



Compass Hotel Group Limited

ACN 127 909 835

Appendix 4D and Consolidated Interim Financial Report for the half-year ended 28 December 2008

This Preliminary Annual Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.

This report should be read in conjunction with the Financial Report for Compass Hotel Group Limited and controlled entities for the period ended 30 June 2008.

Current reporting period: Period ended 28 December 2008

Comparative reporting period: Period ended 31 December 2007

Results for announcement to the market

1. Key information

Revenue and net profit	28 December 2008 Amount \$'000	31 December 2007 Amount \$'000	Change %
Revenue from continuing operations	39,889	-	n/a
Profit from ordinary activities after tax attributable to members	(80,704)	9	down 8,968%
Net profit attributable to members	(80,704)	9	down 8,968%

Explanation of Results

The end of January 2009 represents 12 months since Compass Hotel Group Limited (the Group) settled its first hotel. Revenue has been directly affected by the unprecedented economic conditions and as a result the growth forecast in the PDS of 10% in FY2009 will not be achieved.

The Group has previously stated that integration of all properties acquired took materially longer than had been anticipated due to unforeseen issues relating to staff development and implementation of new systems and overcoming cultural issues which existed in some hotels.

The Group initially geared up for expansion and consequently middle management was bolstered. The unprecedented change in world economies and subsequent flow on effects to WA has changed the Group's direction from expansionary to consolidation of the existing portfolio.

This change in direction included the change of Chief Operating Officer in October 2008. Antoine Musu has spent his first 3 months consolidating the middle management operations and administration for the Group. We have now completed this change in direction aimed at improving the bottom line performance of the Group. The results for the 6 months to 28 December 2008 were disappointing when compared to our original forecast, directly impacted by consumer sentiment due to global economic events.

Appendix 4D Compass Hotel Group Limited - 28 December 2008 (Continued)

The group incurred an operating loss of \$2.03M for first six months including \$911K of depreciation and a number of one off expenses totalling \$1.37M impacting the result.

Increased retail liquor discounting by the major retailers impacted on Bottle Shop gross profit by 25% compared to forecast. Sales were 12% below forecast.

Food revenue was impacted by negative consumer sentiment and this affected revenue by 26% compared to forecast.

Bar revenue was also impacted by these events and combined with the downturn in food sales bar revenue was 22% below forecast.

Finalisation of substantial cost reductions and improvements in operating margins are complete resulting in the Group now operating either within or better than industry benchmarks. The group had positive operating cash flows of \$523K for the period.

One off necessary capital expenditure projects of \$1.3M committed in May 2008 including Peel Alehouse refurbishment, Greenwood kitchen upgrade and various development projects for Peninsula and Gosnells hotel and markets were completed in December. Only maintenance capital expenditure (which is already factored into operating profit forecast) is required for the immediate future.

The cost saving and consolidation measures outlined above combined with current trading conditions indicate that the Group will have a positive operating cash flow for FY09.

In late October 2008 the Group undertook a prudent marketing program based on enquiries for individual group assets. The Group had received enquiries on assets prior to October 2008 and considering Balance Sheet issues regarding interest cover ratio (ICR) and impairment testing, decided to invite interested parties to an expression of interest process. From the commencement date to the completion date of the expressions of interest world markets deteriorated further. The initial enquiries and estimates of purchase prices became low ball offers which, in the Board's view, if accepted, would not be positive to our cash position, would not have a positive impact on the Balance Sheet and would not be in the best interest of the security holders.

Bank Covenant Breach

At 28 December 2008 the Group was in breach of its borrowing covenants with respect to its long-term finance facility. As a result, the Group has continued to classify \$95.2m of borrowings that are due for repayment in excess of 12 months from the balance sheet date and \$18.9m of financial instruments as current liabilities on the balance sheet, reflecting the fact that the lender had the right to call these funds immediately as at 28 December 2008. In February 2009, the Group received confirmation from the relevant financial institution that it will not take action.

The Group and the financial institution have completed a review of the calculation criteria of its covenants and financial requirements and an amended debt facility agreement has been executed. This clarifies the revenue covenant to be measured based on individual hotel's quarterly performance compared to 80% of the valuation revenue for that hotel as adjusted for seasonality for that quarter. The hotel has one quarter to rectify any breach of revenue covenant made in a preceding quarter. EBITDA calculation for interest cover ratio has been clarified to exclude capital expenditure, non-cash and non-re-occurring items including:

- financial instrument movements;
- revaluations in investment property;
- profit and loss on sale of investment property; and
- any such items of a similar nature which may arise from time to time.

Fair Value Loss on Financial Instruments

Due to the recent movement in interest rates by the Reserve Bank of Australia, the Group's arrangement to fix its interest rate have exceeded the prevailing markets rates which resulted in a write down of \$21.3m on the fair value of that fixed interest rate financial instrument. The valuation is based on a "mark-to-market valuation" and results in a technical non-cash expense to our Profit and Loss.

Impairment of Assets

Given the recent movements in the property market and dampening of the domestic economic climate, the Board have reviewed the carrying value of the Group's assets including goodwill. This review has resulted in a write down of 29.0% on the carrying value of these assets and represents a non-cash expense to our Profit and Loss of \$58.4m.

Appendix 4D Compass Hotel Group Limited - 28 December 2008
(Continued)

2. Net tangible assets per security	28 December 2008 \$ per security	31 December 2007 \$ per security
Net tangible assets per security	\$0.30	\$0.94

3. Details of entities over which control has been gained or lost

Not applicable.

4. Details relating to dividends and distributions

	Financial Year	Amount per Security	Franked amount per Security
Interim distribution declared	2009	\$0.00	\$0.00
Interim dividend declared	2009	\$0.00	\$0.00
Final distribution declared	2008	\$0.01	\$0.00
Final dividend declared	2008	\$0.00	\$0.00

No interim distribution or dividend was declared for 2009.

The Compass Hotel Group Dividend Reinvestment Plan is currently not in operation.

**Appendix 4D Compass Hotel Group Limited - 28 December 2008
(Continued)**

The preliminary final report for the period ended 28 December 2008 prepared in accordance with the Corporations Act 2001 is attached

Compliance statement

1. This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

Identify other standards used

NONE

2. This report, and the +accounts upon which the report is based (if separate), use the same accounting policies.

3. This report does give a true and fair view of matters disclosed (see Note 1).

4. This report is based on + accounts to which one of the following applies.
(tick one)

The +accounts have been reviewed

The +accounts have been subject to review

The +accounts are in the process of being reviewed

The +accounts have not yet been reviewed

5. The entity has a formally constituted Audit and Risk Management Committee.



Bryan Northcote
Managing Director

27 February 2009

Compass Hotel Group Limited

ABN 18 127 909 835

Financial statements for the interim period ended 28 December 2008

Directors' report

Your directors present their report on the consolidated entity consisting of Compass Hotel Group Limited and the entities it controls (including the Compass Hotel Group Trust) at the end of, or during, the interim period ended 28 December 2008.

Directors

The following persons were directors of Compass Hotel Group Limited during the whole of the half-year and up to the date of this report:

R. Jones
P. Kadar
R. Hill
B. Northcote

Review of Operations - Principal activities

During the interim period the principal activities of the Compass Hotel Group consisted of:

- (a) operating hotel and tavern businesses in Western Australia (WA); and
- (b) managing investment properties in WA.

The financial statements require explanation and the directors refer to the Explanation of Results which are part of the Group's Appendix 4D announcement.

Matters subsequent to the end of the interim period

At 28 December 2008 the Group was in breach of its borrowing covenants with respect to its long-term finance facility. As a result, the Group has classified \$95.2m of borrowings that are due for repayment in excess of 12 months from the balance sheet date and \$18.9m of financial instruments as current liabilities on the balance sheet, reflecting the fact that the lender had the right to call these funds immediately payable as at 28 December 2008. In February 2009, the Group received confirmation from the relevant financial institution that it will take no action under the default and that calculation of covenant requirements going forward would be clarified in good faith. The Group and the financial institution have completed a review of the calculation criteria of its covenants and financial requirements and an amended debt facility agreement has been executed.

On the 31 January 2009 the business lease for Cobblers Tavern expired and the option to renew was not exercised, and Compass Hotel Group vacated the premises on 2 February 2009 so that the Group could focus on its own hotels.

No other matter or circumstance has arisen since 28 December 2008 that has significantly affected, or may significantly affect:

- (a) the consolidated entity's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the consolidated entity's state of affairs in future financial years.

(continued)

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.

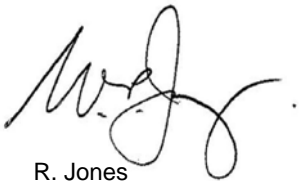
Rounding of amounts

The company 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 directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.

A handwritten signature in black ink, appearing to read 'R. Jones', with a stylized flourish at the end.

R. Jones
Director

Sydney
27 February 2009

PricewaterhouseCoopers
ABN 52 780 433 757

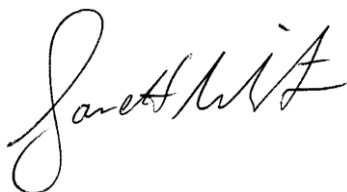
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Auditor's Independence Declaration

As lead auditor for the review of Compass Hotel Group Limited for the half year ended 28 December 2008, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Compass Hotel Group Limited and the entities it controlled during the period, including the Compass Hotel Group Trust.



Gareth Winter
Partner
PricewaterhouseCoopers

Sydney
27 February 2009

Compass Hotel Group Limited
Consolidated income statement
For the interim period ended 28 December 2008

	Consolidated	
Notes	28 December 2008 \$'000	31 December 2007 \$'000
Revenue from continuing operations	39,889	-
Other income	694	188
Purchase of inventories and changes in inventories (net)	(21,192)	-
Employment costs	(10,092)	(120)
Depreciation & amortisation	(977)	-
Impairment of intangibles	3 (58,441)	-
Other expenses	(3,891)	(58)
Advertising & promotions	(319)	-
Repairs & maintenance	(420)	(1)
Entertaining patrons	(442)	-
Cleaning	(482)	-
Light & power	(469)	-
Finance costs	(3,746)	-
Security	(586)	-
Fair value loss on financial instrument	3 (21,367)	-
Profit/(loss) before income tax	(81,841)	9
Income tax benefit	1,137	-
Profit/(loss) from continuing operations	(80,704)	9
Profit/(loss) is attributable to:		
Shareholders of Compass Hotel Group Limited	(11,266)	9
Unitholders of Compass Hotel Group Trust	(69,438)	-
	(80,704)	9
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic earnings per share	(0.65)	-
Diluted earnings per share	(0.65)	-

The above income statement should be read in conjunction with the accompanying notes.

Compass Hotel Group Limited
Consolidated balance sheet
As at 28 December 2008

Interim Period ended
Consolidated

	28 December	30 June
	2008	2008
Notes	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	3,110	4,709
Trade and other receivables	581	623
Inventories	4,119	3,186
Current tax receivables	11	-
Other	821	228
Total current assets	<u>8,642</u>	<u>8,746</u>
Non-current assets		
Receivables	30	24
Financial instruments	-	2,481
Property, plant and equipment	141,995	141,213
Investment properties	6,950	6,950
Deferred tax assets	2,360	1,223
Intangible assets	-	58,451
Total non-current assets	<u>151,335</u>	<u>210,342</u>
Total assets	<u>159,977</u>	<u>219,088</u>
LIABILITIES		
Current liabilities		
Trade and other payables	8,103	6,405
Borrowings	95,158	94,298
Financial instruments	18,886	-
Provisions	275	167
Other current liabilities	34	-
Total current liabilities	<u>122,456</u>	<u>100,870</u>
Non-current liabilities		
Borrowings	113	100
Provisions	9	15
Total non-current liabilities	<u>122</u>	<u>115</u>
Total liabilities	<u>122,578</u>	<u>100,985</u>
Net assets	<u>37,399</u>	<u>118,103</u>
EQUITY		
Contributed equity	4 24,087	24,087
Retained profits	<u>(4,754)</u>	<u>6,511</u>
Capital and reserves attributable to equity holder of Compass Hotel Group Limited	<u>19,333</u>	<u>30,598</u>
Parent entity interest	19,333	30,598
Minority interest	<u>18,066</u>	<u>87,505</u>
Total equity	<u>37,399</u>	<u>118,103</u>

The above balance sheet should be read in conjunction with the accompanying notes.

Compass Hotel Group Limited
Consolidated statement of changes in equity
For the interim period ended 28 December 2008

Consolidated	Notes	Attributable to members of Compass Hotel Group Limited			Total
		Contributed equity	Retained earnings	Minority interest	
		\$'000	\$'000	\$'000	\$'000
Balance at 9 October 2007		-	-	-	-
Issue of securities under IPO		25,453	-	100,659	126,112
Equity raising costs		(1,366)	-	(6,380)	(7,746)
Profit/(loss) for period		-	6,511	(5,537)	974
Distributions provided for or paid		-	-	(1,237)	(1,237)
Balance at 30 June 2008		24,087	6,511	87,505	118,103

Consolidated	Notes	Attributable to members of Compass Hotel Group Limited			Total
		Contributed equity	Retained earnings	Minority interest	
		\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2008		24,087	6,511	87,505	118,103
Profit/(loss) for period		-	(11,266)	(69,438)	(80,704)
Distributions provided for or paid		-	-	-	-
Balance at 28 December 2008		24,087	(4,755)	18,067	37,399

Interim Period ended Consolidated		
Notes	28 December 2008	30 June 2008
	\$'000	\$'000
	(11,266)	6,511
	(69,438)	(5,537)
	(80,704)	974

Total recognised income and expense for the half-year is attributable to:

Members of Compass Hotel Group Limited	(11,266)	6,511
Minority Interest	(69,438)	(5,537)
	(80,704)	974

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Compass Hotel Group Limited
Cash flow statement
For the interim period ended 28 December 2008

	Consolidated	
Notes	28 December 2008 \$'000	31 December 2007 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	46,378	(146)
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(42,190)</u>	-
	4,188	(146)
Interest received	249	188
Interest & other finance costs paid	<u>(3,914)</u>	-
Net cash (outflow) inflow from operating activities	<u>523</u>	<u>42</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(1,761)	-
Proceeds from sale of property, plant and equipment	<u>2</u>	-
Net cash (outflow) inflow from investing activities	<u>(1,759)</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	-	123,000
Proceeds from borrowings net of borrowing costs	861	64
Lease liabilities drawn/(repaid)	13	-
Dividends paid to minority interests in subsidiaries	<u>(1,237)</u>	-
Net cash (outflow) inflow from financing activities	<u>(363)</u>	<u>123,064</u>
Net increase (decrease) in cash and cash equivalents		
	(1,599)	123,106
Cash and cash equivalents at the beginning of the interim period	<u>4,709</u>	-
Cash and cash equivalents at end of the half-year	<u>3,110</u>	<u>123,106</u>

The above cash flow statement should be read in conjunction with the accompanying notes.

1 Basis of preparation of interim financial report

This general purpose financial report for the interim period ended 28 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the period ended 30 June 2008 and any public announcements made by Compass Hotel Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

a) *Going concern*

At 31 December 2008, the Group was in breach of its borrowing covenants with respect to its long-term finance facility. As a result, the Group has classified its borrowings of \$95.2m due for repayment in excess of 12 months from the balance sheet date and \$18.9m of financial instruments as current liabilities on the balance sheet. This reflects the fact that the lender had the right to call these funds immediately payable as at 28 December 2008. In February 2009, the Group received confirmation from its lender that it will not take action under the default.

Based on the current structure of the Group's borrowing covenants, the Group has forecast that it may be in breach of a borrowing covenant at 30 June 2009. Discussions with the lender have indicated that they are not prepared to provide a waiver of their rights in advance of a forecast breach. The Group continues to discuss the terms of the finance facility with the lender, particularly the terms of its borrowing covenants. The Group has received positive indications from the lender that it is willing to amend the finance facility and the related borrowing covenants which should assist the Group to achieve future covenant compliance within the terms of the facility. While the Group is confident based on indications from its lender that the facility will be amended prior to 30 June 2009, there can be no assurance of this in light of current economic conditions.

In the event of a future covenant breach, there is a risk that the lender may require the Group to repay some or all of the outstanding balance of the debt in advance of the facility maturity date in January 2013. If the Group is required to repay debt, the Group may have to realise assets at less than their fair value, which may also be less than the amounts at which they are stated in this financial report. The Group may also seek alternative funding sources, which may or may not be available at that time. Consequently, significant uncertainty exists as to the Group's ability to continue as a going concern if further covenants breaches were to occur and the lender chose not to provide further waiver of its rights under the facility.

As at 28 December 2008, the Group had a working capital deficiency of \$114 million due to the reclassification of long-term borrowings and financial instruments as current.

The Group generated positive cash flows from its operations during the half-year period to 28 December 2008 of \$524k and has forecast positive operating cashflow in the next 12 months. The Group also has cash on hand of \$3.1 million at period end.

After taking into account all currently available information, the Directors are of the opinion that there exist reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due and the half-year financial statements have been prepared on a going concern basis.

2 Segment information

(a) Description of segments

The consolidated entity operates in one segment which is primarily the operation of hotels in Western Australia.

3 Profit/(loss) for the half-year

Consolidated	
28 December	31 December
2008	2007
\$'000	\$'000

Profit for the half-year includes the following items that are unusual because of their nature, size or incidence:

Expenses

Net loss on revaluation of financial instruments at fair value through profit or loss	21,367	-
<i>Impairment of other assets</i>		
Goodwill	58,441	-
Total impairment losses - other assets	58,441	-

Fair Value Loss on Financial Instruments

Due to the recent movement in interest rates by the Reserve Bank of Australia, the Group's arrangements to fix its interest rate have exceeded the prevailing markets rates which resulted in a write down of \$21.3m on the fair value of that fixed interest rate financial instrument. The valuation is based on a "mark-to-market valuation" and results in a technical non-cash expense to our Profit and Loss.

Impairment of Other Assets

Given the recent movements in the property market and dampening of the domestic economic climate, the Board have reviewed the carrying value of the Group's assets including goodwill. This review has resulted in a write down of 29.0% on the carrying value of these assets and represents a non-cash expense to our Profit and Loss of \$58.4m.

4 Contributed equity

	Half-Year ended		Half-Year ended	
	Parent entity		Parent entity	
	28 December	30 June	28 December	30 June
	2008	2008	2008	2008
	Shares	Shares	\$'000	\$'000
(a) Share capital				
Ordinary fully paid shares	123,731,000	123,731,000	25,453	25,453
Cost of raising Equity			(1,366)	(1,366)
			24,087	24,087
Ordinary units in Compass Hotel Group Trust	123,731,000	123,731,000	100,659	100,659
Cost of raising Equity			(6,380)	(6,380)
			94,279	94,279
			-	-
Total contributed equity			118,366	118,366

5 Events occurring after the balance sheet date

At 28 December 2008 the Group was in breach of its borrowing covenants with respect to its long-term finance facility. As a result, the Group has classified \$95.2m of borrowings that are due for repayment in excess of 12 months from the balance sheet date and \$18.9m of financial instruments as current liabilities on the balance sheet, reflecting the fact that the lender had the right to call these funds immediately payable as at 28 December 2008. In February 2009, the Group received confirmation from the relevant financial institution that it will take no action under the default and that calculation of covenant requirements going forward would be clarified in good faith. The Group and the financial institution have completed a review of the calculation criteria of its covenants and financial requirements and an amended debt facility agreement has been executed.

On the 31 January 2009 the business lease for Cobblers Tavern expired and the option to renew was not exercised to enable the Group to focus on its own hotels, and Compass Hotel Group vacated the premises on 2 February 2009.

No other matter or circumstance has arisen since 28 December 2008 that has significantly affected, or may significantly affect:

- (a) the consolidated entity's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the consolidated entity's state of affairs in future financial years.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 10 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 28 December 2008 and of their performance for the interim period ended on that date; and
- (b) there are reasonable grounds to believe that Compass Hotel Group Limited will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



R. Jones
Director

Sydney
27 February 2009

Independent auditor's review report to the members of Compass Hotel Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Compass Hotel Group Limited, (the company) which comprises the balance sheet as at 28 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Compass Hotel Limited Group, which includes the Compass Hotel Group Trust (the consolidated entity). The consolidated entity comprises both the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company 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 control 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 an Interim Financial Report 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 consolidated entity's financial position as at 28 December 2008 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 Compass Hotel 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. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

**Independent auditor's review report to the members of
Compass Hotel Group Limited (continued)**

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the Company for the half-year ended 28 December 2008 included on Compass Hotel Group Limited's web site. The company's directors are responsible for the integrity of the Compass Hotel Group Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

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

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 Compass Hotel Group is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 28 December 2008 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*.

Significant uncertainty regarding continuation as a going concern

Without qualification to our opinion expressed above, we draw attention to Note 1 in the financial report which comments on a breach of debt covenant, the current liability classification of bank debt, the risk and possible consequences of a future breach of a debt covenant in the financial year ending 30 June 2009 and the directors views in relation to going concern. These conditions, along with other matters as set out in Note 1, indicate the existence of a significant uncertainty as to whether Compass Hotel Group Limited and its controlled entities can continue as a going concern and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

PricewaterhouseCoopers

PricewaterhouseCoopers



Gareth Winter
Partner

Sydney
27 February 2009