.9	-
GST recovered / (paid)		2.0	(10.8)	2.4	(9.0)	(0.4)	2.2	(0.5)	2.2
Net Cash Provided By / (Used In) Operating Activities	32(c)	6.2	52.3	280.8	(394.2)	39.8	33.0	32.1	34.9
Cash Flows from Investing Activities:									
Payments for property, plant and equipment		(69.5)	(147.9)	(6.1)	(4.8)	(3.9)	(106.3)	(1.5)	(58.1)
Proceeds from sale of property, plant and equipment		-	0.2	-	0.3	-	-	-	-
Payments for interest in syndicates		(0.8)	(2.2)	-	-	-	-	-	-
Payments for investment properties		(122.3)	(2.0)	-	-	(123.1)	(2.0)	(2.2)	(2.0)
Payments for other investments		(53.5)	(24.6)	(8.2)	(1.9)	(45.2)	(4.3)	(40.7)	(4.3)
Payment for purchase of subsidiaries, net of cash acquired	32(d)	-	(465.0)	-	-	-	-	-	-
Payments for financial assets		(4.7)	-	-	-	-	-	-	-
Proceeds from sale of shares in subsidiary		0.4	-	0.4	-	-	-	-	-
Proceeds from sale of other investments		58.2	16.5	57.9	2.4	0.6	13.9	0.6	13.9
Net Cash Provided By / (Used In) Investing Activities		(192.2)	(625.0)	44.0	(4.0)	(171.6)	(98.7)	(43.8)	(50.5)
Cash Flows from Financing Activities:									
Dividends and distributions paid		(57.1)	(40.2)	(37.8)	(30.4)	(19.3)	(9.8)	(19.3)	(9.8)
Proceeds from issue of securities		-	369.0	-	369.0	-	-	-	-
Costs associated with issue of securities		-	(8.7)	-	(8.7)	-	-	-	-
Proceeds of interest bearing loans and borrowings		811.0	356.5	111.7	124.2	162.6	122.6	40.1	69.6
Repayment of interest bearing loans and borrowings		(509.4)	-	(337.2)	-	-	(33.2)	-	(33.2)
Finance costs including interest and other costs of finance paid		(83.7)	(51.0)	(71.6)	(51.9)	(15.3)	(6.7)	(10.6)	(6.7)
Repayments / (extensions) of interest bearing loans and borrowings		20.2	(39.7)	-	-	-	-	-	-
Net Cash Provided By / (Used In) Financing Activities		181.0	585.9	(334.9)	402.2	128.0	72.9	10.2	19.9
Net increase / (decrease) in cash and cash equivalents		(5.0)	13.2	(10.1)	4.0	(3.8)	7.2	(1.5)	4.3
Cash and cash equivalents at beginning of financial year		18.3	5.1	4.6	0.6	7.9	0.7	5.0	0.7
Cash and Cash Equivalents at End of Financial Year	32(a)	13.3	18.3	(5.5)	4.6	4.1	7.9	3.5	5.0

The Cash Flow Statement is to be read in conjunction with the Notes to the Financial Statements set out on pages 24 to 86.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The Financial Report of the Combined Group was authorised for issue by the Directors on 26 September 2008.

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

(a) Basis of Preparation of Financial Report

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

Stapling

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

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

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

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

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

New Accounting Standards and Interpretations

The Combined Group has adopted AASB 7 'Financial Instruments: Disclosures' and AASB 2005-10 'Amendments to Australian Accounting Standards arising from AASB 7 [1, 4, 101, 114, 117, 132, 133, 139, 1023 & 1038]', applicable beginning on or after 1 January 2007. The adoption of this standard has only affected disclosure in the Financial Statements. There has been no effect on profit and loss or the financial position of the Combined Group.

Also adopted is AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]'. In principle, all options that currently exist under IFRS should be included and additional Australian disclosures should be eliminated, other than those now considered particularly relevant to the Australian reporting environment. The adoption of this standard has had no impact on the reported results or financial position of the Combined Group.

In addition, AASB 2008-4 'Amendments to Australian Accounting Standards – Key Management Personnel Disclosures by Disclosing Entities [AASB 124]' has been adopted. This amendment means that the key management personnel disclosures do not need to be duplicated in the Directors' Report and the Financial Statements. This adoption has no impact on the reported results or financial position of the Consolidated Entity as it only relates to disclosure.

The Combined Group has early adopted AASB 8 'Operating Segments' and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, 6, 102, 107, 119, 127, 134, 136, 1023 & 1038]' (applicable to annual reporting periods beginning on or after 1 January 2009). Application of these standards will not affect any of the amounts recognised in the Financial Statements and has modified disclosure requirements in the Notes. The Directors believe the early adoption of AASB 8 provides more relevant and reliable information by providing information as to how operating segments have been identified.

Historical Cost Convention

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

(b) Principles of Consolidation

The Consolidated Financial Report combines the Financial Report of the Parent Entity and its Controlled Entities and the Financial Report of the Property Trust and its Controlled Entities (refer Note 31). The effects of all transactions between entities in the Combined Group have been eliminated.

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Principles of Consolidation (continued)

Subsidiaries

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

Minority Interests

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

Associates

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

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

Jointly Controlled Operations

A subsidiary of the Parent Entity has interests in joint ventures that are jointly controlled operations. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves the use of assets and other resources of the venturers rather than the establishment of a separate entity. The Combined Group recognises its interests in the jointly controlled operations by recognising the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operations. Details of the jointly controlled operations are set out in Note 25.

Jointly Controlled Entities

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

(c) Recoverable Amounts

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

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

(d) Revenue Recognition

Sale of Goods

(i) *Land Subdivision*

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

(ii) *Residential Development Properties*

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

(iii) *Commercial Development Projects*

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

(iv) *Construction Contracts*

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

Rendering of Services

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

(i) *Deferred Management Fees ('DMF')*

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue Recognition (continued)

(ii) Gross Rental Income

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

(iii) Interest Revenue

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

(iv) Management Fee Revenue

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

No revenue is recognised if there is significant uncertainties regarding recoverability of the consideration due or 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.

(e) Goods and Services Tax ('GST')

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

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

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

(f) Income Tax

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

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

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

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

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

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

Tax Consolidation Legislation

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

The Head Entity, FKP Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, FKP Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities in the tax consolidated group have entered into a tax sharing agreement to limit the joint and several liability of the wholly-owned entities in the case of a default by the head entity. A tax funding agreement where the wholly-owned entities fully compensate the head entity for any current tax receivable and deferred tax assets related to unused tax losses or unused tax credits that are transferred to the head entity under the tax consolidation legislation has also been entered into. The transfer of such amounts to the head entity are recognised as intercompany receivables or payables.

Trust Taxation

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Assets

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

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

Financial Assets at Fair Value Through Profit or Loss

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

Available-For-Sale Investments

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

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

Loans and Receivables

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

(h) Receivables

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

(i) Inventories

Inventories are carried at the lower of cost and net realisable value. 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.

Property Held for Resale

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

(i) Land Subdivision

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

(ii) Residential and Commercial Development Projects

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

(iii) Construction Contract Work in Progress

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

(j) Property, Plant and Equipment and Depreciation

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

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

Depreciation rates used are as follows:

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

(k) Investment Properties

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

Properties that are intended to be used as Investment Properties are carried at fair value, representing open-market value determined annually by external valuers. Changes in fair value are recorded in the Income Statement as part of other income.

When a property is being constructed or is undergoing redevelopment and not classified as an investment property, it is treated as property, plant and equipment and carried at cost until completion. Once the unit is completed it is then transferred to investment property at fair value.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Investment Properties (continued)

Retirement Villages

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

Investment properties are initially recorded at cost whilst being constructed or developed and are included in property, plant and equipment. On completion of a construction or development project, individual units and serviced apartments are leased at which time they are included in investment properties at fair value.

Investment properties are carried at fair value with any changes recorded in the Income Statement. The fair value is determined using the discounted cash flow valuation methodology. A rolling program of external valuations is undertaken so that each unit is independently valued every three years. During the intervening period, Management separately assesses the value of individual units on a six monthly basis to reaffirm valuations and reflect the most current pricing and market conditions.

(l) Business Combinations

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

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

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

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

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

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

(n) Impairment of Assets

Financial Assets

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

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

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

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset previously recognised in equity is transferred to profit or loss. Any impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non-Financial Assets

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

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Impairment of Assets

Non-Financial Assets (continued)

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

(o) 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.

(p) Leased Assets

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

Finance Leases

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

Operating Leases

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

(q) Intangible Assets

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

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

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

(r) Payables

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

(s) Interest Bearing Loans and Borrowings

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

(t) Derivative Financial Instruments and Hedging

The Combined Group uses derivative financial instruments to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

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

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

(u) Finance Costs

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

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

(v) Government Grants

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Resident Loans

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

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

In practice, the rate at which the Combined Group's retirements' residents vacate their units, and hence the rate at which the resident loans will fall due for repayment, can be estimated on the basis of statistical tables. The Combined Group's best estimate is that of the total resident loan of \$1064.2m, only \$66.1m is expected to be paid within the next twelve months. Further, if this amount was repayable, it is estimated that incoming contributions of more than \$99.8m would be received from new residents.

(x) Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

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

Long Service Leave

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

Employee Security and Option Plans

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

Staff Incentive

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

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

Security Appreciation Rights Plan ('SARP')

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

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

(y) Provisions

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

Warranty Maintenance

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

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

(z) Equity

Ordinary Securities

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

(aa) 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(bb) Syndicate Put Options

The Combined Group has entered into put and call options as part of the syndicate arrangements for the Cleveland and Clayfield Villages. The estimated value of the put options exercised, but for which payment is not yet due, is recognised in the Financial Report as both an asset (rights to acquire syndicate shares) and a corresponding liability (put option liabilities).

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

(cc) New Standards and Interpretations Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Combined Group in the period of initial application. They are available for early adoption at 30 June 2008 but have not been applied in preparing these Financial Statements:

- AASB 123 'Borrowing Costs' (Revised) and amending standard AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123' [AASB 1, 101, 107, 111, 116, 138, Interpretations 1 & 12]. These standards are applicable to annual reporting periods beginning on or after 1 January 2009. These standards eliminate the option of expensing borrowing costs relating to qualifying assets, instead requiring capitalisation. This will not affect the Combined Group as all borrowing costs are capitalised with regard to qualifying assets.
- AASB 101 'Presentation of Financial Statements' and amending standard AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'. These standards are applicable to annual reporting periods beginning on or after 1 January 2009. AASB 101 introduces the notion of the 'complete set of Financial Statements' and prescribes several changes to the presentation of the Financial Statements, including the requirement to disclose owner changes in equity separately from non-owner changes in equity. Presentation requirements for restatements or reclassifications of items in the financial statements have been introduced, along with changes to the presentation requirements for dividends and changes to the titles of the Financial Statements. Also introduced is a Statement of Comprehensive Income.
- AASB 3 'Business Combinations' (Revised) and amending standard AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127' [AASB 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]. These standards are applicable to annual reporting periods beginning on or after 1 July 2009. The revised standard introduces a number of changes in accounting for business combinations that will impact the amount of goodwill recognised, the results in the period that the acquisition occurs, and the future revenues reported.
- AASB 127 'Consolidated and Separated Financial Statement' (Revised) and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127' [AASB 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]. These standards are applicable to annual reporting periods beginning on or after 1 July 2009. This standard allows a change in the ownership interest of a subsidiary (that does not result in a loss of control) to be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss.

- AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations' clarifies that vesting conditions comprise service conditions and performance conditions only and that other features of a share-based payment transaction are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Adoption of the revised AASB 2008-1 will not result in a change in accounting policy for the entity as AASB 2008-1 only clarifies an existing treatment the entity had already complied with.
- AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038]' results from the International Accounting Standards Board's annual improvements project. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IFRSs. The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The likely effect of these changes is in relation to the IAS40 amendment which includes investment property under construction within the scope of the standard, and will also allow investment property under construction to be measured at cost if fair value cannot be measured reliably until such time as the fair value becomes reliably measurable or construction is completed (whichever comes earlier). The Combined Group has yet to determine the potential effect of this standard.

The Combined Group has no plans to adopt accounting policy options with effect from 1 July 2007. Application of the amending standards will not affect any of the amounts recognised in the Financial Statements and is expected to only impact disclosures contained within the Financial Report.

(dd) Rounding of Amounts

The Combined Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Financial Report. Amounts in the Financial Report have been rounded off in accordance with the Class Order to the nearest hundred thousand dollars, or in certain circumstances, the nearest dollar.

(ee) Comparatives

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

In accordance with AASB 107 'Cash Flow Statements' the Directors have reclassified a number of components in the Cash Flow Statement to more accurately reflect the operating, investing and financing activities. The Directors believe the reclassifications provide more information that will allow the users to better assess the impact of the activities on the cash flow of the Combined Group.

2. REVENUE

From Continuing Operations:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Sale of goods	200.0	247.0	-	-	-	-	-	-
Construction contract revenue	22.9	68.3	-	-	-	-	-	-
	222.9	315.3	-	-	-	-	-	-

Rendering of Services:

Rent received	24.7	15.9	-	-	23.2	15.6	14.4	14.2
Deferred management fees	27.8	37.0	-	-	-	-	-	-
Government grants	5.1	5.0	-	-	-	-	-	-
Other	12.9	10.7	-	-	-	-	-	-
	70.5	68.6	-	-	23.2	15.6	14.4	14.2

Other Revenues:

From outside operating activities:

Dividend received:

Entities in wholly-owned group	-	0.1	-	0.3	-	-	-	-
Associates	-	-	4.3	16.9	-	-	-	-

Interest received:

Entities in wholly-owned group	-	-	40.6	23.7	20.8	16.1	22.1	16.1
Other parties								
Cash	1.7	1.8	0.4	0.6	0.4	0.3	0.2	0.3
Trade and other receivables	6.7	5.2	2.4	4.4	-	-	-	-
Other	0.3	-	0.4	0.6	-	-	-	-

Management fee received:

Entities in wholly-owned group	-	-	-	0.2	-	-	-	-
Other parties	18.5	6.6	7.1	0.2	-	-	-	-

Trust distribution received

	5.1	0.8	5.0	0.4	0.1	0.3	4.9	3.3
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Net gain or loss on disposal of assets other than goods:

Property, plant and equipment	(0.1)	(0.1)	-	-	-	-	-	-
Investments in associates / subsidiaries	1.6	-	1.6	0.3	-	-	-	-
Gain on foreign currency translation	2.4	-	2.6	-	-	-	-	-
Other	4.0	9.5	1.4	3.4	-	-	-	-
	40.2	23.9	65.8	51.0	21.3	16.7	27.2	19.7

Government Grants

Aged care grants of \$5.1m (2007: \$5.0m) were recognised as Revenue from Rendering of Services by the Combined Group during the financial year. There are no unfulfilled conditions or other contingencies attached to these grants. The Combined Group did not benefit directly from any other forms of government assistance.

3. EXPENSES

Additional information on the nature of expenses:

Depreciation:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Plant and equipment	1.8	1.2	1.0	0.5	-	-	-	-
Nursing homes	0.2	-	-	-	-	-	-	-
Freehold buildings	-	0.1	-	-	-	-	-	-
	2.0	1.3	1.0	0.5	-	-	-	-

Amortisation:

Leasehold improvements	1.2	0.6	1.0	0.5	-	-	-	-
Other intangibles	0.4	0.5	-	-	-	-	-	-
	1.6	1.1	1.0	0.5	-	-	-	-

Finance costs at amortised cost:

Entities in the Combined Group	-	-	20.8	16.1	-	-	-	-
Other parties:								
Bank loans and overdraft	86.8	51.0	49.6	35.8	15.3	6.7	10.6	6.7
Less: capitalised finance costs	(39.6)	(26.2)	-	-	(1.3)	-	-	-
	47.2	24.8	70.4	51.9	14.0	6.7	10.6	6.7

Impairment of equity-accounted investment in associate	-	16.9	-	16.9	-	-	-	-
Impairment of trade and other receivables	-	9.7	-	2.8	-	-	-	-
Impairment of goodwill	-	0.5	-	-	-	-	-	-
Impairment of plant and equipment	0.8	0.7	-	0.7	-	-	-	-
Impairment of inventory	10.4	-	-	-	-	-	-	-

4. TAXATION

(a) Income Tax Expense / (Benefit)

Current tax:

Current year movement	3.9	5.2	(8.1)	(14.9)	-	-	-	-
(Over) / under provisions	(2.0)	(2.3)	9.8	(1.2)	-	-	-	-
	1.9	2.9	1.7	(16.1)	-	-	-	-

Deferred tax expense from temporary differences:

Current year movement	46.6	77.8	(6.7)	(1.1)	-	-	-	-
(Over) / under provisions	(2.6)	(0.7)	(7.2)	0.1	-	-	-	-

Income Tax Expense / (Benefit) Attributable to Profit / (Loss) from Ordinary Activities

	45.9	80.0	(12.2)	(17.1)	-	-	-	-
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4. TAXATION (continued)

(b) Reconciliation of Income Tax Expense / (Benefit) to Prima Facie Profit

Profit / (loss) from continuing operations before income tax expense / (benefit)

Tax at the Australian tax rate of 30%

Tax effect of non-deductible amounts:

Non-assessable income

Assessable income not booked

Non-deductible expenses

Other deductible expenses

(Over) / under provisions

Income tax losses and timing differences not carried forward as a future tax benefit

Prior year tax losses not recognised now recouped

Income Tax Expense / (Benefit)

(c) Deferred Tax Assets

The Balance Comprises Temporary Differences Attributable to:

Amounts recognised in the Income Statement:

Provisions

Accrued expenditure

Tax losses

Unearned revenue

Other

Net Deferred Tax Assets

Less: amounts set-off from / (against) deferred tax liabilities

Movements:

Opening balance at 1 July

Accrued expenditure

Provisions

Tax losses

Unearned revenue

Other

(Over) / under provisions

Less: amounts set-off from / (against) deferred tax liabilities

Closing Balance at 30 June

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Profit / (loss) from continuing operations before income tax expense / (benefit)	195.6	281.1	(47.2)	(53.9)	14.6	23.0	15.8	21.4
Tax at the Australian tax rate of 30%	58.6	84.3	(14.2)	(16.1)	4.4	6.9	4.8	6.4
<i>Tax effect of non-deductible amounts:</i>								
Non-assessable income	(12.9)	(14.4)	(2.7)	(5.2)	(4.4)	(6.9)	(4.8)	(6.4)
Assessable income not booked	1.2	0.4	-	-	-	-	-	-
Non-deductible expenses	3.5	12.7	2.2	5.3	-	-	-	-
Other deductible expenses	-	-	-	-	-	-	-	-
	50.4	83.0	(14.7)	(16.0)	-	-	-	-
(Over) / under provisions	(4.6)	(3.0)	2.5	(1.1)	-	-	-	-
Income tax losses and timing differences not carried forward as a future tax benefit	0.1	0.1	-	-	-	-	-	-
Prior year tax losses not recognised now recouped	-	(0.1)	-	-	-	-	-	-
Income Tax Expense / (Benefit)	45.9	80.0	(12.2)	(17.1)	-	-	-	-
(c) Deferred Tax Assets								
The Balance Comprises Temporary Differences Attributable to:								
<i>Amounts recognised in the Income Statement:</i>								
Provisions	3.4	4.5	2.1	3.7	-	-	-	-
Accrued expenditure	3.2	4.3	2.9	1.3	-	-	-	-
Tax losses	10.3	5.9	3.4	-	-	-	-	-
Unearned revenue	15.3	12.7	0.7	0.3	-	-	-	-
Other	0.1	0.1	0.1	0.1	-	-	-	-
Net Deferred Tax Assets	32.3	27.5	9.2	5.4	-	-	-	-
Less: amounts set-off from / (against) deferred tax liabilities	(32.3)	(27.5)	11.1	1.1	-	-	-	-
	-	-	20.3	6.5	-	-	-	-
Movements:								
Opening balance at 1 July	27.5	21.5	5.4	4.3	-	-	-	-
Accrued expenditure	(1.5)	-	(0.8)	0.2	-	-	-	-
Provisions	(1.1)	3.1	0.6	1.1	-	-	-	-
Tax losses	(3.1)	3.2	(3.1)	-	-	-	-	-
Unearned revenue	2.7	0.9	0.3	(0.2)	-	-	-	-
Other	0.2	0.1	-	-	-	-	-	-
(Over) / under provisions	7.6	(1.3)	6.8	-	-	-	-	-
	32.3	27.5	9.2	5.4	-	-	-	-
Less: amounts set-off from / (against) deferred tax liabilities	(32.3)	(27.5)	11.1	1.1	-	-	-	-
Closing Balance at 30 June	-	-	20.3	6.5	-	-	-	-

4. TAXATION (continued)

(d) Deferred Tax Liabilities

The Balance Comprises Temporary Differences Attributable to:

Amounts recognised in the Income Statement:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Accrued income	8.9	12.6	1.3	-	-	-	-	-
Fair value of investment properties	498.5	442.5	-	-	-	-	-	-
Fair value of resident loans	(194.6)	(228.7)	-	-	-	-	-	-
Differences in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	(12.4)	(17.5)	-	(0.2)	-	-	-	-
Intangibles	0.5	0.6	-	-	-	-	-	-
Equity-accounted profits	12.3	35.8	(13.3)	-	-	-	-	-
Other expenditure currently deductible for tax but deferred and amortised for accounting	(27.7)	(2.1)	0.9	(2.1)	-	-	-	-
Amounts charged directly to equity	7.2	4.6	-	1.2	-	-	-	-
Net Deferred Tax Liabilities	292.7	247.8	(11.1)	(1.1)	-	-	-	-
Less: amounts set-off (from) / against deferred tax assets	(32.3)	(27.5)	11.1	1.1	-	-	-	-
	260.4	220.3	-	-	-	-	-	-
Movements:								
Opening balance at 1 July	247.8	173.0	(1.1)	-	-	-	-	-
(Over) / under provisions	6.1	(2.0)	0.5	0.1	-	-	-	-
Accrued income	(3.9)	5.4	1.3	-	-	-	-	-
Equity-accounted profits	(23.2)	13.0	(13.6)	-	-	-	-	-
Differences in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	7.6	(12.5)	0.2	(0.2)	-	-	-	-
Prepaid expenses	0.2	(2.4)	-	-	-	-	-	-
Fair value of investment properties	86.7	109.4	-	-	-	-	-	-
Fair value of resident loans	(31.2)	(37.3)	-	-	-	-	-	-
Other expenditure currently deductible for tax but deferred and amortised for accounting	(0.1)	(3.4)	2.8	(2.2)	-	-	-	-
Amounts charged directly to equity	2.7	4.6	(1.2)	1.2	-	-	-	-
	292.7	247.8	(11.1)	(1.1)	-	-	-	-
Less: amounts set-off (from) / against deferred tax assets	(32.3)	(27.5)	11.1	1.1	-	-	-	-
Closing Balance at 30 June	260.4	220.3	-	-	-	-	-	-

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
4. TAXATION (continued)								
(e) Tax Losses								
Unused tax losses for which no deferred tax asset has been recognised	24.4	24.3	-	-	-	-	-	-
Potential Tax Benefit at 30%	7.3	7.3	-	-	-	-	-	-

All unused tax losses were incurred by Australian entities.

(f) Tax Consolidation Legislation

The Combined Group has implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in Note 1(f).

5. EARNINGS PER SECURITY

(a) Basic and Diluted Earnings per Security

Net profit attributable to equity holders of the Combined Group	145.3	194.8
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(b) Weighted Average Number of Securities used as the Denominator

	Number	Number
Adjusted weighted average number of ordinary securities used in calculating diluted earnings per security	262,973,364	219,584,831

(c) Other Information

The weighted average number of options converted or lapsed during the year included in the calculation of diluted earnings per security

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(d) Anti-dilutive

The following security options could potentially dilute basic earnings per security in the future but were not included in the calculation of diluted earnings per share because they are anti-dilutive.

The weighted number of options outstanding	3,939,932	13,912
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	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
6. CASH AND CASH EQUIVALENTS								
Cash at Bank	18.9	18.3	-	4.6	4.1	7.9	3.5	5.0
7. TRADE AND OTHER RECEIVABLES								
Current:								
Trade receivables	75.7	94.0	10.0	5.3	3.2	2.5	3.2	2.4
Other receivables	6.7	1.8	-	10.7	-	-	-	-
Trade receivables (extended terms)	40.3	70.6	-	-	-	-	-	-
Provision for doubtful receivables	(4.7)	(8.1)	(4.6)	(1.8)	-	-	-	-
	118.0	158.3	5.4	14.2	3.2	2.5	3.2	2.4
Due from associates (interest bearing)	18.4	71.2	0.3	47.7	-	-	-	-
Due from associates (non-interest bearing)	12.6	13.5	1.4	6.2	-	-	-	-
Due from other related parties (interest bearing)	7.7	4.4	-	-	-	-	-	-
Due from other related parties (non-interest bearing)	10.6	-	-	-	-	-	-	-
Due from Parent Entity (interest bearing)	-	-	-	-	15.0	15.0	15.0	15.0
Due from wholly-owned subsidiaries of the Parent Entity	-	-	494.1	738.6	-	-	100.2	53.0
Total Current Receivables	167.3	247.4	501.2	806.7	18.2	17.5	118.4	70.4
Non-Current:								
Trade receivables	3.8	3.0	3.5	2.8	-	-	-	-
Other receivables	1.1	-	-	-	1.2	0.7	0.7	0.6
Trade receivables (extended terms)	12.0	20.5	-	-	-	-	-	-
Provision for doubtful receivables	-	(2.9)	-	(2.8)	-	-	-	-
	16.9	20.6	3.5	-	1.2	0.7	0.7	0.6
Aggregate amounts receivable from Managing Director	-	1.8	-	1.8	-	-	-	-
Provision for loan forgiveness	-	(0.9)	-	(0.9)	-	-	-	-
	-	0.9	-	0.9	-	-	-	-
Due from Parent Entity (interest bearing)	-	-	-	-	166.4	238.0	166.4	238.0
Due from other related parties	-	5.1	-	-	-	-	-	-
Total Non-Current Receivables	16.9	26.6	3.5	0.9	167.6	238.7	167.1	238.6
Total Trade and Other Receivables	184.2	274.0	504.7	807.6	185.8	256.2	285.5	309.0

(a) Fair Value and Credit Risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. For the fair values of trade and other receivables refer to Note 33.

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.

7. TRADE AND OTHER RECEIVABLES (continued)

(b) Ageing and Impairment Loss

Trade receivables as disclosed below are generally aged on 30 day terms. Included in the current category of ageing of trade receivables is \$17.7m (2007: \$17.9m) of trade receivables on deferred payment terms from 30 to 90 days, depending on the terms of the contract. These deferred payment terms predominately relate to roll-overs within the Retirement Division and hence become due to the Combined Group on the turnover of an individual tenant's unit. For trade debtors with extended settlement terms refer to part (e) of this Note. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. Indicators of impairment include where there is objective evidence of significant financial difficulties, debtor bankruptcy, financial reorganisation or default in payment. All impairment losses have been provided for and all other and inter-related receivables are neither past due nor impaired and therefore are considered to be credit quality.

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

			31-60 days	31-60 days	61-90 days	61-90 days	+91 days	+91 days
	Total	Current	PDNI*	CI*	PDNI*	CI*	PDNI*	CI*
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2008								
Combined Group	79.5	60.5	1.8	-	2.8	-	9.7	4.7
Parent Entity	13.5	8.4	-	-	-	-	0.5	4.6
Consolidated Property Trust	3.2	1.1	0.2	-	0.1	-	1.8	-
Property Trust	3.2	1.1	0.2	-	0.1	-	1.8	-
2007								
Combined Group	97.0	75.1	6.0	-	2.7	-	8.5	4.7
Parent Entity	8.1	0.5	-	-	-	-	3.0	4.6
Consolidated Property Trust	2.5	1.6	-	-	-	-	0.9	-
Property Trust	2.4	1.5	-	-	-	-	0.9	-

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

Trade receivables past due but not considered to be impaired at 30 June 2008 are: Combined Group \$14.3m (2007: \$17.2m); Parent Entity \$0.5m (2007: \$3.0m); Consolidated Property Trust \$2.1m (2007: \$0.9m); and Property Trust \$2.1m (2007: \$0.9m). 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.

The movement in the provision for doubtful debts of trade receivables during the year is as follows:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
At 1 July	4.7	1.9	4.6	1.8	-	-	-	-
Charge for the year	-	2.8	-	2.8	-	-	-	-
At 30 June	4.7	4.7	4.6	4.6	-	-	-	-

There have been no impairment losses recognised by the Combined Group (2007: \$2.8m) or the Parent Entity (2007: \$2.8m) during the current period. There was no impairment of receivables for the Consolidated Property Trust or Property Trust for the current or prior period. The prior year impairment loss of \$2.8m recognised within the Combined Group and Parent Entity relates to a receivable from Peregrine Springs Golf Club Limited.

7. TRADE AND OTHER RECEIVABLES (continued)

(c) Interest - Trade Receivables

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

(d) Security - Trade Receivables

Trade and other receivables considered past due and not impaired totalling \$35.3m (2007: \$64.9m) are secured by first registered mortgage over real property assets of the debtor, \$6m (2007: nil) is secured by second mortgage, whilst \$11.1m (2007: \$25.2m) is secured by financial guarantee.

(e) Trade Receivables with Extended Terms

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Debtors with extended settlement terms are expected to settle as follows:								
Within one year	40.3	70.6	-	-	-	-	-	-
One year or later and no later than five years	12.0	20.5	-	-	-	-	-	-
Later than five years	-	-	-	-	-	-	-	-
	<u>52.3</u>	<u>91.1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 6 months to 25 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.

All extended term debtors are neither past due or impaired, with the exception of \$6.3m in the prior year relating to the sale of land with a carrying amount of \$2.3m secured under first mortgage. The debtor became unable to make regular debt repayments under the agreement and the land was repossessed.

(f) Amounts Receivable in Foreign Currency

Included in receivables from associates are amounts receivable in New Zealand dollars

	-	47.7	-	47.7	-	-	-	-
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(g) Related Party Receivables

For terms and conditions of related party receivables refer to Note 27 and 29.

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
8. OTHER FINANCIAL ASSETS								
Current:								
Available-For-Sale Investments								
Investment in unlisted property trust – at fair value	3.4	6.6	3.4	6.6	-	-	-	-
Interest rate swap derivative	3.4	-	3.4	-	-	-	-	-
Total Current Other Financial Assets	6.8	6.6	6.8	6.6	-	-	-	-
Non-Current:								
Held for Trading: Marketable Securities - Shares in Listed Companies								
Balance at beginning of year	20.4	-	-	-	-	-	-	-
Acquisitions	4.7	19.7	-	-	-	-	-	-
Change in fair value charged to profit and loss	0.9	2.7	-	-	-	-	-	-
Effect of foreign currency translation	(2.9)	(2.0)	-	-	-	-	-	-
Balance at End of Year	23.1	20.4	-	-	-	-	-	-
Financial Assets Carried at Cost:								
Investment in controlled entities – at cost	-	-	53.3	53.9	-	-	-	-
	-	-	53.3	53.9	-	-	-	-
Total Non-Current Other Financial Assets	23.1	20.4	53.3	53.9	-	-	-	-
(a) Held for Trading								
Changes in fair value of other Held for Trading financial assets are recorded in Other Income in the Income Statement.								
(b) Available-For Sale Investments								
Changes in fair value of Available-for-Sale investments are recorded through equity.								
(c) Amounts Invested in Foreign Currency								
Included in Held for Trading financial assets are amounts invested in Hong Kong dollars	23.1	20.4	-	-	-	-	-	-

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
9. INVENTORIES								
Current:								
Land and development properties held for resale:								
Cost of land acquisition	118.6	75.6	-	-	-	-	-	-
Capitalised development costs	139.4	88.8	-	-	-	-	-	-
Other capitalised costs	30.7	6.7	-	-	-	-	-	-
Less: provision for diminution in value	(10.4)	(1.2)	-	-	-	-	-	-
	278.3	169.9	-	-	-	-	-	-
Construction work in progress:								
Construction costs incurred and attributable net profit	20.4	17.5	-	-	-	-	-	-
Less: progress billings (including retention allowances)	(19.4)	(16.9)	-	-	-	-	-	-
	1.0	0.6	-	-	-	-	-	-
Total Current Inventories	279.3	170.5	-	-	-	-	-	-
Non-Current:								
Land and development properties held for resale:								
Cost of land acquisition	383.5	357.9	-	-	-	-	-	-
Capitalised development costs	64.8	16.7	-	-	-	-	-	-
Other capitalised costs	43.3	23.5	-	-	-	-	-	-
Total Non-Current Inventories	491.6	398.1	-	-	-	-	-	-
Aggregate consideration received and receivable as progress billings (including retentions) and advances received on amount of construction work in progress	20.4	17.5	-	-	-	-	-	-

(a) Inventory Pledged as Security

Inventory of \$668.1m (2007: \$505.6m) is pledged as first mortgage security for bank overdraft and bank loans. Bank loans are secured by floating charge over assets of the Combined Group. (Refer Note 16 for further details).

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
10. INVESTMENT PROPERTIES								
At Fair Value:								
Balance at beginning of year	2,113.3	1,449.8	-	-	197.5	112.8	168.1	112.8
Acquisitions	143.4	321.1	-	-	143.4	-	-	-
Capitalised subsequent expenditure	8.3	2.0	-	-	2.4	2.0	2.2	2.0
Change in fair value of investment properties	244.4	216.6	-	-	(13.6)	-	(11.1)	(1.7)
Disposals	-	-	-	-	-	-	-	-
Transfer (to) / from property, plant and equipment	15.9	123.8	-	-	-	82.7	-	55.0
Balance at End of Year	2,525.3	2,113.3	-	-	329.7	197.5	159.2	168.1
Amounts Recognised in Profit and Loss for Investment Property:								
Rental income	23.2	15.9	-	-	23.2	15.6	14.4	14.2
Change in fair values of investment properties	244.4	216.6	-	-	(13.6)	-	(11.1)	(1.7)
Change in fair value of resident loans	(75.0)	(40.0)	-	-	-	-	-	-
Direct operating expenses from properties that generated rental income	(4.1)	(3.4)	-	-	(4.1)	(3.4)	(3.1)	(3.3)
	188.5	189.1	-	-	5.5	12.2	0.2	9.2
Leasing Arrangements:								
Minimum lease payments under non-cancellable operating leases of investment property not recognised in the Financial Statements are receivable as follows:								
Within one year	18.4	10.8	-	-	18.4	10.8	9.5	9.4
Later than one year but not later than five years	29.9	24.3	-	-	29.9	24.3	14.8	18.7
Later than five years	1.1	15.2	-	-	1.1	15.2	1.1	12.4
	49.4	50.3	-	-	49.4	50.3	25.4	40.5

(a) Valuation Basis – Commercial and Retail Properties

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

(b) Valuation Basis – Retirement Villages

The fair value method to account for investment property requires any movements in the fair value of the investment property to be taken directly to the Income Statement. The fair value has been determined by Directors' valuation using the discounted cash flow valuation methodology. These valuations are based on projected cashflows using the current market value of individual retirement units and individual resident contracts. In determining these market values, a rolling program of external valuations is undertaken so that each unit is independently valued every three years. During the intervening period, Management separately assesses the value of individual units on a six monthly basis to reaffirm valuations and reflect the most current pricing and market conditions. Key assumptions used in Directors' valuation are the discount rate of 11.5% (2007: 11.5%), long-term property growth rates and average tenure rates based on the age and gender of future residents.

(c) Contractual Obligations

Refer to Note 22 for disclosure of any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
10. INVESTMENT PROPERTIES (continued)								
(d) Valuation Reconciliation								
Valuations are reconciled to the investment property value as follows:								
Valuation	2,527.4	2,114.3	-	-	331.8	198.5	161.2	168.2
Less: Operating lease receivables and incentives	(2.1)	(1.0)	-	-	(2.1)	(1.0)	(2.0)	(0.1)
Adjusted Fair Value	2,525.3	2,113.3	-	-	329.7	197.5	159.2	168.1

11. EQUITY-ACCOUNTED INVESTMENTS

(a) Carrying Amounts

Details of equity-accounted investments are as follows:

	Country of Incorporation / Formation	Activity	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
			2008 %	2007 %	2008 %	2007 %	2008 %	2007 %	2008 %	2007 %
<i>Ownership interest:</i>										
Associates										
Forest Place Cleveland Syndicate ¹	Australia	Retirement Villages	86.3	86.3	16.3	16.3	-	-	-	-
Forest Place Clayfield Syndicate ¹	Australia	Retirement Villages	56.4	51.6	10.0	10.0	-	-	-	-
Retirement Villages Group	Australia	Retirement Villages	20.1	48.1	20.1	48.1	-	-	-	-
FKP Core Plus Fund ²	Australia	Property Investment	14.7	14.7	14.7	14.7	14.7	14.7	14.7	14.7
Mulpha FKP Pty Ltd	Australia	Property Developer	49.9	49.9	49.9	49.9	-	-	-	-
FKP Core Plus Fund Two	Australia	Property Investment	32.0	-	24.6	-	32.0	-	32.0	-
Joint Ventures										
Carrum Downs JV Pty Ltd	Australia	Property Developer	50.0	50.0	-	-	-	-	-	-
Formica Pty Ltd ³	Australia	Property Developer	50.1	50.1	-	-	-	-	-	-
Big Hephher JV Pty Ltd	Australia	Property Developer	50.0	50.0	-	-	-	-	-	-
US Senior Living Property Trust	Australia	Retirement Villages	50.0	-	-	-	50.0	-	50.0	-
US Senior Living Tenant Trust	Australia	Retirement Villages	50.0	-	50.0	-	-	-	-	-

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

² The investment in FKP Core Plus Fund has been treated as an investment in associate as the Combined Group has the power to participate in operating policy decisions. The Combined Group participates in the policy-making process through one-fourth representation on the Investment Committee.

³ The Formica Pty Ltd Constitution provides that the Combined Group has a 50% voting right, key decision-making requires a majority vote on key constitutional changes and decision making. In addition, an Investment Committee with two-thirds (independent of unit holders and voting rights) being external members are responsible for key investment decisions, which the Combined Group cannot alter.

11. EQUITY-ACCOUNTED INVESTMENTS (continued)

(a) Carrying Amounts (continued)

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
<i>Investment carrying amounts:</i>								
Forest Place Cleveland Syndicate	16.4	14.3	2.5	2.5	-	-	-	-
Forest Place Clayfield Syndicate	13.2	11.4	2.0	2.0	-	-	-	-
Retirement Villages Group	160.8	195.5	79.9	88.4	-	-	-	-
FKP Core Plus Fund	21.1	13.0	4.9	1.6	16.1	10.7	13.6	8.7
Mulpha FKP Pty Ltd	149.0	137.7	141.4	141.3	-	-	-	-
Carrum Downs JV Pty Ltd	0.2	0.2	-	-	-	-	-	-
Formica Pty Ltd	0.6	2.8	-	-	-	-	-	-
Big Hephher JV Pty Ltd	-	-	-	-	-	-	-	-
FKP Core Plus Fund Two	19.0	-	3.7	-	15.2	-	10.9	-
US Senior Living Property Trust	23.8	-	-	-	23.8	-	24.2	-
US Senior Living Tenant Trust	1.5	-	1.4	-	-	-	-	-
	405.6	374.9	235.8	235.8	55.1	10.7	48.7	8.7

(b) Movement in the Carrying Amount of Investments

Carrying amount of equity-accounted investments at beginning of year	374.9	309.0	235.8	204.0	10.7	18.7	8.7	18.7
Purchase of equity-accounted investments	104.7	56.7	58.9	51.1	45.1	4.3	40.6	4.3
Share of net profit	11.6	70.4	-	-	2.7	1.6	-	-
Equity adjustment – share of prior year profit	-	-	-	-	-	-	-	(0.4)
Dividends received – associates	(6.1)	(16.9)	-	-	(1.8)	-	-	-
Dividends received – joint ventures	(5.8)	-	-	-	-	-	-	-
Share of decrement in foreign currency translation reserve	(14.2)	(11.1)	-	-	(1.0)	-	-	-
Sale of equity-accounted investments	(104.4)	(16.3)	(104.4)	(2.4)	-	(13.9)	-	(13.9)
Return of capital	(0.6)	-	-	-	(0.6)	-	(0.6)	-
Conversion of loan	45.5	-	45.5	-	-	-	-	-
Impairment loss	-	(16.9)	-	(16.9)	-	-	-	-
Carrying Amount of Equity-Accounted Investments at End of Year	405.6	374.9	235.8	235.8	55.1	10.7	48.7	8.7

11. EQUITY-ACCOUNTED INVESTMENTS (continued)

(c) Summarised Financial Information of Equity-Accounted Investments

	Combined Group's Share of:			
	Assets \$m	Liabilities \$m	Revenue \$m	Profit \$m
2008				
Associates				
Forest Place Cleveland Syndicate	46.9	30.5	3.2	2.0
Forest Place Clayfield Syndicate	42.1	28.9	2.4	1.0
Retirement Villages Group	795.2	617.1	26.2	(10.2)
FKP Core Plus Fund	34.6	13.5	3.8	2.2
Mulpha FKP Pty Ltd	247.5	69.8	62.5	12.1
FKP Core Plus Fund Two	29.9	10.9	1.1	0.1
Joint Ventures				
Carrum Downs JV Pty Ltd	10.6	10.4	8.5	0.8
Formica Pty Ltd	6.5	5.9	7.4	2.9
Big Hephher JV Pty Ltd	6.2	6.2	-	-
US Senior Living Property Trust	62.2	38.4	2.6	0.5
US Senior Living Tenant Trust	2.7	1.2	4.8	0.2
2007				
Associates				
Forest Place Cleveland Syndicate	42.3	28.0	0.5	4.3
Forest Place Clayfield Syndicate	35.9	24.5	0.2	3.3
Retirement Villages Group	982.9	787.4	31.4	45.4
FKP Core Plus Fund	23.9	10.9	6.4	2.3
Mulpha FKP Pty Ltd	241.9	68.9	19.0	12.0
Joint Ventures				
Carrum Downs JV Pty Ltd	9.0	8.8	-	0.2
Formica Pty Ltd	20.4	17.6	16.1	2.9
Big Hephher JV Pty Ltd	5.6	5.6	-	-

(d) Share of Equity-Accounted Investment's Expenditure Commitments, other than for the Supply of Investments

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

(e) Contingent Liabilities of Associates

There are no known contingent liabilities.

(f) Impairment Loss

An acquisition during the prior year of an equity interest in Mulpha FKP Pty Ltd ('Mulpha FKP'), gave rise to goodwill of \$16.9m which was written off during that period. The goodwill arose because of the requirement to calculate the acquisition price utilising the higher price of the Combined Group's securities on the date of settlement (February 2007), some two years after the commercial arrangements had been concluded and which were based on the Combined Group's securities price at the time.

11. EQUITY-ACCOUNTED INVESTMENTS (continued)

(g) Summarised Financial Information of Jointly Controlled Entities

	Current Assets \$m	Long-term Assets \$m	Combined Group's Share of: Current Liabilities \$m	Long-term Liabilities \$m	Income \$m	Expenses \$m
2008	16.2	72.0	17.8	44.3	23.3	18.9
2007	21.7	13.3	24.7	7.3	16.1	13.0

12. OTHER ASSETS

Current:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Deposits	0.6	3.5	-	-	-	0.2	-	0.1
Prepayments	17.7	12.8	9.4	3.8	1.3	2.0	0.8	2.0
Total Current Other Assets	18.3	16.3	9.4	3.8	1.3	2.2	0.8	2.1

Non-Current:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Lease incentives	1.2	0.5	-	-	1.1	0.5	1.1	0.5
Rights to acquire syndicate shares	0.6	0.6	-	-	-	-	-	-
Total Non-Current Other Assets	1.8	1.1	-	-	1.1	0.5	1.1	0.5

13. PROPERTY, PLANT AND EQUIPMENT

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Freehold land – at Cost:	7.2	7.2	-	-	-	-	-	-
Investment Properties under Construction – at Cost:	104.4	78.1	-	-	48.8	45.0	26.0	24.5
Nursing Homes:								
At cost	13.6	13.6	-	-	-	-	-	-
Accumulated depreciation	(0.9)	(0.7)	-	-	-	-	-	-
	12.7	12.9	-	-	-	-	-	-
Freehold Buildings:								
At cost	3.0	2.6	-	-	-	-	-	-
Accumulated depreciation	(0.3)	(0.3)	-	-	-	-	-	-
	2.7	2.3	-	-	-	-	-	-
Leasehold Improvements:								
At cost	7.4	4.5	5.9	4.1	-	-	-	-
Accumulated amortisation	(2.5)	(1.5)	(2.0)	(1.2)	-	-	-	-
Impairment losses / reversal of impairment losses charged to profit	(0.6)	(0.7)	(0.6)	(0.7)	-	-	-	-
	4.3	2.3	3.3	2.2	-	-	-	-
Plant and Equipment:								
At cost	11.1	6.9	6.9	3.0	-	-	-	-
Accumulated depreciation	(3.6)	(2.1)	(1.7)	(0.8)	-	-	-	-
	7.5	4.8	5.2	2.2	-	-	-	-
Plant and Equipment – Under Finance Lease:								
At cost	0.6	0.2	0.1	0.1	-	-	-	-
Accumulated amortisation	(0.2)	(0.1)	-	-	-	-	-	-
	0.4	0.1	0.1	0.1	-	-	-	-
Total Property, Plant and Equipment	139.2	107.7	8.6	4.5	48.8	45.0	26.0	24.5

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
13. 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	78.1	53.8	-	-	45.0	21.4	24.5	21.4
Transfers (to) / from investment property	(15.9)	(123.8)	-	-	-	(82.7)	-	(55.0)
Transfers (to) / from inventory	1.9	-	-	-	-	-	-	-
Impairment (losses) / reversal of impairment losses	(0.8)	-	-	-	-	-	-	-
Additions - capitalised costs	41.1	148.1	-	-	3.8	106.3	1.5	58.1
Balance at End of Year	104.4	78.1	-	-	48.8	45.0	26.0	24.5
Nursing Homes:								
Balance at beginning of year	12.9	7.2	-	-	-	-	-	-
Additions - capitalised costs	-	5.7	-	-	-	-	-	-
Depreciation	(0.2)	-	-	-	-	-	-	-
Balance at End of Year	12.7	12.9	-	-	-	-	-	-
Freehold Buildings:								
Balance at beginning of year	2.3	2.4	-	-	-	-	-	-
Additions	0.4	-	-	-	-	-	-	-
Depreciation	-	(0.1)	-	-	-	-	-	-
Balance at End of Year	2.7	2.3	-	-	-	-	-	-
Leasehold Improvements:								
Balance at beginning of year	2.3	1.2	2.2	1.0	-	-	-	-
Additions	3.1	2.6	2.0	2.6	-	-	-	-
Impairment (losses) / reversal of impairment losses	0.1	(0.7)	0.1	(0.7)	-	-	-	-
Disposals at written down value	-	(0.2)	-	(0.2)	-	-	-	-
Amortisation expense	(1.2)	(0.6)	(1.0)	(0.5)	-	-	-	-
Balance at End of Year	4.3	2.3	3.3	2.2	-	-	-	-
Plant and Equipment:								
Balance at beginning of year	4.9	3.3	2.3	0.7	-	-	-	-
Additions	5.0	2.9	4.0	2.2	-	-	-	-
Disposals at written down value	(0.2)	(0.1)	-	(0.1)	-	-	-	-
Depreciation expense	(1.8)	(1.2)	(1.0)	(0.5)	-	-	-	-
Balance at End of Year	7.9	4.9	5.3	2.3	-	-	-	-

14. INTANGIBLE ASSETS

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Goodwill:								
At carrying value	0.6	0.6	-	-	-	-	-	-
Licence:								
At cost	0.5	0.5	-	-	-	-	-	-
Rights:								
At cost	3.1	4.2	-	-	-	-	-	-
Accumulated amortisation and impairment	(0.5)	(1.1)	-	-	-	-	-	-
	<u>2.6</u>	<u>3.1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Intangible Assets	<u>3.7</u>	<u>4.2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Movements During the Year								
Goodwill:								
Balance at beginning of year	0.6	1.1	-	-	-	-	-	-
Impairment charge	-	(0.5)	-	-	-	-	-	-
Balance at End of Year	<u>0.6</u>	<u>0.6</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Licence:								
Balance at Beginning and End of Year	<u>0.5</u>	<u>0.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Rights:								
Balance at beginning of year	3.1	3.1	-	-	-	-	-	-
Amortisation charge	(0.5)	(0.5)	-	-	-	-	-	-
Acquisitions	-	0.5	-	-	-	-	-	-
Balance at End of Year	<u>2.6</u>	<u>3.1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(a) Impairment Tests for Goodwill								
Goodwill is allocated to the Combined Group's Cash Generating Units ('CGU's') identified according to business segment. A segment level summary of goodwill is presented below:								
Goodwill – Developments Segment	<u>0.6</u>	<u>0.6</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(b) Impairment Tests for Licences								
Licences are allocated to the Combined Group's CGU's identified according to business segment. A segment level summary of licences is presented below:								
Licences – Retirements Segment	<u>0.5</u>	<u>0.5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

15. TRADE AND OTHER PAYABLES

Current:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Trade accounts payable	51.1	58.1	20.8	15.2	4.1	4.7	2.1	4.6
Deferred revenue	77.6	63.9	0.5	1.0	-	-	-	-
Put option liability to acquire syndicate shares	0.8	0.9	-	-	-	-	-	-
Payable to subsidiary of parent	-	-	-	-	21.1	-	-	-
Non-trade accounts payable	2.4	2.3	-	0.8	-	-	-	-
Interest payable	9.4	-	-	-	-	-	-	-
Total Current Payables	141.3	125.2	21.3	17.0	25.2	4.7	2.1	4.6

Non-Current:

Trade accounts payable	-	0.1	-	-	-	-	-	-
Deferred revenue	1.7	-	1.7	-	-	-	-	-
Other payables	43.0	-	-	-	-	-	-	-
Total Non-Current Payables	44.7	0.1	1.7	-	-	-	-	-
Total Trade and Other Payables	186.0	125.3	23.0	17.0	25.2	4.7	2.1	4.6

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 33.

(b) Secured Amounts Payable

None of the payables are secured.

16. INTEREST BEARING LOANS AND BORROWINGS

Current – Secured:

Bank loans	14.7	162.7	-	134.5	14.7	-	-	-
Bank overdraft	5.6	-	5.5	-	-	-	-	-
Loan from the Property Trust	-	-	15.0	15.0	-	-	-	-
Other loans	62.7	107.2	60.0	-	-	-	-	-
Finance lease liabilities (Note 22)	2.0	0.1	1.8	-	-	-	-	-
Total Secured Current Borrowings	85.0	270.0	82.3	149.5	14.7	-	-	-

Non-Current – Secured:

Bank loans	1,138.0	586.5	347.3	371.7	207.2	130.7	143.5	130.7
Loan from the Property Trust	-	-	166.4	238.0	-	-	-	-
Other loans	6.1	76.2	-	60.0	-	-	-	-
Finance lease liabilities (Note 22)	0.1	0.1	-	-	-	-	-	-
Total Secured Non-Current Borrowings	1,144.2	662.8	513.7	669.7	207.2	130.7	143.5	130.7

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
16. INTEREST BEARING LOANS AND BORROWINGS (continued)								
(a) Amounts Payable in Foreign Currencies								
Included in bank loans are amounts payable in:								
New Zealand dollars	-	42.8	-	42.8	-	-	-	-
Hong Kong dollars	22.2	18.3	-	-	-	-	-	-
US dollars	24.5	-	24.5	-	-	-	-	-
(b) Financing Arrangements								
The Combined Group has access to the following lines of credit								
<i>Total facilities available:</i>								
Bank loans (including bank overdraft)	1,312.2	1,060.5	490.0	692.7	224.0	134.6	145.6	134.6
Loan from the Property Trust	-	-	500.0	500.0	-	-	-	-
Other loans	68.8	183.7	60.0	60.0	-	-	-	-
Performance guarantee facilities (Note 23)	55.0	52.8	54.7	52.6	-	-	-	-
Finance lease facility	2.1	0.2	1.8	-	-	-	-	-
	1,438.1	1,297.2	1,106.5	1,305.3	224.0	134.6	145.6	134.6
<i>Facilities utilised at balance date:</i>								
Bank loans (including bank overdraft)	1,158.3	747.6	352.8	506.3	221.9	130.7	143.5	130.7
Loan from the Property Trust	-	-	181.4	253.0	-	-	-	-
Other loans	68.8	183.7	60.0	60.0	-	-	-	-
Performance guarantee facilities (Note 23)	33.2	31.0	32.9	30.8	-	-	-	-
Finance lease facility	2.1	0.2	1.8	-	-	-	-	-
	1,262.4	962.5	628.9	850.1	221.9	130.7	143.5	130.7
<i>Facilities not utilised at balance date:</i>								
Bank loans (including bank overdraft)	153.9	312.9	137.2	186.4	2.1	3.9	2.1	3.9
Loan from the Property Trust	-	-	318.6	247.0	-	-	-	-
Other loans	-	-	-	-	-	-	-	-
Performance guarantee facilities (Note 23)	21.8	21.8	21.8	21.8	-	-	-	-
Finance lease facility	-	-	-	-	-	-	-	-
	175.7	334.7	477.6	455.2	2.1	3.9	2.1	3.9

(c) Restrictions as to Use or Withdrawal

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

(d) Bank Overdraft

Interest on bank overdrafts is charged at prevailing market rates. The weighted average interest rate for all overdrafts as at 30 June 2008 is 10.8% (2007: 10.0%). The bank overdrafts are payable on demand and are subject to annual review.

16. INTEREST BEARING LOANS AND BORROWINGS (continued)

(e) Loan from the Property Trust

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

(f) Performance Guarantee Facilities

These facilities are used to provide performance guarantees related to projects. Fees applicable to the facilities provided by lending institutions range from 1.0% to 3.0%.

(g) Assets Pledged as Security

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

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Current :								
<i>First mortgage:</i>								
Inventories	183.0	126.2	-	-	-	-	-	-
Total Current Assets Pledged as Security	183.0	126.2	-	-	-	-	-	-
Non-Current:								
<i>First mortgage:</i>								
Freehold land and buildings	9.8	9.5	-	-	-	-	-	-
Investment properties	1,393.8	1,099.4	-	-	329.7	197.5	159.2	168.1
Inventories	485.1	379.4	-	-	-	-	-	-
Plant and equipment	104.3	78.1	-	-	48.9	45.0	26.0	24.5
<i>Finance lease:</i>								
Leased plant and equipment	0.4	0.1	0.1	0.1	-	-	-	-
Total Non-Current Assets Pledged as Security	1,993.4	1,566.5	0.1	0.1	378.6	242.5	185.2	192.6
Total Assets Pledged as Security	2,176.4	1,692.7	0.1	0.1	378.6	242.5	185.2	192.6

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

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

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

(h) Defaults and Breaches

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

17. PROVISIONS

Current:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Employee benefits	4.5	3.2	2.3	1.6	-	-	-	-
Warranty maintenance	0.9	0.9	-	-	-	-	-	-
Dividends and distributions payable	11.7	12.4	-	-	11.7	12.4	11.7	12.4
Total Current Provisions	17.1	16.5	2.3	1.6	11.7	12.4	11.7	12.4

Non-Current:

Employee benefits	0.9	0.6	0.2	-	-	-	-	-
Total Non-Current Provisions	0.9	0.6	0.2	-	-	-	-	-

Reconciliations

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

Warranty Maintenance:

Carrying amount at beginning of year	0.9	0.9	-	-	-	-	-	-
Provisions made during the year	-	-	-	-	-	-	-	-
Carrying Amount at End of Year	0.9	0.9	-	-	-	-	-	-

Distributions Payable:

Carrying amount at beginning of year	12.4	8.0	-	-	12.4	8.0	12.4	8.0
Provisions made during the year	11.7	12.4	-	-	11.7	12.4	11.7	12.4
Payments made during the period	(12.4)	(8.0)	-	-	(12.4)	(8.0)	(12.4)	(8.0)
Carrying Amount at End of Year	11.7	12.4	-	-	11.7	12.4	11.7	12.4

18. CONTRIBUTED EQUITY

Issued Capital:

Ordinary Securities Fully Paid

Movement in Securities on Issue:

	Combined Group Number of Stapled Securities		Parent Entity Number of Shares		Consolidated Property Trust Number of Units		Property Trust Number of Units	
	2008	2007	2008	2007	2008	2007	2008	2007
Balance at beginning of year	260,837,761	191,161,904	260,837,761	191,161,904	260,837,771	191,161,914	260,837,771	191,161,914
Securities issued as a result of:								
Employee Security Plan issue ¹	135,512	56,914	135,512	56,914	135,512	56,914	135,512	56,914
Distribution Reinvestment Plan	4,389,047	3,587,211	4,389,047	3,587,211	4,389,047	3,587,211	4,389,047	3,587,211
Issue in consideration for acquisition of an associate ²	-	7,916,667	-	7,916,667	-	7,916,667	-	7,916,667
Security Purchase Plan ³	-	4,615,065	-	4,615,065	-	4,615,065	-	4,615,065
Capital raising ⁵	-	53,500,000	-	53,500,000	-	53,500,000	-	53,500,000
Balance at End of Year	265,362,320	260,837,761	265,362,320	260,837,761	265,362,330	260,837,771	265,362,330	260,837,771

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Balance at beginning of year	799.2	368.1	429.9	144.3	369.3	223.8	369.3	223.8
Securities issued as a result of:								
Employee Security Plan issue ¹	0.5	0.4	0.3	0.3	0.2	0.1	0.2	0.1
Distribution Reinvestment Plan	28.1	20.7	19.6	13.7	8.5	7.0	8.5	7.0
Issue in consideration for acquisition of an associate ²	-	49.7	-	32.8	-	16.9	-	16.9
Costs of capital raising ⁵	-	(6.3)	-	(4.0)	-	(2.3)	-	(2.3)
Costs of stapling ⁴	-	(2.4)	-	(1.3)	-	(1.1)	-	(1.1)
Security Purchase Plan ³	-	25.3	-	16.7	-	8.6	-	8.6
Capital raising ⁵	-	343.7	-	227.4	-	116.3	-	116.3
Balance at End of Year	827.8	799.2	449.8	429.9	378.0	369.3	378.0	369.3

¹ During the year 135,512 (2007: 56,914) ordinary securities were issued to employees under the Employee Security Plan which was approved by security holders at the AGM held on 30 November 2007.

² On 28 February 2007, the Combined Group raised \$49.7m in capital by the issue of 7,916,667 ordinary securities as part of the acquisition of an associate (Mulpha FKP Pty Ltd).

³ During the prior year, 4,615,065 securities were issued as part of the Security Purchase Plan dated 6 November 2006 which raised \$25.3m. The securities were allotted on 8 December 2006 at a price of \$5.50 per security.

⁴ During the prior year, the Combined Group was required to pay for the stamp duty associated with the stapling of securities which occurred on 12 November 2004.

⁵ During the prior year there were two institutional placements of securities. On 28 September 2006, 20,500,000 securities were issued at an issue price of \$5.50 which raised \$111.0m. A further 33,000,000 securities were issued at \$7.05 raising \$232.7m on 23 April 2007. The total cost of raising this capital were \$6.3m.

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

18. CONTRIBUTED EQUITY (continued)

(b) Capital Management

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

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

During the year ended 30 June 2008, the Combined Group did not raise capital through the public market but some capital was retained through the Dividend Reinvestment Plan.

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

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

19. RESERVES AND RETAINED PROFITS

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Reserves:								
Equity-settled employee benefits	4.1	0.8	4.1	0.8	-	-	-	-
Foreign currency translation	(16.7)	(7.7)	-	-	(1.4)	-	(0.2)	-
Investments revaluation	-	3.1	-	3.1	-	-	-	-
	(12.6)	(3.8)	4.1	3.9	(1.4)	-	(0.2)	-
Equity-Settled Employee Benefits Reserve:								
Balance at beginning of year	0.8	-	0.8	-	-	-	-	-
Share-based payment	3.3	0.8	3.3	0.8	-	-	-	-
Balance at End of Year	4.1	0.8	4.1	0.8	-	-	-	-
Foreign Currency Reserve:								
Balance at beginning of year	(7.7)	-	-	-	-	-	-	-
Translation of foreign operations	(9.0)	(7.7)	-	-	(1.4)	-	(0.2)	-
Balance at End of Year	(16.7)	(7.7)	-	-	(1.4)	-	(0.2)	-
Investments Revaluation Reserve:								
Balance at beginning of year	3.1	-	3.1	-	-	-	-	-
Valuation gain / (loss) recognised	-	3.1	-	3.1	-	-	-	-
Release of reserve	(3.1)	-	(3.1)	-	-	-	-	-
Balance at End of Year	-	3.1	-	3.1	-	-	-	-

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
19. RESERVES AND RETAINED PROFITS (continued)								
Retained Profits:								
Balance at beginning of year	432.0	302.5	(139.8)	(58.9)	2.9	1.1	0.9	1.1
Net profit attributable to members of the Combined Group	145.3	194.8	(35.0)	(36.8)	14.6	23.0	15.8	21.4
Equity adjustment – share of prior year profit	-	-	-	-	-	-	-	(0.4)
Dividends and distributions recognised during the year	(84.4)	(65.3)	(57.4)	(44.1)	(27.0)	(21.2)	(27.0)	(21.2)
Balance at End of Year	492.9	432.0	(232.2)	(139.8)	(9.5)	2.9	(10.3)	0.9

20. DIVIDENDS AND DISTRIBUTIONS

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

Type	Cents per Security	Total Amount \$m	Date of Payment	Franked Tax Rate %	Percentage Franked %
2008					
Dividends recognised in the current year:					
Interim 2008 ordinary dividend	10.18	26.8	14 April 2008	30	75
Interim 2008 distribution	5.82	15.3	14 April 2008	N/A	0
Final 2008 distribution	4.42	11.7	30 September 2008	N/A	0
		53.8			
After the balance date the following dividend was declared by the Directors. The dividend has not been provided.					
Final 2008 ordinary dividend	11.28	29.9	30 September 2008	30	60
	31.70	83.7			
2007					
Dividends recognised in the prior year:					
Interim 2007 ordinary dividend	11.15	24.3	13 April 2007	30	85
Interim 2007 distribution	4.05	8.8	13 April 2007	N/A	0
Final 2007 distribution	4.75	12.4	12 October 2007	N/A	0
		45.5			
After the balance date the following dividend was declared by the Directors. The dividend was not provided for in the 2007 financial year.					
Final 2007 ordinary dividend	11.75	30.6	12 October 2007	30	85
	31.70	76.1			

20. DIVIDENDS AND DISTRIBUTIONS (continued)

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Dividend Franking Account:								
Balance of the 30% Franking Credits at End of Year	-	-	8.7	26.9	-	-	-	-

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.

The impact on the dividend franking account of dividends proposed after balance sheet date but not recognised as a liability is to reduce it by \$7.7m. The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

21. MINORITY INTERESTS

Minority Interests in Controlled Entities Comprise:

Interests in retained profits at the beginning of the year after adjusting for minority interests in entities acquired during the year

	15.7	9.4	-	-	-	-	-	-
Interests in profit from ordinary activities after income tax	4.4	6.3	-	-	-	-	-	-
Interests in Retained Profits at End of Financial Year	20.1	15.7	-	-	-	-	-	-
Interest in share capital	13.5	13.2	-	-	-	-	-	-
Total Minority Interests	33.6	28.9	-	-	-	-	-	-

22. COMMITMENTS

Non-Cancellable Operating Lease Expense Commitments:

Future operating lease commitments not provided for in the Financial Statements and payable:

Within one year	2.5	2.1	2.4	1.8	-	-	-	-
One year or later and no later than five years	6.1	6.1	6.1	5.8	-	-	-	-
Later than five years	0.1	-	0.1	-	-	-	-	-
	8.7	8.2	8.6	7.6	-	-	-	-

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

22. COMMITMENTS (continued)

Finance Lease and Hire Purchase Payment Commitments:

Finance lease and hire purchase commitments are payable:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Within one year	2.0	0.1	-	-	-	-	-	-
One year or later and no later than five years	0.1	0.1	-	-	-	-	-	-
Later than five years	-	-	-	-	-	-	-	-
Total Minimum Lease and Hire Purchase Payments	2.1	0.2	-	-	-	-	-	-
Less: future finance lease and hire purchase charges payable:								
Within one year	-	-	-	-	-	-	-	-
One year or later and no later than five years	-	-	-	-	-	-	-	-
Later than five years	-	-	-	-	-	-	-	-
	2.1	0.2	-	-	-	-	-	-

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

Lease liabilities provided for in these Financial Statements:

Current liability (Note 16)	2.0	0.1	-	-	-	-	-	-
Non-current liability (Note 16)	0.1	0.1	-	-	-	-	-	-
Total Lease Liabilities	2.1	0.2	-	-	-	-	-	-

(a) Finance Leases

Interest on finance leases is charged at prevailing market rates. The weighted average interest rate for all finance leases as at 30 June 2008 is 8.3% (2007: 7.9%).

23. CONTINGENT LIABILITIES

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

(a) Performance Guarantees

The Combined Group has various performance and other guarantees provided to third parties. Refer to Note 16.

(b) Financial Guarantees

The Parent Entity has provided financial guarantees in respect of bank loans of subsidiaries amounting to \$25.7m (2007: \$130.8m) 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 \$375m held by a subsidiary. There are also cross guarantees given by the Parent Entity to subsidiaries listed in Note 31. 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.

23. CONTINGENT LIABILITIES (continued)

(c) Put Options - Syndicates

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

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Cleveland Syndicate	4.4	4.1	-	-	-	-	-	-
Clayfield Syndicate	10.5	11.3	-	-	-	-	-	-

(d) Call Options - Syndicates

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

Cleveland Syndicate	2.8	4.1	-	-	-	-	-	-
Clayfield Syndicate	13.5	14.6	-	-	-	-	-	-

24. FINANCE COSTS CAPITALISED

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

Inventories:

Land and development properties held for resale	36.8	26.2	-	-	-	-	-	-
Property, plant and equipment – investment property under construction	2.8	-	-	-	1.3	-	-	-
	<u>39.6</u>	<u>26.2</u>	<u>-</u>	<u>-</u>	<u>1.3</u>	<u>-</u>	<u>-</u>	<u>-</u>

Interest was capitalised at a weighted average rate of 7.4% (2007: 6.4%).

25. INTEREST IN JOINTLY CONTROLLED OPERATIONS

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

Current Assets:

Trade and other receivables	18.3	4.4	-	-	-	-	-	-
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Non-Current Assets:

Trade and other Receivables	-	5.1	-	-	-	-	-	-
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(a) Contingent Liabilities and Commitments

There are no known contingent liabilities or commitments.

26. BUSINESS COMBINATIONS

(a) Acquisition of Businesses

There were no material acquisitions during the year ended 30 June 2008. All disclosures relate to acquisitions in the prior year.

FKP Lifestyle (Australia) Pty Ltd, formerly known as Wilbow Corporation (Australia) Pty Ltd ('Wilbow')

On 1 September 2006, the Combined Group acquired 100% of Wilbow, an Australian privately owned development company. The total cost of the acquisition was \$119.1m.

Cbus Property ('Cbus')

On 30 April 2007, the Combined Group acquired a portfolio of three retirement villages from Cbus for \$229.5m. The villages comprise approximately 600 units located in Sydney.

Other Acquisitions

During the prior year, the Combined Group acquired a real estate business for \$0.5m and two land holding companies for \$7.5m and \$9.2m, respectively.

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Purchase consideration	-	342.0	-	-	-	-	-	-
Direct costs relating to the acquisition	-	23.8	-	-	-	-	-	-
Total Purchase Consideration	-	365.8	-	-	-	-	-	-
Fair value of net assets acquired	-	(365.8)	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-	-	-
<i>The aggregate assets and liabilities acquired from the above acquisitions are as follows:</i>								
Cash	-	9.3	-	-	-	-	-	-
Receivables	-	21.4	-	-	-	-	-	-
Inventories	-	314.0	-	-	-	-	-	-
Fair value of investment properties	-	321.1	-	-	-	-	-	-
Property, plant and equipment	-	11.3	-	-	-	-	-	-
Deferred tax assets	-	9.5	-	-	-	-	-	-
Intangibles	-	0.5	-	-	-	-	-	-
Other assets	-	0.1	-	-	-	-	-	-
Interest bearing loans and borrowings	-	(86.9)	-	-	-	-	-	-
Fair value of resident loans	-	(96.3)	-	-	-	-	-	-
Unearned income	-	(23.4)	-	-	-	-	-	-
Deferred tax liabilities	-	(5.6)	-	-	-	-	-	-
Provisions	-	(0.7)	-	-	-	-	-	-
	-	474.3	-	-	-	-	-	-
<i>Outflow of cash to acquire businesses, net of cash acquired:</i>								
Cash consideration	-	474.3	-	-	-	-	-	-
Less: cash acquired	-	(9.3)	-	-	-	-	-	-
Outflow of Cash	-	465.0	-	-	-	-	-	-

27. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

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

B W Macdonald	Chairman (Non-Executive)
D C Crombie	Deputy Chairman (Non-Executive Director)
P R Brown	Managing Director and Chief Executive Officer
R T Forrester ¹	Non-Executive Director
P Parker	Non-Executive Director
L R McKinnon	Non-Executive Director
SH Lee	Non-Executive Director
TH Chung ²	Non-Executive Director

¹ Mr R T Forrester resigned from the Board on 30 June 2008.

² Mr TH Chung was appointed as a Director on 29 May 2008.

(b) Other Key Management Personnel

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

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

(c) Aggregate of Remuneration for Key Management Personnel

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$
Key Personnel Compensation:								
Short-term employee benefits	7,717,917	6,689,757	7,717,917	6,689,757	-	-	-	-
Post-employment benefits	380,582	504,308	380,582	504,308	-	-	-	-
Equity compensation	2,128,627	1,452,273	2,128,627	1,452,273	-	-	-	-
Other compensation	-	77,992	-	77,992	-	-	-	-
	10,227,126	8,724,330	10,227,126	8,724,330	-	-	-	-

The Combined Group has taken advantage of the relief provided by AASB 2008-4 'Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities' and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in the Remuneration Report on Pages 8 to 14 of this Report.

27. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(d) Loans to Key Management Personnel

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

Combined Group	Balance at the Beginning of the Year	Loan Amounts Repaid	Interest Paid and Payable for the Year	Interest not Charged	Loan Forgiven as Compensation	Balance at the End of Year	Number in the Combined Group at the End of Year
Aggregates for key management personnel:							
2008	893,113	(497,963)	-	-	(395,150)	-	-
2007	1,545,337	(59,011)	-	-	(593,213)	893,113	1

Individuals with loans above \$100,000 during the financial year:

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

Under the terms of the Managing Director Security Plan, the loan balance exceeding \$485,000 as at 10 February 2008 was forgiven, leaving the balance at the end of the period to be \$nil (2007: \$893,113). Therefore an impairment loss has been recognised for \$395,150 (2007: \$593,213). Further details of the terms and conditions of the loan are included in the Remuneration Report. No interest was paid or payable for the year.

(e) Other Transactions with Key Management Personnel

Nil.

(f) Equity Instrument Disclosures Relating to Key Management Personnel

Equity Holdings and Transactions

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

Directors	Held at 1 July 2007	Purchase	Received on Exercise of Options	Sales	Other	Held at 30 June 2008
B W Macdonald	241,877	-	-	-	-	241,877
D C Crombie	114,236	-	-	-	5,955 ¹	120,191
P R Brown	388,822	100,000 ²	-	-	-	488,822
R T Forrester ³	6,993,744	-	-	(6,624)	-	6,987,120
P Parker	12,741,934	455,000 ²	-	-	-	13,196,934
L R McKinnon	-	-	-	-	-	-
SH Lee	-	-	-	-	-	-
TH Chung ⁴	-	-	-	-	-	-

¹ Securities issued under Dividend Reinvestment Plan.

² Securities purchased on the open market.

³ Mr R T Forrester resigned from the Board on 30 June 2008.

⁴ Mr TH Chung was appointed as a Director on 29 May 2008.

27. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Other Key Management Personnel	Held at 1 July 2007	Purchase	Received on Exercise of Options	Sales	Other ¹	Held at 30 June 2008
D L Guihot	24,873	-	-	(20,000)	267	5,140
S E Stewart	-	-	-	-	267	267
M A Miller	1,627	-	-	-	351	1,978
E L Delfabbro	3,077	5,150	-	-	267	8,494
J A Smith	343	1,750	-	-	285	2,378
J M Laboo	643	-	-	-	267	910

¹ Issued under Employee Security Plan and / or the Dividend Reinvestment Plan.

28. 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 and amended by a resolution of the Board made on 28 February 2001 and 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 AGM of FKP Property Group on 30 November 2007. The scheme provides all employees (upon completion of one year's service) the opportunity to be rewarded for their service to the Combined Group by offering them \$1,000 worth of FKP securities, at no cost to the employee. Employees may elect not to participate in the scheme.

All employees of the Combined Group are entitled to participate in the ESP. The Combined Group issued 135,512 Securities to employees pursuant to the ESP during the financial year ended 30 June 2008 (2007: 56,914). The Securities were issued on 11 April 2008 at a market value of \$3.74. The total amount received from employees was nil (2007: nil). The total expense recognised in the Income Statement during the year was \$0.5m (2007: \$0.4m).

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

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

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

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

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

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

28. SHARE-BASED PAYMENTS (continued)

(c) Employee Option Plan ('EOP')

The EOP was established with the approval of a special resolution of FKP Limited made on 28 October 1999 and amended with the special resolution of FKP Limited made on 29 October 2004 in relation to the stapling of each of the shares of FKP Limited to each of the units in the Property Trust effective from 12 November 2004 and confirmed by a resolution passed at the AGM of FKP Property Group on 30 November 2007. In accordance with the provisions of the EOP, Executives and key employees are invited to participate in the plan based on their ability to influence the future growth and success of the Combined Group.

Each employee security option converts into one ordinary security of FKP Property Group on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to distributions or voting rights. Options may be exercised at any time from the date of vesting (exercise date) to the date of expiry. All options refer to options over securities of the Combined Group, which are exercisable on a one-for-one basis under the Combined Group's EOP.

During and since the end of the financial year, an aggregate 9,959,853 options (2007: 3,140,000 options) were granted to employees, including the issue to the Managing Director and Chief Executive Officer, as part of their remuneration. Two tranches of options were granted during the year. Details of unissued securities or interests under option as at the date of this Report are:

Tranches	Grant Date	Expiry Date	Number Under Option	Exercise Price	Exercise Date	Fair Value at Grant Date
(1) – Staff Issue – September 2006	1/09/06 ¹	31/08/10	2,980,000	\$5.09	1/09/09	\$1.25
(2) – Staff Issue – May 2007	1/05/07 ³	30/04/11	160,000	\$7.08	1/05/10	\$1.35
(3) – Staff Issue – September 2007	26/09/07 ¹	31/08/11	4,959,853	\$6.73	1/09/10	\$1.19
(4) – Managing Director and Chief Executive Officer	30/11/07 ²	30/06/12	5,000,000	\$7.05	30/06/12	\$1.54

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

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

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

The fair value of services received in return for security options granted is based on the fair value of security options granted. The weighed average fair value of the security option granted during the year is \$1.37 (2007: \$1.26). Options were priced using the binomial options pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. To allow for the effects of early exercise, it was assumed that employees would exercise the options midway through the vesting period. The volatility used in the binomial options pricing model was determined by the historical volatility of the market price of securities and the mean reversion tendency of volatilities.

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

No options have been granted or vested since the end of the financial year. The total expense recognised in the Income Statement during the year was \$3.6m (2007: \$0.8m). During the reporting period, no securities were issued on the exercise of options previously granted as remuneration.

29. RELATED PARTY TRANSACTIONS

(a) Parent Entity

FKP Limited is the Parent Entity within the Combined Group.

(b) Subsidiaries

Interest in subsidiaries is set out in Note 31.

(c) Key Management Personnel

Disclosures relating to Key Management Personnel are set out in Note 27.

(d) Loans to Parent Entity from the Property Trust

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

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Balance at beginning of year	-	-	253.0	130.5	-	-	-	-
Loans advanced	-	-	16.4	162.9	-	-	-	-
Loan repayments made	-	-	(108.8)	(56.5)	-	-	-	-
Interest charged	-	-	20.8	16.1	-	-	-	-
Balance at End of Year	-	-	181.4	253.0	-	-	-	-

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

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

Balance at beginning of year	-	-	-	-	253.0	130.5	253.0	130.5
Loans advanced	-	-	-	-	16.4	162.9	16.4	162.9
Loan repayments made	-	-	-	-	(108.8)	(56.5)	(108.8)	(56.5)
Interest charged	-	-	-	-	20.8	16.1	20.8	16.1
Balance at End of Year	-	-	-	-	181.4	253.0	181.4	253.0

(f) Loans from Equity-Accounted Investments

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

Balance at beginning of year	60.0	60.0	60.0	60.0	-	-	-	-
Loan repayments made	(4.6)	(4.1)	(4.6)	(4.1)	-	-	-	-
Interest charged	4.6	4.1	4.6	4.1	-	-	-	-
Balance at End of Year	60.0	60.0	60.0	60.0	-	-	-	-

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m

29. RELATED PARTY TRANSACTIONS (continued)

(g) Loans to Equity-Accounted Investments

The Parent Entity had a loan to Retirement Villages New Zealand Limited, a subsidiary of the equity-accounted associate, Retirement Villages Group, of \$47.7m at 30 June 2007. The interest rate applicable to the receivable was 10%. During the year the receivable was converted to stapled securities shares in Retirement Villages Group.

Balance at beginning of year	47.7	39.7	47.7	39.7	-	-	-	-
Loans advanced	-	-	-	-	-	-	-	-
Conversion of loan	(45.4)	-	(45.4)	-	-	-	-	-
Interest charged	1.3	4.1	1.3	4.1	-	-	-	-
Foreign exchange loss	(3.6)	3.9	(3.6)	3.9	-	-	-	-
Balance at End of Year	-	47.7	-	47.7	-	-	-	-

The Combined Group has a loan to the equity-accounted investment, Carrum Downs JV Pty Ltd of \$6.8m. Interest is payable quarterly at the rate of the prevailing 90 day bank bill swap reference rate plus a margin of 2.0%. The loan is repayable 18 months from the initial draw down. Details of movements in the loan are as follows:

Balance at beginning of year	7.3	3.6	-	-	-	-	-	-
Loans advanced	12.0	3.6	-	-	-	-	-	-
Loan repayments made	(13.0)	(0.4)	-	-	-	-	-	-
Interest charged	0.5	0.5	-	-	-	-	-	-
Balance at End of Year	6.8	7.3	-	-	-	-	-	-

The Combined Group has a loan to the equity-accounted investment Big Hephher JV Pty Ltd of \$6.1m. Interest is payable quarterly at the rate of the prevailing 90 day bank bill swap reference rate plus a margin of 2.0%. The loan is repayable 18 months from the initial draw down. Details of movements in the loan are as follows:

Balance at beginning of year	5.0	-	-	-	-	-	-	-
Loans advanced	0.6	5.0	-	-	-	-	-	-
Loan repayments made	-	-	-	-	-	-	-	-
Interest charged	0.5	-	-	-	-	-	-	-
Balance at End of Year	6.1	5.0	-	-	-	-	-	-

The Combined Group has a loan to the equity-accounted investment Formica Pty Ltd of \$5.6m. The interest rate applicable to the receivable is 7.8%. The facility expires on project completion. Details of movements in the loan are as follows:

Balance at beginning of year	11.1	11.5	-	-	-	-	-	-
Loans advanced	0.3	1.8	-	-	-	-	-	-
Loan repayments made	(6.4)	(3.0)	-	-	-	-	-	-
Interest charged	0.6	0.8	-	-	-	-	-	-
Balance at End of Year	5.6	11.1	-	-	-	-	-	-

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
29. RELATED PARTY TRANSACTIONS (continued)								
(h) Other Transactions with Related Parties								
The following transactions occurred with related parties:								
Sales Revenue:								
Entities within the Combined Group	-	-	-	-	-	-	-	-
Associates	-	-	-	-	-	-	-	-
Joint Ventures	28.5	-	-	-	-	-	-	-
Cost of Sales:								
Entities within the Combined Group	-	-	-	-	-	-	-	-
Associates	-	-	-	-	-	-	-	-
Joint Ventures	23.1	-	-	-	-	-	-	-
Rendering of Services:								
Associates	3.9	1.7	-	-	-	-	-	-
Other Revenue:								
<i>Interest received:</i>								
Entities within the Combined Group	-	-	41.0	23.7	20.8	16.1	22.1	16.1
Associates	2.9	5.4	1.5	4.1	-	-	-	-
<i>Dividend/Distribution revenue:</i>								
Wholly-owned subsidiaries	-	-	-	0.3	-	-	3.1	3.0
Associates	-	-	4.3	16.9	0.1	0.3	1.8	-
<i>Management fees received:</i>								
Wholly-owned subsidiaries	-	-	-	-	-	-	-	-
Associates	14.5	1.7	3.6	-	-	-	-	-
<i>Finance fees received:</i>								
Associates	1.0	3.3	1.0	3.3	-	-	-	-
<i>Net gain or loss on disposal of investments:</i>								
Associates	1.3	-	1.3	-	-	-	-	-
Administration Expenses:								
<i>Consultancy fees paid:</i>								
Director related entity	-	-	-	-	-	-	-	-
<i>Loan forgiveness:</i>								
Forgiveness of Managing Director loan	0.4	0.7	0.4	0.7	-	-	-	-
<i>Rent paid:</i>								
Associates	-	-	-	-	-	-	-	-
<i>Management fees paid:</i>								
Responsible Entity	-	-	-	-	0.4	0.3	0.4	0.3
Wholly-owned subsidiaries	-	-	-	0.7	-	-	-	-
Finance Costs:								
<i>Interest paid:</i>								
Entities within the Combined Group	-	-	20.8	16.1	-	-	-	-
Associates	4.6	4.1	4.6	4.1	-	-	-	-

29. RELATED PARTY TRANSACTIONS (continued)

(h) Other Transactions with Related Parties (continued)

Syndicate Put and Call Options

The Syndicate Deeds for the Cleveland and Clayfield Syndicates contain put and call options under which each investor has the right to require the Combined Group to buy, and the Combined Group has the right to require each investor to sell any share or shares upon specified terms. The put option in favour of each investor is exercisable by the investor at any time or times in respect of any shares held by it. The price payable by the Combined Group is a sum equal to the amount paid by the investor for the share or shares in question less any distributions previously made thereon plus interest calculated at 5% per year (calculated on a daily basis and compounded at the end of June and December in each year) on the amount from time to time paid by the investor thereon less any distributions previously made thereon. The Combined Group is not obliged to complete and make payment for more than one share (taking all investors together) in any single calendar month for each syndicate.

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

(i) Outstanding Balances with Related Parties

Other than those reported elsewhere in the financial statements the following balances are also outstanding at the reporting date in relation to transactions with related parties:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Current Payable:								
Deferred revenue from associates	-	1.0	-	1.0	-	-	-	-

There are no other transactions with related parties other than disclosed above or elsewhere in the financial statements.

30. AUDITORS' REMUNERATION

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$
Auditor of the Combined Group:								
Audit and review of Financial Reports of the Combined Group (PKF Chartered Accountants)	450,140	332,815	376,140	270,065	-	-	-	-
	450,140	332,815	376,140	270,065	-	-	-	-
Non-Audit Services								
PKF Chartered Accountants:								
Agreed-upon procedures reports	18,000	9,500	18,000	9,500	-	-	-	-
Review of accounting treatment of investment acquisitions	-	48,700	-	48,700	-	-	-	-
Taxation compliance services	-	390	-	390	-	-	-	-
Other assurance services	6,700	-	6,700	-	-	-	-	-
Other Auditors:								
Tax compliance	-	19,000	-	-	-	-	-	-
	24,700	77,590	24,700	58,590	-	-	-	-

31. CONTROLLED ENTITIES

(a) Parent Entity

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

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

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

¹ No equity held in this entity but all the beneficial rights are attributable to the Combined Group.

² Represents entities in the Forest Place Group owned 85.28% by the Parent Entity.

³ Owned 55% by the Parent Entity.

(b) Property Trust

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

B/P Asset Trust	FKP Core Plus Two Access Trust	PIP No. 3 Trust
B/P Land Trust	FKP PIP (EA) Trust	Peregrine Springs Shopping Centre Trust
B/P Sub Land Trust	Lexington II Trust	Vero Tower Trust

32. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash and Cash Equivalents

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

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Cash on hand and at bank	18.9	18.3	-	4.6	4.1	7.9	3.5	5.0
Bank overdraft	(5.6)	-	(5.5)	-	-	-	-	-
Total Cash	13.3	18.3	(5.5)	4.6	4.1	7.9	3.5	5.0

(b) Financing Facilities Available

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

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
32. NOTES TO THE CASH FLOW STATEMENT (continued)								
(c) Reconciliation of Net Cash Provided By / (Used In) Operating Activities to Operating Profit after Income Tax								
Operating profit after income tax	149.7	201.1	(35.0)	(36.8)	14.6	23.0	15.8	21.4
Add / (less) non-cash items:								
Depreciation	2.0	1.3	1.0	0.5	-	-	-	-
Amortisation – leased assets	1.2	0.6	1.0	0.5	-	-	-	-
Amortisation – intangibles	0.4	0.5	-	-	-	-	-	-
Gain on foreign exchange translation	(2.4)	-	(2.5)	-	-	-	-	-
Share of profits of associates	(11.6)	(70.4)	-	-	(2.7)	(1.6)	-	-
Change in fair value of resident loans	75.0	40.0	-	-	-	-	-	-
Change in fair value of investment properties	(244.4)	(216.6)	-	-	13.6	-	11.1	1.7
Change in fair value of available-for-sale financial assets	(0.9)	(2.7)	-	-	-	-	-	-
Change in fair value of financial assets (derivatives)	(3.4)	-	(3.4)	-	-	-	-	-
Write-down in value of investments	-	16.9	-	16.9	-	-	-	-
Impairment of property, plant and equipment	0.8	0.7	-	0.7	-	-	-	-
Impairment of inventory	10.4	-	-	-	-	-	-	-
Impairment of goodwill	-	0.5	-	-	-	-	-	-
Securities / options issued to employees	3.6	0.4	3.6	0.3	-	0.1	-	0.1
Losses / (gains) on sale of plant and equipment	-	0.1	-	-	-	-	-	-
Losses / (gains) on sale of investments	(1.3)	-	(1.6)	-	-	-	-	-
Change in assets and liabilities:								
Decrease / (increase) in receivables:								
Trade receivables	17.9	(18.7)	3.0	(10.1)	(1.2)	2.9	(3.9)	3.1
Non-trade – other	0.7	(33.9)	249.5	(381.9)	-	-	-	-
Decrease / (increase) in inventories	(140.0)	(6.9)	-	-	-	-	-	-
Decrease / (increase) in other assets	1.8	5.6	(4.2)	0.2	0.3	(1.5)	1.0	(1.4)
Decrease / (increase) in other non-current receivables	-	-	-	0.7	-	-	-	-
Decrease / (increase) in deferred tax assets	(4.7)	3.5	(3.3)	(1.1)	-	-	-	-
Decrease / (increase) in provision for doubtful debts	-	(0.3)	-	-	-	-	-	-
Increase / (decrease) in accounts payable:								
Payables	(2.0)	23.4	4.7	(16.8)	(0.7)	-	(2.6)	-
Unearned income	42.7	10.9	-	(0.7)	-	-	-	-
Increase / (decrease) in other accruals	1.2	-	0.6	(0.1)	-	2.0	-	1.9
Increase / (decrease) in foreign currency reserve	-	0.1	-	-	-	-	-	-
Increase / (decrease) in income taxes payable	7.2	(10.6)	4.4	(12.0)	-	-	-	-
Increase / (decrease) in provision for deferred tax liabilities	48.7	72.2	(10.6)	(1.1)	-	-	-	-
Increase / (decrease) in interest payable	-	-	-	-	-	-	-	-
Increase / (decrease) in other provisions:								
Employee entitlements	1.6	0.2	0.8	0.6	-	-	-	-
Other	-	0.4	0.1	-	-	-	-	-
GST clearing	(4.5)	(7.7)	2.3	(5.9)	0.1	1.4	0.1	1.4
Dividends received	9.3	16.9	-	-	1.8	-	-	-
Profit and loss items treated as financing cashflows	47.2	24.8	70.4	51.9	14.0	6.7	10.6	6.7
Net Cash Provided By / (Used In) Operating Activities	6.2	52.3	280.8	(394.2)	39.8	33.0	32.1	34.9

32. NOTES TO THE CASH FLOW STATEMENT (continued)

(d) Acquisition of Controlled Entities

There were no material acquisitions during the year ended 30 June 2008. All disclosures relate to acquisitions in the prior year.

FKP Lifestyle (Australia) Pty Ltd, formerly known as Wilbow Corporation (Australia) Pty Ltd ('Wilbow')

On 1 September 2006, the Combined Group acquired 100% of Wilbow, an Australian privately owned development company. The total cost of the acquisition was \$119.1m.

Cbus Property ('Cbus')

On 30 April 2007, the Combined Group acquired a portfolio of three retirement villages from Cbus for \$229.5m. The villages comprise approximately 600 units located in Sydney.

Other Acquisitions

During the prior year, the Combined Group acquired a real estate business for \$0.5m and two land holding companies for \$7.5m and \$9.2m, respectively.

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Consideration	-	365.8	-	-	-	-	-	-
Cash acquired	-	(9.3)	-	-	-	-	-	-
Interest bearing loans and borrowings assumed	-	108.5	-	-	-	-	-	-
Cash Outflow	-	465.0	-	-	-	-	-	-

(e) Non-Cash Financing and Investment Activities

During the year the Combined Group reinvested \$28.1m via a Dividend Reinvestment Plan.

During the prior year the Combined Group acquired a further interest in Mulpha FKP for a total consideration of \$49.7m payable through the issue of securities in the Combined Group.

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

(f) Restrictions on Amount of Cash

Amounts of cash not available to the Combined Group for use are \$2.0m (2007: \$2.6m).

33. FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

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

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(a) Interest Rate Risk

Interest rate risk is the potential negative impact that changes in interest rates have on the Combined Group's income or the value of its obligations. The Combined Group's exposure to market interest rates relates primarily to the Combined Group's bank debt obligations. The level of debt is disclosed in Note 16.

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

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Financial Assets								
Cash assets	18.6	14.5	-	2.2	4.1	7.3	3.5	4.4
Receivables	40.2	75.6	0.3	12.1	181.5	253.0	181.4	305.9
	58.8	90.1	0.3	14.3	185.6	260.3	184.9	310.3
Financial Liabilities								
Payables	-	-	-	-	-	-	-	-
Bank overdraft	5.6	-	5.5	-	-	-	-	-
Bank loans	1,152.7	749.2	347.3	506.2	221.9	130.7	143.5	130.7
Loan from FKP to Property Trust	-	-	181.4	253.0	-	-	-	-
Other loans	60.0	183.4	60.0	60.0	-	-	-	-
	1,218.3	932.6	594.2	819.2	221.9	130.7	143.5	130.7

Interest rate swap contracts outlined in Note 34, with a fair value for the Combined Group of \$3.4m (2007: nil), Parent Entity of \$3.4m (2007: nil), Consolidated Property Trust of \$nil (2007: nil), and Property Trust of \$nil (2007: nil) are exposed to fair value movements due to interest rate changes.

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

The Combined Group does not maintain a fixed minimum or maximum proportion of borrowings that should be at fixed rates as market conditions and pricing are subject to continuous change. Borrowings are carried at amortised cost and it is acknowledged that fair value exposure is a by-product of the Combined Group's attempt to manage its cash flow volatility arising from interest rate changes. The Combined Group manages the fixed rate portfolio through entering into fixed rate loan agreements or derivative instruments (primarily interest rate swaps), in which the Combined Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations of the Combined Group. At 30 June 2008, after taking into account the effect of interest rate swaps, approximately 66% of the Combined Group's borrowings are at a fixed rate of interest. The level of fixed rate borrowings has been advised to investors since February 2008. Refer to Note 34 for further details about interest rate swaps.

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

Interest rates over the 12 month period were analysed and a sensitivity determined to show the effect on profit and equity after tax if the interest rates at reporting date had been 75 basis points higher or lower, with all other variables held constant. This level of sensitivity was considered reasonable given the current level of both short-term and long-term Australian interest rates. The Combined Group uses interest rate swaps, including swaptions in managing its overall interest rate exposure. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(a) Interest Rate Risk (continued)

At 30 June 2008, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Combined Group				
+0.75% (75 basis points)	(6.1)	(4.4)	(6.1)	(4.4)
-0.75% (75 basis points)	6.1	4.4	6.1	4.4
Parent Entity				
+0.75% (75 basis points)	(3.1)	(4.2)	(3.1)	(4.2)
-0.75% (75 basis points)	3.1	4.2	3.1	4.2
Consolidated Property Trust				
+0.75% (75 basis points)	(0.3)	1.0	(0.3)	1.0
-0.75% (75 basis points)	0.3	(1.0)	0.3	(1.0)
Property Trust				
+0.75% (75 basis points)	0.3	1.3	0.3	1.3
-0.75% (75 basis points)	(0.3)	(1.3)	(0.3)	(1.3)

The movements in profit are due to higher / lower interest costs from variable rate debt and cash balances, as well as increases / decreases in the fair value of derivative instruments designated as cash flow hedges. As all of the Combined Group's cash flow hedges are deemed ineffective, all changes in fair value are taken directly to profit and loss. The amount taken to the profit and loss for the year for the Combined Group is \$3.4m (2007: nil) and for the Parent Entity is \$3.4m (2007: nil).

(b) Foreign Currency Risk

Foreign currency risk arises as a result of having assets / cashflows denominated in a currency other than the home currency in which they are reported. The Combined Group manages its direct exposure to foreign currency risk by denominating its borrowings in the same currency to which its assets / cashflows are denominated, to the extent possible. The Combined Group's investment in Tian An China Investments Company Limited ('Tian An') and the investment in the senior living facilities in the United States have been transacted under this approach, creating a natural hedge and mitigating foreign currency risk.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(b) Foreign Currency Risk (continued)

At 30 June 2008, the Combined Group had the following exposure to foreign currency that is not designated in cash flow hedges:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Financial Assets								
Receivables (NZ dollar)	-	47.7	-	47.7	-	-	-	-
Held for trading: marketable securities (HK dollar)	23.1	20.4	-	-	-	-	-	-
	23.1	68.1	-	47.7	-	-	-	-
Financial Liabilities								
Bank loans (NZ dollar)	-	42.8	-	42.8	-	-	-	-
Bank loans (HK dollar)	22.2	18.3	-	-	-	-	-	-
Bank loans (US dollar)	24.5	-	24.5	-	-	-	-	-
	46.7	61.1	24.5	42.8	-	-	-	-

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date. The year on year movement over the past 10 years of the Hong Kong dollar ('HKD'), New Zealand dollar ('NZD') and US dollar ('USD') against the Australian dollar ('AUD') has been analysed using the RBA statistics database. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at period end for a 15% change in HKD rates and 10% change in NZD and USD rates. A positive number indicates an increase in profit or loss and equity where the Australian dollar strengthens against the respective currency. A weakening of the Australian dollar against the respective currency gives an equal and opposite impact on profit and equity, giving negative balances.

At 30 June 2008, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Combined Group				
AUD/HK dollar +15%	0.1	0.2	0.1	0.2
AUD/HK dollar -15%	(0.1)	(0.2)	(0.1)	(0.2)
AUD/NZ dollar +10%	-	0.3	-	0.3
AUD/NZ dollar -10%	-	(0.3)	-	(0.3)
AUD/US dollar +10%	(1.7)	-	(1.7)	-
AUD/US dollar -10%	1.7	-	1.7	-
Parent Entity				
AUD/NZ dollar +10%	-	0.3	-	0.3
AUD/NZ dollar -10%	-	(0.3)	-	(0.3)
AUD/US dollar +10%	(1.7)	-	(1.7)	-
AUD/US dollar -10%	1.7	-	1.7	-

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(c) Price Risk

The Combined Group's exposure to equity securities arises from an investment in one listed company, Tian An, (Hong Kong Stock Exchange) and an investment in an unlisted property trust, FKP Commercial Property Trust No.1. The Combined Group does not have a formal policy for investments which are subject to market conditions and price fluctuations given they are immaterial in the context of the Combined Group's asset base, instead the Combined Group prefers to actively monitor the underlying investment. At 30 June 2008, the Combined Group had the following exposure to price risk:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Financial Assets								
Held for Trading: Marketable Securities	23.1	20.4	-	-	-	-	-	-
Available-for-Sale Investments	3.4	6.6	3.4	6.6	-	-	-	-
	26.5	27.0	3.4	6.6	-	-	-	-

The sensitivity of 15% for marketable securities was determined by the average increase growth in the Hong Kong Stock Exchange over the last five years. A 10% sensitivity for the unlisted property trust was used as this was the forecast return per the trust's Product Disclosure Statement. These sensitivities to equity securities prices have not changed significantly from the prior year.

At 30 June 2008, the movement in equity securities price risk, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Combined Group				
Held for Trading: Marketable Securities +15%	2.4	2.1	2.4	2.1
Held for Trading: Marketable Securities -15%	(2.4)	(2.1)	(2.4)	(2.1)
Available-for-Sale Investments +10%	-	-	0.2	0.5
Available-for-Sale Investments -10%	-	-	(0.2)	(0.5)
Parent Entity				
Available-for-Sale Investments +10%	-	-	0.2	0.5
Available-for-Sale Investments -10%	-	-	(0.2)	(0.5)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(d) Credit Risk

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

Credit risk arises from the financial assets of the Combined Group, which comprise cash and cash equivalents, trade and other receivables, available-for-sale financial assets, financial assets at fair value through profit and loss and derivative instruments. The Combined Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable Note to the Financial Statements.

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

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

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

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

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(e) Liquidity Risk

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

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

At 30 June 2008, \$14.7m of the Combined Group's debt facilities will mature in less than one year (2007: \$162.7m).

The table below reflects the contractual maturity of our fixed and floating rate financial liabilities and derivatives. For derivative financial instruments the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2008.

The remaining contractual maturities of the financial liabilities are:

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
6 months or less	170.4	278.9	86.2	80.5	39.9	4.7	2.1	4.6
6-12 months	1,042.5	1,102.0	16.9	85.0	-	-	-	-
1-2 years	496.3	525.7	514.9	669.7	74.6	-	10.9	-
2-5 years	692.1	137.1	-	-	132.6	130.7	132.6	130.7
Over 5 years	3.0	-	-	-	-	-	-	-
	2,404.3	2,043.7	618.0	835.2	247.1	135.4	145.6	135.3

Maturity analysis of financial liabilities based on contractual maturities:

	≤6 months \$m	6 -12 months \$m	1-2 years \$m	2-5 years \$m	5 years \$m	Total \$m
Combined Group						
Financial Liabilities						
Payables	57.2	5.7	10.0	30.0	3.0	105.9
Resident loans ¹	32.0	1,032.2	-	-	-	1,064.2
Bank overdraft	5.6	-	-	-	-	5.6
Bank loans	14.7	-	486.2	656.0	-	1,156.9
Other loans	60.2	2.5	-	6.1	-	68.8
Finance leases	-	2.0	0.1	-	-	2.1
Syndicate put options	0.7	0.1	-	-	-	0.8
	170.4	1,042.5	496.3	692.1	3.0	2,404.3

¹ Resident Loans have been disclosed as current due to a requirement under Australian Accounting Standards to classify Resident Loans, in full, as a Current Liability. In practice, the rate at which the Combined Group's retirements' residents vacate their units, and hence the rate at which the Resident Loans will fall due for repayment, can be estimated on the basis of statistical tables. The Combined Group's best estimate is that of the total Resident Loans of \$1,064.2m, only \$66.1m is expected to be paid within the next twelve months.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(e) Liquidity Risk (continued)

	≤6 months \$m	6 -12 months \$m	1-2 years \$m	2-5 years \$m	5 years \$m	Total \$m
Parent Entity						
Financial Liabilities						
Payables	20.7	0.1	-	-	-	20.8
Resident loans ¹	-	-	-	-	-	-
Bank overdraft	5.5	-	-	-	-	5.5
Bank loans	-	-	348.5	-	-	348.5
Owing to a controlled entity	-	15.0	166.4	-	-	181.4
Other loans	60.0	-	-	-	-	60.0
Finance leases	-	1.8	-	-	-	1.8
Syndicate put options	-	-	-	-	-	-
	86.2	16.9	514.9	-	-	618.0
	≤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	25.2	-	-	-	-	25.2
Resident loans ¹	-	-	-	-	-	-
Bank loans	14.7	-	74.6	132.6	-	221.9
Owing to a controlled entity	-	-	-	-	-	-
Other loans	-	-	-	-	-	-
Finance leases	-	-	-	-	-	-
Syndicate put options	-	-	-	-	-	-
	39.9	-	74.6	132.6	-	247.1

¹ Resident Loans have been disclosed as current due to a requirement under Australian Accounting Standards to classify Resident Loans, in full, as a Current Liability. In practice, the rate at which the Combined Group's retirements' residents vacate their units, and hence the rate at which the Resident Loans will fall due for repayment, can be estimated on the basis of statistical tables. The Combined Group's best estimate is that of the total Resident Loans of \$1,064.2m, only \$66.1m is expected to be paid within the next twelve months.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

(e) Liquidity Risk (continued)

	≤6 months \$m	6 -12 months \$m	1-2 years \$m	2-5 years \$m	5 years \$m	Total \$m
Property Trust						
Financial Liabilities						
Payables	2.1	-	-	-	-	2.1
Resident loans ¹	-	-	-	-	-	-
Bank loans	-	-	10.9	132.6	-	143.5
Owing to a controlled entity	-	-	-	-	-	-
Other loans	-	-	-	-	-	-
Finance leases	-	-	-	-	-	-
Syndicate put options	-	-	-	-	-	-
	2.1	-	10.9	132.6	-	145.6

¹ Resident Loans have been disclosed as current due to a requirement under Australian Accounting Standards to classify Resident Loans, in full, as a Current Liability. In practice, the rate at which the Combined Group's retirements' residents vacate their units, and hence the rate at which the Resident Loans will fall due for repayment, can be estimated on the basis of statistical tables. The Combined Group's best estimate is that of the total Resident Loans of \$1,064.2m, only \$66.1m is expected to be paid within the next twelve months.

(f) Fair Value

The carrying amount of the Combined Group's Financial Assets and Financial Liabilities approximate their fair value.

Fair value of the Financial Liabilities is calculated based on present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For interest bearing loans and borrowings, the market rate of interest is determined by reference to similar liabilities in the same industry and with a similar risk rating, and for finance leases, by reference to similar finance leases at reporting date. Resident Loans are measured at the principal amount less any unearned income, plus the residents' share of any increase in the market value of the underlying property at balance date.

34. DERIVATIVE FINANCIAL INSTRUMENTS

Current Financial Asset

Interest rate swap contracts

Swaption contracts

	Combined Group		Parent Entity		Consolidated Property Trust		Property Trust	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Interest rate swap contracts	6.2	-	6.2	-	-	-	-	-
Swaption contracts	(2.8)	-	(2.8)	-	-	-	-	-
	<u>3.4</u>	<u>-</u>	<u>3.4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

(a) Interest Rate Swaps – Cash Flow Hedges

At 30 June 2008, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

0-1 years	208.4	-	130.0	-	78.4	-	-	-
1-2 years	175.0	-	175.0	-	-	-	-	-
2-3 years	350.0	-	350.0	-	-	-	-	-
3-5 years	325.0	-	325.0	-	-	-	-	-
5 + years	-	-	-	-	-	-	-	-
	<u>1,058.4</u>	<u>-</u>	<u>980.0</u>	<u>-</u>	<u>78.4</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

(b) Interest Rate Swap Option (Swaptions)

An interest rate swaption gives the right, but not the obligation, to enter into an interest rate swap at an agreed interest rate on a set date in the future. With swaptions the Combined Group can fix interest rates on future borrowings. By acquiring the swaption the Combined Group has obtained comfort that if rates rise beyond the agreed level prior to rollover or draw down date it is insulated from these increases. If rates do not rise above the agreed rate of the swaption, the Combined Group would not proceed with the swap and instead would borrow at the prevailing market rate.

(c) 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.

35. SEGMENT INFORMATION

(a) Adoption of AASB 8 'Operating Segments'

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

(b) Reportable Segments

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

- Land Subdivision – supply of land for development and sale ranging from small infill projects to master planned residential communities
- Property Development – development and construction of residential, commercial, retail, retirement villages and industrial property for sale
- Retirement – retirement homes and independent living units provided along with the service of management for a majority of villages
- Investment and Funds Management – delivery of a risk return profile to investors and management of income producing properties

(c) Segment Revenues and Results

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

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

35. SEGMENT INFORMATION (continued)

(c) Segment Revenues and Results (continued)

	Land Subdivision \$m	Property Development \$m	Retirement \$m	Investments and Funds Management \$m	Other \$m	Eliminations \$m	Combined Group \$m
2007							
Revenue:							
Revenue outside the Combined Group	90.3	231.5	56.0	20.5	0.6	-	398.9
Inter-segment revenue	-	-	-	-	-	-	-
Total Segment Revenue	90.3	231.5	56.0	20.5	0.6	-	398.9
Other unallocated revenue							8.9
Revenue from Ordinary Activities							407.8
Result:							
Segment Result	20.8	39.5	193.0	16.7	(17.0)	-	253.0
Share of net profit of equity-accounted investments							70.4
Unallocated expenses							(42.3)
Profit from ordinary activities before income tax							281.1
Income tax expense							(80.0)
Net Profit:							201.1
Depreciation and amortisation	(0.9)	(0.7)	-	-	(0.8)	-	(2.4)
Non-cash expenses other than depreciation and amortisation							
<i>Individually significant items:</i>							
Change in fair value of resident loans	-	-	(40.0)	-	-	-	(40.0)
Impairment loss on equity-accounted investment	-	-	-	-	-	-	(16.9)

35. SEGMENT INFORMATION (continued)

(d) Segment Assets and Liabilities

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

2008	Land Subdivision \$m	Property Development \$m	Retirement \$m	Investments and Funds Management \$m	Other \$m	Eliminations \$m	Combined Group \$m
Assets:							
Segment Assets	426.0	511.4	2,283.3	426.1	18.9	-	3,665.7
Equity-accounted investments							405.6
Unallocated corporate assets							26.8
Combined Total Assets							4,098.1
Liabilities:							
Segment liabilities	43.6	50.0	1,132.5	18.7	23.5	-	1,268.3
Unallocated corporate liabilities							1,489.5
Combined Total Liabilities							2,757.8
Acquisitions of non-current assets	-	-	23.3	160.4	8.1	-	191.8
2007							
Assets:							
Segment Assets	346.8	437.8	2,025.4	262.3	58.2	-	3,130.5
Equity-accounted investments							374.9
Unallocated corporate assets							7.1
Combined Total Assets							3,512.5
Liabilities:							
Segment liabilities	4.3	48.4	1,014.0	17.6	18.2	-	1,102.5
Unallocated corporate liabilities							1,153.7
Combined Total Liabilities							2,256.2
Acquisitions of non-current assets	-	-	41.8	108.1	-	-	149.9

For the purpose of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets, other than those disclosed in the 'tax receivables' line of the balance sheet, attributable to each segment. All assets are allocated to reportable segments other than investments accounted for using the equity method and tax assets. Goodwill has been allocated to reportable segments as described in Note 14.

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

(e) Geographical Information

The Combined Group operates only in Australia.

35. SEGMENT INFORMATION (continued)

(f) Conditional Adjustment Payment Segmentation

The financial requirements of the Conditional Adjustment Payment ('CAP') funding allows the Financial Reports for approved aged care facilities to be provided at a service level provided that the eligible income, expenditure, assets and liabilities can be readily identifiable. Accordingly the segmented retirements information has been reconciled to reflect the allocation of aged care facilities information within the segment. The details are as follows:

	Minkara Nursing Home	Mingarra Hostel	Durack Nursing Home	Village Operations	Consolidated Retirements
	\$m	\$m	\$m	\$m	\$m
2008					
Revenue:					
Revenue outside the Combined Group	3.0	2.1	1.6	48.5	55.2
Inter-segment revenue	-	-	-	-	-
Total Segment Revenue	3.0	2.1	1.6	48.5	55.2
Result:					
Segment Result	-	0.1	-	192.9	193.0
Depreciation and amortisation	-	-	-	(0.3)	(0.3)
Assets:					
Segment Assets	2.2	4.8	0.7	2,275.6	2,283.3
Liabilities:					
Segment liabilities	0.5	5.0	0.4	1,126.6	1,132.5
Acquisitions of non-current assets	-	-	-	-	-
2007					
Revenue:					
Revenue outside the Combined Group	3.3	1.9	1.5	49.3	56.0
Inter-segment revenue	-	-	-	-	-
Total Segment Revenue	3.3	1.9	1.5	49.3	56.0
Result:					
Segment Result	0.2	-	-	192.8	193.0
Depreciation and amortisation	-	-	-	(0.1)	(0.1)
Assets:					
Segment Assets	2.1	4.8	1.0	2,017.5	2,025.4
Liabilities:					
Segment Liabilities	0.1	5.0	0.1	1,008.8	1,014.0
Acquisitions of non-current assets	-	-	-	321.1	321.1

36. SUBSEQUENT EVENTS

Other than as disclosed in this Report, no matter 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 Combined Group, the results of those operations, or the state of affairs of the Combined Group in subsequent years.

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

- (a) the Financial Statements and Notes, set out on Pages 24 to 86, are in accordance with the Corporations Act 2001, comply with the Australian Accounting Standards, International Financial Reporting Standards and the Corporations Regulations and give a true and fair view of the financial position of the Parent Entity and Combined Group as at 30 June 2008 and of their operations and cash flows for the year ended on that date; and
- (b) there are reasonable grounds to believe that the Parent Entity and the Property Trust will be able to pay its debts as and when they become due and payable; and
- (c) the audited Remuneration Report set out in Pages 8 to 14 of the Director's Report comply with Accounting Standards AASB 124 'Related Party Disclosures' and the Corporations Regulation 2001.

The Directors have been given the declarations by the Managing Director and Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2008, required by Section 295A of the Corporations Act 2001.

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



B W Macdonald
Chairman

Dated at Brisbane, 26 September 2008.

INDEPENDENT AUDITOR'S REPORT

To the Stapled Security Holders of FKP Property Group

Report on the Financial Report

We have audited the accompanying financial report of FKP Property Group, which comprises the balance sheets as at 30 June 2008, and the income statements, statement of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of both FKP Limited ('Parent Entity') and FKP Funds Management Limited as Responsible Entity for the FKP Property Trust ('Property Trust') and the Combined Group. The Combined Group comprises both the Parent Entity and the entities it controlled at the year's end or from time to time during the financial year and the Property Trust and the entities that 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 the Parent Entity and the directors of FKP Funds Management Limited as Responsible Entity for the Property Trust are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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Auditor's Opinion

In our opinion:

- (a) the financial report of FKP Property Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Parent Entity, Property Trust, Consolidated Property Trust and Combined Group's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report of FKP Property Group also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 14 of the directors' report for the year ended 30 June 2008. The directors of the Parent Entity and the directors of FKP Funds Management Limited as Responsible Entity for the Property Trust are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of FKP Property Group for the year ended 30 June 2008, complies with section 300A of the *Corporations Acts 2001*.



PKF
CHARTERED ACCOUNTANTS



Grant Saxon
Partner

Dated at Brisbane, 26 September 2008.