

Cypress Lakes Group Limited

ACN 003 621 136

Financial Statements

Half Year Ended 31 December 2009

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CYPRESS LAKES GROUP LIMITED
ACN 003 621 136

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Cypress Lakes Group Limited and the entities it controlled (Group) at the end of, or during, the half-year ended 31 December 2009.

Directors

The names of the directors in office at the time of this report are:

- Dato' Jaya Tan (Chairman)
- Dato' Kamal Tan
- Mr San Chuan Tan
- Mr Allan Farrar
- Mr Basil Jong

Principal Activities

The principal activities of the Group are the operator of Cypress Lakes Resort and The Golden Door Health Retreats and Spas, as well as that of property owner and developer.

Cypress Lakes Resort is nestled amongst the vineyards in the heart of Hunter Valley wine country. The resort currently includes a championship golf course, villa hotel accommodation, conference facilities, restaurants, bars, lounges and other sports and leisure facilities. The Golden Door Health Retreat and Spa originated in the Gold Coast hinterland and has now expanded in Queensland and into New South Wales. The Golden Door has become known as a leader in the spa and health retreat industry offering relaxation, rejuvenation, health and lifestyle programs. Each location offers a wide variety of services, educational information, activities, therapies and treatments to ensure wellbeing becomes a way of life.

Consolidated Results

The Group reported a loss of \$2.54 million for the six months ended 31 December 2009 (31 December 2008: loss of \$2.10 million).

Dividends

No dividends were paid or recommended for the six months ended 31 December 2009 (31 December 2008: nil).

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Review of Operations

Cypress Lakes Group Limited's operating businesses, namely Cypress Lakes Resort and The Golden Door Health Retreat and Spas incurred a loss of \$2.54 million during the six months ended December 2009, compared to \$2.10 million during the previous corresponding half year.

On 26 August 2009 Cypress Lakes Group Limited announced that it applied to the Australian Stock Exchange (ASX) to delist and have it removed from the Official listing as part of the Board's cost reduction strategy. This application was granted on 3 September 2009 and Cypress Lakes Group Limited was officially delisted on 8 December 2009.

Cypress Lakes Group Limited announced on 26 November 2009 the proposed acquisition of the Holiday Inn on Flinders, Melbourne, Victoria through Cypress Lakes Property Ltd for a consideration of \$13.2 million net of the external bank borrowings. This will maximise the Group's ability to improve synergies by putting in place a structure with the flexibility to realign capital allocation and management resources within all its operating units, augurs well with the Group business model and is also inline with the Group's growth strategy of investing strategic stakes in related businesses, with a view to enhancing value for shareholders with viable investments going forward. The Board believes with the consolidation of the proposed acquisition, the Group would be able to improve its earnings in the near term.

To date a deposit of \$4.4 million has been paid. The completion of this contract is subject to the fulfillment of the conditions precedent in accordance to the contract of sale.

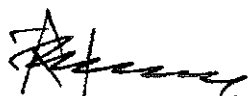
Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307c of the Corporations Act 2001 is set out on page 3.

Rounding of Amounts to the Nearest Thousand Dollars

The company satisfies the requirements of Class Order 98/0100 issued by the Australian Investments and Securities Commission relating to "rounding off" of amounts in the Directors' report and the financial statements to the nearest thousand dollars. Amounts have been rounded off in the Directors' report and financial statements in accordance with that Class Order.

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



Dato' Jaya Tan
Director



Dato' Kamal Tan
Director

Kuala Lumpur
5 February 2010



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 18, 300 Queen St
Brisbane QLD 4000,
GPO Box 457, Brisbane QLD 4001
Australia

5 February 2010

The Directors
C/- Mr Basil Jong
Cypress Lakes Group Limited
15 Thompsons Road Pokolbin
NSW 2320

Dear Directors

DECLARATION OF INDEPENDENCE TO THE DIRECTORS OF CYPRESS LAKES GROUP LIMITED

To the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

BDO Audit (QLD) Pty Ltd

P A Gallagher
Director

Brisbane

CYPRESS LAKES GROUP LIMITED
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Consolidated Statement of Comprehensive Income
for the Half-Year Ended 31 December 2009

	Consolidated Entity	
	Half-Year	
	31 December 2009 \$'000	31 December 2008 \$'000
Revenue	14,366	17,888
Consumables	(2,933)	(1,858)
Employee benefits expense	(6,842)	(7,829)
Depreciation and amortisation expense	(729)	(963)
Advertising and promotional expense	(259)	(414)
Lease rental expenses	(2,982)	(2,963)
Finance costs expenses	(1,081)	(1,329)
Other expenses	(2,080)	(4,629)
Loss before income tax expense	<u>(2,540)</u>	<u>(2,097)</u>
Income tax expense	-	-
Net loss for the half-year attributable to members of the parent entity	<u><u>(2,540)</u></u>	<u><u>(2,097)</u></u>
Other comprehensive income for the half-year, net of tax	<u><u>-</u></u>	<u><u>-</u></u>
Total comprehensive loss for the half-year attributable to members of the parent entity	<u><u>(2,540)</u></u>	<u><u>(2,097)</u></u>

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

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Consolidated Statement of Financial Position
as at 31 December 2009

Consolidated Entity			
	Note	31 December 2009 \$'000	30 June 2009 \$'000
CURRENT ASSETS			
Cash and cash equivalents		345	657
Trade and other receivables		6,403	1,564
Assets held for sale	4	766	-
Inventories		857	812
Other assets		272	459
Total Current Assets		8,643	3,492
NON-CURRENT ASSETS			
Property, plant and equipment		39,501	40,542
Intangible assets		1,632	1,622
Total Non-Current Assets		41,133	42,164
TOTAL ASSETS		49,776	45,656
CURRENT LIABILITIES			
Trade and other payables		7,376	4,359
Financial liabilities		334	340
Other liabilities		8,205	4,507
Total Current Liabilities		15,915	9,206
NON-CURRENT LIABILITIES			
Financial liabilities		30,732	30,814
Deferred tax liabilities		980	980
Provisions		265	206
Total Non-Current Liabilities		31,977	32,000
TOTAL LIABILITIES		47,892	41,206
NET ASSETS		1,884	4,450
EQUITY			
Issued Capital	2	40,916	40,942
Reserves		3,209	3,209
Accumulated losses		(42,241)	(39,701)
TOTAL EQUITY		1,884	4,450

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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Consolidated Statement of Changes in Equity
for the Half-Year Ended 31 December 2009

	Issued Capital \$'000	Retained earnings \$'000	Other reserves \$'000	Total equity \$'000
At 1 July 2008	37,136	(34,317)	4,094	6,913
Issue of share capital	481	-	-	481
Total comprehensive loss for the half-year	-	(2,097)	-	(2,097)
At 31 December 2008	37,617	(36,414)	4,094	5,297
Opening Balance at 1 July 2009	40,942	(39,701)	3,209	4,450
Buy Back of share capital	(26)	-	-	(26)
Total comprehensive loss for the half-year	-	(2,540)	-	(2,540)
At 31 December 2009	40,916	(42,241)	3,209	1,884

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

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Consolidated Statement of Cash Flows
for the Half-Year Ended 31 December 2009

Consolidated Entity

Half-Year

	31 December	31 December
	2009	2008
	\$'000	\$'000

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	14,763	19,374
Payments to suppliers and employees	(15,118)	(18,988)
Interest received	9	23
Interest and other costs of finance paid	(662)	(1,341)
Net cash outflow from operating activities	(1,008)	(932)

CASH FLOWS FROM INVESTING ACTIVITIES

Payments for property, plant and equipment	(539)	(105)
Proceeds from sale of equipment	25	-
Other investing cashflows	(2)	-
Net cash outflow from investing activities	(516)	(105)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issue of shares	(26)	481
Proceeds from borrowings	1,238	1,050
Repayment of borrowings	-	(827)
Net cash inflow from financing activities	1,212	704

NET DECREASE IN CASH HELD	(312)	(333)
Net cash at beginning of period	657	412

NET CASH AT END OF PERIOD	345	79
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The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

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Notes To The Consolidated Financial Statements
for the Half-Year Ended 31 December 2009

Note 1. Basis of Preparation of Half-Year Financial Statements

(a) Statement of Accounting Policies

These general purpose financial statements for the half-year reporting period ended 31 December 2009 have been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the Corporations Act 2001.

The historical cost basis has been used, except for land and buildings which have been measured at fair value.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2009 and any public announcements made by Cypress Lakes Group Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements. AASB 134: *Interim Financial Reporting* generally only requires disclosure of accounting policies that have changed from those used in the prior annual reporting period.

(b) Going Concern

On a consolidated basis the Group recorded a loss of \$2.54 million for the half-year ended 31 December 2009 (Loss for the year ended 30 June 2009: \$5.38 million). As at 31 December 2009 the Group has a deficiency of current assets over current liabilities of \$7.27 million (30 June 2009 deficiency \$5.71 million). After adjusting for deferred income and advance deposits disclosed as current liabilities, the current liabilities exceeded the current assets by \$4.10 million (30 June 2009 deficiency \$1.80 million).

The ability of the consolidated entity to correct the deficits, maintain the carrying value of assets and continue to meet future financial commitments will depend on the Group's ability to derive projected future cashflows and profitability to pay its debts as and when they fall due.

In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) Comparative Information

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

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Notes To The Consolidated Financial Statements
for the Half-Year Ended 31 December 2009

Note 2. Equity securities issued

	Half-Year		Half-Year	
	31 December	31 December	31 December	31 December
	2009	2008	2009	2008
	Shares	Shares	\$'000	\$'000
Issues of Ordinary Shares During the Half-Year				
Rights issue/(share buy back)	(5,005,875)	10,484,773	(25)	524
Less: transaction costs arising on shares issued	-	-	-	(43)
	<u>(5,005,875)</u>	<u>10,484,773</u>	<u>(25)</u>	<u>481</u>

Note 3. Contingent liabilities

There have been no changes in contingent liabilities or contingent assets since the end of the previous annual reporting period, 30 June 2009.

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Notes To The Consolidated Financial Statements
for the Half-Year Ended 31 December 2009

Note 4. Assets held for sale

On 12 November 2009, Cypress Lakes Group Limited announced through the ASX that its subsidiary, The Golden Door Pty Ltd ("TGD") has entered into a binding agreement to sell the Mirage Business to Esteem Beauty And Day Spa Pty Ltd ("Esteem Beauty") for a cash consideration of \$0.55 million ("the Transaction"). The completion of the Transaction is subject to the fulfilment of the conditions precedent in accordance to the contract of sale.

Note 5. Rounding of amounts

The Group satisfies the requirements of Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to "rounding off" of amounts in the Directors' report and the financial statements to the nearest thousand dollars. Amounts have been rounded off in the Directors' report and financial statements in accordance with that Class Order.

Note 6. Significant Changes

Cypress Lakes Group Limited announced on 26 November 2009 the proposed acquisition of the Holiday Inn on Flinders, Melbourne, Victoria through Cypress Lakes Property Ltd for a consideration of \$13.2 million net of the external bank borrowings. The completion of this contract is subject to the fulfilment of the conditions precedent in accordance of the contract of sale. To date a deposit of \$4.4 million has been paid.

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Declaration by Directors

The Directors of the company declare that:


(a) The financial statements comprising the Income Statement, Balance Sheet, Statement of Cash Flows, Statement of Changes in Equity and accompanying notes are in accordance with the Corporations Act 2001 and:

(i) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

(ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date.

(b) In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and behalf of the Directors by:



Dato' Jaya Tan
Director



Dato' Kamal Tan
Director

Kuala Lumpur
5 February 2010



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 18, 300 Queen St
Brisbane QLD 4000,
GPO Box 457, Brisbane QLD 4001
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Cypress Lakes Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cypress Lakes Group Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cypress Lakes Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cypress Lakes Group Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the disclosing entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1(b) in the interim financial report which indicates that Cypress Lakes Group Limited incurred a net loss of \$2,540,352 during the half year ended 31 December 2009 and, as of that date, the disclosing entity's current liabilities exceeded its total assets by \$7,272,735.

Having regard to the consolidated entity's losses for the period ended 31 December 2009 and the net deficiency of current assets at balance sheet date, the ability of the company and consolidated entity to correct the deficits, maintain the carrying value of assets and continue to meet future financial commitments will depend on the continued support of the bank and creditors, and the consolidated entity's ability to derive projected future cash flows and profitability. In the event the consolidated entity becomes unable to continue as a going concern, it may be required to realize its assets and extinguish its liabilities at amounts different from those currently stated in the financial report.

BDO Audit (QLD) Pty Ltd

Paul Gallagher

Director

Brisbane 5th February 2010