

FOREST PLACE GROUP LIMITED

Chairman's Address.

Forest Place recorded a Net Profit after tax of \$43.896 million for the 2007 financial year. This profit represented a significant improvement over the \$26.965 million recorded for the 2006 year.

Total Income increased 54% to \$76.846 million due largely to the increase in the fair value of investments of \$61.417 million – up \$25.120 million on last year.

Sales at all Company owned villages were strong. Sales at the syndicated Clayfield village were again disappointing and new marketing initiatives have been implemented since year end to try to rectify this situation

As I stated in the Annual report, demand for retirement village assets by financial (and other) investors drove valuations higher in 2007 and this is reflected in our valuations. It is not possible at this time to judge what might happen in 2008. Consequently I will not attempt to predict a profit result for 2008 as it is obvious that the driving figure in our results is the movement in the fair value of investments (i.e. villages). These valuations are reviewed by the Board at December 31 and June 30 each year.

What I can say is that for the three months ended 30 September sales of new units, and resales, at company owned villages are slightly ahead of the corresponding period last year. New unit sales were 5 (nil last year) with

resales of 19 (20 last year). Demand was particularly strong at our Albany Creek village.

Funding

Shareholders will have noted in the Annual Report that all funding arrangements with our bankers were due for renewal on 31 October 2007. The timing of this renewal was recently extended by 45 days to allow us to fully review the current proposal.

Development.

A development application has been lodged for the construction of 103 units on the land adjacent to our existing Durack village. The timing for approval of this application is uncertain at this time but we would hope to commence construction in late 2008. We will continue to expand the Albany Creek village to meet demand and as shareholders are aware our other two company owned villages are fully developed.

Further development of the two syndicated villages will be dictated by sales demand but at this time we would expect to commence construction of additional units at Cleveland in mid 2008 and at Clayfield in late 2008.

In closing I would like to thank all our employees and service providers for their dedication and support during the past twelve months. I would also like to recognise the contribution of Peter Brown who resigned as a director of the company after year-end. Peter has a demanding role as Managing Director of FKP Limited but he was always available when required.

Ian Fraser

30 October 2007

